



## Report of the Chief Auditor

Governance & Audit Committee – 18 May 2021

### Internal Audit Annual Report 2020/21

<b>Purpose:</b>	This report summarises the work completed by Internal Audit in 2020/21 and includes the Chief Auditor's opinion for 2020/21 based on the work undertaken in the year.
<b>Recommendation</b>	That the Audit Committee discuss and review the work undertaken in the year, the progress against the Internal Audit Annual Plan 2020/21 and consider the Chief Auditor's opinion.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
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#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 1.2 This report reviews the work of the Internal Audit Section in 2020/21 and compares its performance against the Internal Audit Annual Plan for the year which was approved by the Audit Committee on 1<sup>st</sup> June 2020.
- 1.3 A series of Performance Indicators are used to measure the performance of the Internal Audit Section against agreed targets set at the start of the year and also in comparison with other Welsh Authorities. A review of the Performance Indicators in 2020/21 is included in this report.
- 1.4 This report also contains the Chief Auditor's opinion on the overall standards of the control environment in operation in the Council based on the work undertaken by Internal Audit in 2020/21.
- 1.5 This report and the Chief Auditor's annual opinion are key elements of assurance that are referenced in the Council's Annual Governance Statement.

## **2. Review of 2020/21**

- 2.1 As reported in the quarterly monitoring reports, 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 at the time of compiling this report.
- 2.2 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.
- 2.3 This has inevitably had a detrimental effect 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 year. However, the team has worked tirelessly to undertake as much audit work as possible remotely in such challenging and unprecedented circumstances.
- 2.4 In addition, 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 throughout the year.
- 2.5 Audits have only been progressed where we were able to determine that there had been no or very minor limitations to the scope of the review.

For example, given council site closures, 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 concluded that a significant majority of the material risk areas could be tested as part of the review we progressed with the audit. Similarly, if we felt that there were significant risk areas of audit programme that could not be completed, the audit has been deferred 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 in year had not been impacted by remote working.

- 2.6 The team has also been heavily involved in assisting with the Council's Covid-19 response during the year. Earlier in the year one of the team was seconded full time to the Food Bank initiative. We also assisted with the checking of various Covid-19 support grant payments that have been managed by the Council. To the end of March, a total of 59.5 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 inevitably also experienced a small amount of downtime in the year 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.
- 2.7 Cumulative sickness absence equated to 157 days as at the end of March which exceeded the 86 days of sick leave provision in the audit plan. Note that the majority of this absence related to one member of staff off work due to a period of long term sickness. One additional instance of absence was Covid-19 related.
- 2.8 As previously reported, the team has successfully completed all of the fundamental audits by year end, with the exception of Business Rates. However, the team have been heavily involved in checking the grant payment activities of the Business Rates Team throughout the pandemic and thus the committee can take assurance from the checks that have been completed on the alternative work undertaken by the Team.
- 2.9 The original Internal Audit Annual Plan for 2020/21 contained 160 separate audit activities. As reported in the Quarter 4 Internal Audit Monitoring Report, as at 31/03/21 79 audit activities from the 2020/21 audit plan had been completed to at least draft report stage (52%), with an additional 13 audits noted as being in progress (8%). As a result approximately 60% of the audit activities included in the 2020/21 Audit Plan had either completed or were in progress. In addition, due to changes in certification requirements for a number of grants and other changes in client departments in year, 7 audits included on the original audit plan were deemed to no longer be required.

