



GOVERNANCE AND AUDIT COMMITTEE

Date Written	10 th June 2021
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Exempt/Non Exempt	Non Exempt
Committee Date	6th September 2021

To: Chair, Ladies and Gentlemen

ANNUAL INTERNAL AUDIT REPORT 2020/21

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 2020/21.
- 1.2 The Internal Audit Annual Report summaries the reviews undertaken during 2020/21 including any counter fraud work, the recommendations made and any control issues identified. A total of 24 reviews were completed in the year with 14 reports culminating in an opinion for 2020/21, 13 (93%) of which have been closed with either a good or satisfactory assurance opinion level. 1 review (7%) had an unsatisfactory opinion. A total of 92 recommendations were made to improve internal control, governance or risk.
- 1.3 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.
- 1.4 Taking into account the results of the internal audit work completed for the financial year 2020/21, internal controls and risk management were found to be satisfactory.

1.5 Following a number of external reports published in 2019/20 which expressed concerns over aspects of governance and capacity at the Council, Audit Wales published a progress report in March 2020/21 which identified that the Council has shown a great deal of resilience in how it has risen to the challenges of the pandemic. The Council has also made progress in developing an improvement plan, but it urgently needs to address its lack of capacity to drive the transformation needed, and use its available resources to strengthen its resilience over the medium to long term.

1.6 Recognising the progress made the Head of Internal Audits opinion on Governance for 2020/21 is satisfactory.

1.7 Therefore **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 2020/21 is:**

Satisfactory

1.8 However, there are still underlying concerns, particularly around the lack of capacity and medium to long term financial resilience that if not addressed could result in a negative opinion in the future. The Council must continue to address the issues identified in the Recovery Transformation & Improvement (RTI) Plan and the recommendations made in the Audit Wales Progress Report to ensure that this can be sustained.

2.0 RECOMMENDATIONS that

2.1 That Members give due consideration to the Annual Internal Audit Report for the Financial Year 2020/21 including the Head of Audit's Annual Opinion on the overall adequacy and effectiveness of the Council's framework of 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 2020/21.

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 draft audit plan for 2020/21 was due to be presented to Audit Committee in April 2020 however the COVID-19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan. The 2020/21 Internal Audit Plan was therefore approved on the 12th October 2020. The plan recognised that there would be a different emphasis due to the impact of COVID-19; particular risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working. The approved plan was also more flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic.
- 3.5 2020/21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 3.6 Covid-19 also changed how audit work was carried out in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.
- 3.7 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports being delayed where services have been under pressure.

Current situation/proposal

- 3.8 The Internal Audit Annual Report is at **Appendix 1** which summarises the reviews undertaken during 2020/21 including any counter fraud work, the recommendations made and any control issues identified. A total of 24 reviews were completed in the year with 14 reports culminating in an opinion for 2020/21, 13 (93%) of which have been closed with either a good or satisfactory assurance opinion level. 1 review (7%) had an unsatisfactory opinion. A total of 92 recommendations were made to improve internal control, governance or risk.
- 3.9 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.

- 3.10 Progress against the 2020/21 Risk Based Plan is attached at Annex B. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 3.11 Annex B illustrates that most planned audit reviews have been undertaken during 2020/21 despite the pandemic and the impact that has had to demands on services as well as the impact of adopting to remote working. Although the pandemic did have some impact on the delivery of the internal audit plan for 2020/21 the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.
- 3.12 Where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year, some due to requests from services that were under intense pressure, these will be considered in the 2021/22 plan. In addition, seven audits started in 2020/21 will be completed during 2021/22.
- 3.13 Taking into account the results of the internal audit work completed for the financial year 2020/21, **internal controls** and **risk management** were found to be **satisfactory**.
- 3.14 Following a number of external reports published in 2019/20 which expressed concerns over aspects of governance and capacity at the Council, Audit Wales published a progress report in March 2020/21 which identified that the Council has shown a great deal of resilience in how it has risen to the challenges of the pandemic. The Council has also made progress in developing an improvement plan, but it urgently needs to address its lack of capacity to drive the transformation needed, and use its available resources to strengthen its resilience over the medium to long term.
- 3.15 Recognising the progress made the Head of Internal Audits opinion on **governance** for 2020/21 is **satisfactory**.
- 3.16 Therefore **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 2020/21 is:**

Satisfactory

- 3.17 However, there are still underlying concerns, particularly around the lack of capacity and medium to long term financial resilience that if not addressed could result in a negative opinion in the future. The Council must continue to address the issues identified in the RTI Plan and the recommendations made in the Audit Wales Progress Report to ensure that this can be sustained.

3.18 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 2020/21 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 INTERNAL AUDIT
SERVICE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Internal Audit Annual Report	10 th June 2021	Audit Service
Various internal audit reports	Various	Audit Service
Does the report contain any issue that may impact the Council's Constitution?		No