



AUDIT COMMITTEE

24th June 2021

REPORT OF THE HEAD OF FINANCE – HUW JONES

2020/21 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 2020/21. It is also to provide details of the Internal Audit achievement against the 2020/21 amended Internal Audit Plan covering the period 1st September 2020 – 31st March 2021 approved by Audit Committee on 14th September 2020

The majority of Internal Audit staff were re-deployed to Track, Trace and Protect until the 1st September 2020 which resulted in an amended Internal Audit Plan being produced to cover the period when all staff returned to their roles within Internal Audit.

The plan focussed on auditing areas considered to be a higher risk due to remote working due to the pandemic and the subsequent changes in control processes. Focussing and completing work in relation to these areas was key to the issuance of this Head of Internal Audit opinion.

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 20/21 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.

The 2020/21 financial year was unique as a result of the effects of the pandemic. This included new working arrangements being put in place for the majority of council staff, along with additional workloads caused by the response to the pandemic including the administration of numerous Covid related Welsh Government grants.

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.

This assurance is based in part on the fact that the Internal Audit plan for the year focussed on higher risk areas where changes to processes and controls were required due to the move towards homeworking. 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.

In formulating this opinion the HIA has also taken into account the findings of the recently completed external Governance review which reported no significant weaknesses in the Councils internal controls and procedures.

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 work undertaken during 2020/21 (1st September – 31st March 2021) 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 during the latter half of the year. 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 63% of planned audits were undertaken. This figure seems low, however, it only represents 4 audits in the Internal Audit Plan not being completed. Work had, however, commenced on each of these audit during 2020/21 and it is expected that all 4 will be completed with an audit report issued imminently. Further to this 2 members of staff were not seconded to Track, Trace and Protect and continued undertaking Internal Audit work prior to the 1st September 2020. During this period 13 audits were undertaken and reports issued.

Due to the challenges faced throughout the year Post Audit Reviews were not undertaken in all instances where planned as a result of schools being shut for example. They were, however, undertaken on audit reports issued in relation to services that continued to operate as normal throughout the pandemic.

In addition to the formal audits undertaken staff also provided an increased level of advice and guidance to managers throughout the year as a result of the new ways of working and changes caused to normal administrative process as a result of the pandemic. 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.

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:

Huw Jones – Head of Finance (Head of Internal Audit)

Tel: 01639 763575 E-mail: h.jones@npt.gov.uk

Anne-Marie O'Donnell, Audit Manager

Tel 01639 763628 E-mail: am.odonnell@npt.gov.uk

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2021

<u>Revised Audit Plan Item 2020-21</u>	<u>Risk Factor</u>	<u>Progress</u>
<u>Service Area</u>		
Creditor Payments	H	Audit undertaken and report issued.
Procurement Card Use	H	Audit undertaken and report issued.
Treasury Management Transactions	M	Audit undertaken and report issued.
Council Tax	M	Audit in progress
Housing Benefits	M	Audit in progress.
Payroll	M	Audit undertaken and report issued.
Non Domestic Rates	M	Audit in progress.
Sundry Debtors	M	Audit undertaken and report issued.
DBS – Schools New Starters	H	Audit undertaken and Interim report issued. Further work also being undertaken.
Free School Meals (Covid 19)	M	Audit undertaken and report issued.
Urgency Actions	M	Audit undertaken and report issued.
IT equipment (home working)	M	Audit in progress.
NFI data submission	M	Submission undertaken. 1 report also issued.
Declarations of Interest	M	Audit undertaken and report issued.
Travel & Subsistence	M	Audit undertaken and report issued.
Covid 19 Business Grants	H	Review undertaken on 6 grants and 4 reports issued. Work ongoing on remaining 2.

Appendix 1 – Monitoring of Internal Audit Work compared to Audit Plan
Position as at 31st March 2021

<u>Revised Audit Plan Item 2020-21</u>	<u>Risk Factor</u>	<u>Progress</u>
<u>Cross Directorate</u>		
Special Investigations	N/A	6 investigations undertaken and reports issued.
Advice & Guidance requests	N/A	Assistance provided upon request.
New HR/Payroll System	N/A	Assistance provided upon request.
19/20 Post Audit Reviews and completion of audits	N/A	VAT 19/20 and Margam Orangery audits completed and reports issued. Post Audit Reviews completed.
<u>Other Commitments</u>		
Banking Administrator	N/A	Assistance provided upon request.
Servicing Audit Committee	N/A	Completed
Vision Impaired West Glam	N/A	Audit undertaken and report issued.
FOI requests	N/A	None requested
Staff association/lottery	N/A	Review of 2019/20 undertaken.
<u>Audits not on original plan</u>		
KM service grant	<u>N/A</u>	Audit undertaken and report issued.
DBS sample check - non schools	H	Audit undertaken and report issued.
Education Grants	N/A	2 audits undertaken and 2 reports issued.