

Meeting of:	<b>Governance and Audit Committee</b>
Date of Meeting:	<b>Monday, 23 January 2023</b>
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"> <li>• The progress made against the approved internal audit risk-based plan 2022-23 is detailed in Appendix A. It shows that 18 reviews have been completed, 14 with an audit opinion whilst 6 reports have been issued in draft and 19 reviews are on-going.</li> <li>• Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment of the 14 completed audits, an audit opinion of substantial assurance has been given to 3 audits, an opinion of reasonable assurance to 9 audits and a limited opinion to the remaining 2 audits.</li> <li>• To date 48 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.</li> <li>• Whilst it is pleasing that the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23, the new staff are having an impact on the current resource available to deliver the internal audit plan due to the support and training they require. To assist with this some audits have been allocated to SWAP Internal Audit Services to undertake of RIAS behalf.</li> </ul>	

- Although performance to date is lower than anticipated for 2022/23, it is felt that the level of coverage by the end of this financial year 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.

## Recommendations

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.

## Reasons for Recommendations

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 13<sup>th</sup> 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 to 31<sup>st</sup> December 2022 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 as of 31<sup>st</sup> December 2022, 14 audits have been completed and finalised with an audit opinion being provided. A further 6 audits have been completed and draft reports issued. Feedback is awaited from the Service Departments in respect of the management action plans for these audit reviews and once received these reports will be finalised. In addition, a total of 19 audits are currently on-going and another 20 have been allocated to Auditors and are due to commence shortly. Although there appears to be a large number of audits on-going it should be noted that in many cases the fieldwork is complete, and reports are being concluded.

**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 an audit opinion of substantial assurance has been given to 3 audits of these and an opinion of reasonable assurance to 9 audits. The remaining 2 audits have been given an audit opinion of limited, that is only limited assurance can be placed on the current system of internal control.

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

AUDIT ASSURANCE CATEGORY CODE	
<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No Assurance</b>	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.

**2.5** Explanations for the two limited assurance audits reports are detailed as follows:

**2.6** Llantwit Major Comprehensive School

The purpose of this audit was to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of Llantwit Major Comprehensive School. This audit was undertaken in October 2022, and it was noted that a new Head and Business Manager had started in the school in September 2021. During the audit some key strengths and good practice were identified such as the Governing Body composition was compliant to regulations and regularly discussed and reviewed

school policies; the necessary DBS checks and references are completed prior to the start of employment and where this is not possible a risk assessment is completed, and the Head reviews the bank reconciliations monthly and counter signs these to ensure he is fully aware of the financial position of the school. However, key issues were identified around the school's unofficial fund. No evidence could be found that the unofficial fund has ever been independently audited and it had a very high balance which had been used inappropriately to purchase gifts for staff as well as champagne, prosecco and flowers. No contract was in place with the school's cleaning supplier, despite having paid over £74,000 this financial year to date and £144,668.87 in 2021/22 and the sample of purchasing card transactions reviewed did not have evidence on file showing that authorisation from a budget holder had been obtained prior to purchase. As a result, only limited assurance could be placed on the control environment and 13 recommendations were made. All recommendations were accepted by the Head and Chair of Governors and the implementation of these will be monitored by Internal Audit.

## **2.7 Insurance**

The scope of this audit was to provide assurance that insurance information held by the Council is accurately updated with additions, removals and amendments in a timely manner whilst also complying with the Council's Financial Procedure Rules. The audit found that the Insurance Section annually requests that relevant Officers complete sections of a questionnaire to inform insurance providers. However, some significant gaps were identified which need to be addressed. There is no insurance guidance to aid staff with compliance to the Financial Procedure Rules, staff pages and guidance across the Council rarely prompt staff to consider insurance when, for example, making a purchase, undertaking a project or hosting a public event; there is no evidence to suggest that the departmental responses to the annual renewal questionnaire are reviewed at Chief Officer level to ensure completeness and the questions distributed to relevant departments do not enquire about recent or upcoming changes, or emerging risks. To improve the control environment 6 recommendations were made and agreed which will be monitored to ensure successful implementation.

**2.8** Appendix A identifies a total of 48 recommendations have been made to improve the control environment: 2 high priority, 26 medium priority and 20 low priority. The implementation of these recommendations is being monitored to ensure that the identified and agreed improvements are being made.

