

# Annual report on Internal Audit Activity

2020-21



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## **(1) Introduction**

Gloucestershire County Council's Audit Risk Assurance (ARA) has been appointed as the Internal Auditors for Ubico Ltd from 1<sup>st</sup> April 2018 until 31<sup>st</sup> March 2022.

Audit Risk Assurance activity is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing and these standards require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

## **(2) Responsibilities**

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and challenge, advising the organisation that satisfactory arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for Ubico Ltd. There are a range of external audit and inspection agencies, internal compliance teams as well as management processes which also provide assurance to the Risk and Audit Committee and the Board.

## **(3) Purpose of this Report**

The Head of ARA will provide an annual report to those charged with governance, that:

- Provides an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
- Compares the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- Summarises the performance of the Internal Audit service against its performance measures and targets; and
- Comments on compliance with the standards.

When considering this report, the Risk and Audit Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Board during 2020/21 and internal reports on risk management and governance.

## **(4) Head of ARA's Opinion on Ubico Ltd Internal Control Environment**

In providing the Internal 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 arrangements, control processes and governance. The matters raised in this report, and our quarterly monitoring reports, are only those that were identified during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.

In addition in light of the coronavirus pandemic and the impact of this on the Company the opinion given below is based on internal audit work undertaken, and completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.

### **Head of ARA's Opinion**

I am satisfied that, based on the Internal Audit activity undertaken during 2020/21 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Ubico Ltd overall internal control environment (comprising risk management, control and governance).

In my opinion, based on Internal Audit work undertaken, Ubico Ltd has a **satisfactory** overall control environment, to enable the achievement of the company's outcomes and objectives.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

### **(4a) Scope of the Internal Audit Opinion**

In arriving at my opinion, I have taken into account:

- The results of all Internal Audit activity undertaken during the year ended 31st March 2021 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;
- The effects of any material changes in the company's risk profile, objectives or activities;

- Matters arising from internal audit quarterly progress reports or other assurance providers to the Board;
- Whether or not any limitations have been placed on the scope of internal audit activity; and
- Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

**(4b) Limitations to the scope of our activity**

There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the Internal Audit needs of Ubico Ltd. Whilst the core Internal Audit and counter fraud service is provided in-house, the Head of ARA (if required) is able to commission external specialist ICT audit via Warwickshire County Council’s Internal Audit Framework Agreement.

**(5) Summary of Internal Audit Activity undertaken which informed our opinion**

The schedule provided at **Appendix 1** contains a list of all of the audit activity undertaken during 2020/21, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Board.

Explanations of the meaning of these opinions are shown below.

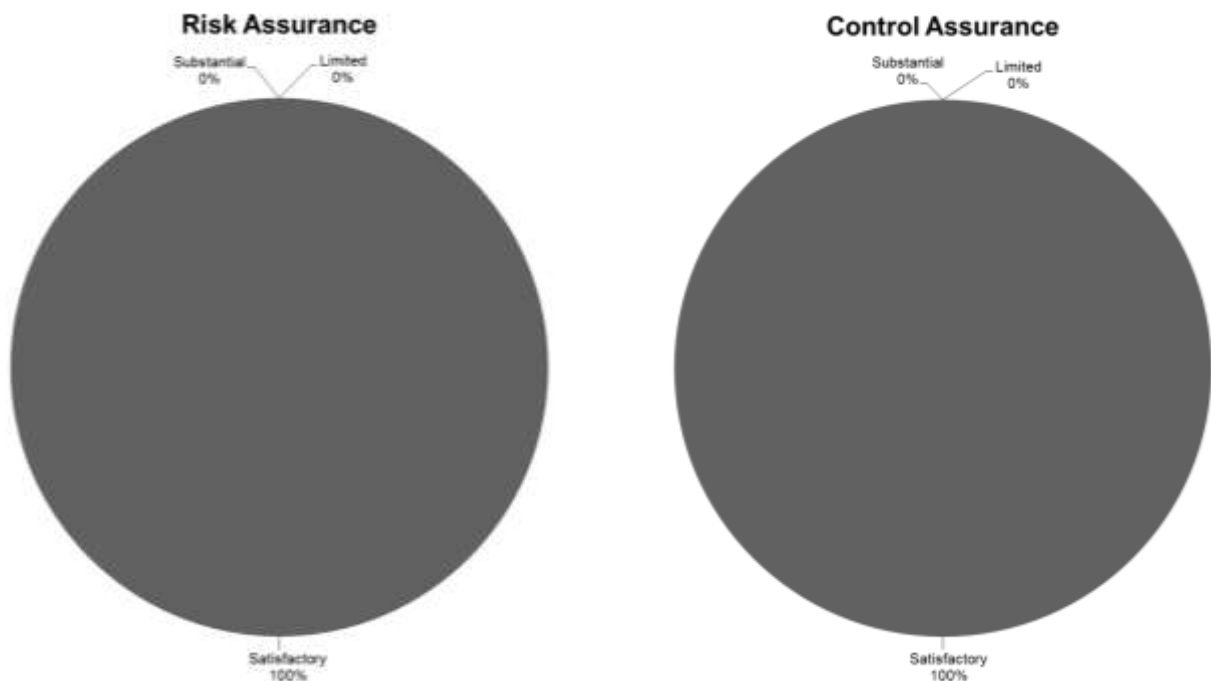
Assurance Levels	Risk Identification Maturity	Control Environment
<b>Substantial</b>	<b>Risk Managed</b> Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored.	<ul style="list-style-type: none"> <li>• System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved</li> <li>• Control Application – Controls are applied continuously or with minor lapses</li> </ul>
<b>Satisfactory</b>	<b>Risk Aware</b> Service area have an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored.	<ul style="list-style-type: none"> <li>• System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger</li> <li>• Control Application – Controls are applied but with some lapses</li> </ul>

