



## **AUDIT COMMITTEE**

Date Written	23 <sup>rd</sup> July 2020
Report Author	Mark Thomas/Gary Evans
Exempt/Non Exempt	Non Exempt
Committee Date	3 <sup>rd</sup> August 2020

*To: Chair, Ladies and Gentlemen*

# **ANNUAL INTERNAL AUDIT REPORT 2019/20**

## **1.0 SUMMARY OF THE REPORT**

- 1.1 The purpose of this report is to provide the Head of Audit's Annual Opinion and to inform the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019/20.
- 1.2 The Internal Audit Annual Report summaries the reviews undertaken during 2019/20 including any counter fraud work, the recommendations made and any control issues identified. A total of 16 reviews were completed with an audit opinion and a total of 133 recommendations made. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 1.3 Taking into account the results of the internal audit work completed for the financial year 2019/20, **internal controls** and **risk management** were found to be **satisfactory**.
- 1.4 However, given the concerns expressed over aspects of governance and capacity in external reports, in particular the work of the Wales Audit Office and the report of the core team of the Improvement and Assurance Board published in December 2019 – "Rapid Assessment for Welsh Government", the Head of Internal Audit's opinion on **governance** is **unsatisfactory**.

1.5 Due to the concerns expressed over aspects of governance and capacity, the support already provided by Welsh Government at the Council's request, and the additional support that is to be provided, the Head of Internal Audit's annual opinion on the **overall** adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2019-20 is **unsatisfactory**. However, it is acknowledged that the Council has already addressed a number of the actions identified by the Board and has developed a detailed Recovery, Transformation and Improvement Plan. If fully implemented, this will help improve governance significantly and will assist the Council to address the challenges it faces.

## **2.0 RECOMMENDATIONS that**

2.1 That Members give due consideration to the Annual Internal Audit Report for the Financial Year 2019/20 including the Head of Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control.

## **3.0 INTRODUCTION AND BACKGROUND**

3.1 The purpose of this report is to provide the Head of Audit's Annual Opinion and to inform the Audit Committee of the work and performance of Internal Audit for the Financial Year 2019/20.

3.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:

- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- Present a summary of the audit work undertaken;
- Draw attention to any issues that may impact on the level of assurance provided;
- Provide a summary of the performance for the service;
- Comment on conformance with the Public Sector Internal Audit Standards.

3.3 In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

- 3.4 The 2019/20 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 29<sup>th</sup> April 2019. The Plan outlined the assignments to be carried out and their respective priorities. As this was the first year of the newly created Regional Service, 2019/20 was highlighted as a transitional year where flexibility would be required to deal with the demands of setting up a new service.
- 3.5 In addition, the plan was produced based on a full staffing compliment, however vacancies remained during 2019/20 whilst the staffing structure for the Regional Service was being agreed and therefore SWAP Internal Audit Services have assisted with some work.

### **Current situation/proposal**

- 3.6 The Internal Audit Annual Report is at **Appendix 1** which summarises the reviews undertaken during 2019/20 including any counter fraud work, the recommendations made and any control issues identified. A total of 16 reviews were completed with an audit opinion and a total of 132 recommendations made. A detailed breakdown is included at **Annex A** of the appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 3.7 Taking into account the results of the internal audit work completed for the financial year 2019/20 **internal controls** and **risk management** were found to be **satisfactory**.
- 3.8 Given the concerns expressed over aspects of governance and capacity in external reports in particular the work of the Wales Audit Office and the report of the core team of the Improvement and Assurance Board published in December 2019 – “Rapid Assessment for Welsh Government”, the Head of Internal Audit’s opinion on **governance** is **unsatisfactory**.
- 3.9 Due to the concerns expressed over aspects of governance and capacity, the support already provided by Welsh Government at the Council’s request, and the additional support that is to be provided, the Head of Internal Audit’s annual opinion on the **overall** adequacy and effectiveness of the Council’s framework of governance, risk management and control for 2019-20 is **unsatisfactory**. However, it is acknowledged that the Council has already addressed a number of the actions identified by the Board and has developed a detailed Recovery, Transformation and Improvement Plan. If fully implemented, this will help improve governance significantly and will assist the Council to address the challenges it faces.
- 3.10 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

#### 4.0 FINANCIAL IMPLICATION(S)

4.1 There are no financial implications associated with this report.

**MARK THOMAS**  
**HEAD OF REGIONAL AUDIT SERVICE**

**COUNCILLOR ANDREW BARRY**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Internal Audit Annual Report	23 <sup>rd</sup> July 2020	Audit Service
Various internal audit reports	Various	Audit Service
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>No</b>