- 2.10 An audit report was produced for each audit which was discussed and agreed with the client. The reports included recommendations to improve any weaknesses or areas of concern identified during the audit in relation to systems, procedures and controls. During the year 99% of recommendations made were accepted by clients.
- 2.11 A list of the audits finalised each quarter has been included in the quarterly monitoring reports presented to the Audit Committee during the year. A complete list of each audit finalised during 2020/21 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 1.
- 2.12 Whilst we were unable to complete the majority of the primary and comprehensive school audits, we were able to undertake audits to provide assurance over the key risks encountered in schools. As previously reported, we successfully completed three thematic audits covering procurement activities across both the primary and comprehensive schools that were due to be audited in the year. We also completed an audit of the unofficial funds managed by the primary schools. It should also be noted that the team were able to successfully complete seven individual primary school audits remotely in the year.
- 2.13 As agreed by the Head of Revenues and Benefits and the Chief Finance and Section 151 Officer, and as previously reported to the Audit Committee, we opted to defer the fundamental audit of Business Rates in 2020/21. Ordinarily the Business Rates team would be responsible for the collection of a significant amount of income in the form of Business Rates. However, as a result of the pandemic and following Welsh Government direction, recovery action was suspended and several sectors were granted 100% rate relief hence income due was significantly reduced. In addition, the Business Rates Team were tasked with coordinating the payment of the vast majority of the Covid-19 Business Support Grants which resulted in a significant shift in operations within the team and key staff were inevitably required to prioritise the Covid-19 response. These changes made it inappropriate to carry out a routine audit in 2020/21.
- 2.14 However, the Audit and Fraud Team have been heavily involved in providing assurance over the revised activities of the Business Rates Team by the way of checking the various grant payments and the payment processes that were put in place to facilitate the roll out of the support grant schemes. This involved consultation on the grant payment process, in addition to the checking of grant payment records prior to final payment. As a result, whilst we have not undertaken a specific Business Rates audit in year, we have completed a significant amount of testing to provide assurance over the reactive work undertaken by the Business Rates Team in year in place of their business as usual processes.

- 2.15 It should also be noted that the Audit and Fraud Teams also provided consultation, advice and completed additional testing in relation to the roll out of a number of additional Covid-19 support schemes, including school meal payments to parents, freelance worker grants, outdoor business adaptation grants and isolation / SSP enhancement grants.
- 2.16 As reported in the Quarter 4 Monitoring Report, we also had to defer four of the tier one cross cutting reviews. This is primarily due to the fact that these reviews would require a significant amount of input and commitment from Senior Managers and possibly members of the Corporate Management Team. Understandably, these key members of staff have had to prioritise the management of the Council's Covid-19 response and the additional workload that has arisen due to the pandemic. As a result it was not possible to progress these audits during the year.
- 2.17 Therefore, if we take into consideration the assurance coverage provided by the thematic school audits and the additional assurance work undertaken in relation to the revised activities of the Business Rates Team in response to the Covid-19 pandemic, overall the work completed by internal audit in year covers 68% of the original planned activities and key risks included in the 2020/21 audit plan.
- 2.18 Unfortunately the completion rate of 68% for 2020/21 is lower than the rate achieved over recent years which has seen completion rates rising to 87% in 2018/19 and 84% in 2019/20. Unfortunately this has been unavoidable given the difficult circumstances both the Audit Team and the wider Council have encountered throughout the year as a result of the Covid-19 pandemic. I would like to recognise the hard work and dedication of the Audit Team throughout this difficult period and the fact that we have been able to complete a significant amount of audit work is testament to the Team's dedication and commitment through a very challenging time.
- 2.19 As noted in the Internal Audit Quarterly Monitoring Reports, throughout 2020/21 audit resource has been targeted in order to provide maximum assurance over key areas and risks 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.
- 2.20 As well as the planned audit work, a number of additional pieces of work were undertaken during the year as summarised below:
- i) The following grants were audited and certified in 2020/21:

<b>Grant</b>	<b>Amount £</b>
Housing Support Grant Regional Development Co-Ordinator (previously called SPPG Regional Co-ordinator Grant)	£42,683.00
Children & Communities Grant	£11,242,418
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
Regional Consortia School Improvement Grant (RCSIG) EIG Element Q1-Q3 2020/21	£6,759,186.75
Pupil Development Grant Q1-Q3 2020/21	£5,736,741.92
ENABLE – Support for Independent Living Grant 2019/20	£303,600.00
Regional Consortia School Improvement Grant (RCSIG) – Professional Learning Grant Element	£504,590.00

