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| Meeting of: | Governance and Audit Committee |
| Date of Meeting: | Monday 12 June 2023 |
| Relevant Scrutiny Committee: | Corporate Performance and Resources |
| Report Title: | Annual Internal Audit Report 2022/23 |
| Purpose of Report: | 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. |
| Report Owner: | Head of the Regional Internal Audit Service |
| Responsible Officer: | Head of the Regional Internal Audit Service |
| 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"> • This report provides the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control. It also informs the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2022/23. This information is provided to comply with the Public Sector Internal Audit Standards. • Appendix A contains the Internal Annual Internal Audit Report 2022/23 which details Internal Audit's performance, opinions and recommendations made during the year which assist in forming the Head of Internal Audit's Annual Opinion on the Council's overall control environment. • From the work undertaken during the financial year 2022/23 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 control for 2022/23 is of reasonable assurance. • Those audits that provided an audit opinion during the year are listed in Annex 1, the detailed position against the audit plan is at Annex 2 and Annex 3 is the recommendation monitoring position statement. | |

- In respect of the no assurance opinion relating to Stanwell school, the full internal audit report is shown at **Annex 5**

Recommendation

1. Members of the Governance and Audit Committee give due consideration to the Annual Internal Audit Report for the Financial Year 2022/23 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.

Reason for Recommendation

1. To keep the Governance and Audit Committee informed and to note the Head of Internal Audit's Annual Opinion on the overall control environment at the Council.

1. Background

- 1.1 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 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.

- 1.2 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.

- 1.3 The Internal Audit Plan for 2022/23 was submitted to the Governance and Audit Committee for consideration and approval on 13th June 2023. The approved plan was flexible to be able to respond to changing circumstances and events that may occur during the year. The assurance gained from the audit work undertaken during the year assists the Head of Internal Audit in providing an overall annual opinion.

2. Key Issues for Consideration

- 2.1 The Annual Internal Audit Report is at **Appendix A** which summaries the reviews undertaken during 2022/23, the recommendations made and any control issues

identified. A total of 41 reviews were completed with an audit opinion and a total of 208 recommendations made. A breakdown is included at **Annex 1** of this appendix. The annual report also discusses the performance of the internal audit service during the year and highlights individual staff development and training that has taken place.

- 2.2** Progress against the 2022/23 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 and Governance and Audit Committee reporting. 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.
- 2.3** **Annex 2** illustrates that 61 planned audit reviews have been undertaken during 2022/23. Sixteen audits were not started and have been included in the 2023-24 audit plan whilst 5 audits are ongoing and have been carried forward into 2023/24 plan. 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 due to requests from services that were under intense pressure, these will be included in the 2023-24 plan.
- 2.4** Based on the testing of the effectiveness of the internal control environment an audit opinion of substantial assurance has been given to 8 reviews (19.5%) and an opinion of reasonable to 24 reviews (58.5%). There were 8 reviews (19.5%) with limited assurance and one audit (2.5%) has been given an audit opinion of no assurance, that is the system of governance, risk management and control is inadequate to effectively manage the risks and fundamental gaps, weaknesses or non-compliance were identified. This report is attached at **Annexe 5**. Recommendations have been made for improvements and a follow up audit will be undertaken to ensure controls have been improved to mitigate the risks identified.
- 2.5** Taking into account the results of the internal audit reviews completed during 2022/23, the recommendations made and considering other sources of assurance, such as Head Teacher and Chair of Governor Assurance Statements, 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 2022/23 is of:
- “Reasonable Assurance”.
- 2.6** 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.
- 2.7** 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 2022/23 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

- 3.1 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.

4. Climate Change and Nature Implications

- 4.1 None as a consequence of this report

5. Resources and Legal Considerations

Financial

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

- 5.1 None as a direct consequence of this report.

Legal (Including Equalities)

The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

6. Background Papers

None



ANNUAL INTERNAL AUDIT REPORT

2022-2023

Andrew Wathan, CPFA

**Head of Regional Internal Audit Service
May 2023**

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Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 The 2022/23 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control. The plan had regard to the continuing impact caused by the pandemic and the changes that have been made to the way the Council is operating.
- 1.3 Other factors taken into account included potential availability of audit and service staff and challenges arising from the remote ways of working. The plan was also flexible to respond to changing circumstances and events that may have occurred such as pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.4 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service).
- 1.5 The service reports to the four Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.
- 1.6 During the year Auditors have had the flexibility to work from home or the office and have undertaken site visits as appropriate for each audit.

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Section 2 – Summary of Reviews Undertaken 2022/23

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

| Table 1 - 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. |

Table 2 – Audit Opinion Given to Completed Audit Reviews 2022/23

| Opinion | Follow Ups | Financial Systems | Other Audit Reviews | Schools | Grant Verification | Total | % |
|--------------|------------|-------------------|---------------------|-----------|--------------------|-----------|-------------|
| Substantial | | | 5 | 1 | 2 | 8 | 19.5% |
| Reasonable | 2 | 3 | 10 | 6 | 3 | 24 | 58.5% |
| Limited | 1 | | 5 | 2 | | 8 | 19.5% |
| No Assurance | | | | 1 | | 1 | 2.5% |
| Total | 3 | 3 | 20 | 10 | 5 | 41 | 100% |

- 2.3 Table 2 illustrates that a total of 41 reviews have been given an audit opinion. A list of these audits is at **Annex 1**.

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- 2.4 A summary of the key issues identified within the limited assurance and no assurance opinion audits are shown in Section 3 below.
- 2.5 The final position against the 2022/23 approved audit plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low recommendations made to improve the control environment. It should be noted 20 audit reviews listed have no audit opinion, for example advice and guidance, external audit liaison, fraud and irregularity work, audit planning and recommendation monitoring. 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.
- 2.6 **Annex 2** illustrates the status of the 83 audit assignments included in the audit plan, 41 of which were opinion related. A summary of the status of the planned audits is illustrated in Table 3 below.

Table 3 – Status of Planned Audits 2022/23

| Status of Audits Assignments | Number |
|--|-----------|
| Complete with audit opinion | 38 |
| Draft with audit opinion | 3 |
| Complete with no audit opinion | 20 |
| Audit ongoing and carried forward | 5 |
| Audit not started and included 2023-24 | 16 |
| Not undertaken or carried forward | 1 |
| Total | 83 |

- 2.7 One planned audit did not start and will not be included within the 2023/24 audit plan as circumstances have changed and the risks no longer exist. 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, for example safeguarding and procurement is covered in school audits and waste was reviewed within the risk management audit. In addition, some planned reviews were not undertaken during the year due to requests from services that were under intense pressure to deliver their service and due to vacancies within the audit team. These will be undertaken in the 2023/24 plan.
- 2.8 Therefore the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an opinion.

Section 3 – Limited Reports & No Assurance Reports - Control Issues

- 3.1 Table 2 illustrates that significant gaps, weaknesses or non-compliance were identified in 8 audit reviews therefore only limited assurance could be provided and one audit found that the system of governance, risk management and control was inadequate to effectively manage risks and therefore no assurance was provided. These audits are detailed below.

Stanwell School

- 3.2 This audit was undertaken to gain assurance over the financial management and governance at the school rather than a full school audit review. The audit found that the Local Authority's Financial and Contract Procedure Rules were not adhered to by the school, which is in breach of the Fair Funding Scheme; a large capital project was not procured or monitored effectively, and key financial decisions were not explicit within the Governing Body minutes. As a result, an opinion of no assurance was given. All recommendations made were accepted by the school and will be monitored. In addition, a follow up audit will take place in the autumn term to ensure progress has been made. The full internal audit report is at **Annex 5** which provides details of the concerns identified.

ICT Business Continuity Follow Up

- 3.3 The purpose of the audit was to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect ICT Business Continuity Planning following a limited report issued in August 2021. During this audit some strengths were identified in that the business continuity plan had recently been updated and access to it improved. In addition, critical information relating to infrastructure is maintained. However, the main weakness identified was that no fail over testing or training exercises have been completed to demonstrate that the Council is prepared for an emergency. In addition, many of the recovery plans referenced were out-of-date. Recommendations have been made and agreed by the service area and a follow up audit will take place in due course.

Civil Enforcement

- 3.4 This audit found that no key documents or policies are in place to replace previous joint arrangements; there was a backlog in recovery notices and no reporting mechanisms in place to monitor and control the effectiveness of the whole issuing and recovery process. The recommendations made have been agreed and will be monitored to ensure successful implementation.

