



GOVERNANCE AND AUDIT COMMITTEE

27th September 2022

REPORT OF THE CHIEF ACCOUNTANT TECHNICAL & GOVERNANCE (Head of Internal Audit) – DIANE MULLIGAN

Matter for Information

Wards Affected:

All Wards

2021/22 Annual Internal Audit Report

1. Purpose of the report

The purpose of this report is to provide the committee with the Head of Internal Audit's (HIA) Annual Opinion on the internal controls, governance and risk management arrangements operating within the Council during the financial year 2021/22. It also provides details of the work undertaken by the Internal Audit Service during 2021/22 and achievement against the plan.

2. Background

- 2.1 The Public Sector Internal Audit Standards (The Standards) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2 The Standards require the Head of Internal Audit to provide an annual internal audit assurance statement which informs the Annual

Governance Statement. The annual internal audit opinion must reflect the overall adequacy and effectiveness of the internal controls, governance and risk management arrangements operating within the Council; provide a summary of the audit work undertaken; draw attention to any issues which have impacted the assurance provided; provide a summary of the service's performance and comment on the service's conformance with The Standards.

- 2.3 During 2021/22 the vast majority of audit work was delivered remotely with staff predominantly working from home during the year. Remote auditing is not without its challenges however both the team and auditees have adapted well to this way of working.
- 2.4 Due to an unprecedented level of sickness, a total of 155 days were lost, which coupled with 130 days being lost to vacancies the Internal Audit Plan was revised and the revised plan agreed by Committee in November 2021. The revised plan did however provide coverage of the high risk areas and covered all directorates.

3. Assurance Statement

- 3.1 In accordance with The Standards the HIA is required to provide a statement of assurance on the systems of internal control, governance and risk management arrangements operating within the Authority.
- 3.2 Following the work carried out by Internal Audit via the risk based audit plan approved by Governance & Audit Committee; the assurance ratings applied to individual audit assignments and reported to Governance & Audit Committee; the acceptance and implementation of internal audit recommendations by management; the overall coverage of internal audit work and considering other sources of assurance provided by external agencies. 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.

- 3.3 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.
- 3.4 However, it should be noted that in relation to risk management the current Risk Management Policy was not fully adhered to. Following the establishment of a Corporate Incident Management Team chaired by the Chief Executive during 2020/21 to manage risk during the pandemic this team continued to meet during 2021/22 and risks continued to be monitored and managed via this group. The Strategic Risk Register was updated as and when required.

The current Risk Management Policy is in the process of being updated and work needs to be undertaken to ensure that risk management is fully embedded throughout the Council. The introduction of individual Service Recovery Plans completed by every Accountable Manager, which detail service risks and are signed off by the relevant head of service and cabinet member, will aid the embedding of the management of risk in all service areas.

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

Taking into account the assurance ratings applied following individual audit assignments undertaken; the acceptance and implementation by management of all recommendations made; the work undertaken by internal audit which did not result in a formal report being undertaken; assurance provided by other parties; and lack of findings in respect of work undertaken during the review of National Fraud Initiative matches. The HIA's opinion is that **reasonable assurance** can be provided that the internal controls, governance and risk management arrangements operating during 2021/22 were satisfactory.

4. Internal Audit Performance

- 4.1 Appendix 1 provides a comparison of the work undertaken against the work planned.

- 4.2 A summary is provided below:
90% of high risk audits were undertaken.
65% of the plan was achieved (n.b. 90 of the total days sickness occurred after the revised plan was approved).
100% of the recommendations made were accepted.
No issues were identified during post audit reviews of recommendations not being implement.
A total of 42 formal audit reports were issued.
Only 1 audit resulted in a limited assurance rating.
No audits undertaken resulted in no assurance being provided.
- 4.3 In addition to the formal audits undertaken, which resulted in a report being issued, the team provided advice and guidance on an ongoing basis to staff across the Council; attended working parties and provided advice on new systems being implemented.

