



Internal Audit Annual Report 2018/19

Cardiff Council

MISSION STATEMENT

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight



Gweithio dros Gaerdydd, gweithio gyda'n gilydd
Working for Cardiff, working together

CONTENTS PAGE

1	<u>INTRODUCTION</u>	2
	Background	2
	The Annual Reporting Process	2
	Requirement for Internal Audit	3
	Independence and Objectivity	3
2.	<u>REVIEW OF INTERNAL CONTROL AND OPINION</u>	4
	Opinion 2018/19	4
	How internal control is reviewed	5
3.	<u>SUMMARY OF WORK PERFORMED</u>	8
	Reports to Audit Committee	10
4.	<u>QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME</u>	11
	Requirements and Assurance	11
	Performance and Benchmarking	13
	Quality Assurance Review	14
	Post Audit Assessment & Customer Feedback	14
	Audit Recommendations	15
	Internal Audit Team Resources	17
	Continuing Professional Development	18
	Experience and Qualifications	18
5.	<u>CONCLUSIONS</u>	19
	Appendices	
	<u>Appendix A</u> - Audit Reports Issued	20
	<u>Appendix B</u> - Work Areas where Audit Report is not prepared	27
	<u>Appendix C</u> - Quality Assurance and improvement Programme	28
	<u>Appendix D</u> - PSIAS Action Plan 31 March 2019	30

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1. INTRODUCTION

Background

- 1.1. Management are responsible for the system of internal control and must set in place policies and procedures to ensure that the internal controls are robust and functioning correctly, to effectively address and mitigate risks to the delivery of objectives across the organisation. Internal Audit acts as an assurance function providing an independent and objective opinion on the Council's control environment by evaluating its effectiveness in achieving objectives.
- 1.2. The Internal Audit Team has an important role as set out in the Public Sector Internal Audit Standards (PSIAS), to provide professional, independent and objective assurance advice and insight. The internal audit service is one of the key elements of good governance, and its mission is *'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*
- 1.3. The Internal Audit Team operates in accordance with the Public Sector Internal Audit Standards (PSIAS). In order to demonstrate conformance with the PSIAS, the Audit Manager has established a Quality Assurance and Improvement Programme (QAIP). This is summarised within Section 4 of this report, through which there is a process of ongoing monitoring, periodic review, and 5-yearly external review to accord to PSIAS Standard 1300. The QAIP is designed to provide confidence to those relying on the Internal Audit Team's work on the professional standards applied and the quality of services.
- 1.4. The Audit Committee's terms of reference includes the consideration of the Council's arrangements relating to internal audit, including the Internal Audit Annual Report and monitoring the performance of the Internal Audit section. Accordingly, performance reports are provided to the Audit Committee in each meeting throughout the year, and the annual report is presented to the Committee for consideration and comment.

The Annual Reporting Process

- 1.5. The annual report gives an overview of audit performance during 2018/19, seeks to provide an opinion on the adequacy of the control environment in Cardiff Council, and reports the incidence of any significant control weaknesses.
- 1.6. The annual report includes:
 - (a) The Audit Manager's opinion on the Council's control environment;
 - (b) A summary of the work that supports the opinion; and

- (c) A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

Requirement for Internal Audit

- 1.7. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control. The Council also has a duty to prepare an Annual Governance Statement. The Audit Manager's opinion on the Council's control environment from this report is included within the Annual Governance Statement, to provide independent assurance to the Council's stakeholders based on the Internal Audit's programme of work.
- 1.8. The Audit Manager (the Chief Audit Executive – CAE - for the purpose of the Standards) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement, and conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In doing so, the Audit Manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

Independence and Objectivity (PSIAS standard 1100).

- 1.9. For the first two financial quarters of 2018/19, the Head of Finance was the Acting Internal Audit Manager. Mitigations approved by the Audit Committee in the Audit Charter 2018/19 ensured that the principles of independence and objectivity were upheld, as the Head of Finance had no involvement in overseeing the audit of any function within his span of control. From 1 October 2018, a full time Audit Manager was appointed who does not manage any functions other than the Internal Audit and Investigations Teams.
- 1.10. Organisational independence has been achieved throughout 2018/19. The Audit Manager reports administratively to the Head of Finance (Deputy Section 151 Officer) and has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members where required. The same direct access was available to the Head of finance during his period of management, who reported administratively to the Corporate Director Resources (Section 151 Officer).
- 1.11. Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies of which they are members. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner.