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Llantwit Major School

- 3.5 Key issues were identified around the school's unofficial fund, no contract was in place with the school's cleaning supplier 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. All recommendations were accepted by the Head and Chair of Governors and the implementation of these will be monitored by Internal Audit.

Romilly Primary School

- 3.6 The scope of this audit included orders and payments, budgetary control, unofficial funds, school income, governance and safeguarding. Key issues were that the school had not retained financial records for the recommended period required in the corporate retention schedule, unofficial funds were not monitored, reconciled or audited and the Headteacher did not have a formal delegated financial limit. All recommendations made have been agreed and the implementation of them will be monitored.

Local Authority Trading Company (LATC)

- 3.7 The audit identified some key issues which include the fact that a scheme of delegation was not in place, Leisure and Cultural Scrutiny Committee were not being updated on the progress of the LATC, performance measures need to be established and monitored, and financial arrangements should be reviewed.

Attendance and Sickness Recording

- 3.8 Although Cabinet is provided with regular absence updates and there is a dedicated staffnet page, this audit found that the policy was out of date, training for managers had not taken place for over a year and supporting documentation was not always retained. The recommendations made have all been accepted and the implementation of Oracle Fusion will assist in addressing these risks.

Insurance

- 3.9 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 relevant Officers to 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.

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Ysgol Y Deri & St Cyres Building Compliance

- 3.10 The objective the audit was to provide assurance that both school buildings were being managed effectively in respect of building compliance obligations. Key issues were identified including the need to review the current arrangements in place including the processes for receiving, recording and sharing key compliance information and documentation relating to both schools and for the recording, monitoring, and reporting for areas of compliance where significant remedial action is required.
- 3.11 Follow up audits will be undertaken on all these limited and no assurance reports. During 2022/23, follow up audits of previous limited assurance reports have been completed to ensure that improvements have been made to mitigate the risks previously identified. It is pleasing to note that the Direct Payment follow up audit and a school stock control follow up audit both demonstrated improvements and therefore a reasonable audit opinion was provided to both.

Section 4 – Recommendations – 2022/23

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in a management action plan and following each audit report recipients are asked to complete the action plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions, these ratings being High, Medium and Low.

| 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. |

- 4.2 Management are asked to provide feedback on the status of each recommendation once the target date for implementation has expired. The implementation of these

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recommendations is monitored using MK Insight internal audit software to ensure improvements are being made.

Table 4 – Analysis of Recommendations Made During 2022/23

| Recommendations | Follow Ups | Financial Systems | Other Audit Reviews | Schools | Grant Verification | Total | % |
|-----------------|------------|-------------------|---------------------|-----------|--------------------|------------|-------------|
| High | 1 | 0 | 10 | 14 | 0 | 25 | 12% |
| Medium | 4 | 6 | 46 | 46 | 4 | 106 | 51% |
| Low | 3 | 8 | 36 | 3 | 27 | 77 | 37% |
| Total | 8 | 14 | 92 | 63 | 31 | 208 | 100% |

- 4.3 Table 4 illustrates that a total of 208 recommendations have been made to improve the control environment of the areas reviewed during 2022/23. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted.
- 4.4 **Annex 3** provides a summary of the status of the internal audit recommendations made which includes the recommendations made in relation to audits completed in 2021/22 which are yet to be implemented as well as all recommendation made on 2022/23 audits. The monitoring of recommendations is undertaken regularly by Auditors and any undue delays or issues are highlighted to Senior Management and ultimately the Governance and Audit Committee.

Section 5 – Counter Fraud Work

- 5.1 A total of 6 potential fraud or irregularity matters were referred directly to Internal Audit and the Corporate Fraud Investigator for review during 2022/23. This work can be generated in several ways, by whistleblowing or complaint referrals; by Managers who may have concerns over a certain issue or individual or as a result of an audit review. These are listed in Table 5 below.

Table 5 – Counter Fraud & Corruption Work 2022-23

| Counter Fraud & Corruption Work |
|--|
| Private Use of Council Vehicles & Misappropriation of Council Staff Time |
| Sale of Council IT Equipment |
| Theft from a School Cafe |
| Use of a Council Contractor for Private Use |
| Private Use of Council Vehicles & Misappropriation of Council Staff Time |
| Public Rights of Way Blockage and Bribery |
| Housing Tenant - Forged Bank Statements for Eviction Hearing |

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- 5.2 Table 5 illustrates the matters referred during 2022/23. Fact finding exercises were undertaken to verify the information and reports were presented to Managers to consider the next course of action, such as disciplinary action. One matter in respect of the sale of ICT equipment resulted in recommendations being made to improve ICT equipment stock control.
- 5.3 The National Fraud Initiative is included in the audit plan. Internal Audit facilitates the upload of data and works with the Council's Senior Fraud Investigator to provide advice to officers reviewing the data matches. A new biennial exercise commenced when data was extracted from the various Council systems and submitted for matching in October 2022. The matches were returned in January 2023 and work is ongoing to review the data matches to identify if there any fraud or error has occurred.
- 5.3 A separate Annual Corporate Fraud Report will be presented to the Governance and Audit Committee which will outline the counter fraud work undertaken during 2022/23.

Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 6.1 The Internal Audit Service uses MK Insight (Internal Audit software) to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general. The questions are contained in **Annex 4**
- 6.2 The return rate was 71% and this is an area that needs to be improved. A review of the process undertaken where surveys have not been returned will take place as well as a review of the questionnaires themselves to make sure they are easy to complete and submit.
- 6.3 The returned surveys however have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. It is pleasing that the average rate of satisfaction is 94%. In addition to the above questions, the client also has an opportunity to make comments within the Client Satisfaction Questionnaire. Set out below are examples of comments received during the period. Most of the feedback received was positive and all comments received are considered.

Very professional, put my staff at ease and was extremely polite and helpful.

The Audit was flexible and undertaken around workload requirements

Having an Audit review can and should be used as a positive way to discover if there are weaknesses in all aspects of the service and to drive forward service improvements, when Audits are conducted in the manner this audit was this task becomes straight forward and produces accurate assessments of the service

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Section 7 – Key Performance Measures – Staff Training

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated, and versatile audit staff has never been higher.
- 7.2 In terms of professional training, two Graduate Auditors were recruited during the year and both have started studying for the Chartered Institute of Public Finance & Accountancy (CIPFA) qualification. Another member of staff is working towards the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification.
- 7.3 Staff are encouraged to complete on-line courses to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2022/23: -
- Safeguarding
 - Oracle Fusion iExpenses
 - Communication
 - Minute taking
 - Data Protection
 - Influencing, Assertiveness and Negotiation
 - Building better habits
 - Dealing with conflict
 - Violence against Women, Domestic Abuse and Sexual Violence
 - Armed Forces Covenant
 - Fire Safety
 - Asbestos Awareness
- 7.4 In addition staff have attended some face to face events including:-
- Finance for the Future Conference – Audit Wales
 - Introduction to Internal Audit
 - Welcome to the Vale Induction
 - Wales Fraud Forum – Protecting Your Business Against Cyber Crime

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Section 8 – Key Performance Measures – Benchmarking

- 8.1 The Internal Audit Service participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The results for 2022/23 and 2021/22 exercises have not yet been collated or distributed by WCAG. The key performance measures for the Service are illustrated in Table 6. It should be noted that 16 of the 22 Councils returned their performance figures for 2020/21 representing a return rate of 73%.

Table 6 – Performance Data

| Performance Indicator | RIAS Performance VOG 2022/23 | RIAS Performance VOG 2021/22 | WCAG Average Performance 2020/21 |
|---|------------------------------|------------------------------|----------------------------------|
| % of Planned Audits Completed | 79 % | 71% | 67% |
| % of clients responses at least satisfied | 94% | 100% | 100% |
| % of recommendations accepted versus made | 99% | 99% | 100% |
| No. of days between draft and final report being issued | 24 days | n/a | |

- 8.2 Table 6 illustrates that 94% of clients who responded to the questionnaire were at least satisfied with the work undertaken by internal audit. This level has dipped from last year and any feedback provided is taken on board and considered in order to make improvements.
- 8.3 The number of days between the draft and final audit report being issued is included in Table 6. This represents the average number of days that is taken for the management action plan to be completed by service managers and returned to Internal Audit so the audit report can be finalised and issued.
- 8.4 Overall for 2022/23, 79% of the audit plan was completed, a total of 83 assignments were planned during the year of which 61 were completed.
- 8.5 The PI's illustrate that the performance by Internal Audit staff within the Vale of Glamorgan Council is still comparable to the average performance despite the challenges following Covid and of remote working.

