

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

18 JUNE 2021

### REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE

#### ANNUAL INTERNAL AUDIT REPORT 2020-21

##### 1. Purpose of report

- 1.1 The purpose of this report is to provide the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2020-21.

##### 2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective priority under the **Well-being of Future Generations (Wales) Act 2015**:-

- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

##### 3. Background

- 3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
- Include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
  - Present a summary of the audit work undertaken;
  - Draw attention to any issues that may impact on the level of assurance provided;
  - Provide a summary of the performance for the service;
  - Comment on conformance with the Public Sector Internal Audit Standards.
- 3.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal 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 Internal Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.3 The draft audit plan for 2020-21 was due to be presented to Audit Committee in April 2020 however the COVID-19 outbreak delayed the planning process as significant new risks and ways of working had to be considered to inform the Plan. The 2020-

21 Internal Audit Plan was therefore approved on the 10<sup>th</sup> September 2020. The plan recognised that there would be a different emphasis due to the impact of COVID-19; particular risks arising from COVID-19, availability of audit and service staff and challenges arising from the remote ways of working. The approved plan was also more flexible to be able to respond to changing circumstances and events that may occur during the year as a result of the pandemic.

- 3.4 2020-21 has seen the Covid-19 pandemic have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.
- 3.5 Covid-19 also changed how audit work was carried out in 2020-21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens, and sending of data and evidence electronically.
- 3.6 Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports being delayed where services have been under pressure.

#### **4. Current situation/proposal**

- 4.1 The Internal Audit Annual Report is at **Appendix A** which summaries the reviews undertaken during 2020-21 including any counter fraud work, the recommendations made and any control issues identified. A total of 26 reviews were completed with an audit opinion and a total of 38 medium recommendations made. A detailed breakdown is included at **Annex 1** of the appendix. The annual report also discusses the performance of the internal audit service during the year including benchmarking its performance against other local authorities and highlighting individual staff development and training that has taken place.
- 4.2 Progress against the 2020-21 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, External Audit liaison, Fraud, and Irregularity work. This is because the audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 4.3 **Annex 2** illustrates that most planned audit reviews have been undertaken during 2020-21 despite the pandemic and the impact that has had to demands on services as well as the impact of adopting to remote working. Although the pandemic did have some impact on the delivery of the internal audit plan for 2020-21 the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion. Where planned work has not been undertaken, assurance has been gained where possible from other sources such as previous work and coverage in other audits. Some planned reviews were not undertaken during the year following requests from services that were under intense pressure; these will be considered in the 2021-22 plan. In addition, two audits started in 2020-21 will be completed during 2021-22.
- 4.4 Taking into account the results of the internal audit reviews completed during 2020-21, the recommendations made and considering other sources of assurance the

*Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2020-21 is of **reasonable assurance**.* No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

- 4.5 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2020-21 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

## **5. Effect upon policy framework and procedure rules**

- 5.1 There is no effect upon the policy framework and procedure rules.

## **6. Equality Act 2010 implications**

- 6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

- 8.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

## **9. Recommendation**

- 9.1 That members of the Governance and Audit Committee give due consideration to the Annual Internal Audit Report for the Financial Year 2020-21 including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

**Mark Thomas**  
**Head of Internal Audit**  
**June 2021**

**Contact Officers:** Joan Davies  
Audit Client Manager.

Mark Thomas  
Head of Regional Internal Service

**Telephone:** 01656 754904

07725 446532

**E-mail:** [joan.davies@bridgend.gov.uk](mailto:joan.davies@bridgend.gov.uk)

cmthomas@valeofglamorgan.gov.uk;

**Postal Address**

Bridgend County Borough Council  
Internal Audit  
Ravens Court  
Brewery Lane  
Bridgend  
CF31 4AP

**Background Documents**

None