1.12. The PSIAS requires any conflicts of interest or impairment to independence or objectivity to be disclosed. Each year, all members of the Internal Audit section are required to complete a Staff Declaration Statement (and update it if circumstances change during the year). This identifies any potential conflict of interest that any member of the Audit team may have, which is considered when assigning audits. There have been no conflicts of interest of impairment to independence or objectivity for the financial year 2018/19.

2. REVIEW OF INTERNAL CONTROL AND OPINION

Opinion 2018/19 (PSIAS standard 2450)

2.1 The PSIAS state that the 'Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.' This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.

2.2 This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken from a number of sources, including:

- *Assurance Audit Assignments* – work undertaken through the risk-based annual audit plan, with delivery prioritised to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, and monitoring of Council activity, strategy, risks, and wider assurance sources.
- *Discussion with Senior Managers* – quarterly relationship manager meetings with Directors, Audit Manager attendance at Assurance Senior Management Team meetings, and regular meetings with the Corporate Director Resources (Section 151 Officer) and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or on specific matters, including the design and development of new processes, such as Procure to Pay (P2P) and a wider process and control reviews, such as a Service Review for Social Services.
- *Risk & Governance* – assurance reviews on the co-ordination of the Corporate Risk Register, the management disclosures which support the Annual Governance Statement, and wider governance reviews (including programmes and projects and financial / contract procedures).

2.3 Based on the programme of audit work undertaken to assess internal controls and reviews of governance and risk management arrangements, it is considered that the application of the overall framework for control within the Council for 2018/19 is **effective with opportunity for improvement**.

This opinion is based on the delivery of a comprehensive audit plan, and an acknowledgment of the increasing pressure on resources in both demand and budgets, which has been managed through a resilient performance culture.

2.4 The control environment for core financial systems, and for the majority of audits overall (70%) was considered as adequate, and allocated an effective audit opinion. Twenty audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Allegations of fraud isolated within the Waste Management Service have been robustly investigated and are being managed in accordance with the Council’s disciplinary policy, and through Police liaison. Audit assurance and support, targets and follows up on the highest risk areas.

How internal control is reviewed

2.5 Internal Audit uses a risk-based approach to audit planning, in accordance with Section 2010 of the PSIAS. The Council’s Corporate Risk Register was used to form the basis of the annual audit plan for 2018/19 and assurance was obtained from both within and outside the Council to ensure that suitable audit time and resources are devoted to the more significant areas. This risk-based approach to audit planning captures emerging risks and issues and results in a comprehensive range of audits that are undertaken to support the overall opinion on the control environment.

2.6 For 2018/19, the audit assurance opinion definitions were used as outlined in the table when allocating an audit opinion. These assurance levels and definitions were based on those developed by the Institute of Internal Auditors (IIA).

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

2.7 The table below sets out the Red / Amber / Green (RAG) ratings given for recommendations and information on the criteria applied when allocating the risk rating.

Rating	Criteria
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
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
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
Green	Best practice

2.8 Audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The Council has over a number of years lost a considerable number of officers with experience and knowledge, resulting in process and role changes in order to absorb the impact. The pressure to change services due to constrained financial resources being available is bringing with it new challenges and risks that need to be managed.

2.9 The Internal Audit approach is informed by this risk, and an inherent prioritisation is given to providing assurance on core financial systems, and areas of governance ahead of more localised service specific audits. The actual audits allocated are based on the application of a risk-based planning process, informed by wider sources of intelligence and assurance.

2.10 The audit plan in 2018/19 continued an approach to allocating resources to audit assurance themes across the Council. These were:

- (a) Partnership and Collaborative Governance
- (b) Budgeting and Forecasting
- (c) Effective Decision Making
- (d) ICT Governance

2.11 The thematic audits have not provided any adverse audit opinions, and key issues coming out of the work have been reported to meetings of the Audit Committee during the year. This is with the exception of the work in respect of ICT governance, for which a corporate draft action plan has recently

been published, and school Control Risk Self-Assessment (CRSA) returns were received at the financial year-end, for which in year testing will follow in 2019/20. A further package of thematic audits, relating to value for money assurances were in progress at the financial year end, for which the outputs will be received in 2019/20.

