Meeting of:	**Governance and Audit Committee**
Date of Meeting:	**Monday, 24 May 2021**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Progress Against the Internal Audit Risk Based Plan 2020-21
Purpose of Report:	To provide members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2020-21.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.

Executive Summary:

- The progress made against the approved internal audit risk-based plan 2020-21 is detailed in Appendix A. It shows that 37 reviews have been finalised, 23 with an audit opinion whilst 6 reports have been issued in draft and 4 are on-going and will be completed to feed into the audit opinion report.

- Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 5 of the completed audits, an opinion of reasonable assurance to 15 completed audits and 3 have resulted in an audit opinion of limited assurance.

- 62 recommendations have been made to strengthen the control environment; all are categorised as medium priority and will be monitored to ensure they are effectively implemented.

Recommendation

1. That members of the Committee note the content of the report and the progress made against the 2020-21 Internal Audit Annual Risk Based Plan.

Reason for Recommendation

1. To keep Governance and Audit Committee informed.

1. Background

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

1.2 The Internal Audit Plan for 2020-21 was submitted to Audit Committee for consideration and approval on 24th September 2020. The Plan outlined the assignments to be carried out which will provide enough coverage to provide an opinion at the end of 2020-21 whilst having regard to the unprecedented impact of the pandemic.

2. Key Issues for Consideration

2.1 Progress made against the plan during 2020-21 is attached at Appendix A. It must be noted that this is a draft position as some work is in the process of being completed and the outcome of this work will be included in the Head of Audit's Annual Internal Audit Report 2020-21 which will be brought to a future Governance and Audit Committee.

2.2 Appendix A details the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, external audit liaison, Governance and Audit Committee and Senior Leadership Team reporting. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion.

2.3 Appendix A illustrates that to date 37 items of work have been completed of which 23 audits have resulted in an opinion being provided. A total of 4 audits are currently on-going and a further 6 have been issued as draft and these will all be included within the final annual opinion report.

2.4 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 5 completed audits and an opinion of reasonable assurance to 15 completed audits. Three completed audit reviews have been given an audit opinion of limited, that is only limited assurance can be placed on the current system of internal control. An explanation for the limited opinion in respect of the Direct Payments Follow Up audit was provided previously, the explanations for the other two limited reports areas detailed as follows:

All Saints Primary School Follow Up
A follow up review at this school was undertaken. The previous audit report issued in March 2020 gave limited assurance and 16 recommendations were made to improve the internal controls within the school. This follow up audit has revisited the original recommendations to identify if any improvements have been made. It is recognised that due to the pandemic schools were under extreme pressures however, from the audit work undertaken, very little progress had been made. The main areas of concern were regarding the composition and membership of the School's Governing Body and therefore the governance arrangements of the school. A meeting was held with the Chair of Governors and Head Teacher and all the recommendations have been discussed and an action plan for implementation has been agreed. The progress made will be reviewed before the summer break.

Youth Services
The objectives of the audit were to provide assurance that the financial systems and controls are effective, efficient and comply to the Council's policies and procedures, paying attention to any changes made because of COVID-19. The audit work undertaken identified some key issues in respect of internal processes and procedures not always being compliant with Financial Procedure Rules, gaps in inventory and asset monitoring and excessively high i-expenses claims being made to reimburse staff for purchases incurred for young people. All recommendations have been discussed and agreed and progress will be examined in a future follow up review.

2.5 Appendix A illustrates that a total of 62 medium (significant) recommendations have been made to improve the control environment of the areas reviewed. The implementation of these recommendations is monitored to ensure that improvements are being made.

2.6 It is recognised that some service areas have been under intense pressure and some audits were deferred/rearranged to accommodate any service requests. Sufficient coverage has been delivered to allow a year end audit opinion to be provided in the Head of Internal Audit's Annual Report.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1 The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and how they deliver the well-being objectives.

4. Resources and Legal Considerations

<u>Financial</u>

4.1 There are no resource implications as a direct consequence of this report, but effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

<u>Employment</u>

4.2 None as a direct consequence of this report.

<u>Legal (Including Equalities)</u>

4.3 The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

5. Background Papers

None

Vale of Glamorgan Council - Activity Against Audit Plan 1st April 2020 to 31st March 2021

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Annual Governance Statement 2019-20	The completion of the Council's AGS (including the Governance Assurance Statements from Corporate Officers and Senior Management). Deadline date June 2020.	completed					
Annual Governance Statement 2020/21	To make preparations for the production of the AGS for 2020/21	completed					
Safeguarding	This review will include an annual assessment of the Council's overall operating model for safeguarding; reviewing the adequacy of assurances obtained by the Council in place for vulnerable adults and children particularly having regard to the impact of COVID19.	on-going					
Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.						
	Bus Service Support Grant (BSSG)	completed		√			2
	Education Improvement Grant 2019/20	completed		√			0
	Housing Support Grant 2019-20	completed	√				0
	Post 16 Grant 2019-20	completed					
Purchasing Cards	To provide assurance that the Council's guidance for purchasing cards is sufficient and there is compliance to these policies and procedures across the Council	completed		√			8
Risk Management	Successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council and any new risks due to COVID19 have been considered.	completed		√			0
COVID - Remote Working	Increase in remote working due to COVID19 - impact on governance and internal control arrangements using a questionnaire	draft issued					
SRS Joint Service	To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2019-20 Financial Year.	completed	√				1
Contract Monitoring	To provide assurance that during negotiation and settlement of contract disputes / final payments there is adherence to Council's policies and procedure including CPR and PCoP.	to be undertaken 2021/22					
Tender Evaluation & Award - Building Services	To undertake a review of the procedures and processes associated with a number of Contracts and compliance to the Council's Rules and Regulations focusing on tender and award of contracts also having regard to any impact COVID19 has had to these processes.	on-going					
Tender Evaluation & Award - Visible Services	To undertake a review of the procedures and processes associated with a number of Contracts and compliance to the Council's Rules and Regulations focusing on tender and award of contracts also having regard to any impact COVID19 has had to these processes.	c/f to be completed 2020/21					
SRS Joint Service	Undertake a service specific compliance review - area to be confirmed	not undertaken					
Schools	To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment.						
	All Saints School Follow Up	completed			√		16
	Stanwell Payroll Follow Up	completed	√				0
	School Purchasing Cards	completed		√			1