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Section 9 – Public Sector Internal Audit Standards

- 9.1 The Public Sector Internal Audit Standards encompass the following mandatory elements:
- Definition of Internal Auditing;
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing.
- 9.2 The Standards aim to promote further improvement in the professionalism, quality and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years.
- 9.3 The Internal Audit Service undertook a self-assessment against the standards during 2022/23 and a few areas of improvement were identified. This self-assessment and the supporting documentation were provided to the external assessors to inform an external assessment undertaken in accordance with the Standards. The previous external assessment was undertaken in 2017.
- 9.4 From initial discussions there were no areas of non-compliance that would affect the overall scope or operation of the Internal Audit activity were identified and the assessment noted that there were no significant deviations from the Standards. The result of the external assessment will be presented to Governance & Audit Committee in 2023.

Section 10 – Regional Internal Audit Service Progress

- 10.1 The expanded shared service came into existence on 1st April 2019, it is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.
- 10.2 The vision for the service is to be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing and to be a service that is regarded as:
- ✓ Professional
 - ✓ Approachable
 - ✓ Flexible
 - ✓ Independent but internal to the organisation – a critical friend
- 10.3 During 2022/23, the recruitment process continued with the successful recruitment of 2 Graduate Auditors, 3 Auditors and 1 ICT Auditor to fill vacant posts. This is a positive development, particularly when many services are struggling to recruit staff.

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The Graduate Auditors will be supported to become professionally qualified which will assist in succession planning.

- 10.4 Audit work has been conducted using various digital solutions and audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based and face to face working as required.
- 10.5 The audit software solution was successfully implemented and continues to be used. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 10.6 The longer-term success of the Regional Internal Audit Service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.

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Section 11 - Opinion Statement 2022/23

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Creditors) or generally in the reviews undertaken in respect of directorate systems and processes.

In providing my 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 2022/23 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31st March 2023
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.
- Other sources of assurance

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Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Risk Management Strategy is aligned with Directorate Plans and the Council's performance management framework.

Key risks are distilled in the Corporate Risk Assessment which is regularly reviewed and challenged by senior management. Detailed reports are also provided quarterly to the Governance & Audit Committee. A Corporate Risk Management audit was undertaken during 2022/23 and a substantial opinion provided. Risk management is also considered as part of every audit.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of **reasonable assurance** is given.

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Governance arrangements are considered as part of every audit where applicable. In addition, an audit of elected members was undertaken in 2022/23 whereby an opinion of reasonable assurance was provided.

Whilst some governance issues have been identified within some school audits no significant issues were identified from a governance perspective therefore an opinion of **reasonable assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 41 reviews culminating in an overall opinion have been completed, 32 (78%) of which have been closed with either a substantial or reasonable assurance opinion level. Eight reviews (20%) were given a limited opinion which identified significant weaknesses in the overall control environment, whilst one audit (2%) resulted in a no assurance opinion. These have been summarised in Section 3 above.

Therefore, an opinion of **reasonable assurance** can be given on internal control.

Annual Internal Audit Report 2022/23

Head of Internal Audit Opinion Statement 2022/23

From the work undertaken during the financial year 2022/23 and taking into account other sources of assurance, such as Head Teacher and Chair of Governor Assurance Statements, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2022/23 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

Many Council staff are continuing to work remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

Vale of Glamorgan Council - Audit Plan 2022/23

| Audit Area | Opinion | | | Recommendations | | |
|---|-------------|------------|-------------------------|-----------------|--------|-----|
| | Substantial | Reasonable | Limited or No Assurance | High | Medium | Low |
| Direct Payments - Follow Up | | √ | | 0 | 2 | 1 |
| Ysgol Gymraeg Bro Morgannwg - stock control follow up | | √ | | 0 | 1 | 0 |
| ICT Business Continuity Follow Up | | | √ | 1 | 1 | 2 |
| Risk Management | √ | | | 0 | 0 | 1 |
| Council's Self Assessment | √ | | | 0 | 0 | 0 |
| Illegal Money Lending 2021/22 | √ | | | 0 | 0 | 0 |
| Bus Services Support Grant 2021/22 | √ | | | 0 | 1 | 1 |
| Housing Support Grant 2021/22 | | √ | | 0 | 2 | 0 |
| Enable Grant 2021-22 | | √ | | 0 | 0 | 2 |
| Regional Consortium School Improvement Grant 2021/22 | | √ | | 0 | 1 | 0 |
| Climate Change & Energy Efficiency | | √ | | 0 | 6 | 0 |
| SRS Joint Service | | √ | | 0 | 1 | 0 |
| Vehicle Fuel Management | | √ | | 0 | 5 | 5 |
| Housing Responsive Repairs | | √ | | 0 | 1 | 5 |
| Civil Enforcement | | | √ | 3 | 3 | 2 |
| Community Safety | √ | | | 0 | 0 | 3 |
| St Josephs Primary School | | √ | | 0 | 3 | 6 |
| Llantwit Major Comprehensive | | | √ | 2 | 7 | 4 |
| Palmerston Primary School | | √ | | 0 | 5 | 1 |
| Stanwell Comprehensive School | | | √ | 7 | 7 | 2 |
| Oakfield Primary School | | √ | | 1 | 5 | 4 |
| Dinas Powys Primary School | | √ | | 1 | 5 | 6 |
| Romilly Primary School | | | √ | 3 | 10 | 4 |
| School Unofficial / Private Funds | | √ | | 0 | 4 | 0 |
| School Vehicles | √ | | | 0 | 0 | 0 |
| School Control Risk Self Assessment | | √ | | 0 | 0 | 0 |
| Local Authority Trading Company | | | √ | 0 | 8 | 1 |
| School Admissions | √ | | | 0 | 0 | 0 |
| Purchasing Cards | | √ | | 0 | 2 | 1 |
| Creditors - NFI Matches | | √ | | 0 | 0 | 4 |

| Audit Area | Opinion | | | Recommendations | | |
|---|-------------|------------|-------------------------|-----------------|------------|-----------|
| | Substantial | Reasonable | Limited or No Assurance | High | Medium | Low |
| Attendance & Sickness Recording | | | √ | 1 | 4 | 1 |
| Vulnerability & Patch Management | √ | | | | 1 | 1 |
| Insurance | | | √ | 0 | 4 | 2 |
| Registration Services | | √ | | 1 | 2 | 2 |
| Elected Members | | √ | | 0 | 2 | 0 |
| Elections | | √ | | 0 | 3 | 0 |
| Regional Adoption Service | | √ | | 0 | 1 | 4 |
| WCCIS | | √ | | 0 | 1 | 2 |
| Residential Services Debit Cards | | √ | | 0 | 4 | 3 |
| Residential Parking Scheme - | | √ | | 0 | 1 | 3 |
| Ysgol Y Deri & St Cyres Building Compliance | | | √ | 5 | 2 | 0 |
| Highways Stock Control | | | | 0 | 1 | 1 |
| ICT Equipment - Stock Control | | | | 0 | 0 | 3 |
| | | | | | | |
| Overall Totals | 0 | 0 | 0 | 25 | 106 | 77 |