2.12 Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme. This training provides a platform in raising awareness with managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance.

3. SUMMARY OF WORK PERFORMED

3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping ‘... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*’ The nature of audit services is as outlined in the Audit Charter and the Audit Plan documents the listing of actual audit engagements, both of which were considered and approved by the Audit Committee in meetings in January and March 2018.

3.2 A listing of the audit engagements delivered in 2018/19 is attached in **Appendix A**, whereby 120 audit engagements were completed against an original plan of 156 audits (77%). The audit plan is responsive to risk and, accordingly, some audits were added, deferred and cancelled during the financial year, at which point details were reported to the Audit Committee. Information on audits cancelled and deferred, and those ongoing at the financial year-end are also disclosed within Appendix A.

3.3 The overall level of audits delivered in 2018/19 has continued to increase slightly from prior years, which can be attributed to an increased level of CRSA style audits which provide a more efficient approach of management review and Internal Audit validation. The Audit Manager appointed also introduced a new output focussed performance management approach from quarter 2 2018/19, which is documented in the section of this report on the Quality Assurance and Improvement Programme (QAIP).

3.4 Assurance audit engagements will generally result in an audit opinion, whereas audit work of a consultation or advisory nature will not typically assign an assurance rating due. The listing of assurance and consultancy audit engagements completed is included in Appendix A. It should be noted that CRSA style audits are typically shown as consultancy at the point of completion by the directorate, as the audit opinion is provided upon once sufficient in-year testing has been completed which follows the original CRSA receipt, advice and guidance to management. Details of all audits and audit opinions,

together with other tasks performed and key performance indicators, are reported quarterly to the Chief Executive and Section 151 Officer and at each meeting of the Audit Committee so officers and members are regularly updated and aware of any matters arising from audit work.

3.5 The audit reports issued in 2018/19 and the assurance levels given are shown in the table below:

Status	Number of reports	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	33		14	4	2	13
Final	87	17	30	16	4	20
TOTAL	120	17	44	20	6	33

3.6 When the reports are analysed over the different areas of the audit plan, the following can be seen:

Audit Area	Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given	TOTAL
Fundamental	2	2	1		3	8
Corporate Governance	2	2			3	7
Other Assurance		8	3	1	3	15
Planning, Transport & Environment	1	7	3	1	7	19
Housing and Communities	2	3	1		2	8
Economic Development	2	4	4		1	11
Education	1	7	5	4	5	22
Governance & Legal Services	3	1			2	6
Resources		3			1	4
Social Services	3	3	1		3	10
External & grants	1	4	2		3	10
TOTAL	17	44	20	6	33	120

3.7 It can be seen in Appendix A that a number of audits have been given an audit opinion of “insufficient with major improvement needed” recognising the need for attention to achieve sound controls, and six audits were given “unsatisfactory” opinions in certain Schools, School Traded Services, and areas of Waste Management. Audit assurance and support, targets and follows up on the highest risk areas.

3.8 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.

3.9 A key element of the role of Internal Audit has continued to be working with clients where systems and processes are being redesigned and reconfigured to meet changing demands. Here the auditor’s role in ensuring risks are properly identified, mapped and mitigated, controls are adequately considered and prioritised, and projects are delivered to scope, time and budget, is considered important, especially where the Council is undergoing such rapid change to deal with budgetary and other wide ranging pressures.

Reports to the Audit Committee

3.10 An important role of the Audit Committee is to oversee the role and performance of the Council’s Internal Audit team. In addition, Internal Audit is required to inform the Audit Committee about the adequacy of the Council’s governance and internal control systems. The table below summarises the information the Audit Committee has received from Internal Audit during 2018/19.

