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| Meeting of: | Governance and Audit Committee |
| Date of Meeting: | Tuesday, 25 April 2023 |
| Relevant Scrutiny Committee: | Corporate Performance and Resources |
| Report Title: | Progress Against the Internal Audit Risk Based Plan 2022-23 |
| Purpose of Report: | To provide members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2022-23 |
| Report Owner: | Head of the Regional Internal Audit Service |
| Responsible Officer: | Head of Finance & Section 151 Officer |
| Elected Member and Officer Consultation: | No Elected Members have been consulted. Legal Services and Head of Finance. |
| Policy Framework: | The proposals in this report are in accordance with the policy framework and budget. |
| <p>Executive Summary:</p> <ul style="list-style-type: none"> The progress made against the approved internal audit risk-based plan 2022-23 is detailed in Appendix A. It shows that 25 reviews have been completed with an audit opinion, 8 have been issued as draft and a further 8 under review. Therefore, it is estimated that the audit opinion of 41 audits will feed into the overall annual audit opinion for 2022/23. Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment the audit opinions for the 25 audits are as follows; 5 have been given substantial assurance, 18 reasonable assurance and 2 have been given an audit opinion of limited. Appendix A also identifies the audits that have not been completed during 2022/23. Of these, 6 have commenced and are being carried forward whilst a further 15 did not start but will be included in the 2023/24 plan. One audit was not undertaken and will not be included in the 2023/24 plan. A total of 90 recommendations have been made to improve the control environment. The progress being made in implementing these is regularly monitored by the Auditors and reported to this Committee. | |

- Whilst performance during 2022-23 was lower than anticipated, it is felt that the level of coverage will be sufficient to allow the Head of Audit to provide an opinion on the Council's arrangements for internal control, governance and risk management arrangements throughout 2022-23.

Recommendation

1. That members of the Committee note the content of the report and the progress made against the 2022-23 Internal Audit Annual Risk Based Plan.

Reason for Recommendation

1. To keep Governance and Audit Committee informed.

1. Background

- 1.1 In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 1.2 The Internal Audit Plan for 2022-23 was submitted to the Governance and Audit Committee for consideration and approval on 13th June 2022. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an opinion at the end of 2022-23.
- 1.3 The plan is also flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

2. Key Issues for Consideration

- 2.1 Progress made against the approved plan for the period 1st April 2022 to 31st March 2023 is attached at Appendix A. This details the status of each planned review, the audit opinion, and the number of any high, medium or low priority recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Strategic Leadership Team (SLT) reporting. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.
- 2.2 Appendix A illustrates that a total of 25 audits have been completed with an audit opinion whilst a further 8 audits have been issued as draft. Feedback is awaited from the service departments in respect of the management action plans for the draft audits and once received the reports will be finalised. In addition, 8 audits are under review with the draft audit reports due to be issued imminently. Therefore, it is estimated that the audit opinion of 41 audits will feed into the overall annual audit opinion for 2022-23.

2.3 Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment the audit opinions for the 25 audits are as follows; 5 have been given substantial assurance, 18 reasonable assurance and 2 have been given an audit opinion of limited.

2.4 For reference, the audit assurance/opinion categories are:

| AUDIT ASSURANCE CATEGORY CODE | |
|-------------------------------|--|
| Substantial | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

Explanations for two of the limited assurance audits reports were provided in the January 2023 progress report presented to this Committee.

2.5 Appendix A also identifies the audits that have not been completed during 2022-23. Of these, 6 have commenced and are being carried forward whilst 15 did not start but will be included in the 2023-24 plan. One audit was not undertaken and will not be included in the 2023-24 plan, this was a review of grant schemes from Welsh Government which were allocated during and after the pandemic.

2.6 Appendix A shows a total of 90 recommendations have been made to date to improve the control environment: 3 high priority, 44 medium priority and 43 low priority. The implementation of these recommendations is regularly monitored by the Auditors and reported to this Committee to ensure that the identified and agreed improvements are being made.