| 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 | complete | | | √ | 1 | 1 | 2 |
| 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 | | | | | | |
| 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 | complete | √ | | | 0 | 0 | 1 |
| 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 Management | 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 | | | | | | |
| 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. | complete | | √ | | 0 | 5 | 5 |
| Housing Rents | To provide assurance on the control environment of the rent setting and collection processes | carried forward | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|---|---|--------------------------|---------|---|---|-----------------|----|---|
| | | | | | | | | |
| 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 | | √ | | 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 | complete | | | √ | 3 | 3 | 2 |
| 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 | √ | | | 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 | | √ | | 0 | 3 | 6 |
| | Llantwit Major Comprehensive | complete | | | √ | 2 | 7 | 4 |
| | Palmerston Primary School | complete | | √ | | 0 | 5 | 1 |
| | Stanwell Comprehensive School | complete | | | √ | 7 | 7 | 2 |
| | Oakfield Primary School | complete | | √ | | 1 | 5 | 4 |
| | Dinas Powys Primary School | complete | | √ | | 1 | 5 | 6 |
| | Romilly Primary School | complete | | | √ | 3 | 10 | 4 |
| | School Unofficial / Private Funds | complete | | √ | | 0 | 4 | 0 |
| | School Vehicles | complete | √ | | | 0 | 0 | 0 |
| 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 | | √ | | 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. | draft issued | | | √ | 0 | 8 | 1 |
| School Admissions | To ensure all processes and procedures are in place and operating effectively | complete | √ | | | 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 | | √ | | 0 | 2 | 1 |
| | Creditors - NFI Matches | complete | | √ | | 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 | to be undertaken 2023/24 | | | | | | |
| 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. | complete | | | √ | 1 | 4 | 1 |
| 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 | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | | |
|---|---|--|---------|---|---|-----------------|---|---|---|
| | | | | | | | | | |
| | 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 | √ | | | | 1 | 1 | |
| 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 |
| Elected 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 |
| Regional 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 Debit 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. | | | | | | | | |
| Compliance – expenses / mileage claims | Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year. | complete - 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. | complete - 58 waivers have been requested and 55 agreed. | | | | | | | |

| Audit Area | Initial Audit Objective / Scope | Status | Opinion | | | Recommendations | | |
|-------------------------------|--|----------|----------|-----------|----------|-----------------|------------|-----------|
| 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 | complete | | | | | | |
| 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 | complete | | | v | 5 | 2 | 0 |
| | Highways Stock Control | complete | | | | 0 | 1 | 1 |
| | ICT Equipment - Stock Control | complete | | | | 0 | 0 | 3 |
| 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 | | 8 | 24 | 9 | 25 | 106 | 77 |

| Audit Name | Directorate | Audit Opinion | Final Report Date | Number Made | | | | Not Agreed | Implemented | Outstanding | | | | Future Target Date |
|--|-----------------------|---------------|-------------------|-------------|------------|-----------|------------|------------|-------------|-------------|----------|----------|----------|--------------------|
| | | | | High | Medium | Low | Total | | | High | Medium | Low | Total | |
| 2021/22 | | | | | | | | | | | | | | |
| Corporate Safeguarding | Cross Cutting | REASONABLE | 10/08/2021 | 0 | 2 | 3 | 5 | 0 | 3 | 0 | 1 | 0 | 1 | 1 |
| Disabled Facilities Grants | Place | LIMITED | 16/09/2021 | 0 | 5 | 1 | 6 | 0 | 5 | 0 | 1 | 0 | 1 | 0 |
| Cyber Security | Corporate Resources | REASONABLE | 18/01/2022 | 0 | 6 | 3 | 9 | 0 | 6 | 0 | 1 | 0 | 1 | 2 |
| PCI-DSS | Corporate Resources | LIMITED | 04/02/2022 | 0 | 2 | 4 | 6 | 0 | 3 | 0 | 1 | 2 | 3 | 0 |
| Early Retirement & Redundancy | Corporate Resources | SUBSTANTIAL | 13/04/2022 | 0 | 1 | 1 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Pothole Repairs | Environment & Housing | REASONABLE | 12/05/2022 | 0 | 5 | 6 | 11 | 0 | 10 | 0 | 0 | 0 | 0 | 1 |
| Total | | | | 0 | 21 | 18 | 39 | 0 | 28 | 0 | 4 | 2 | 6 | 5 |
| 2022/23 | | | | | | | | | | | | | | |
| Regional Adoption Collaborative | Social Services | REASONABLE | 28/06/2022 | 0 | 1 | 4 | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| BSSG 2021/22 | Cross Cutting | SUBSTANTIAL | 08/07/2022 | 0 | 1 | 1 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| SRS Governance & Financial Controls | Environment & Housing | REASONABLE | 11/07/2022 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| YBM Stock Follow-up | Cross Cutting | REASONABLE | 15/09/2022 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Direct Payments Follow Up | Cross Cutting | REASONABLE | 20/09/2022 | 0 | 2 | 1 | 3 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |
| HSG 21/22 Certification | Cross Cutting | REASONABLE | 26/10/2022 | 0 | 2 | 0 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Elections | Corporate Resources | REASONABLE | 27/10/2022 | 0 | 3 | 0 | 3 | 0 | 3 | 0 | 0 | 0 | 0 | 0 |
| Regional Consortium School Improvement Grant 2021/22 | Cross Cutting | REASONABLE | 31/10/2022 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| St. Joseph's Primary School | Learning & Skills | REASONABLE | 16/11/2022 | 0 | 3 | 6 | 9 | 0 | 9 | 0 | 0 | 0 | 0 | 0 |
| Llantwit Major School (Comp) | Learning & Skills | LIMITED | 07/12/2022 | 2 | 7 | 4 | 13 | 0 | 12 | 0 | 0 | 0 | 0 | 1 |
| Enable Grant 21/22 Certification | Cross Cutting | REASONABLE | 19/12/2022 | 0 | 0 | 2 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Insurance | Corporate Resources | LIMITED | 19/12/2022 | 0 | 4 | 2 | 6 | 0 | 3 | 0 | 2 | 1 | 3 | 0 |
| Elected Members | Corporate Resources | REASONABLE | 19/01/2023 | 0 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Climate Change & Energy Efficiency | Cross Cutting | REASONABLE | 24/01/2023 | 0 | 6 | 0 | 6 | 0 | 1 | 0 | 0 | 0 | 0 | 5 |
| Community Safety | Environment & Housing | SUBSTANTIAL | 14/02/2023 | 0 | 0 | 3 | 3 | 0 | 2 | 0 | 0 | 0 | 0 | 1 |
| Highways Stock Control | Internal Audit | N/A | 20/02/2023 | 0 | 1 | 1 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| NFI - Creditor Matches | Cross Cutting | REASONABLE | 20/02/2023 | 0 | 0 | 4 | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| Residents Parking Permits | Cross Cutting | REASONABLE | 06/03/2023 | 0 | 1 | 3 | 4 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Housing Responsive Repairs | Environment & Housing | REASONABLE | 10/03/2023 | 0 | 1 | 5 | 6 | 0 | 4 | 0 | 0 | 0 | 0 | 2 |
| WCCIS System Review | Social Services | REASONABLE | 14/03/2023 | 0 | 1 | 2 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Registration Services | Corporate Resources | REASONABLE | 24/03/2023 | 1 | 2 | 2 | 5 | 0 | 5 | 0 | 0 | 0 | 0 | 0 |
| Residential Services Debit Cards | Social Services | REASONABLE | 11/04/2023 | 0 | 4 | 3 | 7 | 0 | 6 | 0 | 0 | 0 | 0 | 1 |
| Palmerston School | Learning & Skills | REASONABLE | 20/04/2023 | 0 | 5 | 2 | 7 | 0 | 5 | 0 | 0 | 0 | 0 | 2 |
| Vehicles Fuel Management | Environment & Housing | REASONABLE | 20/04/2023 | 0 | 5 | 5 | 10 | 0 | 1 | 0 | 0 | 0 | 0 | 9 |
| Ysgol Y Deri & St Cyres Building Compliance | Learning & Skills | LIMITED | 20/04/2023 | 5 | 2 | 0 | 7 | 0 | 2 | 0 | 0 | 0 | 0 | 5 |
| Risk Management | Cross Cutting | SUBSTANTIAL | 03/05/2023 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Stanwell School | Learning & Skills | NO ASSURANCE | 09/05/2023 | 7 | 7 | 2 | 16 | 0 | 15 | 0 | 0 | 0 | 0 | 1 |
| Dinas Powys Primary School | Learning & Skills | REASONABLE | 17/05/2023 | 1 | 4 | 6 | 11 | 1 | 6 | 0 | 0 | 0 | 0 | 4 |
| Oakfield Primary School | Learning & Skills | REASONABLE | 19/05/2023 | 1 | 5 | 4 | 10 | 0 | 7 | 0 | 0 | 0 | 0 | 3 |
| Romilly Primary School | Learning & Skills | LIMITED | 22/05/2023 | 3 | 10 | 4 | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 17 |
| Attendance & Sickness Recording | Corporate Resources | LIMITED | 23/05/2023 | 1 | 4 | 1 | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| ICT Equipment - Stock Control | Corporate Resources | N/A | 28/05/2023 | 0 | 0 | 3 | 3 | 0 | 2 | 0 | 0 | 0 | 0 | 1 |
| Civil Enforcement | Environment & Housing | LIMITED | 30/05/2023 | 3 | 3 | 2 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 |
| ICT Business Continuity Follow Up | Corporate Resources | LIMITED | 30/05/2023 | 1 | 1 | 2 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| School Unofficial Funds | Learning & Skills | REASONABLE | 30/05/2023 | 0 | 4 | 0 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Local Authority Trading Company | Corporate Resources | LIMITED | n/a | 0 | 8 | 1 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 9 |
| Purchasing Cards | Corporate Resources | REASONABLE | n/a | 0 | 2 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Vulnerability & Patch Management | Corporate Resources | SUBSTANTIAL | n/a | 0 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Total | | | | 25 | 106 | 77 | 208 | 1 | 107 | 0 | 2 | 1 | 3 | 97 |