<b>Limited</b>	<b>Risk Naïve</b> Due to an absence of accurate and regular reporting and monitoring of the key risks, the Service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.	<ul style="list-style-type: none"> <li>• System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls</li> <li>• Control Application – Significant breakdown in the application of control</li> </ul>
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**(5a) Internal Audit Assurance Opinions on Risk and Control**

The below pie charts show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited.

Risk and Control Opinions 2020/21



**(5b) Internal Audit’s Review of Risk Management**

During 2020/21, 100% of the audited areas rated the effectiveness of risk management arrangements as **satisfactory (100%)**.

Note: A separate Internal Audit review (completed in February 2019) of the corporate risk management arrangements provided satisfactory assurance that Ubico Ltd has established appropriate policies and systems to manage risk across the organisation. Within 2020/21 Internal Audit has continued to support the development of Risk Management within Ubico, focusing on updating the Risk Management Strategy and supporting documentation.

**(5c) Counter Fraud Activity**

There was one irregularity reported to Audit Risk Assurance (ARA) in 2020/21. The irregularity was linked to changes in working arrangements during the Covid-19 pandemic. The Counter Fraud team worked closely with management to quickly resolve the issue.

Work has been undertaken, in liaison with the Head of Compliance, to up date and further develop the (2020/23) Counter Fraud Policy and Strategy.

A number of Counter Fraud initiatives were promoted throughout the year including signing up to becoming a supporter of International Fraud Awareness Week. This is an annual event that takes place in November each year. During the week posters, social media and information flyers are used to raise counter-fraud awareness across the organisation.

During 2020/21 criminals sought to take advantage of the changes in the working environment resulting from the COVID-19 pandemic restrictions. Throughout this period organisations and their employees were targeted using various methods, particularly through cyber related means. ARA continues to provide details of potential scams and attempts to breach cyber security arrangements as and when they are identified.

## **(6) Internal Audit Effectiveness**

### **Public Sector Internal Audit Standards (PSIAS) 2017**

The Accounts and Audit Regulations 2015 state that Internal Audit should conform to the Public Sector Internal Audit Standards (PSIAS). These standards have four key objectives:

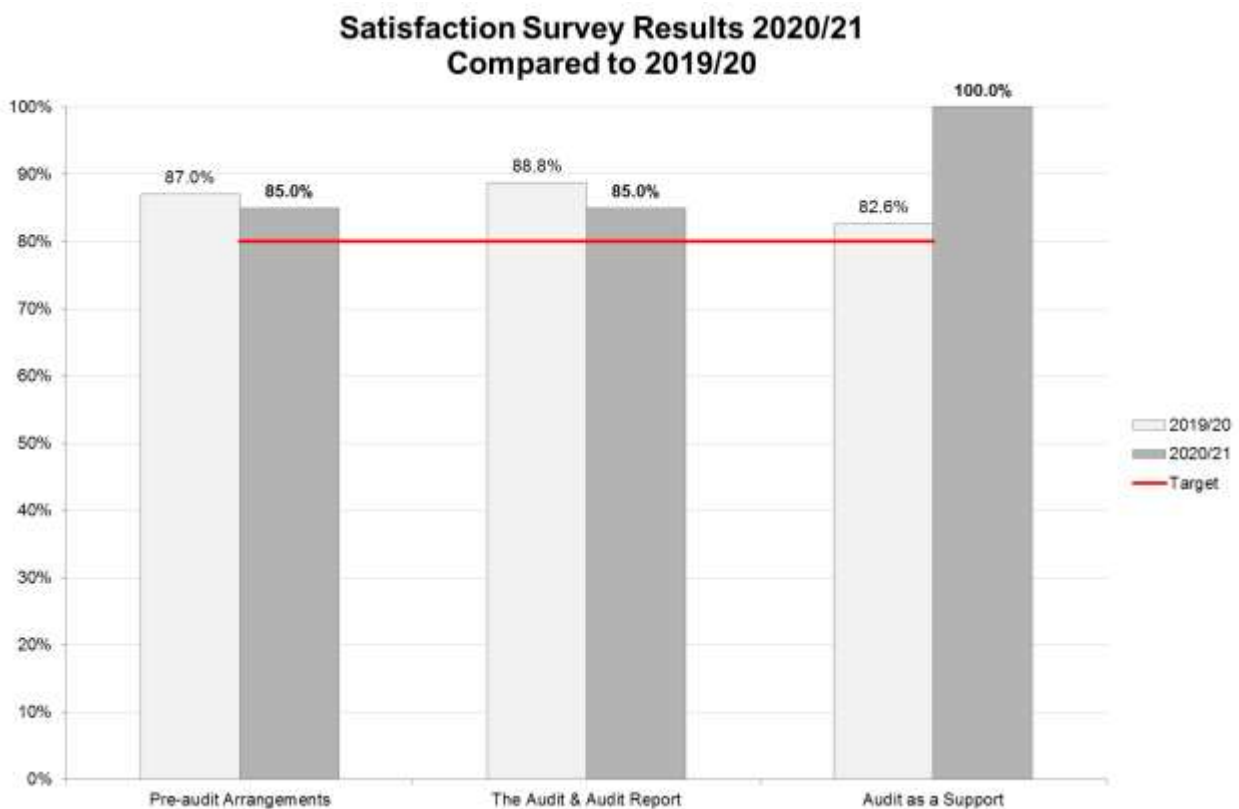
- Define the nature of Internal Audit within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

