



## Report of the Chief Auditor

Governance & Audit Committee – 31 May 2022

### Internal Audit Annual Report 2021/22

<b>Purpose:</b>	This report summarises the work completed by Internal Audit in 2021/22 and includes the Chief Auditor's opinion for 2021/22 based on the work undertaken in the year.
<b>Policy Framework:</b>	None
<b>Consultation:</b>	Legal, Finance and Access to Services
<b>Recommendation:</b>	It is recommended that the Governance & Audit Committee: -  a) Review the work undertaken by the Internal Audit Team in 2021/22; b) Note the progress made against the Internal Audit Annual Plan; c) Consider the Chief Auditor's opinion.
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#### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) define 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, internal control and governance processes.

- 1.2 This report reviews the work of the Internal Audit Section in 2021/22 and compares its performance against the Internal Audit Annual Plan for the year which was approved by the Governance & Audit Committee on 20<sup>th</sup> April 2021.
- 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 2021/22 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 2021/22.
- 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 2021/22**

- 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 throughout 2021/22 and 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 continued to have an impact on the team's ability to initiate and progress with audits in some areas, due to the effect such measures have had across client departments. For example, some council sites have remained closed, the majority of staff across the council have continued to work from home and client departments have continued to prioritise emergency responses to the pandemic to ensure key operations and services continue to be delivered.
- 2.3 This has inevitably continued to impact the team's ability to progress with business as usual and hence has had some 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 despite the ongoing challenging circumstances.
- 2.4 In addition, where we have been able to progress with audits we have found that some reviews have taken longer than usual to complete 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 the 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 successfully completed all of the fundamental audits by year end. The original Internal Audit Annual Plan for 2021/22 contained 131 separate audit activities. As at 31/03/22, 96 audit activities from the 2021/22 audit plan had been completed to at least draft report stage (73%), with an additional 11 audits noted as being in progress (8%). As a result approximately 82% of the audit activities included in the 2021/22 Audit Plan had either been 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, 4 audits included on the original audit plan were deemed to no longer be required and a further 16 reviews had to be deferred to 2022/23. A copy of the plan showing the status of the activities can be found in Appendix 1.
- 2.7 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. In total, 543 recommendations were made, with 539 being accepted by clients. Any recommendations that are not accepted are highlighted to the Governance and Audit Committee via the quarterly monitoring reports.
- 2.8 A list of the audits finalised each quarter has been included in the quarterly monitoring reports presented to the Governance & Audit Committee throughout the year. A complete list of each audit finalised during 2021/22 along with the level of assurance and the number of recommendations made and accepted is shown in Appendix 2.
- 2.9 We successfully completed two thematic audits across a sample of Swansea's Primary Schools. One review covered the Disclosure and Barring Service (DBS) Controls across a sample of primary schools and the second was a review of the controls in place around school meal income and the 'sQuid' Income Management System. It should also be noted that the team was able to successfully complete four individual Secondary School audits in the year.

- 2.10 It is pleasing to note the completion rate of 82% for the 2021/22 audit plan, given the difficult circumstances both the Audit Team and the wider Council have encountered throughout the year as a result of the continued Covid-19 pandemic. As Chief Auditor, I would like to thank the Team for their hard work and dedication throughout this difficult period. The fact that we have been able to complete a significant amount of audit work continues to be testament to the dedication and commitment of the Team through the year.
- 2.11 As noted in the Internal Audit Quarterly Monitoring Reports, throughout 2021/22 audit resource has been targeted in order to provide maximum assurance over key areas and risks such as the fundamental audits and cross-cutting reviews. 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 Director of Finance & 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 2021/22.
- 2.12 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 2021/22:

<b>Grant</b>	<b>Amount</b>
Housing Support Grant 2020/21 (prev. SPPG Regional Development Coordinator Grant)	£44,497.00
Live Kilometre Support Grant 2019/20	£31k
Suresprung Transitional Employer Support Grant 2020/21	£78,748
ENABLE – Support for Independent Living Grant 2020/21	£301,646
Pupil Development Grant 2020/21	£8,825,756
Regional Consortia School Improvement Grant (RCSIG) 2020/21	£9,726,667
Exploring IoT Networks & Use Cases to Improve Public Services Discovery Project (Internal Assurance Review)	£20,000
Housing Support Grant	£14,054,356