- ii) A total of 18 days was spent in 2020/21 undertaking six unplanned follow up reviews for those audits receiving moderate assurance audit reports.
- iii) The Principal Auditor also compiled the Schools Annual Report 2019/20 which was presented to the Audit Committee on the 8th September.
- iv) Lloyds pre-paid card review in relation to the Covid-19 Foodbank set-up and operation.
- v) Completion of the Fundamental Audit Recommendation Tracker exercise for the fundamental audits completed in 2019/20 as reported to the Committee in January 2021.
- vi) Completion of the audit of Delegated Decision Making, which included the review and evaluation of the alternative emergency arrangements put in place to deal with the Covid-19 pandemic. The audit was given a High Assurance rating.
- vii) Continuation of checks and support in relation to the various Covid-19 support grants across the Council.
- viii) Advisory work in relation to the update of Accounting Instruction No. 5 for Schools (Creditor Payments).
- ix) Review of the progress of the Swansea Central Phase 1 scheme.
- x) Other pieces of work undertaken in year have been reported to the Committee as part of the quarterly monitoring reports.

### **3. Follow-Ups**

3.1 It is important that action is taken to ensure that management have implemented the recommendations agreed following each audit. The Internal Audit Section uses a risk based approach to follow up audits as shown below:

- Fundamental audits are subject to a Recommendations Tracker exercise mid-way through the year to confirm that the agreed recommendations have been implemented. The results of the Recommendation Tracker exercise are reported to the Audit Committee.
- Non Fundamental audits which receive a 'moderate' or 'limited' level of assurance have historically received a follow-up visit usually within 6 months to test whether the 'high' and 'medium' risks recommendations have been implemented. The results of any follow-up visits for non-fundamental audits are included in the quarterly monitoring reports presented to the Audit Committee.

3.2 Any audits that receive a 'moderate' or 'limited' level of assurance are also reported to the relevant Directorate Performance and Financial Monitoring (PFM) meeting to allow senior management to monitor the implementation of the recommendations arising from the audit.

3.3 The Recommendations Tracker exercise carried out in 2020/21 was reported to the Audit Committee on 19 January 2021 where the conclusion was positive, with 83% of agreed recommendations due for implementation being implemented by the end of December 2020. The report also noted that one high risk and one medium risk recommendation that were partly implemented were from the Accounts Receivable audit. This fundamental audit continues to be completed on an annual basis, and the implementation of outstanding recommendations has been followed-up as part of the 2020/21 audit. The remaining recommendations that had not been implemented were all classed either low risk or good practice.

3.4 During 2020/21, six follow-up reviews of audits awarded a moderate assurance level were completed and it was found that in the majority of cases, suitable action had been taken to address the issues that had been highlighted. The outcome of all follow up reviews has been reported to Audit Committee throughout the year via the Internal Audit Quarterly Monitoring Reports. In addition, a number of client department representatives have attended audit committee meetings to provide an update to the committee on the action that has been taken to address the issues highlighted in the audit reports.

### **4. Performance Indicators**

4.1 A series of 11 Performance Indicators (PI's) are used to measure the work of the Internal Audit Section as agreed by the Welsh Chief Internal

Auditors Group (WCIAG). The PI's measure output, quality and cost and are also measured by some other local authority Internal Audit Sections across Wales to provide comparable statistics.