Appendix A

Area	Audit Scope / Risk	Status	Opinion			Recommendations
	School Governance	draft issued				
School Risk Assessment	To review the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules particularly during the pandemic.	completed		√		0
School deficits	To review the monitoring processes both within the school and between the school and LA to ensure that deficit balances are sufficiently monitored and the recovery plan is achievable	completed		√		2
Catering Company	To provide assurances on the operation of the Catering Company.	completed		√		3
ALN - Out of County Charges	To provide assurance that monitoring of expenditure is adequate	draft issued				
Youth Services	Compliance to Council's policies and procedures	completed			√	6
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems. The new arrangements adopted due to COVID19 will be examined to provide assurance that controls are still in place.					
	Income Collection Cash Control	completed		√		2
	Free School Meals	not undertaken				
	Creditors	draft issued				
	Debtors	on-going				
Payroll	Review starters and leavers, changing records / data	completed		√		2
Members Code of Conduct	Review of compliance of Members to the Council's Code of Conduct	completed	√			0
PCI – DSS (Payment Card Industries – Data Security Standards)	To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.	to be undertaken 2021/22				
ICT Audit	In consultation with ICT, systems reviews will be undertaken across Directorates to ensure robust controls are evident and operating effectively including the control and distribution of ICT equipment since the increase of home working since the outbreak of COVID19	aspects included in individual audits and questionnaires				
Procurement	This audit will review the procurement framework and a sample of individual procurement activities across the Council in order to evaluate the level of compliance with legislation and the Council's Constitution.	aspects included in individual audits and questionnaires				
Disabled Facilities Grants	To review the process and payments in regard to grants paid to applicants	to be undertaken 2021/22				
Adoption Service	To provide assurance to the governance board on the adequacy and effectiveness of the overall control environment including Governance, Risk Management and Internal Control for 2018-19.	completed	√			1
Flying Start	To provide assurance that the Council's policies and procedures are complied with	completed		√		0
Partnership Working	To review the governance arrangements in place to ensure the Council is correctly represented in regard to the Regional Emergency Duty Team. Joint work with Cardiff Council	to be undertaken 2021/22				
Direct Payments Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	completed			√	6
Complaints & Representation Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	completed		√		0

Appendix A

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
Contract & Commissioning Follow Up	To follow up on the previous limited report to ensure improvements have been made to the control environment	not undertaken at request of Chief Officer					
Audit Committee / Member and SLT Reporting	This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Team and the Internal Audit Shared Service Board.						
	Effectiveness of Audit Committee	draft issued					
Compliance – expenses / mileage claims	Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	ongoing - since the 1st April 2020, 155 claims have been reviewed.					
Exemptions to Contract / Finance Procedure Rules	To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.	ongoing - 51 exemptions / waivers have been agreed.					
Advice & Guidance	To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.						
Data Analytics	Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples	techniques used to analyse data in various audits					
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.	completed					
Carry Forward from 2019-20	Provision for those assignments which are still ongoing at the end of 2019-20.						
	C/F C1V Software Application	completed		√			2
Closure of reports - 2019/20	To finalise all draft reports outstanding at the end of 2019-20.	completed					
Follow up Reports	To ensure that all limited assurance reports are followed up in a timely manner						
	School Budget Monitoring Follow Up	completed		√			1
	ICT Business Continuity Follow Up	on-going					
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with service areas which have received these recommendations.	completed					
Annual Opinion Report 2019-20	To prepare and issue the Head of Audit's Annual Opinion Report 2019/20.	completed					
Annual Opinion Report 2020-21	Preparation for the production of the 2020-21 Annual Opinion Report	completed					
Audit Planning 2020 - 21	To prepare, present and monitor the annual risk based audit plan for 2020/21.	completed					
Audit Planning 2021 - 22	To prepare and present the annual risk based audit plan for 2021/22.	completed					
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.						
Emerging Risks / unplanned	To enable Audit Services to flexibly respond to provide assurance activity as required.						
	Primary School - Financial Information Review	completed					2
	Whistleblowing - Freedom of Information Request Issue	completed					1
	Whistleblowing - Contracted and timesheet hours	completed		√			6
	Homelessness	to be undertaken 2021/22					
	WB Complaint	completed					
	Contract Award - Lessons to be Learnt	draft issued					

Appendix A

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
Fraud / Error / Irregularity	National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers. Matches will include business grants made available due to COVID19	ongoing and subject to separate reporting					
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.						
	Council mobile phone left in taxi	fact finding report issued					
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.	completed					
	Overall Totals		5	15	3	0	62