



Report of the Chief Auditor

Audit Committee – 9 February 2021

Internal Audit Annual Plan 2020/21 - Monitoring Report for the Period 1 October 2020 to 31 December 2021

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2020 to 31 December 2020.
Recommendation:	That the Audit Committee Members note the information contained in this report.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services.
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Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 1st June 2020. This is the third quarterly monitoring report to be presented to allow the Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits finalised in the period 1st October 2020 to 31st December 2020.

- 1.3 Committee should be made aware that throughout this period the Internal Audit Function and the wider Authority have continued to adapt to the unprecedented challenges as a result of the Covid-19 pandemic, which has impacted every aspect of Council business and operations.
- 1.4 As reported in previous monitoring reports, due to the Covid-19 pandemic access to all council sites has been restricted for the majority of the year. This had a significant impact on the Audit Team's ability to complete on-site testing. However, the Team has continued to complete as much testing as possible remotely. At the time of compiling the Quarter 1 report we had hoped that the easing of restrictions would continue into Quarter 2 and 3 which would allow the Team to resume site visits. However, at the time of compiling this report, due to the second wave of Covid-19 infections, national lockdown restrictions have been reintroduced. As such, the team is still unable to complete on-site testing.

2. Audits Finalised 1 October 2020 to 31 December 2020

- 2.1 A total of 16 audits were finalised during the quarter. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed. Appendix 2 provides a summary of the scope of the reviews finalised during the period.
- 2.2 An analysis of the assurance levels of the audits finalised is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	10	6	0	0

- 2.3 A total of 73 audit recommendations were made and management agreed to implement all of the recommendations, i.e. 100% of the recommendations made were accepted against a target of 95%.
- 2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during the quarter is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
0	11	42	20	73

- 2.5 The implementation status for those audits that have been subject to a standard follow-up in the quarter is reported separately in the Recommendation Follow-up Report. This includes all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews is reported to committee via the Fundamental Audit Recommendation Tracker Report.

2.6 The Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount
Regional Consortia School Improvement Grant (RCSIG) 2019/20	£8,855,920.00
Additional Support for Disadvantaged Learners Grant (Local Authority Education Grant) 2019/20	£4,367,773.00
Supporting People Programme Grant 2019/20	£13,817,121.00
Pupil Development Grant 2019/20	£7,506,433.09

2.7 Additional work also undertaken by the team in the quarter included:

- i) Lloyds pre-paid card review in relation to the Covid-19 Foodbank set-up and operation.
- ii) Completion of the Fundamental Audit Recommendation Tracker exercise for the fundamental audits completed in 2019/20 as reported to the Committee in January.

2.8 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 3 shows each audit included in the Plan approved by Committee on the 1st June 2020 and identifies the position of each audit as at 18th January 2021.

2.9 As reported previously, due to the Covid-19 pandemic and as a result of the Council wide response to the advice issued by Central and Welsh Government, all Internal Audit staff have been working remotely from home since the end of March 2020. This continued to be the case throughout the quarter and due to the recent resurgence in Covid-19 cases the team will continue to work remotely for the foreseeable future.

2.10 It must be acknowledged that the measures introduced across the Council in response to the pandemic have inevitably had an impact on the team's ability to initiate and progress with audits, due to the effect such measures have had across client departments. For example, some sites have been closed completely, the majority of staff across the council have been working from home and client departments have been prioritising emergency responses to the pandemic to ensure key operations and services continue to be delivered.

2.11 This continues to have an impact on the team's ability to progress with business as usual and hence has had an impact on the amount of audit work that the team has been able to complete in the quarter. However,

the team has continued to work hard to undertake as much audit work as possible remotely in these unprecedented circumstances.

- 2.12 Where we have been able to progress with audits we have found that it has taken longer than usual to complete some reviews due to the complexities of obtaining the information required remotely and due to the fact that the majority of the workforce across the Council has been working from home.
- 2.13 In addition, it should be noted that we have only completed audits where we have determined that there has been no or very minor limitations to the scope of the review. For example, given the current circumstances, in some instances we have been unable to complete on-site inventory verification or physically test petty cash balances and accounts. On initial review of the audit programme, if we have concluded that a significant majority of the material risk areas can be tested as part of the review we have progressed with the audit. Similarly, if we felt that there were significant areas of testing that could not be completed, we have deferred the review as we would not be able to provide adequate assurance over key material risks. Thankfully, with the fundamental audits in particular but also with other audits, the increasing shift to paperless/online working in recent years has meant the scope of most of the reviews completed has not been impacted by remote working.
- 2.14 The team has also been heavily involved in assisting with the Councils Covid-19 response. Earlier in the year one of the team was seconded full time to the Food Bank initiative. The team has also been assisting with the checking of various support grant payments that have been managed by the Council. To the end of December, a total of 53 days has been spent on Covid-19 related support work, in addition to the 111 days attributable to the member of staff seconded to the food bank initiative. The team has also experienced some inevitable downtime due to delayed responses from client department in relation to certain audits and the inability to effectively progress with audits as business as usual due to restricted access to council sites.
- 2.15 The team has also seen a significant rise in sickness absence in the quarter. Cumulative sickness equated to 147 days as at the end of December. Note that the majority of this absence related to one member of staff off work due to long term sickness, who has since returned to work. One additional instance of absence was Covid-19 related.
- 2.16 Due to the unprecedented circumstances that have arisen due to the Covid-19 pandemic and the resulting difficulties the team have experienced in progressing some of the planned audits, a larger number of audit reviews have been allocated to the team so as to allow greater flexibility.
- 2.17 As may be seen in Appendix 3, a number of audits are noted as being 'in progress' as the team has been encouraged to proactively complete as