- ii) Four unplanned follow-ups were undertaken in 2021/22 for those audits that received a moderate level of assurance. The follow-up reviews were undertaken for the Grand Theatre, Management of Absence, the Community Equipment Service and the Community Alarm Service.
- iii) The Principal Auditor also compiled the Schools Annual Report 2020/21 which was presented to the Audit Committee in July.

- iv) Completion of the Fundamental Audit Recommendation Tracker exercise for the fundamental audits completed in 2020/21 as reported to the Committee in November 2021.
- v) Continuation of checks and assistance in relation to the various Covid-19 support grants across the Council and eligibility checking a sample of winter fuel grant payments.
- vi) A review was also undertaken, in addition to the annual Risk Management audit that looks at the risk management process within each directorate on a rotational basis, of all of the Corporate Risks and associated Control Measures recorded on the Corporate Risk Register.
- vii) Other pieces of work undertaken in year have been reported to the Committee as part of the quarterly monitoring reports throughout the year.

### **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 Governance & 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 Governance & 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 findings of the Fundamental Audit Recommendations Tracker exercise carried out in 2021/22 were reported to the Governance and Audit Committee on 9<sup>th</sup> November 2021 where the conclusion was positive, with 76% of agreed recommendations due for implementation being confirmed as implemented by the end of September 2021. The report also noted that one high risk and one medium risk recommendation relating to the Accounts Receivable audit were partly

implemented. 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 2021/22 audit. The remaining recommendations that had not been implemented were all classed either low risk or good practice.

- 3.4 During quarter four of 2021/22, four follow-up reviews were completed for the Grand Theatre, Management of Absence, the Community Equipment Service and the Community Alarm Service as these audits received a moderate level of assurance during the year. Our follow-up reviews found that in the majority of cases, suitable action had been taken to address the issues that had been highlighted. The detailed outcomes of all follow-up reviews will be reported to the Governance and Audit Committee in the Internal Audit Quarterly Monitoring Report for quarter four. In addition, throughout the year a number of client department representatives have attended committee meetings to provide an update 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 3 which shows that in 2021/22, the Internal Audit Section met or exceeded the target set at the start of the year for 10 out of the 11 PI's.
- 4.3 The PI that was not achieved in 2020/21 was PI 9 - average cost per directly chargeable day.
- 4.4 As agreed by the WCIAG, average cost for this performance indicator is made up of salaries, NI and pensions costs of the Internal Audit Team. These costs have seen an overall total increase of 4.6% on 2020/21 costs. The number of directly chargeable days has actually increased from 1,462 in 2020/21 to 1,542 in 2021/22. As a result, average costs per directly chargeable day has decreased overall in 2021/22 to £329, from £331 in 2020/21 despite the increased costs. The increase in productive days has primarily been caused by a reduced number of days spent on staff training, less annual leave being taken and sickness absence being lower than anticipated in 2021/22.
- 4.5 This PI was also not achieved in 2020/21 and the target of £300 average cost per chargeable day has also remained unchanged for a number of years. As a result of increasing salary costs which are outside of the control of the Chief Auditor, the target cost for this PI has been revised for 2022/23 to £335 rising to £350 in 2023/24 to reflect possible further

increases in salary costs going forward. Costs will continue to be monitored throughout 2022/23.

- 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 3. 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 going forward.

## **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 Director of Finance & Section 151 Officer (then Head of Financial Services & Service Centre), the Director of Resources and the Chief Executive on 28<sup>th</sup> March 2018 and to the Governance and Audit Committee on the 10<sup>th</sup> April 2018. In summary, the peer review concluded that the City and County of Swansea's Internal Audit Section is 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 Governance and 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 March 2022 can be found in Appendix 4. The self-assessment review of conformance against the PSIAS revealed that the Internal Audit Section is fully 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 2022/23 can be found in Appendix 5.

