

<b>Report to</b>	Governance & Audit Committee
<b>Date of meeting</b>	8 June 2022
<b>Lead Member / Officer</b>	Nicola Kneale – Interim Head Business Improvement Modernisation
<b>Report author</b>	Bob Chowdhury, Chief Internal Auditor
<b>Title</b>	Internal Audit Report 2021-22

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

1.1. This report provides the Committee with the Internal Audit Annual Report for 2021-22 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 2022-23 is being taken to the Governance and Audit committee for approval on the 8<sup>th</sup> June 2022. Appendix 1 details the position with audits contained in the 2022/23 audit strategy and those carried forward from 2021/22. 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. This year's annual opinion needs to consider a number of key factors: The last year has seen internal audit assignments disrupted again as services directed resources to attend to the crisis and ensured that vital services could be delivered. During this time, Internal Audit focused on providing advice and support in areas of greatest priority to the council with reduced resources available to Internal Audit due to a secondment to TTP. Internal Audit has been able to remotely, carry out audits from 1<sup>st</sup> April 2021, but this has come with new challenges.
- 4.3. My opinion is largely based on the completion of the risk based internal plan, see Appendix 1 for a list of audit results and assurance ratings definitions. Two audit during the year received 'Low' assurance, the others being awarded 'High' or 'Medium' Assurance ratings. Where significant issues have been identified, overall these have been appropriately addressed, which confirms that management is responsive to our work.
- 4.4. Internal Audit has completed three items of advisory work during the year which demonstrates that management is willing to engage with Internal Audit to establish good risk and control environments.
- 4.5. Our work has highlighted some areas of weakness in management of risks and/or controls which may put achievement of objectives at risk. Improvements

are required to address such areas so that the framework of governance, risk management and control is adequate.

4.6. 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.