Report	Purpose
Internal Audit update reports	<p>Regular summaries of the performance of Internal Audit, the audit work scheduled and completed, and the critical findings and trends.</p> <p>This has supported the Audit Committee to discharge its role in 2018/19 in overseeing:</p> <ul style="list-style-type: none"> • the work and performance of audit, and • the adequacy of council governance, risk management and internal control
Annual Audit Plan 2018/19	The work programme for 2018/19 was approved just prior to the start of the financial year, any changes or updates were provided for comment and observation to the Audit Committee.
Annual Audit Plan 2019/20	The intended work programme for 2019/20 was provided for comments, observations and approval on 2 April 2019 by the Audit Committee.
Annual Report 2017/18	Overview of the work undertaken by Internal Audit and gave the CAE’s opinion in respect of the Council’s internal control environment for 2017/18

PSIAS Updates	Following the outcome of the peer assessment, which was reported to Audit Committee in March 2018, Committee has received regular progress updates on the PSIAS action plan throughout 2018/19.
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4. **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

Requirements and Assurance (PSIAS Standard 1300)

4.2 Internal Audit is committed to working to the highest professional standards, and to delivering quality services that add value for senior management. The Audit Manager maintains a Quality Assurance and Improvement Programme (QAIP), which is designed to achieve high professional performance operating in accordance with PSIAS and the Code of Ethics. The QAIP is summarised in **Appendix C**, and included in the Internal Audit Charter.

4.3 The QAIP developed for Cardiff Council’s Internal Audit Team is based on a performance management approach to delivering ‘output focussed – quality controlled’ audit services. The approach in Cardiff has been included in a recent compilation of good practice CIPFA case studies ‘Leading internal audit in the public sector – principles into practice, 2019’.

4.4 The PSIAS provides the following outline of the QAIP.

‘A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.’

4.5 The quality assurance and improvement programme must include both internal and external assessments, the requirements, and the review process applied by the Audit Manager are documented in the table below.

Requirements		Process of Review and Conformance
INTERNAL ASSESSMENTS	Ongoing monitoring of the performance of the internal audit activity.	Each auditor has monthly monitoring, mid-audit reviews, and quality assurance reviews prior to issuing draft reports, to ensure that all audits are complete, of a high professional standard, and delivered in conformance with the PSIAS and the Code of Ethics. A range of performance information is reported and monitored on a balanced scorecard basis as outlined in Appendix C.

		<p>The Audit Manager considers and reports on the performance information that makes up the QAIP in each Audit Committee Progress Report, through which any non-conformance would be disclosed.</p>
	<p>Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.</p>	<p>At regular intervals, the Audit Manager considers and reports on the PSIAS Action Plan and progress to the Audit Committee.</p> <p>On an annual basis the Audit Manager considers the QAIP performance for the year as a whole, reflecting on the ongoing assurance framework information and outputs, and through the following annual activities:</p> <ul style="list-style-type: none"> • Completing a self-assessment against the Local Government Application Note • Reviewing performance against the CIPFA Statement on ‘The role of the Head of Internal Audit’ • Reviewing the results of the skills assessment exercise completed by all members of the Internal Audit Team, in application of the IIA Competency Framework. • Reviewing the annual Personal Reviews for all members of the Internal Audit Team. <p><i>The Audit Manager is a qualified accountant and a chartered member of the Institute of Internal Auditors.</i></p>
EXTERNAL ASSESSMENTS	<p>Conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.</p>	<p>The External Peer Assessment was completed by the Head of Audit from Rhondda Cynon Taf and reported to Audit Committee in March 2018.</p> <p>The Local Authority Welsh Chief Internal Auditor Group is developing a forward plan which will ensure that external assessments are delivered within the required frequency to report on ongoing conformance with the PSIAS.</p>

4.6 Through application of the QAIP, assurance can be provided of ongoing conformance with the PSIAS and application of the Code of Ethics. Following the annual review against the CIPFA Local Government

Application Note (as updated for 2019), and a review of progress against the existing PSIAS Action Plan, the year-end status, is provided in **Appendix D**. The PSIAS Action Plan progress will continue to be monitored and periodically reported to the Audit Committee throughout 2019.