2.7 Again, for reference, Internal Audit recommendations are categorised/prioritised as follows:

| RECOMMENDATION CATEGORISATION | |
|--|--|
| Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows: | |
| High Priority | Action that is considered imperative to ensure that the organisation is not exposed to high risks. |
| Medium Priority | Action that is considered necessary to avoid exposure to significant risks. |
| Low Priority | Action that is considered desirable and should result in enhanced control. |

- 2.8** As reported during the year the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23 but as previously highlighted, the new staff have had an impact on the current resource available to deliver the internal audit plan due to the support and training that has been required. The plan was compiled assuming a full establishment and although SWAP Internal Audit Services have assisted, 15 planned audits have not been undertaken during 2022/23.
- 2.9** However, it is estimated that the 41 audits that will have been completed with audit opinions. These, together with other sources of assurance such as external assessment reports from Care Inspectorate Wales, Estyn and our own controlled risk self-assessments completed by all schools, will provide a level of coverage that is sufficient to allow the Head of Audit to provide an opinion on the Council's arrangements for internal control, governance and risk management arrangements throughout 2022-23.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and how they deliver the well-being objectives.

4. Climate Change and Nature Implications

- 4.1** None as a consequence of this report

5. Resources and Legal Considerations

Financial

- 5.1** There are no resource implications as a direct consequence of this report, but effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

Employment

5.2 None as a direct consequence of this report.

Legal (Including Equalities)

5.3 The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2018 as amended from time to time. There are no equalities implications as a direct consequence of this report.