5.7

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

**The results 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 to 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 Director of Finance & Section 151 Officer who is a permanent member of Corporate Management Team.
  - ii) The Chief Auditor reports functionally to the Governance and 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 the Governance and Audit Committee and the Corporate Management Team on an annual basis.
  - v) The risk-based audit plan is reviewed and approved by the Corporate Management Team and the Governance and Audit Committee on an annual basis.
  - vi) The performance of the Internal Audit Function is reported to the Governance and 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 Governance and 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 Director of Finance & 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 6.
- 7.4 The table below provides a summary of the assurance levels across the audits completed in 2021/22:

<b>2021/22 Audit Ratings Summary</b>		
Total Number of Audits Finalised	90	
<b>Assurance Rating</b>	<b>Number</b>	<b>%</b>
High Assurance	38	42
Substantial Assurance	48	53
Moderate Assurance	4	5
Limited Assurance	0	0

- 7.5 As can be seen in the table above, the outcome of 86 (95%) of the 90 audits completed was positive with the audits receiving either a high or substantial level of assurance.
- 7.6 As has been reported to the Governance & Audit Committee throughout the year, four audits received a moderate level of assurance in the year. As has been the case for the past three years, the fundamental Accounts Receivable audit was one of the audits that received a moderate assurance level in 2021/22.
- 7.7 In total there are 14 audits which are classed as fundamental audits. The fundamental audits are the core 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 2021/22, 10 of the 14 fundamental audits have a high level of assurance. Three have a substantial level of assurance (Accounts Payable, Business Rates and Employee Services) and one has a moderate level of assurance (Accounts Receivable).

- 7.8 Prior to the audit in 2019/20, the Business Rates audit had received a 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 undertaken 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 Governance & Audit Committee was made aware that we were unable to complete the review of Business Rates in 2020/21 due to the fact that the department had to swiftly adapt to facilitate the roll out of the various Covid-19 support schemes, and as such the Business Rates Section did not have the capacity to accommodate an audit. Additional work was completed by the Audit Team during this period to provide assurance over the reactive work that has been undertaken by the Business Rates Team in facilitating the Council's continued response to the Covid-19 pandemic. However, Internal Audit was able to complete the review of Business Rates in 2021/22 with a substantial level of assurance being awarded.
- 7.10 The Accounts Payable audit also received a substantial assurance level in 2021/22, as was also the case in the past three financial years. As a result, this will continue to be audited on an annual basis.
- 7.11 The Accounts Receivable audit received a moderate assurance level in 2021/22, as has also been the case in the previous three financial years. The Governance & Audit Committee has received a number of updates from the relevant managers within the department in relation to the work that is ongoing to address the issues that have been identified. The Committee will continue to receive updates on this during 2022/23 as required.
- 7.12 It is disappointing that the Accounts Receivable audit received a fourth moderate assurance rating in 2021/22. As detailed in updates provided to the Governance & Audit Committee from the client department, the reasons for the weaknesses identified in this area are primarily in relation to reduced staff 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 Council and this continues to be the case.
- 7.13 Despite this, as stated previously it should be noted that of the 14 fundamental system audits, 10 have a high assurance level and three have a substantial assurance level. In addition, the results of the work undertaken in 2021/22 shows that as at the 31<sup>st</sup> March 2022, 95% of all

of the audits completed in year have either a high or substantial assurance level. This provides reasonable assurance that across the Council the systems of internal control are operating effectively.

7.14 The Internal Audit Team has continued to operate in a very challenging environment throughout 2021/22. As a result of continued challenges also being faced by client departments caused by the ongoing pandemic, a small number of audits on the 2021/22 audit plan had to be deferred to 2022/23. However, we have successfully completed a significant number of audit activities on the 2021/22 plan with 94 audit activities (72%) issued as final or completed and 2 audits (2%) issued as draft, with an additional 11 audits (8%) in progress at year end. As a result, 82% of the audit activities on the 2021/22 audit plan had either been completed or were in progress at year end. This is a positive result given the circumstances faced by the Team. It is also pleasing to note the overall positive outcomes of the work that has been completed in year as highlighted above.

