



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

14th September 2020

Report of the Head of Finance – Huw Jones

Matter for Decision

**Wards Affected:
All Wards**

Internal Audit Plan for the Period 1st September 20 – 31st December 2020

1. Purpose of Report

- 1.1 The purpose of this report is to seek members' approval of the attached Internal Audit Plan for the period 1st September 2020 – 31st December 2020.

2. Internal Audit Plan

- 2.1 It is customary to prepare an Internal Audit Plan for the forthcoming financial year and for this Committee to approve that plan in the March committee meeting. However this year the committee meeting planned for 18th March 2020 did not go ahead due to restrictions imposed due to the Coronavirus pandemic and therefore the proposed full year plan was not approved. When lockdown was imposed the focus of the Authority shifted to their response to the pandemic and business as usual was to a large extent paused, this had the effect that audit work was severely curtailed and internal audit staff moved initially to providing advice and guidance to staff throughout the Authority as they moved to home working and

revised working practices. From May the majority of the team were redeployed to work within the Test, Trace and Protect Service.

- 2.2 In light of the above and the uncertainty still surrounding when business as usual will recommence it is deemed appropriate given the unprecedented circumstances we find ourselves in to for this year only prepare short term audit plans. The first of which is detailed within appendix 1 of this report and covers a 4 month period.
- 2.3 During the next 4 months the Audit Manager will liaise with Chief Officers and service managers to discuss when their services are likely to return to a business as usual footing and what impact the working restrictions have had on their services. These discussions will inform the audit plan for the final quarter of this financial year and will be reported to this committee at the December meeting. Consideration will also be given to emerging risks and these will be factored into future plans.

3. Recommendation

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

4. Reason for Proposed Decision

To ensure compliance with the terms of reference of the Audit Committee.

6. Financial Impact

There is no financial impact associated with this report.

7. Integrated Impact Assessment

A first stage impact assessment has been undertaken to assist the Council in discharging its legislative duties (under the Equality Act

2010, the Welsh Language Standards (No.1) Regulations 2015, the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

The first stage assessment has indicated that a more in-depth assessment is not required.

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 – Internal Audit Plan for the period 1st September 20 – 31st December 2020

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NEATH PORT TALBOT COUNTY BOROUGH
COUNCIL

Finance & Corporate Services Directorate

Internal Audit Service

INTERNAL AUDIT PLAN
FOR THE PERIOD
1st September 2020 – 31st December 2020

Issue Date – 14th September 2020

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**STRATEGIC AUDIT PLAN IN RESPECT OF THE PERIOD
1st September 2020 – 31st December 2020**

1. INTRODUCTION

- 1.1 This plan outlines details of the Internal Audit Service involvement in Council services/functions for the period 1 September 2020 to 31st December 2020.
- 1.2 The plan has been prepared using the following assumptions and methodology.
- 1.3 The staffing complement for 2020/21 is 7.19 FTE.
- 1.4 An allowance has been made for special investigation type work i.e. fraud, theft, general malpractice issues in relation to employees and clients of Council services, along with requests for advice and guidance from service managers.
- 1.5 The focus of this plan is on auditing areas considered to be a higher risk due to remote working due to the pandemic and the subsequent changes in control processes.

2. INTERNAL AUDIT SERVICE PERFORMANCE MONITORING

Updates in line with corporate guidelines will continue to be given to the Council's Audit Committee and where required to the relevant Scrutiny Committee. The section's work will also follow the requirements of the Public Sector Internal Audit Standards.

3. AUDIT COMMITTEE

Since this Committee was established as a 'stand-alone' entity in May 2002, numerous reports on a variety of topics have been submitted and this has assisted Members' awareness of their role i.e. effective compliance with the laid down Terms of Reference of the Committee. Members of the Committee have also received training as appropriate.

The Committee undertakes its duties in line with the guidance given in the Public Sector Internal Audit Standards 2013 (updated 2017) which supersede The Code of Practice for Internal Audit in Local Government in the UK.