6. Background Papers

None

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|--|---|--------------------------|-------------|------------|-------------------------|-----------------|--------|-----|
| | | | Substantial | Reasonable | Limited or No Assurance | High | Medium | Low |
| Follow up Reports | To ensure that all limited assurance reports are followed up in a timely manner | | | | | | | |
| | Direct Payments | complete | | √ | | 0 | 2 | 1 |
| | Ysgol Gymraeg Bro Morgannwg - stock control | complete | | √ | | 0 | 1 | 0 |
| | ICT Business Continuity | under review | | | | | | |
| Annual Governance Statement | The completion of the Council's Annual Governance Statement, submission to Audit Committee and included with the Draft Statement of Accounts 2021/22 (including the Governance Assurance Statements from Corporate Officers and Senior Management) | complete | | | | | | |
| Annual Governance Statement 2022/23 | To make preparations for the production of the AGS for 2022/23 | complete | | | | | | |
| Safeguarding | This review will include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children. | to be undertaken 2023/24 | | | | | | |
| Risk Management | A review of a sample of corporate risks to identify if they are being appropriately managed and progress is being reported accurately. o 3 – School reorganisation and investment o 4 – Waste o 5 - Workforce Needs o 16 – Market Fragility o 17 – Demand Management | draft issued | | | | | | |
| Council's Self Assessment | To review the process that has been undertaken in completing this and how this links into the AGS | complete | √ | | | 0 | 0 | 0 |
| Grant Certification Work | Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with. | | | | | | | |
| | Illegal Money Lending 2021/22 | complete | √ | | | 0 | 0 | 0 |
| | Bus Services Support Grant 2021/22 | complete | √ | | | 0 | 1 | 1 |
| | Housing Support Grant 2021/22 | complete | | √ | | 0 | 2 | 0 |
| | Enable Grant 2021-22 | complete | | √ | | 0 | 0 | 2 |
| Regional Consortium School Improvement Grant 2021/22 | complete | | | √ | | 0 | 1 | 0 |
| Project & Programme Management | To review the structure and governance arrangements of the various Boards operating within the Council | to be undertaken 2023/24 | | | | | | |
| Levelling Up & Shared Prosperity Funding | Review the process in place for making external bids, receiving funding, funding approval etc to ensure the systems are robust and efficient. | to be undertaken 2023/24 | | | | | | |
| Climate Change & Energy Efficiency | To ensure the Council has effective arrangements in place to support and challenge the delivery on climate change and energy efficiency requirements. Review the following controls, approved objectives within a strategy, SMART targets, golden thread, financial projections, sufficient resources, governance, performance and assurance mechanisms in place, training and awareness for staff. | complete | | √ | | 0 | 6 | 0 |
| SRS Joint Service | To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2021/22 Financial Year. | complete | | √ | | 0 | 1 | 0 |
| SRS Joint Service - Food Hygiene | To ensure that processes and procedures are in place and effectively being implemented to ensure that at least the minimum Food Safety Authority standards are being met. | to be undertaken 2023/24 | | | | | | |
| Waste | To ensure that any external funding is being spent in compliance to the specific criteria as well as in compliance with the Council's Financial & Contract Procedure Rules and PCop and any agreed business plans. | to be undertaken 2023/24 | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|--|---|--------------------------|---------|---|---|-----------------|---|---|
| Vehicle Fuel Management | To provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Vehicles Fuel System. | draft issued | | | | | | |
| Housing Rents | To provide assurance on the control environment of the rent setting and collection processes | carried forward | | | | | | |
| Housing Responsive Repairs | To review the systems and processes in operation surrounding Building Services responsive repairs to provide assurance on the adequacy and efficiency of the control environment. | complete | | v | | 0 | 1 | 5 |
| Temporary Housing Solutions | Examine compliance with this statutory duty, review process for availability, processing and prioritising cases to provide assurance that systems are efficient and effective. | to be undertaken 2023/24 | | | | | | |
| Civil Enforcement | Compliance to Council's policies and procedures and provide assurance that the service is maximising efficiencies | under review | | | | | | |
| Community Safety | Review the accuracy of the performance / outcome data to ensure that external funding is achieving the targets set, particularly in respect of funding for violence against women. | complete | v | | | 0 | 0 | 3 |
| Schools | To undertake a number of school based reviews as well as cross cutting thematic reviews in accordance with the Internal Audit risk based assessment. | | | | | | | |
| | St Josephs Primary School | complete | | v | | 0 | 3 | 6 |
| | Llantwit Major Comprehensive | complete | | | v | 2 | 7 | 4 |
| | Palmerston Primary School | draft issued | | | | | | |
| | Stanwell Comprehensive School | draft issued | | | | | | |
| | Oakfield Primary School | under review | | | | | | |
| | Dinas Powys Primary School | under review | | | | | | |
| | Romilly Primary School | under review | | | | | | |
| | School Unofficial / Private Funds | under review | | | | | | |
| | School Vehicles | carried forward | | | | | | |
| School Control Risk Self Assessment | To undertake the annual controlled risk self – assessment for schools. The aim of the process is to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules. | complete | | v | | 0 | 0 | 0 |
| Local Authority Trading Company | To provide assurances on the governance, performance and financial arrangements in respect of the Council and the Big Fresh Catering Company. | under review | | | | | | |
| School Admissions | To ensure all processes and procedures are in place and operating effectively | complete | v | | | 0 | 0 | 0 |
| Material Systems – Key Financial Systems | A rolling programme of audits is adopted, work programme for each year may differ. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Council's material system control environment. | | | | | | | |
| | Purchasing Cards | draft issued | | | | | | |
| | Creditors - NFI Matches | complete | | v | | 0 | 0 | 4 |
| | Housing Benefits Overpayments | carried forward | | | | | | |
| | Debtors - payment plans, agreements and recovery | to be undertaken 2023/24 | | | | | | |
| Capital Programme | A review of this area will be undertaken to provide assurance that the Capital Programme remains on track and that slippage is accounted for, reported and regularly monitored. | to be undertaken 2023/24 | | | | | | |
| Grant Schemes | Review the arrangements for administering grant payments made on behalf of Welsh Government | not undertaken | | | | | | |
| Scheme of Delegation | To ensure compliance to the scheme of delegation through sample testing of decisions and authorisations | under review | | | | | | |