7.15 A review was also undertaken in March 2022 to establish whether those charged with governance within the Council had undertaken a detailed review of their financial management arrangements. The review was undertaken to determine whether the standards, as defined by the Financial Management Code (FM Code) introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA) were being met. The FM Code is designed to support good practice in financial management and assist Local Authorities in demonstrating their financial sustainability. The FM Code is based on a series of principles supported by specific standards. The requirement to be fully compliant with the FM Code came into effect from the 1 April 2021.

7.16 Our review confirmed that the Director of Finance & Section 151 Officer had completed a number of self-assessment exercises to benchmark Swansea Council's processes and practices against the FM Code Standards using a RAG Rating approach throughout 2021/22 which have been presented to Corporate Management Team. The RAG rating approach evaluated the Council's level of compliance with each element of the Financial Management Standards as follows:

Rag Rating:

- Green - Compliance is being demonstrated.
- Amber - Minor to moderate improvements are required to demonstrate full compliance.
- Red - Moderate to significant improvements are required to demonstrate full compliance.

7.17 The latest high-level self-assessment review completed in February 2022 concluded that of the 17 Standards, the Council could demonstrate full compliance with 13 standards (assessed as green) with minor to moderate improvements required to demonstrate full compliance with the remaining 4 standards (assessed as amber).

- 7.18 Changes that have been made throughout the year in order to improve the level of compliance with the Standards have been clearly documented as part of the self-assessment process. In addition, the self-assessment includes a comprehensive list of evidence to substantiate and support the Director of Finance & Section 151 Officer's assessment of compliance.
- 7.19 To conclude, the self-assessment review completed by the Director of Finance & Section 151 Officer demonstrates that the Council is broadly compliant with the FM Code, with only minor to moderate improvements being required to demonstrate full compliance with 4 of the 17 Standards.
- 7.20 Throughout the year, a significant amount of effort has continued to be directed at further strengthening the systems of risk management across the Council. The Governance and Audit Committee has received regular update reports from the Strategic Delivery and Performance Manager outlining the status of key risks from the Corporate Risk Register. 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.
- 7.21 As per the Terms of Reference, the Governance and 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 Governance and Audit Committee and detailed reports from the new system have been presented to the Committee throughout the year.
- 7.22 A number of concerns were raised previously by both the Chief Auditor and the Governance and Audit Committee in relation to the documentation of the mitigating control measures recorded in the Risk Register for a number of Corporate Risks.
- 7.23 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 in 2020/21, it was noted that in some instances the control measures documented on the new system could not be considered to be 'control measures' as such. As a result, it was 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 were not in place, but the way they had

been documented meant that we were unable to place reliance on some of the 'controls' as they were recorded. As a result, last year's Annual Governance Statement and Chief Internal Auditor's Opinion noted that this area required attention and improvement in 2021/22.

- 7.24 It is pleasing to note that a significant amount of work has taken place throughout 2021/22 in order to ensure that the corporate risks remain relevant and up to date. In addition, as evidenced by the most recent Risk Update Report from the Strategic Delivery & Performance Manager, the quality of the documentation of the associated control measures has greatly improved.
- 7.25 The Covid-19 Pandemic has continued to have 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, resumed in 2021/22 in the lead up to the year end and in preparation for the production of the Annual Governance Statement.
- 7.26 In response to the unexpected and unpredictable impact of the pandemic, a number of emergency protocols were introduced in 2020/21 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.
- 7.27 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. 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.
- 7.28 The ECG ceased to be a decision-making forum when Cabinet and Council meetings resumed in June 2020, but it continued to exist as a forum for information and communication throughout 2021/22.
- 7.29 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 the ongoing period of upheaval and change, Officers have continued to adapt 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.
- 7.30 In conclusion, Statutory Governance Chief Officers and CMT have succeeded in continuing to maintain appropriate corporate grip and have

ensured adequate recording and reporting mechanisms have been maintained throughout the crisis.