Performance and Benchmarking

- 4.7 An audit planning control database is maintained to effectively monitor work done in line with that planned. The database is used to allocate engagements, record work completed and to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken, so management can continually assess productivity and progress against the Plan.
- 4.8 The achievement of the service delivery plan actions is monitored using the planning and control database; the quarterly results are reported to the Finance Management Team by the Audit Manager and discussed with the audit team. The cumulative quarterly results for 2018/19 are:

Performance Indicator	Target	Results			
		Q1	Q2	Q3	Q4
The percentage of the audit plan completed	80%	25%	35%	49%	77%
The percentage of audit reports delivered within six weeks	78%	80%	63%	69%	78%
The average number of audit productive days per employee	170	38	69	105	142
The average number of audit reports produced per FTE	10	3	5	8	12
The percentage of audit recommendations implemented within the agreed timescale	90%	77%	56%	74%	67%

- 4.9 Whilst the overall output and delivery for the year was in line with the targets set, the productive days and levels of recommendations implemented within the agreed timescale were below target for 2018/19. The shortfall in productive days was materially impacted by investment in personal development and notably training, which is recorded as a non-productive activity in line with CIPFA guidelines. A significant amount of study allocation commenced midway through 2018/19 as the team resource from this point forward included a CIPFA trainee. Four other auditors had been studying towards an IIA qualification during the year, for whom training time was also required. A second contributing factor to the lower than anticipated productive time, was the participation of one team member in Trade Union duties, for which the level of involvement was greater than anticipated.

- 4.10 The level of audit recommendations delivered in the agreed timeframe was below target. Achieving this measure is an ongoing challenge. Auditors are getting better at following up on red and red/amber recommendations more frequently. However, it has been recognised that the green and amber/green recommendations require an improved monitoring regime, and this has been established with a member of the audit team taking up this role actively in 2019/20.
- 4.11 The Cardiff Audit Team is a member of the Welsh Chief Auditors and UK Core Cities Local Authority benchmarking groups. The outputs from the Welsh Chief Auditor group for 2017/18 were presented to the Audit Committee in June 2018, and included in the Internal Audit Annual Report 2017-18. There was no exercise completed last year in respect of the Core Cities benchmarking group.
- 4.12 At the time of writing, the Audit Team has submitted its data for the 2018/19 Core UK Cities benchmarking exercise, and is preparing to respond to the Welsh Chief Auditors benchmarking exercise within the required timescales. Any benchmarking information is reported on a timely basis to the Audit Committee as part of the Internal Audit Progress Report item included within every Committee meeting. The 2018/19 benchmarking information will be reported to the next available Audit Committee meeting once the outputs are received.

Quality Assurance Review

- 4.13 Each audit is subject to a qualitative review by a senior member of the team to ensure the focus on key risks was retained throughout the audit engagement, that the objectives of the audit engagement have been met in full, and that the audit has been delivered in accordance with the PSIAS and the Code of Ethics. Any report with a draft assurance rating of “unsatisfactory” or “insufficient with major improvement needed”, or any with a significant finding is referred to the Audit Manager. The Audit Manager will review all reports with the above draft assurance ratings, and will bring the report to the next Audit Management Team to gain a professional consensus on the audit opinion and priority recommendations for improvement.
- 4.14 Following the issue of a draft audit report, a meeting is held with the Client Manager with an opportunity for them to consider the audit findings, proposed recommended actions, the risk profile and the indicative response to be made by the service. This provides a degree of assurance that the final reported position is accurate and that any recommendations are understood.

Post Audit Assessment & Customer Feedback

- 4.15 A ‘Post Audit Assessment’ is carried out as part of an ongoing commitment to quality, through a reflection on the performance of the auditor at the end of each audit. The Post Audit Assessment sets

out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a means of identifying training needs. Analysing the assessments helps focus individual personal reviews and provides audit management with an overview of performance at the different grades.

4.16 Following each audit, Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.

4.17 During the year, 34 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Communication	20	11	2	0	33
Auditor Advice	17	13	3	1	34
Report	11	14	6	1	32
Performance	21	9	4	0	34
TOTALS	69	47	15	2	133

4.18 It can be seen that the feedback from the audit questionnaires is positive, which is encouraging as the nature and complexity of the assignments continues to change. The perception of the professionalism and objectivity of the Internal Audit team by audit clients continues to be high.

