



Cyngor Castell-nedd Port Talbot
Neath Port Talbot Council

GOVERNANCE AND AUDIT COMMITTEE

16th June 2023

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

Matter for Information

Wards Affected:

All Wards

2022/23 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 2022/23. It also provides details of the work undertaken by the Internal Audit Service during 2022/23 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 HIA 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 2022/23 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.

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 the 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 The Authority's Risk Management Policy has recently been updated and compliance with the revised policy will be audited during 2023/24 and the outcome reported to this committee. During the period of

review of the policy the existing policy was not fully adhered to however risk revisions were appropriately reported to Cabinet.

- 3.5 Service Recovery Plans are completed by every Accountable Manager, which detail service risks and are signed off by the relevant head of service and cabinet member. The aim is that the completion of these plans will aid the embedding of the management of risk across the Council. Individual Service Recovery Plans were used to inform the audit planning process and the compilation of individual audit programmes.
- 3.6 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 2022/23 were satisfactory.

4. Internal Audit Performance

- 4.1 During 2022/23 the section again lost a substantial amount of time, 199 staff day (187 full time equivalent days and therefore audit plan days), due to staff sickness. This sickness had an obvious effect on performance however despite the loss of days the team achieved the following:
- 82 % of high risk audits were undertaken
 - 85% of the plan was achieved
 - 100% of recommendations were accepted and there were no significant issues identified during Post Audit Reviews in relation to the recommendations being implemented
 - A total of 50 formal audit reports were issued
 - 77% of client satisfaction surveys issued were completed

- 100% of clients audited rated the services as good from a choice of good, satisfactory, unsatisfactory or poor.

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

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/task and finish groups/project boards 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 quality 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 service is currently undergoing an external quality assessment and the results will be reported to Members when the assessment is completed.

5.2 The standards mandate that each service must maintain a Quality Assurance & Improvement Programme (QAIP) 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. Integrated Impact Assessment

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

7. Valley Community Impacts

No implications.

8. Work Force Impacts

No implications.

9. Legal Impacts

No implications.

10. 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.

11. Consultation

There is no requirement for external consultation on this item.

12. Recommendation

It is recommended that members note the information contained within this report.

13. Reason for proposed recommendation

To ensure compliance with the Public Sector Internal Audit Standards and the Council's governance framework.

14. Appendices

Appendix 1 – Internal Audit Plan Year End Position

Appendix 2 – Quality Assurance & Improvement Programme

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Appendix 1 – Audit Plan Year End Position

Audit Plan Item	Risk Rating	Year End Position
Members ICT equipment	Medium	Audit Complete.
Ethics – Members	Medium	Audit carried forward to 23/24.
Payroll	High	Done via control risk self-assessment due to issues with the new Itrent system. Agreed with Chair & Deputy Chair to substitute a full audit of the Creditors system. NB an audit was undertaken early in the year which provided substantial assurance that all data had been successfully transferred from the legacy payroll/HR system to the new system.
Council Tax	Low	Done via control risk self-assessment.
Housing Benefits	High	Audit complete.
Creditors	Medium	Audit started but not complete at year end.
National Non-Domestic Rates	Medium	Done via control risk self-assessment.
Debtors	Medium	Done via control risk self-assessment.
Court Deputy Service	Medium	Audit started but not complete at year end.
Third Sector Grants	Medium	Audit Complete.
Registrars	Medium	Audit undertaken and draft report issued.
Procurement	High	Scope amended to concentrate on Amazon purchases. Audit Complete.

GDPR & Data Security	High	Audit complete.
Compliance with Safe Recruitment Policy	Medium	Audit Complete
Leisure Insourcing	High	All project board group meetings attended. NB. Insourcing delayed until 01.04.2024 by members.
PDG Access & Glamorgan Education Trust Grants	Medium	Grants audited.
Primary Schools	Medium	14 schools audited.
Comprehensive Schools	High	6 schools audited.
Pupil Deprivation Grant – compliance	High	Audit complete.
Music Service	Low	Audit carried forward to 23/24.
Bursar & Primary Support Office Service	Medium	Audit complete.
School Based Counselling Service	Medium	Audit started but not complete at year end.
Flood Risk	High	Audit started but not complete at year end.
South Wales Trunk Road Agency – Partners’ use of vehicles	High	Audit withdrawn as SWTRA unable to agree scope with partners.
City Deal Projects	High	Audit complete.

Authorised Person – Council Buildings	Medium	Audit complete.
External Provision of care	High	Audit started but not complete at year end.
Day Centres	Medium	4 day services audited.
Direct Payments	Medium	Audit complete.
Follow up on the use of respite care	Medium	Audit carried forward to 23/24.
Progress on actions identified in Audit Wales review of Safeguarding	Medium	Audit Complete.
Pendarvis Family Time Centre	Medium	Audit Complete.
Hillside Secure Children’s Home	Medium	Audit Complete.
Harm Outside the Family	Medium	Audit carried forward to 23/24.
Social Services Grants	Medium	We audited all grants we were requested to.
Emergency Payments	High	Audit Complete.
National Fraud Initiative	High	5 reports issued.
Officer Declarations	Medium	Audit Complete.
WFH control of Equipment	Medium	Audit Complete.
Special Investigations and	High	10 investigations undertaken.

Whistleblowing Referrals		
Staff Association Lottery	Not applicable	Year-end accounts audited and advice provided throughout the year.
Vision Impaired West Glamorgan	Not applicable	Audit complete.
FOI requests	Not applicable	All received were responded to within the required timescales.
Attendance at working parties/task and finish groups/project boards	Not applicable	Various attended throughout the year and advice given as appropriate.
Advice & Guidance Requests	Not applicable	All requests received were responded to.

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 meetings 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 the mandatory NPT training courses.

- 1 member of the team has recently successfully completed the Chartered Internal Auditor qualification and 2 members of the team are currently studying for the same qualification.
- 1 member of the team is currently undertaking study to achieve Chartered Member Status of the Institute of Internal Auditor (CMIIA)
- 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

- **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 preferred method is an internal self-assessment independently reviewed and reported upon. This is facilitated via the Welsh Chief Auditors Group and our review is currently being undertaken by Conway County Borough Council.

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