- 7.31 At the time of writing this opinion, it is unclear as to the scale of additional spending, including rapidly rising inflation, or ongoing losses of income that the Council faces in dealing with the pandemic both locally, with partners, and supporting the national strategic response to the residual immediate public health crisis and now rapidly growing economic and wider health effects of Covid-19 and the ongoing crisis in Ukraine going into 2022/23. The Director of Finance & Section 151 Officer has advised that his view is that there is adequate assurance of sufficient and necessary recovery and reimbursement in relation to 2021/22 already in place, pending the formal final outturn and statement of accounts certification. However, it should be noted that there are currently no meaningful sums announced available to bid against nationally for 2022/23 by UK or Welsh Governments. In March 2022, the Leader of the Council set out the Council's intention to expand the locally funded Covid-19 Economic Recovery Fund with the target sum of a further £20m-25m. This in part may mitigate the known certainty of significantly reduced Government funding cash increases in future years. This may also assist with dealing with some, but not all, of the immediate inflationary effects, which means future real terms reductions look inevitable. However, this is pending formal certification of the final outturn and statement of accounts by the Section 151 Officer and Council.
- 7.32 Given the audit plan completion rates noted previously, and the fact that Internal Audit has completed all of the planned fundamental audits and the majority of the cross cutting audits by year end, the Chief Auditor feels that no 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 completed and other assurance work undertaken in the year.
- 7.33 In addition, for the reasons set out previously, the Chief Auditor is of the opinion that governance arrangements across the Council have proven to continue to be robust and resilient throughout the continuing period of challenge and change that the Council has faced over the past year. It should also be noted that the Senior Management Assurance Statements have been enhanced during the year to incorporate the new provisions of Part 6 of the Local Government and Elections (Wales) Act in relation to performance self-assessment. The Council has continued to adapt speedily and effectively to the challenges brought about as a result of the pandemic, with core services continuing to operate effectively throughout.
- 7.34 Given the previous points made in relation to internal control, governance and risk management the Chief Auditor is of the opinion that there is no need to issue any limitation of scope on the aspects of governance and internal control. In addition, as a result of a significant amount of work undertaken in year to further enhance and embed risk management

controls across the Council, and to strengthen the documentation of risks and control measures on the Corporate Risk Register, the Chief Auditor believes that there is no longer a need to declare a limitation of scope in relation to risk management. However, improvements should continue to be made in this area throughout 2022/23 to further embed and strengthen the Council's risk management controls across all of the Directorate and Service Level Risk Registers.

- 7.35 The Governance and Audit Committee and the Chief Auditor have also raised concerns throughout the year around the absence of a Workforce Strategy. In February 2022 the Strategic HR&OD Manager confirmed that a proposed Workforce Strategy has been developed for the financial year April 2022/23, with the Strategy due to be launched in March 2022. It should also be noted that Internal Audit were unable to complete the audit of the 'Transformation' element of the Achieving Better Together programme that had been planned for completion in 2021/22. As a result, these areas will be reviewed as part of the 2022/23 work programme.

7.36

#### **Chief Auditors Opinion for 2021/22**

***Based on the programme of audit work undertaken in 2021/22, the Chief Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control is effective with no significant weaknesses identified in 2021/22 which would have a material impact on the Council's financial affairs or the achievement of its objectives.***

## **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 2021/22 has a potentially low positive impact across a number of identified groups.
- It has been subject to consultation with the Director of 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 2021/22 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 2021/22

**Appendices:** Appendix 1 – Audit Plan 2021/22 Status as at 31/03/22  
Appendix 2 – Audits Finalised 2021/22  
Appendix 3 – Performance Indicators 2021/22  
Appendix 4 – PSIAS Compliance Report  
Appendix 5 – QAIP Report & Action Plan 2021/22  
Appendix 6 – Audit Levels of Assurance  
Appendix 7 – Corporate Governance Map  
Appendix 8 – Integrated Impact Assessment