

# GOVERNANCE AND AUDIT COMMITTEE - 25<sup>TH</sup> JANUARY 2022

SUBJECT: INTERNAL AUDIT SERVICES ANNUAL AUDIT PLAN 2021/22

- UPDATE ON PROGRESS

REPORT BY: ACTING INTERNAL AUDIT SERVICES MANAGER

# 1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide the Governance and Audit Committee with an overview of the work undertaken by Internal Audit Services in the first six months of the current financial year

#### 2. SUMMARY

- 2.1 As part of the reporting of the work undertaken by the Internal Audit Section it has previously been agreed that the Governance and Audit Committee would receive a report detailing performance twice a year, namely a half-year report together with the annual report and year end opinion.
- 2.2 The Internal Audit Plan for 2021/22 was presented to the Governance and Audit Committee on 20<sup>th</sup> April 2021. Considerable challenges have continued arising from staffing vacancies within the team and the impact of the COVID 19 pandemic on Council services and establishments. As a result, much of the traditional audit work has not fully recommenced and work that has been performed has centred on remote testing and self-assessments. Good progress has been made on recruitment and the additional staffing resources will bear fruit in the latter half of the year and next year.
- 2.3 Members will also be aware that the Pentana MK Insights system was implemented in 2019 and 2021/22 will be the first full year of its use, and Audit staff time has been directed to developing new audit programmes, the reporting facilities and the recommendation tracking module and this work is ongoing.
- 2.4 Audit staff have continued to support some non-audit / advisory work and investigations.
- 2.5 The report provides information on the work undertaken to date including progress on audits incomplete at 31/3/21.

# 3. RECOMMENDATIONS

3.1 That the Governance and Audit Committee notes the content of this report

# 4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Governance and Audit Committee is aware of the level of Internal Audit coverage during the 2021/22 financial year to date, the progress made, outcomes and opinions generated from undertaking this work.
- 4.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report and opinion that will be used to inform its Annual Governance Statement. This progress report will inform the Governance and Audit Committee of progress and will inform and support the annual opinion.

#### 5. THE REPORT

- 5.1 Both the Council's Financial Regulations and the Internal Audit Charter set out the reporting requirements for Internal Audit Services and the Public Sector Internal Audit Standards (PSIAS) introduced in 2013 have also reinforced the links with corporate governance and the assurance framework.
- 5.2 The purpose of this report is to provide Members of the Governance and Audit Committee with an overview of the work undertaken in the first six months of 2021/22 financial year.
- 5.3 Members will be aware that during 2019/20 and 2020/21 the work of Internal Audit Services was impacted by the COVID-19 pandemic and this has continued into 2021/22. In addition, the staffing resources available have also been impacted by staff retirements /resignations over the same period. However, a minor restructuring has been carried out to realign resources and tasks and good progress is being made to fill these posts. Three new members of staff have been appointed recently and the additional staff resources are now being utilised. However, a number of these newly appointed staff have required some inhouse training and support in developing them in their new roles, which has also impacted on resources, however this is anticipated to be a time limited issue as their experience develops.
- 5.4 The Audit Management Software system, Pentana MK Insights was introduced in 2019 and time input has been required to develop the audit and reporting functionality of the system and developing and implementing a system driven review of the audits and reports. The system was also upgraded to the latest version resulting in some downtime although in the longer term benefits will be realised from enhanced reporting and other functionality.
- Internal Audit Services has continued to support some external investigations, transformation projects, strategy and policy development, issuing advice and guidance, and the Acting Internal Audit Manager has also supported the process to recruit the additional lay members of the Governance and Audit Committee.
- 5.6 Appendix 1 summarises the progress on ongoing audits and opinions reported in respect of finalised audit assignments in 2021/22 for the first 6 months. Not all audits generate an opinion, for example grants certification, however any issues found are reported to management as part of the audit work.

#### Conclusion

5.7 The Governance and Audit Committee is asked to note the progress on audits performed.

#### 6. ASSUMPTIONS

6.1 There are no assumptions in this report as its content reflects actual audit activity undertaken during the 2021/22 financial year.

# 7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The work of Internal Audit Services provides assurance on the robustness of internal controls and the corporate governance arrangements operating within the Authority and identifies areas for improvement.
- 7.2 The Council will be unable to deliver its Well-being Objectives in the absence of effective corporate governance. In addition a prosperous and resilient Wales require an effective internal audit function in order to protect public funds
- 7.3 There are no other equalities implications arising from this report.

# 8. FINANCIAL IMPLICATIONS

8.1 There are no direct financial implications arising from this report.

# 9. PERSONNEL IMPLICATIONS

9.1 There are no personnel implications.

# 10. CONSULTATIONS

10.1 Any comments received from consultees have been included within the report.

# 11. STATUTORY POWER

11.1 Local Government and Elections Act (Wales) 2021

Author: D. Gronow Acting Internal Audit Manager

Tel: 01443 863425 Email: gronode@caerphilly.gov.uk

Consultees: S. Harris, Head of Financial Services & S151 Officer (email:

harrisr@caerphilly.gov.uk)

R. Edmunds, Director of Education & Corporate Services (email:

edmunre@caerphilly.gov.uk)

Appendix 1 Audits performed in the period to 30/9/2021