**2.9** 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:	
<b>High Priority</b>	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
<b>Medium Priority</b>	Action that is considered necessary to avoid exposure to significant risks.
<b>Low Priority</b>	Action that is considered desirable and should result in enhanced control.

- 2.10** Whilst it is pleasing that the Regional Internal Audit Service (RIAS) has successfully recruited new audit staff during 2022-23, as previously highlighted, the new staff are having an impact on the current resource available to deliver the internal audit plan due to the support and training they require. Therefore, to assist with the delivery of the plan some audits have been allocated to SWAP Internal Audit Services to undertake of RIAS behalf.
- 2.11** Although performance to date is lower than anticipated for 2022/23, the level of coverage by the end of this financial year 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.

### **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	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
	Tender Evaluation & Award - Building Services	on-going						
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).	draft issued						
Annual Governance Statement 2022/23	To make preparations for the production of the AGS for 2022/23							
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.	allocated						
Risk Management	A review of a sample of corporate risks to identify if they are being appropriately managed and progress is being reported accurately.	allocated						
Council's Self Assessment	To review the process that has been undertaken in completing this and how this links into the AGS	on-going						
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							
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.							
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.	draft issued						
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.							
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.							
Vehicle Fuel System	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						

Status  
allocated - to Auditor, yet to start  
ongoing - work commenced

Audit Area	Initial Audit Objective / Scope	Status	Opinion			Recommendations		
Housing Rents	To provide assurance on the control environment of the rent setting and collection processes	allocated						
Housing 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.	draft issued						
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.	allocated						
Civil Enforcement	Compliance to Council's policies and procedures and provide assurance that the service is maximising efficiencies	allocated						
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.	on-going						
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	allocated						
	Dinas Powys Primary School	allocated						
	Romilly Primary School	allocated						
	Oakfield Primary School	allocated						
	School Unofficial / Private Funds	allocated						
	School Vehicles	allocated						
School CRSA	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.	on-going						
Catering Company	To provide assurances on the operation of the Catering Company.	allocated						
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	on-going						
	Creditors - NFI Matches	draft issued						
	Housing Benefits	allocated						
	Debtors - payment plans, agreements and recovery	allocated						
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.							
Grant Schemes	Review the arrangements for administering grant payments made on behalf of Welsh Government							
Scheme of Delegation	To ensure compliance to the scheme of delegation through sample testing of decisions and authorisations	allocated						
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							
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.	on-going						

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ongoing - work commenced



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.	allocated						
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	allocated						
	Content Manager - Trim	allocated						
	File Systems & Folder Access	allocated						
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	on-going						
Oracle	To ensure that changes made to processes as the result of the implementation of the new cloud based system are effective and efficient	on-going						
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.							
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			v	0	4	2
Property Services	To review the process and procedures in place in respect of commercial and consultancy Services provided							
Registrars	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	on-going						
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.	draft issued						
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			v	0	3	0
Adoption Service	A compliance review to complete the Annual Accounting Statement	complete			v	0	1	4
WCCIS	Ensure robust controls are in place and operating effectively in respect of access and security of the system	on-going						
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.	allocated						
Section 117	To seek assurance that processes are adhered to and people are supported with after care following Mental health involvement.							
Family Information Service	To provide assurance that the Childcare Offer for Wales scheme has been correctly administered and identify any lessons to be learnt							
Care Homes	To ensure the processes and procedures are effective in managing the access to cash in Care Homes using credit / debit cards	on-going						

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Audit Area	Initial Audit Objective / Scope	Status	Opinion			Recommendations		
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.							
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, 136 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 - 50 waivers have been requested and 47 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.	on-going						
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	on-going						
External Audit Liaison	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	on-going						
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations.	on-going						
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							
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.							
Audit Charter / Manual	To review and update the documents as required	complete						
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.							
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.	on-going						
	Ysgol Y Deri & St Cyres Building Compliance	on-going						
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.	on-going						
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.							
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.	on-going						
	<b>Overall Totals</b>		<b>3</b>	<b>9</b>	<b>2</b>	<b>2</b>	<b>26</b>	<b>20</b>

Status  
allocated - to Auditor, yet to start  
ongoing - work commenced