REGIONAL INTERNAL AUDIT SERVICE – CLIENT SATISFACTION QUESTIONNAIRE

| No | Question |
|-------------------------------|---|
| Audit Planning | |
| 1 | Were you satisfied with the notice given prior to the commencement of the Audit? |
| 2 | Were you adequately consulted with in respect of the nature, scope and objectives of the Audit? |
| Audit Fieldwork | |
| 3 | Was the audit fieldwork undertaken in a timely manner, with minimum disruption to service delivery? |
| 4 | Was a summary of the audit findings adequately explained to you following completion of the audit fieldwork and prior to the issue of the draft report? |
| Audit Report | |
| 5 | Did you find the recommendations within the report fair and accurate? |
| 6 | Were you adequately consulted and given sufficient opportunity to comment on the Draft Report? |
| 7 | Do you feel the recommendations within your report will be of value to you as a Manager? |
| 8 | Were you happy that the format of the Report was clear, concise and easy to read? |
| 9 | How do you rate the timeliness of the issue of the Final Report? |
| Conduct of the Auditor | |
| 10 | Were the auditor(s) generally helpful throughout the audit and offer appropriate assistance and/or advice (if applicable)? |
| 11 | How do you assess the Auditor(s) in terms of professionalism, helpfulness and politeness? |
| Overall | |
| 12 | How would you rate the usefulness of the audit? |

Professional, Approachable, Independent

Internal Audit Report



STANWELL SCHOOL

2022/23

Draft Report Issued
Final Report Issued

27th March 2023
9th May 2023

Report Authors

Filippa Daniels - Senior Auditor
Richard Tomlinson – Senior Auditor
Joan Davies – Audit Manager

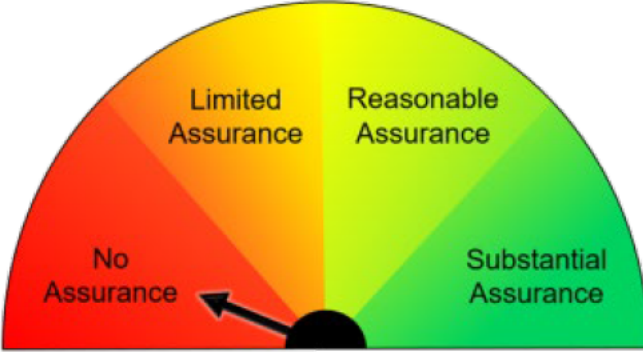
Report Distribution

Trevor Brown – Headteacher
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REGIONAL INTERNAL AUDIT SERVICE /
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL



| AUDIT OPINION | RECOMMENDATION SUMMARY | |
|---|------------------------|----|
|  | High Priority | 7 |
| | Medium Priority | 7 |
| | Low Priority | 2 |
| | Total | 16 |

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.

STRENGTHS & AREAS FOR IMPROVEMENT

During the audit a few strengths and areas of good practice were identified as follows:

- The 2022/23 budget had been approved by the Governing Body
- The unofficial funds were regularly reconciled with bank statements and had been independently audited within the past 12 months
- Evidence is retained at the school showing regular monitoring of the school budget by [REDACTED]
- A methodology is in place for the setting of salaries at the school for both teaching and non-teaching staff.

The following key issues were identified during the audit which need to be addressed:

- The Local Authority's Financial and Contract Procedure Rules are not adhered to by the school which is in breach of the Fair Funding Scheme
- No formal agreement is in place with the contractor in relation to capital project
- Significant overspend on the capital project was not identified and reported prior to the audit review
- Several grants were included in the budget 2022/23 without confirmation that they would be received.
- No evidence was identified of active measures being undertaken as soon as the overspend was identified to mitigate the extent.
- Key decisions made were not explicit within Governing Body minutes

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1. INTRODUCTION & BACKGROUND

It was brought to the attention of the Head of Finance (Section 151 Officer) in February 2023 that the school was facing a significant deficit budget and cash flow issues for the remainder of the 2022/23 financial year. Due to these concerns Internal Audit were requested to undertake an audit at the school as soon as possible.

The Auditors were on site at the school on 28th February, 1st & 7th March 2023.

This report sets out the findings of the audit and provides an opinion on the adequacy and effectiveness of internal control, governance and risk management arrangements in place. Where controls are not present or operating satisfactorily, recommendations have been made to allow Management to improve internal control, governance and risk management to ensure the achievement of objectives.

Stanwell School is a Foundation School within the Vale of Glamorgan Council. The school is maintained by the Local Authority whilst owned by the Governing Body, who is responsible for controlling admissions to the school and employing the school's staff.

The school was allocated formula funding of £9,027,635 at the start of 2022/23 and brought forward an underspend of £534,797 from the previous financial year. The budget set for 2022/23 estimated a surplus of £7,223 (0.08%) by the year end.

On 8th February 2023 an email to the Head of Regional Internal Audit Service from the Finance Manager in Learning & Skills stated that a budget deficit of £691,000 had been projected and a cashflow shortfall of £870,000 had recently been estimated for the school.

2. OBJECTIVES & SCOPE OF THE AUDIT

The objective of the audit was to gain assurance over the financial management, control, governance & risk arrangements at Stanwell School, and to understand how the projected deficit & cash flow issues have arisen in 2022/23 and what lessons can be learnt.

The scope of the audit included:

- Budget Setting
- Budget Spending, Monitoring & Reporting
- Governance
- Project Management & Monitoring
- Unofficial Fund

It was agreed within the initial Terms of Reference that a routine school audit would follow later in 2023.

3. AUDIT APPROACH

Fieldwork will take place following agreement of the audit objectives.

A draft report will be prepared and provided to Management for review and comment with an opportunity given for discussion or clarification.

The final report will incorporate Management comments together with a Management Action Plan for the implementation of recommendations.

Governance and Audit Committee will be advised of the outcome of the audit and may receive a copy of the Final Report.

Management will be contacted and asked to provide feedback on the status of each agreed recommendation, once the target date for implementation has been reached.

Any audits concluded with a no assurance or limited assurance opinion will be subject to a follow up audit.

4. ACKNOWLEDGMENTS

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

The work undertaken in performing this audit has been conducted in conformance with the Public Sector Internal Audit Standards.

The findings and opinion contained within this report are based on sample testing undertaken. Absolute assurance regarding the internal control, governance and risk management arrangements cannot be provided given the limited time to undertake the audit. Responsibility for internal control, governance, risk management and the prevention and detection of fraud lies with Management and the organisation.

Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via cmthomas@valeofglamorgan.gov.uk.

FINDINGS & RECOMMENDATIONS

1. BUDGET SETTING

Control Objective:
A realistic budget is set and approved

Strengths:

The budget was agreed by the Finance Committee on 28th June 2022 and the Governing Body on 7^h July 2022

A methodology is in place for the setting of salaries at the school for both teaching and non-teaching staff. Teachers are calculated using information from payroll including the pay point they will be on in the year the budget is being set and the anticipated pay award. The correct split, to take into account the raise occurring in September, is applied. Non teaching staff are calculated using information from payroll including the increment they are going to be on for the year and the amount estimated for the pay award.