5. Conformance with The Standards

- 5.1 The Standards which became effective on 1st April 2013 introduced a requirement that each internal audit service be externally reviewed every 5 years. The first review of this Council's internal audit service was finalised in March 2018 and concluded that the service generally conforms to The Standards, there is no higher rating. The next review is scheduled to be undertaken in the early part of 2023.
- 5.2 The standards mandate that each service must maintain a Quality Assurance & Improvement Programme which is intended to aid the raising of standards within the service. The current QAIP is attached as appendix 2
- 5.3 The organisational independence of the service remains unchanged. Both the HIA and the Audit Manager are 3rd tier officers who have unrestricted access to the Chair of this committee, the Chief Executive and all Chief Officers. The day to day management of the service is undertaken by the Audit Manager and the HIA has no input into the content of any audits undertaken in areas also managed by her.

5.4 On an annual basis all members of the team make an annual declaration in relation to land or property within the county borough in which they have an interest; any personal relationships with other Council employees or members; any outside business interests and any gifts or hospitality accepted or declined. Additionally they sign a declaration acknowledging that they have received a copy of The Standards Code of Ethics and agree to conform to its principles.

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. Valley Community Impacts

No implications.

9. Work Force 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 and good governance. 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. Recommendation

Having due regard to the Integrated Impact Assessment it is recommended that members note the information contained within this report.

14. Appendices

Appendix 1 – Internal Audit Plan Year End Position

Appendix 2 – Quality Assurance & Improvement Programme

Officer Contacts

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Audit Plan Item	Risk Rating	Year End Position
Primary Schools	Medium	2 full school audits completed
Procurement Card Transactions – Primary Schools	Medium	Audit completed
Statutory Policies – Primary Schools	Medium	Audit completed
Driver Declarations – Primary Schools	Medium	Audit completed
Secondary Schools	High	Rolled forward to 22/23. No audits completed due to Covid pressures within schools.
DBS – School based staff	High	Audit completed
Schools Unofficial Funds	High	Audit completed
Schools Data Protection Registration	Medium	Audit completed
Statutory Policies – Secondary Schools	Medium	Audit not progressed due to sickness and recommencing of full school audits.
Driver Declarations – Secondary Schools	Medium	Audit not progressed due to the very limited number of journeys undertaken.
Education Library Resource Centre	Medium	Audit completed
Covid Hardship Fund Grants	High	2 audits completed and the Fraud Officer provided ongoing support to the team administering the grants.
Integrated Impacts Assessments	Medium	Audit Completed

Margam Crematorium	Medium	Audit completed
GDPR/Data Security	Medium	Audit completed and report issued in 22/23
Stores – Stocktake Assistance	High	All work undertaken
Environment Grants	Medium	Not completed due to sickness
Fuel Usage and Control	High	Work started but not completed due to long term sickness of the auditor, who is still on sick leave.
Drainage	Medium	Not completed due to long term sickness of the accountable manager for the service
Pest Control	Medium	Audit completed
Business Support Loans and Grants	Medium	1 grant audited
Crymlyn Burrows Transfer Station	High	Work started but not completed due to long term sickness of the auditor who is still on sick leave.
Final Accounts	High	All required work completed
Council Tax	Low	Audit completed
NNDR	Low	Control Risk Self- Assessment undertaken.
Bank Reconciliation	High	Audit completed
Housing Benefits	Low	Audit completed
Governance Review – Follow Up work	High	All required work undertaken
Creditor Payments	Low	All required work undertaken
Creditors FIS Checks	High	All required daily and monthly checks undertaken

