

|                              |  |
|------------------------------|--|
| <b>Report to</b>             | Governance & Audit Committee                                       |
| <b>Date of meeting</b>       | 9 June 2021  |
| <b>Lead Member / Officer</b> | Cllr Julian Thompson Hill / Lisa Lovegrove, Chief Internal Auditor |
| <b>Report author</b>         | Lisa Lovegrove, Chief Internal Auditor                             |
| <b>Title</b>                 | Internal Audit Report 2020-21                                      |

## **1. What is the report about?**

1.1. This report provides the Committee with the Internal Audit Annual Report for 2020-21 that provides the Chief Internal Auditor's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year that informs the 'annual governance statement'.

## **2. What is the reason for making this report?**

2.1. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to deliver an annual internal audit opinion and report that the organisation can use to inform its annual governance statement. This Committee's terms of reference require it to consider the annual report of the internal auditors.

2.2. The Accounts and Audit (Wales) Regulations 2014 require the review of governance arrangements to be reported within the authority, in the Council's case the Governance & Audit Committee, and externally with the published accounts of the authority. The Annual Governance Statement (AGS) is an annual review of the systems of internal control and gathers assurance from various sources to support it. Internal Audit is a key contributor and the Chief Internal Auditor (CIA) should provide a written annual report to those charged with governance to support the AGS.

### **3. What are the Recommendations?**

- 3.1. The Committee considers and comments on the Chief Internal Auditor's annual report and overall opinion.

### **4. Report details**

- 4.1. The Internal Audit Strategy 2020-21 was agreed by the Committee on 8th July 2020. Appendix 1 details the position with audits contained in the 2020/21 audit strategy and those carried forward from 2019/20. Internal Audit operates a flexible plan so that areas of highest perceived risk are prioritised for a review. Governance & Audit Committee are informed of any changes during the year as part of the Internal Audit Update Report.
- 4.2. The 2020/21 Internal Audit Strategy was based on the Internal Audit team being fully staffed during the year. However, Internal Audit's resources have been constrained due in part to Covid-19 and the retirement of an Auditor in September 2020.
- 4.3. Sufficient work was completed during the year, or was sufficiently advanced by the year end, on which to base the conclusion drawn in the Internal Audit Annual Report. This is supplemented by a review of relevant documentation and discussions as part of the review and assessment of the Corporate Governance Framework which informed the production of the Annual Governance Statement.
- 4.4. The volume of work carried out in 2020/21 is less than previous years, due to the impact of covid-19 on the resources and capacity of the Internal Audit team and of council services being audited. While this reduces the sources of assurance available to form an opinion, reliance has been placed on the previous body of work completed by Internal Audit and reported progress with management implementation of agreed Internal Audit actions. Consideration has been given as to whether this constitutes to a limitation of the scope of Internal Audit activities, and it is my opinion that for 2020-21 a one off reduction in the number of completed audits will not have a material impact. Should the situation extend to significantly impact work planned in 2021/22 and beyond, further consideration will be given to the level of assurance which Internal Audit can provide.

4.5. Internal Audit's annual opinion is attached as Appendix 1 and concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control

## **5. How does the decision contribute to the Corporate Priorities?**

5.1. Internal Audit's role is to provide assurance regarding the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. Each of these areas helps ensure that the council can deliver on all corporate priorities as identified in its corporate plan

## **6. What will it cost and how will it affect other services?**

6.1. There are no additional costs associated with this report. Actions to ensure compliance with relevant legislation and Council policies are taken within existing budgets.

## **7. What are the main conclusions of the Well-being Impact Assessment?**

7.1. Not applicable - there is no decision required with this report

## **8. What consultations have been carried out with Scrutiny and others?**

8.1. Consultation with officers, and Audit Wales was conducted in drafting the Internal Audit Strategy.

## **9. Chief Finance Officer Statement**

9.1. Not applicable - there is no decision required with this report.

## **10. What risks are there and is there anything we can do to reduce them?**

10.1. An inadequate and operationally ineffective internal control system can have adverse impact on the Council's risk management processes and wider corporate governance, and, therefore, the quality of service provided.

10.2. The Public Sector Internal Audit Standards require Internal Audit to evaluate the effectiveness of risk management and contribute to the improvement of risk

management processes. Where risks are identified as part of the Internal Audit process, action plans are agreed and monitored in order to mitigate these risks

## **11. Power to make the decision**

11.1. Not applicable - there is no decision required with this report.