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|--|--|
| 1.1 High | <p>The school included £454,076 of grant income in their budget for 2022/23. A breakdown was provided however, this level of grant income had not been confirmed to the school in advance of setting the budget.</p> <p>At the time of the audit visit on 1/3/23 it was known that £67,150 post-16 transition 22/23 is not going to be received (linked to Covid) and it is unclear if £65,000 revenue maintenance is going to be received. This means that there is a total shortfall of between £67,150 and £132,150 in grant income.</p> | School goes into a budget deficit due to non receipt of budgeted income. | Only grant income that has been confirmed, or has been instructed by the Local Authority to use as an estimate, should be used in the budget setting process |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|--|--|
| 1.2 Low | <p>Lettings income of £60,000 was included within the budget for 2022/23. Although the school is on target to receive this income [REDACTED] advised that a review of the fees charged is something the school are aware needs to be undertaken as it has not been completed for some time.</p> | <p>The income received from lettings does not cover the related expenditure.</p> | <p>The Governing Body review the school facilities letting charges and agree and document the rates.</p> |
| 1.3 High | <p>Excluding salaries and the capital project, several budget headings that overspent in 2021/22 have also overspent during 2022/23 (projected as at end of Period 09).</p> <p>The Auditors identified that the Catering budget set for 2022/23 was significantly different from previous financial years. In 2019/20 and 2021/22 the budget was set as a deficit of £42k and £32k respectively. However, in 2022/23 the budget was set at a £34,500 surplus, a swing of £66,000. [REDACTED] advised that catering is still making a loss and the school are looking to outsource the service.</p> <p>The budget for ICT Services/Supplies was reduced from a total of £150k in 2021/22 to £100k for 2022/23. The outturn in 2021/22 was £225,338 and the projected outturn for 2022/23 is £127,277. It was noted that the budget set for 2019/20 was £100k which also had an overspend of over £25k.</p> | <p>Unrealistic budgets set leading to significant overspends.</p> | <p>Realistic budgets must be set at the start of each year to minimise the risk of overspend</p> |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|------|----------------|
| | <p>Further examination of the budget identified that 13 budget headings were set at the same level as 2021/22. The total budget for these areas was £113,000 yet the 2021/22 outturn was £163,917 and the projection for 2022/23 is £201,665.</p> <p>Nine budget headings had an increased budget from 2021/22 to 2022/23, from £141,900 to £191,600. However, the outturn in 2021/22 was £214,621 and the projected outturn is £206,516. In addition, 4 budget headings did not have budgets set for 2022/23 but a projected outturn of £14,370 is forecast.</p> <p>These findings suggest that the budget set for 2022/23 was unrealistic in some areas and did not base the figures on realistic or historic spending levels.</p> <p>Additionally, the Senior Leadership Team (SLT) at the school was expanded during 2022/23, with the appointment of 5 new Associate Assistant Headteachers on fixed 2-year contracts. The increase in salary expenditure was correctly accounted for within the budget setting process. It was noted, however, that although it was advised that this additional financial commitment would be covered by the Accelerated Learning Grant, this was not explicit within the budget breakdown provided or the Governing Body meeting minutes where this was agreed.</p> | | |

2. BUDGET MONITORING

Control Objective:
 To ensure that the controls surrounding budget monitoring and review are adequate.

Strengths:

Evidence is retained at the school showing regular monitoring of the school budget by [REDACTED]. The file for January 2023 was found to have a checklist confirming that month end checks had been completed along with the supporting documentation held in the file.

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|---|---|
| 2.1 High | From reviewing documentation on file, monthly budget monitoring reports indicate that high overspends and a significant overall deficit position were identified at least from the end of September 2022: | Weak control limits over expenditure; lack of oversight; significant impact on budget | To demonstrate effective management of the budget, all proactive measures taken are documented, tracked and communicated in a clear and timely manner to the relevant stakeholders. |
| | | | |
| | Salaries- Teachers | | |
| | Salaries- Edu Support | | |
| | Salaries - Other | | |
| | Buildings & Grounds | | |

| Ref. & Priority | Finding / Weakness | | | | Risk | Recommendation | | | | | |
|---|--|------------------|------------------|------------------|------|----------------|--|----------------|---------------|---------------|---|
| | Occupancy Costs | (4,156) | (34,894) | (21,405) | | | | | | | |
| | Educational Supplies & Services | (68,386) | (87,845) | (111,292) | | | | | | | |
| | Other Supplies & Services | (13,291) | 9,192 | (49,189) | | | | | | | |
| | Expenditure Overspend | (327,281) | (341,984) | (547,378) | | | | | | | |
| | <p>Considering the estimated income for the same period the overall year end deficit was noted as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>End of Sept 22</th> <th>End of Oct 22</th> <th>End of Dec 22</th> </tr> </thead> <tbody> <tr> <td>Projected Overall Year End Surplus / Deficit Position</td> <td>(320,055)</td> <td>(532,379)</td> <td>(599,616)</td> </tr> </tbody> </table> | | | | | | | End of Sept 22 | End of Oct 22 | End of Dec 22 | Projected Overall Year End Surplus / Deficit Position |
| | End of Sept 22 | End of Oct 22 | End of Dec 22 | | | | | | | | |
| Projected Overall Year End Surplus / Deficit Position | (320,055) | (532,379) | (599,616) | | | | | | | | |
| <p>Whereas the budget set for 2022/23 estimated a surplus of £7,223 (0.08%) by the year end.</p> <p>The “financial strain” on the budget is referenced in the 10/11/2022 Finance Committee meeting minutes and accredited to salary increases; however, the above table demonstrates there were several other factors that contributed to the overall deficit position. The development of a “cost saving” plan is also referenced in these minutes and the Governing Body meeting minutes of 01/12/2022. The minutes of the 27/01/2023</p> | | | | | | | | | | | |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------|--|-------------------------|----------------|-------------------------|------|---------------------|--------|---------|--------|--------------------------|--------|--------|--------|-------------------------|--------|---------|---------|-----------|----------|----------|---------|---------------------------|---------|---------|---------|---|
| 2.2 Medium | <p>Finance Committee meeting reference several cost saving measures (voluntary redundancies/early retirement and the outsourcing of cleaning/catering) but no specific figures or action plan is documented.</p> <p>The adverse budget position was communicated to the Council in response to an email query sent to the school on 07/11/2022.</p> | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Further analysis identified several large overspends in relation to the following cost headers at the end of December 2022:</p> <table border="1" data-bbox="353 746 1012 1157"> <thead> <tr> <th></th> <th>Budget</th> <th>Spend @ end of Dec 2022</th> <th>Over</th> </tr> </thead> <tbody> <tr> <td>Furniture, fixtures</td> <td>£5,000</td> <td>£11,351</td> <td>£6,351</td> </tr> <tr> <td>Educational supplies MUS</td> <td>£4,000</td> <td>£5,864</td> <td>£1,864</td> </tr> <tr> <td>Educational supplies PE</td> <td>£4,000</td> <td>£47,794</td> <td>£43,794</td> </tr> <tr> <td>Exam fees</td> <td>£265,000</td> <td>£296,304</td> <td>£31,304</td> </tr> <tr> <td>Misc Educational Supplies</td> <td>£15,000</td> <td>£27,329</td> <td>£12,329</td> </tr> </tbody> </table> <p>The Auditors queried the differences and were advised the furniture and educational supplies (PE) increase formed part of the capital project (discussed in Section 4 of this report). The increase in examination fees was due to the end of Centre Determined Grades and a</p> | | Budget | Spend @ end of Dec 2022 | Over | Furniture, fixtures | £5,000 | £11,351 | £6,351 | Educational supplies MUS | £4,000 | £5,864 | £1,864 | Educational supplies PE | £4,000 | £47,794 | £43,794 | Exam fees | £265,000 | £296,304 | £31,304 | Misc Educational Supplies | £15,000 | £27,329 | £12,329 | <p>Expenditure efficiencies not identified and acted upon; effective budget monitoring impeded by inflexibility</p> |
| | Budget | Spend @ end of Dec 2022 | Over | | | | | | | | | | | | | | | | | | | | | | | |
| Furniture, fixtures | £5,000 | £11,351 | £6,351 | | | | | | | | | | | | | | | | | | | | | | | |
| Educational supplies MUS | £4,000 | £5,864 | £1,864 | | | | | | | | | | | | | | | | | | | | | | | |
| Educational supplies PE | £4,000 | £47,794 | £43,794 | | | | | | | | | | | | | | | | | | | | | | | |
| Exam fees | £265,000 | £296,304 | £31,304 | | | | | | | | | | | | | | | | | | | | | | | |
| Misc Educational Supplies | £15,000 | £27,329 | £12,329 | | | | | | | | | | | | | | | | | | | | | | | |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-------------------------------------|--|--|--|
| | <p>higher number of maths entrants.</p> <p>In addition, [REDACTED] advised that the school does not currently vire between budget headings as they have always kept the budgets as set. There was no documentation on file to show how overspending in specific cost headings were going to be balanced from other areas within the budget. Virements bring flexibility in budget management and enable budget managers to cater to new or increased funding pressures that arise during the budget year.</p> | | |
| <p>2.3 Medium</p> | <p>The school completed the annual Control Risk Self-Assessment (CRSA) and Assurance statement and returned it to Internal Audit on 30th January 2023. This was signed by the [REDACTED] and [REDACTED] and stated there were no areas of concern or issues.</p> | <p>Risks are not identified or effectively mitigated.</p> | <p>The school must accurately complete the CRSA to inform Internal Audit of any significant issues or concerns at the school or any identified risks and control weaknesses</p> |
| <p>2.4 Medium</p> | <p>Stanwell School are not part of the School Financial Support Service Level Agreement. Membership of this would provide budgeting and financial advice throughout the year to the school. It would also allow the Learning & Skills Finance team to identify any budget concerns and assist the school in a timely manner. The school advised that currently they do not send any regular budget monitoring information to the Learning & Skills Finance team during the year as they are not required to do so but submitting regular information will allow any concerns to be identified.</p> | <p>Unable to access school finance support with budget setting and monitoring.</p> | <p>Consideration is given to signing up to the School Financial Support Service Level Agreement. If this is not taken up the school should liaise with Learning & Skills Finance to agree what information is required to be submitted and when during the year to ensure the Council is regularly informed of the school's financial position</p> |