- 4.2 The PI's are presented in detail in Appendix 2 which shows that in 2020/21, the Internal Audit Section met or exceeded the target set at the start of the year for 9 out of the 11 PI's.
- 4.3 The PI's that were not achieved in 2020/21 were:
- PI 1 – audit assignments achieved against planned.
  - PI 9 - average cost per directly chargeable day.
- 4.4 As reported throughout 2020/21 via the Quarterly Monitoring Reports, the Covid-19 pandemic has had a significant impact on the Audit Team's ability to complete a number of audit assignments in the year and as a result we have not been able to meet the target for PI 1. However, despite the challenges the team were able to successfully complete 68% of the planned work programme to cover the key risks included in the original annual audit plan, against a target of 75%. It is hoped that a relaxation of restrictions in 2021/22 will allow the team to complete a greater number of planned audits in the year in line with previous year's performance records.
- 4.5 As agreed by the WCIAG, average cost for this performance indicator is made up of actual salary, NI and pensions costs of the Internal Audit Team. These costs have seen an overall increase of 3% on 2019/20 costs. In addition, the number of directly chargeable days has decreased from 1,526 in 2019/20 to 1,462 in 2020/21. As a result, average costs per directly chargeable day has increased overall in 2020/21 to £331, from £308 in 2019/20. The original target set for 2020/21 was £300. The decrease in productive days has primarily been caused by a secondment, increased sickness absence and some unavoidable downtime as a result of the Covid-19 pandemic.
- 4.6 In previous years, PI data has been compared to the average results of other Local Authorities in Wales, with the results being shown in Appendix 2. However, at the time of writing this report the results from a number of suitable comparator authorities had not been received.
- 4.7 Unfortunately, the comparison with other Internal Audit Sections across Wales is becoming less meaningful over time as a number of Authorities no longer collect the data or are only able to provide results for some of the PI's. In addition, consideration should be given to the variances in size of both the Local Authorities and their internal audit departments when attempting to compare the results of Swansea's PI's with other Local Authorities.
- 4.8 It should also be noted that the WCIAG reviews the PI's that are in use on an annual basis, so these may be subject to further change.



## **5. Quality Assurance & Improvement Programme and Statement of Conformance with the PSIAS**

- 5.1 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 5.2 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 5.3 The preferred method adopted in Swansea was a self-assessment review subject to external validation using the peer review group established by the Welsh Chief Auditors Group. Following discussions at the last Wales Chief Auditors Group meeting, it has been proposed that this approach would be repeated for the next round of external reviews.
- 5.4 The outcome of the last peer review was presented to the Chief Finance and Section 151 Officer (then Head of Financial Services & Service Centre), the Director of Resources and the Chief Executive on 28/03/18 and to Audit Committee on the 10/04/18. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is broadly compliant with the PSIAS and CIPFA Application Note with no significant deviations from the Standards being noted. Some areas for improvement were highlighted as part of the review, all of which have been fully addressed as has been previously reported to the Audit Committee.
- 5.5 The results of the annual internal assessment of compliance with the PSIAS using CIPFA's detailed Local Government Application Note completed in April 2021 can be found in Appendix 3. In summary there are 336 best practice lines within the PSIAS. The self-assessment review of conformance against the PSIAS revealed that the Internal Audit Section is 99.4% compliant with the best practice of the PSIAS.
- 5.6 In addition to the self-assessment review, as part of the QAIP an action plan is compiled in order to set targets for improvement for the coming year in relation to those PI's that have not been achieved. A copy of the QAIP report and action plan for 2021/22 can be found in Appendix 4.

5.7

### **Statement of Conformance with the PSIAS**

**The result of the external peer review and the updated internal assessment of conformance against CIPFA's detailed Local Government Application note confirm that the Internal Audit Section of the City and County of Swansea conforms with the International Standards for the Professional Practice of Internal Auditing and all engagements are undertaken in conformance with the Public Sector Internal Audit Standards.**

## **6. Statement of Organisational Independence**

6.1 The PSIAS also require the Chief Auditor to confirm the organisational independence of the internal audit activity. As outlined in the self-assessment review, the organisational independence of the Chief Auditor can be confirmed for the following reasons:

- i) The Chief Auditor reports to the Chief Finance Officer (Section 151 Officer), who is a permanent member of Corporate Management Team.
- ii) The Chief Auditor reports functionally to the Audit Committee and has unrestricted access to the Committee.
- iii) As a third tier officer, the Chief Auditor can influence the control environment, has sufficient status to pursue audit issues and provide credible, constructive challenge to management.
- iv) The Internal Audit Charter is reviewed and approved by Audit Committee and the Corporate Management Team on an annual basis.
- v) The risk-based audit plan is reviewed and approved by Audit Committee on an annual basis.
- vi) The performance of the Internal Audit Function is reported to Audit Committee on a quarterly basis via quarterly monitoring reports, annually as part of the Internal Audit Annual Report and also as part of the QAIP programme.
- vii) The Chief Auditor has no other management responsibilities other than Internal Audit and the Corporate Fraud Function.
- viii) The Chief Auditor also has unrestricted access to senior management and the Audit Committee and has the ability to report to all levels in his own name which allows the internal audit activity to fulfil its responsibilities.
- ix) The Chief Auditor also has the right of direct access to the Chief Executive as agreed by the Section 151 Officer.

## 7. Chief Auditors Opinion

7.1 The system of internal control is designed to help the Council manage and control the risks which could affect the achievement of the Council's objectives. However it is not possible to eliminate all risks completely.

7.2 This means that Internal Audit can only provide 'reasonable' assurance that the systems of internal control within the areas of the Council reviewed are operating adequately and effectively.

7.3 The Internal Audit Section awards an assurance level for all reviews undertaken. The basis used for each level of assurance is shown in Appendix 5.

7.4 The table below provides a summary of the assurance levels across the audits completed in 2020/21:

<b>2020/21 Audit Ratings Summary</b>		
Total Number of Audits Finalised	75	
<b>Assurance Rating</b>	<b>Number</b>	<b>%</b>
High Assurance	42	56
Substantial Assurance	29	39
Moderate Assurance	4	5
Limited Assurance	0	0

7.5 As can be seen in the table above, the outcome of 71 (95%) of the 75 audits completed was positive with the audits receiving either a high or substantial level of assurance.

7.6 As has been reported to the Audit Committee throughout the year, four audits received a moderate level of assurance in the year. As has been the case for the past two years, the fundamental Accounts Receivable audit was one of the audits that received a moderate assurance level in 2020/21.

7.7 There are 14 audits which are classed as fundamental audits. The fundamental audits are the systems that are considered to be so significant to the achievement of the Council's objectives that they are audited either annually or bi-annually. Following the audits completed in 2020/21, 11 of the 14 fundamental audits have a high level of assurance. Two have a substantial level of assurance (Accounts Payable and Business Rates) and one has a moderate level of assurance (Accounts Receivable).

7.8 Prior to the most recent audit in 2019/20, the Business Rates audit had received consistent high assurance level and had therefore been subject to an audit every two years. However, as a result of the findings of the audit in 2019/20, a substantial level of assurance was awarded and as a result this audit is completed on an annual basis.

- 7.9 The Audit Committee has been made aware of the fact that we were unable to complete the audit of Business Rates in 2020/21 due to the reasons set out earlier in this report and also in my quarterly monitoring reports. However, additional work has been undertaken in the year to provide assurance over the reactive work that has been undertaken by the Business Rates Team in facilitating the Council's response to the Covid-19 pandemic.
- 7.10 The Accounts Payable audit also received a substantial assurance level in 2020/21, as was also the case in 2019/20 and 2018/19. As a result, this also continues to be audited on an annual basis.
- 7.11 The Accounts Receivable audit received a moderate assurance level in both 2018/19 and 2019/20. The Audit Committee have had a number of updates from the relevant managers in relation to the work that is ongoing to address the issues that have been identified. The Audit Committee will continue to receive updates on this during 2021/22.
- 7.12 It is disappointing that the Accounts Receivable audit received a third moderate assurance rating in 2020/21. As detailed in updates provided to the Audit Committee from the client department, the reasons for the weaknesses identified in this area are primarily in relation to reduced resources. As noted in previous annual reports, continuity and maintenance of core grip with changing, and more often diminishing, resources was a recognised clear challenge across the Authority and this continues to be the case.
- 7.13 Despite this, it should be noted that of the 14 fundamental system audits, 11 have a high assurance level and two have a substantial assurance level. In addition, the results of the work undertaken in 2020/21 shows that as at the 31 March 2021, 95% of all of the audits completed in year have either a high or substantial assurance level. This provides reasonable assurance that across the Authority the systems of internal control are operating effectively.
- 7.14 As recognised in paragraph 2.23 earlier in this report, due to the very challenging environment that the Internal Audit Team has endured throughout 2020/21, the number of audits on the plan that we have been able to complete in year has been lower than that of previous years. However, this does not detract from the positive outcomes of the work that has been completed as noted above. It is hoped that with pandemic restrictions continuing to be lifted at the time of compiling this report, the Team will be able to successfully complete a greater percentage of the 2021/22 audit plan in line with performance in previous years.
- 7.15 Throughout the year, a significant amount of effort has continued to be directed at further strengthening the systems of risk management across the Authority. The Audit Committee has recently been in receipt of update reports from the Strategic Delivery and Performance Manager outlining the status of key risks from the new Risk Management System

