

Audit Title:	PSIAS peer assessment
Audit Assurance:	Effective with opportunity for improvement

REF	FINDINGS	RECOMMENDATIONS	RISK RATING	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	ACTION DATE	UPDATE ON MANAGEMENT RESPONSE	REVISED ACTION DATE	ACTION CLOSED?
Objective 1 - Independence and objectivity - Audit Manager									
1	The Audit Committee is required to approve and periodically review any safeguards put in place to limit impairments to independence and objectivity (see also Standard 1000 Purpose, Authority and Responsibility). Currently, the Audit Charter does not explicitly list areas of other responsibility along with the safeguards that have been put in place (albeit, they are in place in practice).	In order for the Audit Committee to review the safeguards in place, it is recommended that for those functions which the Audit Manager has operational responsibility, they be explicitly listed within the Audit Charter and the safeguards in place to manage independence and objectivity be clearly set out.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
Objective 2 - Declaring potential conflicts of interest to protect independence and objectivity									
2	A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively. In order to manage this process the Audit Manager at Cardiff County Council requests a declaration from all staff annually to ensure there are no potential conflicts and to demonstrate transparency. Whilst this procedure is in place and evidence exists to support the arrangements, the Audit Charter does not explicitly document these arrangements.	It is recommended that the Audit Charter be updated to reflect the practices in place in respect of collating conflicts of interests from audit staff, at least annually.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
3	Should a potential conflict of interest be reported by a member of the Internal Audit Service, then the Audit Charter should provide detail in respect of how this will be managed. The Audit Charter does not currently document the arrangements in place (albeit, they are in place in practice).	The Audit Charter should be updated to reflect the working practices that are in place in respect of managing conflicts of interests identified by staff – i.e. they are taken into account when allocating individual workloads to auditors.	Amber / Green	The amendments suggested will be made to the Audit Charter for 2018/19. These will be presented to Audit Committee in draft in January 2018.	Audit Manager	30/01/2018	The amendments suggested were made to the Audit Charter for 2018/19, which was presented to Audit Committee at the meeting on 30/01/2018 and agreed at the meeting on 27/03/2018.		Yes
Objective 3 - Draft audit plan report									

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4	An overview in respect of compiling the Internal Audit Plan is provided within the Audit Charter. The Standards require the Internal Audit Service to demonstrate a risk based audit plan that also covers as much of the overall control environment as far as is practicable.	In order to demonstrate why audits are included within the Council's Audit Plan, consideration could be given to documenting a rationale/category against each audit.	Amber / Green	The audit plan is prepared using a risk-based approach and this is reported to Audit Committee on an annual basis. However, consideration will be given to documenting the rationale for each audit's inclusion in the draft plan.	Audit Manager	27/03/2018	The suggested action was considered but was not included during the preparation of the draft plan. However, the scope and objectives of each audit are included in the progress report presented to each meeting of the Audit Committee, and this gives members the opportunity to raise any questions. Further consideration will be given to documenting the rationale for each audit when the plan for 2019/2020 is being prepared.		Yes

Assurance Level	Definition
Effective	<ul style="list-style-type: none"> • The controls evaluated are adequate and appropriate • The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled • No findings noted (or a small number of low risk recommendations)
Effective with opportunity for improvement	<ul style="list-style-type: none"> • A few specific control weaknesses and/or opportunities for improvement were noted • Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled
Insufficient with major improvement needed	<ul style="list-style-type: none"> • Some high level risks are not adequately controlled • Numerous specific control weaknesses were noted • Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled • There may be a risk of exposure to fraud or security vulnerabilities
Unsatisfactory	<ul style="list-style-type: none"> • The control environment is not adequate and is below standard • The control environment is considered unsound • A lack of attention could lead to significant losses

Rating	Criteria
High / Red	<p>This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to:</p> <ul style="list-style-type: none"> • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited • Serious violation of Council strategies, policies or values • Serious reputational damage • Significant adverse or regulatory impact, such as loss of operating licenses or material fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy / procedure does not exist for significant Council processes • Preventative, detective and mitigating controls do not exist • Council reputation or financial status is at risk • Fraud or theft is detected • Council is not in compliance with laws and regulations
Medium / Red Amber	<p>This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses • Loss of controls within the organisational entity or process being audited • Reputation damage • Adverse regulatory impact, such as public sanctions or immaterial fines <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists but adherence is inconsistent • Preventative and detective controls do not exist, but mitigating controls do exist • The Council's compliance with laws and regulations requires additional evaluation and review • There is a possibility of inappropriate activity
Medium / Amber Green	<p>This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited.</p> <p>Examples are:</p> <ul style="list-style-type: none"> • A policy exists, but was not adhered to on an exception basis • Preventative controls do not exist, but detective and mitigating controls exist • There is a remote possibility of inappropriate activity
Low / Green	Best Practice

REPORT CONTEXT

This report has been prepared for the internal use of the Council and is prepared in relation to internal audit, under the requirements as set out in the Council's Financial Procedure Rules which are based on best practice principles as set out in the Public Sector Internal Audit Standards (PSIAS).

Reports are prepared by the staff of the Internal Audit Section based within Resources, where they serve to inform the Section 151 Officer and senior managers across the Council on governance arrangements, primarily around managing risks, the soundness of the control environment and the efficient and effective use of resources.