3. GOVERNANCE

Control Objective:
That the school has accountability.

Strengths:
All Full Governing Body meetings sampled were quorate.

Minutes confirmed that the Full Governing Body meet termly as required.

Up to date Registers of Business Interest were in place for all current Governors at the school.

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|--|--|
| 3.1 Medium | ██████████ advised the Auditors that the only documentation regarding ██████████ authorised spending limit at the school is the Financial Procedures Manual. A copy of this was provided and showed that ██████████ could authorise cheques of more than £50,000 along with ██████████ as well as Batch Payment totals in excess of £50,000 with the ██████████. It did not state an expenditure limit that the ██████████ could authorise up to. | Unauthorised expenditure being incurred | The Governing Body agree a delegated limit of expenditure for the Headteacher, the Finance Committee and the Governing Body, and this is clearly documented and retained at the school |
| 3.2 Low | Terms of reference provided by the ██████████ show that they are in place for the compulsory committees of Staff disciplinary and dismissal, Staff disciplinary and dismissal appeals, Pupil disciplinary and | Authority granted to certain committees no longer relevant leading to incorrect decision making. | The terms of reference for individual committees are reviewed annually and clearly documented within the meeting minutes |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-------------------------------------|--|---|--|
| | <p>exclusion hearings and Admissions.</p> <p>██████████ confirmed that although the constitution of every committee is reviewed annually during the AGM in September, the terms of reference for these individual committees had not been reviewed since April 2019.</p> | | |
| <p>3.3 Medium</p> | <p>Minutes from the Full Governing Body meeting held on 1st December 2022 show that ██████████ informed the Governing Body that the school is facing significant challenges. ██████████ responded to a Governor's question that the projected deficit is about £500,000. The reasons given are due to the increase in teachers and support staff pay and utilities.</p> <p>There was no update documented on the current financial situation of the building project that had gone over budget, the lower-than-expected grant income or other cost centres that are projected to overspend.</p> | <p>The Full Governing Body are unaware of the current financial situation at the school</p> | <p>The Finance Committee and Governing Body are provided with full and detailed information on the budget deficit situation and recovery actions are discussed and agreed. These must be clearly evidenced in meeting minutes.</p> |

| 4. PROJECT MANAGEMENT & MONITORING | | | |
|--|--|--|---|
| Control Objective: Projects are managed and monitored | | | |
| | Strengths: Monitoring of building project was incorporated into standard monthly budget monitoring process | | |
| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
| 4.1 High | <p>A capital building project for a new well-being building started construction work in April 2022. It was advised that authorisation had been obtained from the Governing Body prior to awarding the work to the contractor, however, this is not referenced in meeting minutes.</p> <p>Minutes from the 10/02/2022 detail that the Finance Committee confirmed to the Governing Body that the funds had been allocated and planning permission requested. No specific figures were detailed in minutes. This is the first reference of the project identified within Governing Body minutes, with the next update noted during the 01/12/2022 meeting, where the expected end date is noted.</p> <p>Although the project is regularly referenced within Finance Committee meeting minutes during the period in question, the level of</p> | Lack of transparency; value for money is not achieved; | All significant decisions made by the Governing Body are explicit within minutes of the meetings, with specific costings noted in relation to financial matters |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------------------------|--|---|--|
| | <p>detail is minimal and does not detail the following:</p> <ul style="list-style-type: none"> • the source / level of funding requirements • the procurement exercise and decisions undertaken in relation to this | | |
| <p>4.2 High</p> | <p>The original costing of the entire capital project was estimated at £784,783, with £500k allocated from the budget surplus from 2021/22 and, the remainder from unofficial funds.</p> <p>It was advised that [REDACTED], engaged by the school as a 3rd party to design and manage the project, invited 3 quotes from companies [REDACTED] was familiar with. The company who provided the lowest quotation value for the building work was awarded the work. No evidence was viewed in relation to how the work was advertised or how the companies within the process were selected.</p> <p>Given the high financial value of the work, there are specific requirements within the Local Authority's Contract Procedure Rules in relation to advertising the work followed by a formal tendering process. In the line with the Fair Funding Scheme for Funding Schools, it is also a requirement that the</p> | <p>Breach of Fair Funding Scheme; non-compliance with Contract Procedure Rules; lack of transparency; value for money is not achieved</p> | <p>In line with the Fair Funding Scheme, the Local Authority's Financial and Contract Financial Procedure Rules are adhered to by the school</p> |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|------|----------------|
| | <p>Section 151 Officer is consulted for advice for capital work over £10k and there is a protocol in place for schools to follow when undertaking work of a capital nature.</p> <p>The scheme states that schools are <i>"required, in the management of their delegated budget, to abide by the Council's requirements on financial controls and monitoring, both those in the scheme and the Financial and Contract Procedure Rules of the Council. Disciplinary action may be taken where there is failure to adhere. The delegated budget share and associated responsibilities may be suspended should such failure occur"</i>.</p> <p>The Auditors were informed that the school's position was that, as it was classed as a foundation school, the requirements of the Fair Funding Scheme, and therefore the Local Authority's Financial and Contract Procedure Rules, were not applicable.</p> <p>Given the above position, Legal Services were contacted by the Auditors for advice on this issue. The advice provided confirmed that as a foundation school comes under the definition of a 'maintained school' for the purposes of The School Standards and Framework Act 1998 and The School</p> | | |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------------------------|---|---|---|
| | <p>Funding (Wales) Regulations 2010, the Local Authority's Fair Funding Scheme (and in effect Financial and Contract Procedure Rules) is applicable in this case.</p> | | |
| <p>4.3 High</p> | <p>No formal contract or agreement was on file in relation to the contractor who was awarded the building project work.</p> <p>In addition, through research it was identified that the company awarded the contract was incorporated in September 2021, whilst the Director's previous company went into liquidation in October 2021 with a book value of £423,512.18 listed as 'Contract Debt & Retentions'.</p> <p>██████████ confirmed the previous company had carried out several projects of the school and was aware that it had gone into liquidation. It was advised that the associated risks were considered in this case prior to awarding the contractor the work.</p> <p>Given the risks involved, any risk analysis or due diligence measures carried out should have been documented within Governing Body minutes and a formal contract put in place with the contractor in line with Contract Procedure Rules.</p> | <p>Inability of the Local Authority to achieve resolution of any potential legal disputes that may arise; financial and reputational damage; non-compliance with Contract Procedure Rules</p> | <p>Formal contracts/agreements are signed with suppliers for works/services in accordance with Contract Procedure Rules. Evidence of appropriate due diligence measures, such a risk analysis and financial checks through credit reference agencies, should be carried out and documented.</p> |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|--------------------------------------|--|---|--|
| <p>4.4</p> <p>High</p> | <p>As referenced earlier in the report, the original costing of the building project was £784,783. At the time of review, the total estimated cost on the project was £1,068,630. This included £47,511, which was the remaining balance due to the contractor. Therefore, the estimated total overspend of the project is £283,846, and this has a significant impact on the annual budget.</p> <p>The actual overspend figure is significantly higher than the £100k approximation provided during the initial meeting with Auditors. Additionally, no reference to the overspend had been detailed in Governing Body or Finance Committee meeting minutes. This indicates that the actual overall cost of the project was only realised during the recent audit review.</p> <p>Given the nature of capital projects and that there was no contingency built into the overall budget for any overspend, the above information indicates a lack of clear oversight and weak controls in relation to the budget setting, monitoring, and reporting of the project.</p> | <p>Overspend not identified in a timely manner; lack of oversight; significant impact on budget</p> | <p>Capital projects are only undertaken when there is sufficient budget available, factoring in potential overspend and significant impact on budget</p> |

5. UNOFFICIAL FUND

Control Objective:
Ensure suitable arrangements are in place for the management of the fund.