4. **THE YEAR AHEAD**

As for every year to date, a number of challenges lie ahead however this year the challenges are compounded by the Coronavirus Pandemic:

- Carry out audits remotely as staff across the Authority will in the most part work from home;
- Ensure that staff within the team continue to feel supported whilst working remotely;
- Develop new audit processes to accommodate remote working;
- Provide assurance to Members on the adequacy and effectiveness of internal controls on systems that have been affected by the budget reductions faced by the Authority;
- To further improve the assessment of risk in audit work;
- Continuing with the progress made to date in improving, and, enhancing the role of the Audit Committee;
- Continuing to work closely with service managers to improve the effectiveness of audit work, particularly with regard to the increasing emphasis on corporate governance issues and risk;
- Continuing to work closely with Wales Audit Office to maximise the effectiveness of audit work for the Authority.

In terms of ongoing requirements, there is a need to constantly monitor and review the progress being made in connection with the various assignments contained within the Audit Plan (aided by a computerised Audit Management System which has been developed in-house for our purposes). Progress reports will continue to be presented to Audit Committee. In addition, our External Auditor's report on the performance of Internal Audit in terms of compliance with the Public Sector Internal Audit Standards in line with their statutory responsibility in its entirety is submitted to the Audit Committee.

Appendix 1

Finally, this Internal Audit Plan is submitted to the Audit Committee for approval at its meeting scheduled for 14th September 2020.

Huw Jones
Head of Finance

Anne-Marie O'Donnell
Audit Manager

SECTION 1

LEGISLATIVE REQUIREMENTS RELATING TO THE PROVISION OF THE INTERNAL AUDIT FUNCTION

- 1.1 This section deals with the legislative question and the manner in which compliance is effected by the Authority.
- 1.2 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.”
- 1.3 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.
- 1.4 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. (3) a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. (4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control refers to in regulation 5 (3), by the committee or body referred to in that paragraph.
- 1.5 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.” This committee approved the service’s revised charter at the committee meeting in June 2019.

- 1.6 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 state:

Financial Regulation 3.4.5 – Audit Requirements

This states that the Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.

Financial Procedure Nos. 4.9.8 & 4.9.9

4.9.8 Responsibilities of the Director of Finance & Corporate Services

To ensure that internal auditors have the authority to:

- Access Authority premises at reasonable times
- Access all assets, records, documents, correspondence and control 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 his or her control
- Access records belonging to third parties, such as contractors, when required
- Directly access the head of paid service, the executive and Audit Committee
- To ensure that effective procedures are in place to investigate promptly any fraud, irregularity or mal practice.

4.9.9 Responsibilities of Corporate Directors (Chief Officers)

- To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

- To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- To consider and respond promptly to recommendations in audit reports
- To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- To notify the Director of Finance & Corporate Services immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Corporate Director should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

SECTION 2

INTERNAL AUDIT PLAN 1st September 2020 – 31st December 2020 CALCULATION OF AVAILABLE DAYS

- 2.1 The total number of days included in the Plan is based on a total of 7.19 (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 490. 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 meeting etc. The total number allocated to these overhead type areas is 50 days.
- 2.4 This leaves a total of 440 days available for planned work.

SECTION 3 – INTERNAL DRAFT AUDIT PLAN 1st September 2020-31st December 2020

Service Area	Days Allocated	Risk Factor
Creditor Payments	25	H
Procurement Card use	20	H
Treasury Management Transactions	15	M
Council Tax	20	M
Housing Benefits	25	M
Payroll	20	M
Non Domestic Rates	20	M
Sundry Debtors	20	M
DBS – new starters	10	H
Free School Meals (Covid 19)	15	M
Urgency Actions	15	M
IT equipment (home working)	20	M
NFI data submission	10	M
Declarations of Interest	15	M
Travel & Subsistence	20	M
Covid 19 Business Grants	25	H
<u>Cross Directorate</u>		
Special Investigations	60	N/A
Advice & Guidance requests	25	N/A
New HR/Payroll System	15	H
19/20 Post Audit Reviews and completion of audits	20	N/A
<u>Other Commitments</u>		
Banking Administrator	5	N/A
Servicing Audit Committee	5	N/A
Vision Impaired West Glam	10	N/A
FOI requests	2	N/A
Staff association/lottery	3	N/A