to further strengthen assurance in this area. The Corporate Management Team and Risk Owners have also reviewed the risk register entries regularly throughout the year to ensure the register is up to date. The new Risk Management System has also been further embedded in the year which has improved the monitoring and control of risks.

- 7.16 As per the Terms of Reference, the Audit Committee must be satisfied that they have sufficient information in order to gain assurance over the risk management controls across the Council. Prior to the introduction of the new Risk Management System, the Committee highlighted concerns over the amount of information that was available to Members to allow them to discharge this responsibility. These concerns were also echoed by the Council's External Auditors. The introduction of the new Risk Management System has facilitated greater scrutiny of the risk management arrangements in place by the Audit Committee, and the presentation of detailed reports from the new system has recently recommenced. However, a number of concerns have been raised by both the Chief Auditor and the Audit Committee in relation to the documentation of the mitigating controls for key risks in some service areas.
- 7.17 As part of the migration from the old Risk Registers to the new Risk Management System, Risk Owners were asked to review and update the risks and associated mitigating controls under their management. Following a review of the mitigating controls, it was noted that in some instances the control measures documented on the new system could not be categorised as 'control measures' in effect. As a result, it is not possible to place reliance on the documented mitigating controls for some of the corporate risks on the Risk Management System. This is not to say that mitigating controls are not in place, but the way they have been documented on the system means we are unable to place reliance on some of the controls as they are currently recorded. As a result, this area can be considered as requiring attention and improvement in the coming year. This is due to be addressed via training for Risk Owners.
- 7.18 The Covid-19 Pandemic has had a significant impact on the Council and most business as usual operations. The meetings of the Governance Group, tasked with overarching responsibility for ensuring existing corporate governance arrangements are effective, were suspended during the year but meetings have recently resumed in the lead up to the year end and in preparation for the production of the Annual Governance Statement.
- 7.19 In response to the unexpected and unpredictable impact of the pandemic, a number of emergency protocols were introduced to ensure governance and overall corporate grip remained strong and effective during such unprecedented times. This included the formation of an Executive Control Group (ECG) in early March 2020.