The ARA Internal Audit Charter and Code of Ethics reflect the requirements of the standards.

## Internal Assessment - Customer Satisfaction Survey results 2020/21

At the close of each audit review a customer satisfaction questionnaire is sent out to the, relevant nominated client lead officer for the area which has been subject to review. The aim of the questionnaire is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Customers are asked to rate the service between excellent, good, fair and poor. A target of 80% was set where overall, audit was assessed as good or better.

During 2020/21 customer satisfaction questionnaires were received for: 1) Business Continuity Management, 2) Treasury Management, 3) Payroll-overtime payments, 4) Budget Setting Process and Management and 5) ISO 14001 / 45001. The results as summarised below, shows that the target has been exceeded, with the score of **100%** reflecting Internal Audit as being a positive support to their service.



In addition, the following positive comment has been received:

- *“The auditor's willingness to share his knowledge on examples of best practice will surely help us in the future to further improve our overtime monitoring tools. they provided constructive feedback throughout the audit period and were in permanent contact with me highlighting any areas that might require further review.”*
- *“The auditor demonstrated awareness of the challenges facing the audited business area. They provided valuable feedback by sharing best practices and promoting*



*'brainstorming' sessions that will without doubt help us improve our risk control measures. The disruption of daily activities was minimized as much as possible during the review."*

### **Lessons Learned from customer feedback and actions taken by Internal Audit**

The Head of ARA reviews all client feedback survey forms and where a less than good rating has been provided by the client, a discussion is held with both the relevant auditor and the manager to establish the rationale behind the rating and where appropriate actions are taken to address any issues highlighted.

### **ARA Learning and Development**

Development of leaders, managers and staff within internal audit is a key priority, to ensure that the service has the qualities, behaviours and skills to deliver efficient and effective services to our partners.

The Head of ARA is a member of the Local Authorities Chief Auditor's Network, and the Midland Audit Group.

ARA staff participate in Continuing Professional Development (CPD) and / or are members of other relevant internal audit, counter fraud and risk related forums / groups, all of which provides the opportunities to discuss and understand the latest developments affecting the internal audit, counter fraud and risk management profession, contribute to strategy, exchange ideas and work collaboratively on problems and issues.

ARA is also committed to offering a structured trainee auditor programme, to attract people to the service / profession and support succession planning. ARA currently supports two trainee auditor posts.

## Appendix 1 – Internal Audit Activity 2020/21

Activity	Planned Start Date	Revised Start Date	Started	Draft Report Issued	Final Report Issued	Number of Recommendations		Audit Opinion on Risk	Audit Opinion on Control
						High	Medium		
Environmental Management System (EMS) - ISO 14001  As per agreement with Ubico Senior Management, ISO 14001 to be prioritised, using the resource previously allocated to ISO 45001.	Nov 20		✓	✓	✓	0	0	N/A: Consultancy Review	
Corporate Governance	Jun 20		✓	✓	✓	0	0	N/A: Consultancy Review	
Risk Management Consultancy.	Feb 21		✓	✓					
Contract Management	Mar 21		✓						
Payroll – overtime payments (Follow up)	Jun 20		✓	✓	✓	0	0	Satisfactory	Satisfactory
Counter Fraud Activity (including investigation)	Ongoing								
<b>Brought forward from 2019/20</b>									
Fuel usage – cards and tanks	Jul 19		✓	✓	✓	0	5	Satisfactory	Satisfactory
Fleet management (follow-up to probity investigation)	May 19	Feb 20	✓	✓	✓	0	1	Satisfactory	Satisfactory