Overview:

There are currently 2 unofficial fund bank accounts held by the school. The balances as of the 31st January 2023 were:

- School Account £173,939.75
- Fixed Term Deposit Account £181,873.42

£102,910.20 from the School Account has since been transferred to the main bank account and the full balance of the Fixed Term Deposit Account will also be transferred to the main account on 01/05/2023 (withdrawal request made 26/01/2023, 95 day notice required)

Strengths:

The unofficial funds had been audited within the past 12 months by independent persons. A certificate dated 05/05/2022 was provided by the school which covered the 2021/22 financial year.

For the period between November 2022 and January 2023, all expenditure (26 transactions totalling £74,298.61) via bank transfer had a receipt on file. In addition, there was a full audit trail of all income received during the same period.

Monthly reconciliations from Sage to bank statements are carried out by [REDACTED] and approved by [REDACTED]

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|-----------------|---|--|--|
| 5.1 Medium | <p>For the period between November 2022 and January 2023, 7 purchases totalling £3,307.14 were identified as being outside the scope of unofficial fund expenditure:</p> <ul style="list-style-type: none"> • £2,827.98 related to 2 purchases that are normally main budget expenditure (camcorder, van repair) | Inappropriate expenditure; fraud or misappropriation | All unofficial fund expenditure should be appropriate, within scope and for business purposes only |

| Ref. & Priority | Finding / Weakness | Risk | Recommendation |
|--|--|---|---|
| | <ul style="list-style-type: none"> 5 purchases totalling £479.16 were gifts to staff, including flowers, alcohol and vouchers. As these are clearly not for business purposes or the direct benefit of the children, expenditure of this nature from the unofficial fund is considered inappropriate | | |
| <p>5.2</p> <p>Medium</p> | <p>The Auditors reviewed the minutes for the period between May 2021 and December 2022 and noted that no update on the unofficial funds had been provided to the Governing Body during this time.</p> <p>As the Governing Body are responsible for the overall management and audit of all such funds, they should be provided with an update at least on an annual basis.</p> | <p>Lack of accountability; fraud or misappropriation may go undetected.</p> | <p>The Governing Body are provided with an update on the unofficial funds at least on an annual basis</p> |

MANAGEMENT ACTION PLAN

| Report Ref & Priority | Recommendation | Agreed (Y/N) | Management Comments | Job Title of Officer Responsible | Date to be Implemented |
|-----------------------|---|--------------|---|---|------------------------|
| 1.1 High | Only grant income that has been confirmed, or has been instructed by the Local Authority to use as an estimate, should be used in the budget setting process | Y | School Financial Support Service Level Agreement has been signed for 2023-24. | Business Manager | 01/04/23 |
| 1.2 Low | The Governing Body review the school facilities letting charges and agree and document the rates | Y | This has already been reviewed, a new pricing structure will be in place for the 2023/24 financial year. | Business Manager | 01/04/23 |
| 1.3 High | Realistic budgets must be set at the start of each year to minimise the risk of overspend | Y | Realistic Budgets will continue to be set as they have been in previous years. | Headteacher Business Manager | 01/04/23 |
| 2.1 High | To demonstrate effective management of the budget, all proactive measures taken are documented, tracked and communicated in a clear and timely manner to the relevant stakeholders. | Y | Although the Finance Committee and Governing Body are provided with information on proactive measures taken, these haven't been explicitly included within the meeting minutes, however they will be going forward. | Business Manager Clerk to Governing Body | 01/04/23 |
| 2.2 Medium | Virements are incorporated into the budget management process | Y | | Business Manager | 01/04/23 |

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| 2.3 Medium | The school must accurately complete the CRSA to inform Internal Audit of any significant issues or concerns at the school or any identified risks and control weaknesses | Y | | Business Manager | With immediate effect |
| 2.4 Medium | Consideration is given to signing up to the School Financial Support Service Level Agreement. If this is not taken up the school should liaise with Learning & Skills Finance to agree what information is required to be submitted and when during the year to ensure the Council is regularly informed of the school's financial position | Y | SLA agreement signed for the 2023/24 financial year | Business Manager | 01/04/23 |
| 3.1 Medium | The Governing Body agree a delegated limit of expenditure for the Headteacher, the Finance Committee and the Governing Body, and this is clearly documented and retained at the school | Y | To be agreed and ratified at the next full governing body meeting | Governing Body | Summer term 22-23 |
| 3.2 Low | The terms of reference for individual committees are reviewed annually and clearly documented within the meeting minutes | Y | | Clerk to the Governing Body | With immediate effect |
| 3.3 Medium | The Finance Committee and Governing Body are provided with full and detailed information on the budget deficit situation and recovery actions are discussed and agreed. These must be clearly evidenced in meeting minutes. | Y | Although the Finance Committee and Governing Body are provided with full and detailed information on the budget deficit situation and recovery actions are discussed and agreed, these haven't been explicitly included within the meeting minutes, however they will be moving forward. | Business Manager/Clerk to the Governing Body | With immediate effect |

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| 4.1 High | All significant decisions made by the Governing Body are made explicit within minutes of the meetings, with specific costings noted in relation to financial matters | Y | All significant decisions made by the Governing Body are explicit in the minutes of the meeting, however it is agreed that costings are not, these will be in the future. | Business Manager Clerk to the Governing Body | With immediate effect |
| 4.2 High | In line with the Fair Funding Scheme, the Local Authority's Financial and Contract Financial Procedure Rules are adhered to by the school | Y | | Governing Body | With immediate effect |
| 4.3 High | Formal contracts/agreements are signed with suppliers for works/services in accordance with Contract Procedure Rules. Evidence of appropriate due diligence measures, such a risk analysis and financial checks through credit reference agencies, should be carried out and documented. | Y | Whist three quotations in line with our financial procedures were obtained and an official purchase order raised in relation to the building contract, it is acknowledged that on this occasion a formal contract was not signed. | Governing Body | 01/04/23 |
| 4.4 High | Capital projects are only undertaken when there is sufficient budget available, factoring in potential overspend and significant impact on budget | Y | When the new building was discussed and agreed there was sufficient budget to undertake the project. However due to the unforeseen unprecedented rise in inflation this has unfortunately resulted in a significant overspend on this occasion. The School will factor in potential overspend for any future projects. | Governing Body | 01/04/23 |
| 5.1 Medium | All unofficial fund expenditure should be appropriate, within scope and for business purposes only | Y | | Treasurer and Business Manager | With immediate effect |

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| <p>5.2 Medium</p> | <p>The Governing Body are provided with an update on the unofficial funds at least on an annual basis</p> | <p>Y</p> | <p>Currently discussed with Finance Committee and at Governing Body AGM, however not included in meeting minutes.</p> | <p>Business Manager/Clerk to the Governing Body</p> | <p>With immediate effect</p> |
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DEFINITIONS

| AUDIT ASSURANCE CATEGORY CODE | |
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| Substantial Assurance | 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 Assurance | 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 Assurance | 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. |

| RECOMMENDATION CATEGORISATION | |
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| Risk may be viewed as the chance, or probability, one or more of the systems of governance, risk management or internal control being ineffective. 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. |