- 7.20 The ECG was set up due to the unprecedented effects of the Covid-19 pandemic on the management of the Council's affairs. Whilst the ECG met daily in the morning a "Sit Rep" meeting also took place each afternoon to review the daily changes in the crisis. Decisions taken at ECG were looked at as part of internal audit's review of delegated decisions.
- 7.21 Cabinet meetings were cancelled between 19 March 2020 and the 27 April 2020 and Council meetings were also cancelled. The ECG and Sit Rep groups addressed strategic, collaborative, operational and financial issues which had to be dealt with as a matter of urgency.
- 7.22 Those attending the ECG included the Leader, Deputy Leaders, Chief Executive, S151 Officer, Monitoring Officer, Director of Place, Head of Communications & Marketing, Corporate Health Safety & Wellbeing Manager and Temporary CCoS/NPT/SBUHB Liaison Officer (JS). We were advised that attendance at meetings varied due to the fluid situation facing the Council and due to daily meetings taking place, including on weekends. The Sit Rep group was a wider group of members and senior officers.
- 7.23 Strategic operational and financial decisions were taken by the ECG and Sit Rep meetings, as required, without the usual Cabinet and Council approval. While formal "minutes" of meetings were not taken, a Corporate Management Team PA attended each meeting and recorded discussions and maintained a log of actions/decisions agreed. Given the unpredictability and unprecedented nature of the pandemic, we are assured that appropriate controls were in place in relation to the decision making process during this period.
- 7.24 We were further advised by the Chief Finance and Section 151 Officer that where required, FPR7 Reports (for capital expenditure) or Delegated Powers Reports (for revenue expenditure) were subsequently presented to Cabinet and Council when meetings resumed early in June 2020.
- 7.25 The ECG ceased to be a decision-making forum when Cabinet and Council meetings resumed, but it continues to exist as a forum for information and communication.
- 7.26 It was noted that significant decisions made by the ECG in 2020 have been published on the Council's website. It was also found that Democratic Services had been informed of other decisions but a decision was taken not to publish these because they contained commercially sensitive/sensitive information warranting an exemption from publication.
- 7.27 The work undertaken by the Internal Audit Team in the year did not uncover any significant concerns in relation to governance and overall management control across the areas of the council that were subject

to internal audit review. Despite a significant period of upheaval and change, Officers have adapted speedily and effectively to the emergency response to the pandemic with no obvious signs of deterioration in control or corporate grip across the areas subject to audit in the period.

- 7.28 In conclusion, Statutory Governance Chief Officers have succeeded in maintaining appropriate corporate grip and have ensured adequate recording and reporting mechanisms have been maintained throughout the crisis.
- 7.29 At the time of writing this opinion, it is unclear as to the scale of additional spending, loss of income or funding arrangements for reimbursement in part, or in full, that the authority faces in responding both locally, with partners, and supporting the national strategic response to the Covid-19 pandemic going into 2021/22. The Section 151 Officer has advised that his view is that there is adequate assurance of sufficient and necessary recovery and reimbursement in relation to 2020/21 already in place, pending the formal final outturn and statement of accounts certification. However, it should be noted that the sums available to bid against nationally for 2021/22 are materially lower and no sums are currently flagged as available in 2022/23 by UK or Welsh Governments. In March 2021, the Leader of the Council set out the Council's intention to establish a locally funded Covid-19 Recovery Fund with the target sum of £20m. This in part may mitigate the risk of reduced Government funding in future years, but again this is pending formal certification of the final outturn and statement of accounts by the Section 151 Officer and Council.
- 7.30 In previous years, the Audit Committee and the Council's External Auditors have raised a number of concerns in relation to risk management arrangements and also with regard to the lack of pace with which Directorates have been able to deliver agreed savings targets. These concerns have been echoed by Internal Audit and the Chief Finance and Section 151 Officer. It is hoped that the Achieving Better Together audits encompassing both the Council's recovery and later transformation will address these issues in 2021/22. The programme of planned audits for 2021/22 will also seek to provide the Committee with some clarity and assurance on these issues.
- 7.31 Given the audit plan completion rates noted previously, and the fact that we have completed all of the fundamental audits (with the exception Business Rates) by year end, I do not feel any impairment to the Chief Auditor's opinion on internal control is required. Assurance can be provided across a range of Council services as a result of the audits that have been successfully completed, especially when considered alongside the wider thematic audits and other assurance work completed in year. We hope to be able to provide assurance in those areas that have seen the audits deferred this year by the completion of the deferred reviews in 2021/22.

- 7.32 In addition, for the reasons set out previously, I believe that governance arrangements across the Council have proven to be robust and resilient throughout the significant period of challenge and change that the Council has faced over the past year. The Council has adapted speedily and effectively to the challenges brought about as a result of the pandemic, with core services continuing to operate effectively throughout.
- 2.33 In connection with the points raised above, and as previously reported, 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. 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.
- 2.34 A summary of the various scenarios that internal audit providers may consider when determining whether any limitation of scope is required for the Chief Auditors Opinion may be seen below, as documented in the full CIPFA guidance note that may be found in Appendix 6.