much of each review as possible remotely, minimising the impact on client departments over this difficult period whilst they are dealing with and adapting to Covid-19 related issues. As reported in previous reports it was hoped that as restrictions may have been lifted so as to allow the team to resume Covid-safe site visits to complete outstanding testing for the ongoing reviews. However, as a result of the lockdown restrictions being re-introduced across Wales, at present staff must continue to work remotely and no site visits can take place. Erring on the side of caution for planning purposes we have assumed that restrictions are likely to be in place for the rest of the financial year.

2.18 In addition, as discussed with the Section 151 Officer, we have concluded that some of the planned audits for 2020/21 will inevitably have to be deferred. The audits that have been deferred are marked in Appendix 3, which also shows the assurance rating awarded (in italics after the audit title) and the risk rating at the time the last audit was completed. The deferred audits primarily relate to Social Services, I.T., Business Rates (NNDR) and school audits as detailed below:

a) Social Services Audits

This area is facing unprecedented demands as a result of the ongoing pandemic. As a result, we are reluctant to place further demand or pressure on staff and services at such a difficult and challenging time when the delivery of core services is rightly being prioritised.

b) IT Audits

The IT department have confirmed that at present, due to the reactive work they are undertaking to accommodate the Council Covid-19 response they do not have the capacity to allow internal audits to be progressed.

c) Business Rates (NNDR) Fundamental Audit

This service area has been fundamental in the implementation of the various Covid-19 support grants since March 2020, with the vast majority of staff resource being deployed to the processing and payment of grant schemes throughout the year. In addition, usual NNDR business as usual processes have been suspended for a large part of the year. With the continuation of the support schemes over the short/medium term, the service area does not have the capacity to accommodate an internal audit review. As this is a fundamental audit, we have sought confirmation and approval of this deferral from the Head of Revenue and Benefits and the Chief Finance Officer.

d) School Audits & Site Visits

All of the schools listed in Appendix 3 were sent the Schools Audit Self-Assessment Questionnaire at the start of the financial year in readiness for the planned audits. In some cases, the team have been able to complete a number of the school audits in their entirety remotely. However, given the significant and unprecedented challenges that schools have been presented with and have had to

adapt to throughout the pandemic, we have been unable to complete a significant number of the planned audits. This has been compounded by the fact that restrictions have now been reintroduced which further hinders our ability to complete on-site testing. As a result, we are also planning to defer a number of the school audits as shown in Appendix 3.

- 2.19 At the time of compiling this report, the team continues to be on track to complete all of the fundamental audits by year end, with the exception of the Business Rates audit as noted above. However, we propose that all audits in the areas noted above should be deferred.
- 2.20 Early on in the pandemic, in anticipation of there being significant access restrictions to schools and with the expectation of school visits being unlikely, thematic reviews were proposed to cover two of the highest risk areas, namely school procurement activities and unofficial school funds. In consultation with the Section 151 Officer we commenced thematic audits to review the procurement activities of all of the Primary Schools listed on the 2020/21 plan. This review was completed in September. The same review has also recently been completed for the Comprehensive Schools on the 2020/21 plan. The review of school unofficial funds is currently underway. These reviews will provide assurance to the Section 151 Officer and the Committee covering the two key areas of risk for the school audits that had originally been planned for 2020/21.
- 2.21 In order to ensure the team remain productive over the challenging period to the end of the financial year, a list of audits that would ordinarily be subject to an internal audit in 2021/22 as per the audit rolling schedule of reviews has been prepared, so as to allow the team to bring forward audits from next year where possible.
- 2.22 An analysis of the details in Appendix 3 shows that as at 18/01/21, 53 audits from the 2020/21 audit plan had been completed to at least draft report stage (33%), with an additional 31 audits in progress (19%). As a result approximately 52% of the Audit Plan was either completed or in progress. In addition, to allow greater flexibility for the audit team an additional 19 audits (12%) have been allocated to staff to try and progress.
- 2.23 As noted previously, the Covid-19 pandemic continues to have a detrimental impact on our ability to deliver the full audit plan for 2020/21. However, the completion of the fundamental audits continues to be prioritised to ensure key systems are reviewed to provide appropriate assurance to the Section 151 Officer and the Audit Committee in these areas. Historically, the majority of the fundamental audits have been completed in the third and fourth quarters and it is envisaged that this will also be the case this year. The team remain committed to completing as much of the plan as possible and once again I would like to thank the

team for their endeavours and hard work over this very challenging and difficult period.