Treasury Management	Medium	Audit completed
3rd Sector Grants	Medium	Rolled forward to 22/23 due to sickness
Hillside Secure Unit	Medium	Audit completed
Social Services Grant Certification	Medium	3 grants certified
Children's & Adult Services	High	Audit completed
Monitoring of External Providers	Medium	Rolled forward to 22/23 due to sickness with service and internal audit
Trem Y Mor Complex Needs Service	Medium	Rolled forward to 22/23 due to sickness
Covid Recovery	High	Work was undertaken throughout the year
Corporate Debt Recovery – Breathing Space Legislation	High	Audit completed
DBS Compliance – Non Schools	High	Audit completed
Mobile Phones – usage & controls	Medium	Audit completed
Special Investigations	N/A	
Advice & Guidance	N/A	Advice was provided throughout the year by the team
Officer Declarations	Medium	Audit completed
Procurement	High	Rolled forward to 22/23 due to sickness
Fraud	High	5 reports issued

Money Laundering	High	Audit completed
Use of Agency Workers	M	Audit completed
Banking Administrator	N/A	All required work was undertaken
Attendance at Working Parties	N/A	Various working parties were attended throughout the year
Servicing Governance & Audit Committee	N/A	All committees were attended and required reports produced.
Vision Impaired West Glamorgan	Low	Audit completed
SWTRA	N/A	No work requested this year
FOI Requests	N/A	All requests were replied to within the required timescales
Staff Association/Lottery	N/A	Year end audit completed
Procurement during initial working from home period	High	Audit completed

Quality Assurance & Improvement Programme (QAIP)

The QAIP should be based on the following to ensure compliance with the standards:

- Work undertaken by auditors is supervised and reviewed.
- An internal review of the quality of work undertaken and compliance with The Standards should be undertaken annually.
- External quality reviews should be undertaken at least every 5 years by an independent qualified person to assess the quality of the work undertaken and compliance with the Standards.

Internal Assessment

The following processes are in place to assess the quality of work and inform any potential training needs:

- Internal audit work programmes are devised by the Audit Manager or the Senior Auditor and loaded onto our internal audit management system. Each audit clearly states the audit objectives, risks, expected controls and audit testing to be undertaken. This approach is only varied by agreement with the Audit Manager.
- Every audit is reviewed by the Audit Manager or Senior Auditor and any review points added to the system for the auditor to respond to before the draft report is reviewed.
- All draft reports are reviewed by the Audit Manager before they are issued.
- The HIA undertakes periodic dip sampling of audits undertaken.
- All audits are allocated to staff based on their experience and skill set.
- A client satisfaction survey is issued to the accountable manager of the service audited following the audit. These are returned under confidential cover to the Chief Finance Officer before being shared with the Audit Manager. Any issues identified from the questionnaires are dealt with by the Audit Manager.
- A number of KPIs are maintained all of which are recorded via the audit management system and collated by the Senior Auditor.
- Regular 1:1 are held between all staff and the Audit Manager where workloads, training needs and any identified issues are discussed.
- Staff regularly undertake training and have all completed all mandatory NPT training courses.
- During 21/22 as a team we attended a training course on auditing ethics.

- 3 members of the team are currently studying for the Institute of Internal Auditors Certified Internal Auditor qualification.
- On a quarterly basis progress against the plan is reported to the Governance & Audit Committee.
- It is intended that going forward the HIA will complete an annual assessment using the guidance contained within CIPFAs Local Government Application Note. Due to the changeover in responsibilities in November 2021 this was not undertaken for 21/22.

External Assessment

An external assessment of compliance with the Standards must be undertaken at least every 5 years and can be either an internal self-assessment which is subject to external evaluation or a full external quality assessment.

The external assessment in NPT was undertaken in January and February 2018 and reported to the then Audit Committee on 5th April 2018. The preferred method was an internal self-assessment independently reviewed. This was facilitated via the Welsh Chief Auditors Group and our review was undertaken by Blaenau Gwent County Borough Council and NPT facilitated the review of Monmouthshire Council.

The next review is due to be undertaken in early 2023 and will be undertaken via the same method this time by Conwy County Borough Council and NPT will undertake the review of Caerphilly County Borough Council in December 2022.

The findings of the review will be reported in full to the Governance Audit Committee when it is finalised.