| Payroll | To ensure the processes are in place in respect of overtime, honorarium, enhancements and other additional payments made to staff via payroll are being adhered to and additional payments are correctly authorised and terminated in a timely manner | to be undertaken 2023/24 | | | | | | |
| Attendance & Sickness Recording | Provide assurance that information relating to sickness absence is accurate and the recording and reporting is complete and timely. Ensure compliance to Council policies across Directorates. | draft issued | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|---|---|--------------------------|---------|---|---|-----------------|---|---|
| PCI – DSS (Payment Card Industries – Data Security Standards) | To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust. | carried forward | | | | | | |
| ICT Audit | ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively. | | | | | | | |
| | Discretionary Payment Process - bottomline | to be undertaken 2023/24 | | | | | | |
| | Content Manager - Trim | to be undertaken 2023/24 | | | | | | |
| | File Systems & Folder Access | carried forward | | | | | | |
| Cyber Security | Undertake testing to ensure that staff are aware of requirements to protect devices, services and networks and the information on them from theft or damage via electronic means and staff are aware of what to do if there is a concern or breach. Ensure this information is monitored and reported consistently across the Council | | | | | | | |
| | Vulnerability & Patch Management | draft issued | | | | | | |
| Oracle Fusion | To ensure that changes made to processes as the result of the implementation of the new cloud based system are effective and efficient | complete | | | | | | |
| Procurement | Review current processes and practices to ensure that they are reasonable, effective and efficient in the current economic landscape identifying any best practice across the other Authorities within the Regional Service, including the review of FPN's. | to be undertaken 2023/24 | | | | | | |
| Insurance | Provide assurance that insurance coverage is updated with additions, removals and amendments in a timely manner whilst also complying with the Council's Financial Procedure Rules. Scope included insurance guidance, accurate recording and the annual renewal process | complete | | | √ | 0 | 4 | 2 |
| Property Services | To review the process and procedures in place in respect of commercial and consultancy Services provided | to be undertaken 2023/24 | | | | | | |
| Registration Services | Review the new policies and procedures in place for registering births, deaths and marriages since the pandemic to provide assurance that adequate controls are in place | complete | | √ | | 1 | 2 | 2 |
| Members | To ensure that all elected Members meet the associated qualifying criteria and have fully declared any relevant declarations of interest as per the Council's Code of Conduct. | complete | | √ | | 0 | 2 | 0 |
| Elections | To ensure that controls surrounding the elections is robust and the costs incurred are accurately supported with source documents and the overall governance is sound. Scope included election planning, nomination process, election conduct, candidate spending and donations and finance. | complete | | √ | | 0 | 3 | 0 |
| Adoption Service | A compliance review to complete the Annual Accounting Statement | complete | | √ | | 0 | 1 | 4 |
| WCCIS | Ensure robust controls are in place and operating effectively in respect of access and security of the system | complete | | √ | | 0 | 1 | 2 |
| Deputyships & Appointeeships | To ensure that the systems and controls surrounding the management of Appointeeship and Deputyships accounts are robust and that they are operated in line with regulations/guidance/policy in order to protect the individual and Council. | carried forward | | | | | | |
| Section 117 | To seek assurance that processes are adhered to and people are supported with after care following Mental health involvement. | to be undertaken 2023/24 | | | | | | |
| Family Information Service | To provide assurance that the Childcare Offer for Wales scheme has been correctly administered and identify any lessons to be learnt | to be undertaken 2023/24 | | | | | | |
| Residential Services Credit Cards | To ensure the processes and procedures are effective in managing the access to cash in Care Homes using credit / debit cards | complete | | √ | | 0 | 4 | 3 |
| Governance & Audit Committee / Member and SLT Reporting | This allocation covers Member reporting procedures, mainly to the Governance & Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, SLT and the RIAS Board. | | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|--|--|---|----------|-----------|----------|-----------------|-----------|-----------|
| Compliance – expenses / mileage claims | Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year. | ongoing - since the 1st April 2022, over 150 claims have been reviewed. | | | | | | |
| Waiver Requests | To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year. | ongoing - 58 waivers have been requested and 55 agreed. | | | | | | |
| Advice & Guidance | To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff. | complete | | | | | | |
| Data Analytics | Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples | complete | | | | | | |
| External Audit Liaison | To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services. | complete | | | | | | |
| Recommendation Monitoring | Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. | complete | | | | | | |
| Annual Opinion Report 2021/22 | To prepare and issue the Head of Audit’s Annual Opinion Report 2021/22. | complete | | | | | | |
| Annual Opinion Report 2022/23 | Preparation for the production of the 2022/23 Annual Opinion Report | on-going | | | | | | |
| Audit Planning 2022/23 | To prepare and present the annual risk based audit plan for 2022/23. | complete | | | | | | |
| Audit Planning 2023/24 | To prepare and present the annual risk based audit plan for 2023/24. | complete | | | | | | |
| Audit Charter / Manual | To review and update the documents as required | complete | | | | | | |
| Compliance with PSIAS | Review compliance with the Public Sector Internal Audit Standards. | complete | | | | | | |
| Closure of reports - 2021/22 | To finalise all draft reports outstanding at the end of 2021/22. | | | | | | | |
| | Procurement Overview - carried forward from 2021-22 | complete | | | | | | |
| Emerging Risks / unplanned | To enable Audit Services to flexibly respond to provide assurance activity as required. | | | | | | | |
| | Residential Parking Scheme - To provide assurance that the system, process and controls in place are efficient and effective to mitigate any risks associated with the issuing of residents and visitor parking permits. | complete | | v | | 0 | 1 | 3 |
| | Ysgol Y Deri & St Cyres Building Compliance | draft issued | | | | | | |
| | Highways Stock Control | complete | | | | 0 | 1 | 1 |
| Fraud / Error / Irregularity | National Fraud Initiative - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers. | complete | | | | | | |
| Fraud / Error / Irregularity | Irregularity Investigations - Reactive work where suspected irregularity has been detected. | complete | | | | | | |
| Fraud / Error / Irregularity | Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. | complete | | | | | | |
| | | | | | | | | |
| | Overall Totals | | 5 | 18 | 2 | 3 | 44 | 43 |