- 2.24 The Committee has previously been advised that due to a range of Covid-19 related issues, the Internal Audit Team would not be able to complete a significant number of audits on the approved audit plan for 2020/21. At the time of compiling this report, I must advise the committee that in comparison to the plan completion rates in previous years which has seen completion rates rising to 87% in 2018/19 and 84% in 2019/20, I predict the plan completion rate for 2020/21 will be in the range of 50% to 60%. This is far below the usual level of completion the team has achieved in the past. Unfortunately this is unavoidable given the difficult circumstances both the Audit Team and the wider Council have endured throughout the ongoing pandemic.
- 2.25 As noted in previous Monitoring Reports, throughout 2020/21 audit resource has been targeted in order to provide maximum assurance over key areas such as the fundamental audits. In addition, thematic audits have been completed in some areas, such as schools, in order to ensure a broad level of assurance can be provided across the Council. With the agreement of the Section 151 Officer, this targeted approach has been taken in order to limit the risk of any potential impairment to the annual opinion on the Council's internal control environment for 2020/21.
- 2.26 Given the current and projected completion rates and the fact that we are on target to complete all of the fundamental audits (with the exception Business Rates) by the end of the year, at this stage I report that the risk of having to issue an impaired opinion on the Council's internal control environment is low. I have yet to complete my assessment on other matters around governance and risk which will inform my overall final opinion. It is recognised that there is some inherent risk in the deferral of the audits noted in Appendix 3. However, assurance can be provided across a range of Council services as a result of the audits completed to date and further by those completed by the end of the year. We hope to be able to provide assurance in those areas that have seen the audits deferred this year by the completion of these reviews in 2021/22.
- 2.27 In connection with the points raised above, CIPFA have issued guidance to Internal Auditors, Leadership Teams and Audit Committees of Local Government Bodies recognising the difficulties faced by audit teams to deliver their planned programme of audit work due to the impact of the pandemic. As in previous years, the guidance reiterates the requirement that the Chief Auditor must consider the level of assurance that can be provided across all three aspects of the Chief Internal Auditor's Opinion, which includes governance and risk in addition to internal control. The ultimate level of assurance that I will be able to give across all three elements can only truly be considered at the end of the year when a true picture of the audits completed can be determined. Should a significant number of high risk, cross cutting reviews not be completed then there is a possibility that I may not be in a position to provide assurance across all

three elements of the Chief Auditors Opinion which may result in an impaired opinion being issued.

2.28 No moderate reports were issued in the quarter.

3. Follow Ups Completed 1 October 2020 to 31 December 2020

3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.

3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Chief Finance Officer (Section 151 Officer).

3.3 Three moderate audit reports were followed up in quarter two as detailed below:

a) Disclosure & Barring Service (DBS) Second Follow-up

The original audit of DBS was completed in May 2019 with the final audit report being issued in September 2019 with a moderate level of assurance. The first follow-up was undertaken in March 2020 which noted that a number of recommendations had not been implemented, as previously reported to the Audit Committee. As a result, a second follow-up was arranged which was concluded in November 2020. Unfortunately, the second follow-up also revealed that six of recommendations had still not been fully implemented. Of the six outstanding recommendations, one High Risk recommendation had not been implemented, two recommendations had been partly implemented (one High Risk and one Medium Risk), and three recommendations were pending implementation (two Good Practice and one Medium Risk). As a result, a full audit of DBS will be included in the audit plan for 2021/22.

b) Cwm Glas Primary School

The follow-up concluded that good progress had been made, with only 3 of the 22 recommendations not being fully implemented. Of the three outstanding recommendations, two were noted as being Low Risk and one Medium Risk recommendation had been partly implemented in relation to the use of the non-order facility which the school is continuing to address.

c) Penybryn Special School Second Follow-up

The original audit of Penybryn Special School was undertaken in September 2019 with the final report being issued in November 2019 with a moderate level of assurance. The first follow-up was

undertaken in January 2020 which noted that a number of recommendations had not been implemented. As a result, a second follow-up was arranged which was concluded in November 2020. The second follow-up concluded that good progress had been made, with only 1 of the 25 recommendations not being fully implemented, again this was in relation to the use of the non-order facility which the school is continuing to address.

4 Equality and Engagement Implications

4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 There are no equality and engagement implications associated with this report.

5. Financial Implications

5.1 There are no financial implications associated with this report.

6. Legal Implications

6.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2020/21

Appendices: Appendix 1 Audits Finalised Q3 2020/21

Appendix 2 Summary of Scope of Audits Finalised Q3 2020/21

Appendix 3 Internal Audit Plan 2020/21 - Progress to 18/01/21