Type of limitation	Suggested wording
The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.	<p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is a requirement of PSIAS. The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers is presented in the annual report but this does not result in a comprehensive opinion.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
The HIA has obtained insufficient assurance across one of the three aspects of the opinion:	The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of [specify one of governance, or risk management or control].



<p>governance, risk management and internal control. The limitation of scope will be restricted to that aspect only.</p>	<p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers in respect of [governance or risk management or control] is presented in the annual report but this does not result in an opinion on this aspect. [The HIA can then present their opinion on the remaining two aspects required.]</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>
<p>The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material.</p>	<p>The HIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is [set out opinion].</p> <p>The HIA opinion however must exclude [specify area excluded] as there is insufficient assurance available for the HIA to offer reasonable assurance.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p>

7.35 Given the previous points made in relation to internal control, governance and risk management I do not feel that there is a need to issue any limitation of scope on the aspects of governance and internal control. However, given the issues identified in the documentation of the control measures for some of the Corporate Risks recorded on the new Risk Management System, I feel that a limitation of scope in relation to the framework of risk management across the Authority is required. The internal audit work undertaken in 2020/21 provides assurance over the risk management processes within the Resources Directorate and also provided assurance over the controls within the new Risk Management System. However, other work undertaken in year has highlighted a number of issues in relation to the way in which some of the mitigating controls have been documented. Given the issues that have been noted, the work undertaken in year is not sufficient to determine whether the risk management framework is adequately embedded across the Council as a whole. Therefore, it is felt that improvements must be made to further embed and strengthen the adequacy and effectiveness of the Council's framework of risk management in 2021/22.

**Chief Auditors Opinion for 2020/21**

***Based on the programme of audit work undertaken in 2020/21, the Chief Auditors opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control is effective with opportunity for improvement. No significant weaknesses were identified in 2020/21 which would have a material impact on the Council's financial affairs or the achievement of its objectives.***

***The Chief Auditor's opinion however must exclude the assessment of how effectively the framework of risk management is embedded across the Council as a whole as there is insufficient assurance available for the Chief Auditor to offer reasonable assurance.***

***To avoid similar limitations in the future the Chief Auditor has highlighted the issues in relation to the documentation of the control measures for the risks recorded on the Risk Management System. These issues will be addressed by the Deputy Chief Executive and Strategic Delivery and Performance Manager to strengthen the adequacy and effectiveness of the Council's framework of risk management in 2021/22.***

## **8 Integrated Assessment Implications**

- 8.1 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.
  - Deliver better outcomes for those people who experience socio-economic disadvantage

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

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

8.2 The completion of the Integrated Impact Assessment Screening revealed that:

- The Internal Audit Annual Report 2020/21 has a potentially low positive impact across a number of identified groups.
- It has been subject to consultation with the Chief Finance & S151 Officer, Legal and Access to Services.
- All WFG considerations are positive and any risks identified are low.
- The overall impact of the Internal Audit Annual Report 2020/21 is positive as it will support the Authority in its requirement to protect public funds.

## **9. Financial Implications**

9.1 There are no financial implications associated with this report.

## **10 Legal Implications**

10.1 There are no legal implications associated with this report

**Background Papers:** Internal Audit Plan 2020/21

**Appendices:** Appendix 1 Internal Audit – Audits Finalised 2020/21  
Appendix 2 Internal Audit – Performance Indicators 2020/21  
Appendix 3 Internal Audit – PSIAS Compliance Report  
Appendix 4 Internal Audit – QAIP Report & Action Plan 2020/21  
Appendix 5 Internal Audit – Audit Levels of Assurance  
Appendix 6 Internal Audit – Cipfa Guidance on Annual Opinion  
Appendix 7 Internal Audit – Governance & Assurance Map