4.19 The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 79.4% of respondents thought that it did. "Added value" is defined for managers as whether the audit offered ways to enhance governance, risk management and control processes, and provided relevant assurance. It can be seen that the majority of the audit clients felt that the audits undertaken were constructive and added value.

4.20 The unsatisfactory audit opinion related to a payroll review in respect of Governance and Legal Services. The audit was undertaken in 2017/18, but the feedback was received in the financial year 2018/19. These client views were received as the senior officer felt that the audit fieldwork impacted on their operational time which could have been better considered, and the report originally included recommendations in draft which required further discussion before they could be removed. Adverse client comments are rare, but are always followed up by audit management and fully discussed as part of the post audit assessment process with auditors.

Audit Recommendations

4.21 The extent to which audit recommendations are agreed by senior managers is used as a measure of the auditor's performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes.

4.22 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council's corporate risk strategy (i.e. red, red/amber, amber/green and green) and as set out in previous paragraphs. The table below sets out the recommendations raised by the assurance level given:

Risk Rating	2018/19			By 31.03.19	
	Recommendations Raised	Recommendations Agreed	Percentage Agreed to Raised	Recommendations Implemented	Percentage Agreed to Implemented
Red	29	28	97%	6	21%
Red/Amber	118	113	96%	55	49%
Amber / Green	145	142	98%	46	32%
Green	31	31	100%	14	45%
TOTAL	323	314	97%	121	39%

4.23 The figures show that, with 97% of audit recommendations agreed, managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks for which management agree with the proposed course of action. The one red recommendation that was not accepted at the time of the audit related to updating the contract standing orders and procurement rules to appropriately outline requirements for partnership arrangements. Whilst this recommendation was not agreed at the time of the audit, the action was subsequently delivered through ongoing engagement with lead officers.

4.24 Important as it is that audit recommendations are agreed by managers, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The recommendations database on SharePoint is regularly analysed and details of all recommendations raised (and their status) are presented to each meeting of the Audit Committee. As at the end of March 2019, the recommendations agreed by management and actioned are shown in the table below:

Area	Recommendations Completed	Implemented in agreed timeframe	Percentage Implemented in agreed time
Schools	42	26	62%
Non-schools	79	55	70%
TOTAL	121	81	67%

Internal Audit Team Resources

4.25 As at 31st March 2019, the Internal Audit team has 12 members of staff (10.4 FTE) oversee by the Audit Manager, made up as in the table below:

Post	Number	FTE
Audit Manager	1.0	0.85 <i>(0.15 Investigations)</i>
Group Auditor	1.0	1.0
Principal Auditor	1.0	1.0
Senior Auditor	2.0	2.0
Auditor	6.0	4.4
CIPFA Trainee	1.0	1.0
Audit Assistant	1.0	1.0
TOTAL	12.0	10.4

4.26 There were some adjustments to staff resources during the year, and for the 2019/20 year ahead. A full time Audit Manager commenced in October 2018, following a period of Audit Team leadership by the Head of Finance, as part of a wider portfolio of responsibilities. Excluding the Audit Manager there were 10.4 FTE Audit Officers in post throughout 2018/19 and this will continue into 2019/20.

4.27 There were some in year changes to the composition of the audit team, but there was a balanced net resource available. These changes included a CIPFA Trainee joining the team midway through the year, and replacing an agency Principal Auditor. As part of budget savings for 2019/20, a proposal was made to give up unallocated resources within the team, to the value of £62,000. The proposal was discussed with, and accepted by, the Audit Committee for which the adjustment represented a continuation of the level of resources, which were currently in place for future years. The first component of the saving related to the formalisation of reduced hours for a member of the Internal Audit Team, and the second element related to the deletion of a Principal Auditor post, which had been vacant throughout 2018/19 whilst the post holder had been on a period of Secondment.

4.28 The budget for the section for 2018/19 is set out in the table below:

	Budget £(000)	Actual £(000)
Employees (overall cost)	549	525
<i>Employees (Investigations Team Component)</i>	<i>71</i>	<i>74</i>
Transport	3	1
Supplies and services	18	24
Support services (controllable)	49	49
GROSS EXPENDITURE	619	599

Continuing Professional Development (PSIAS standard 1230)

- 4.28 Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to undertake audits to a high standard. The audit plan for 2018/19 included a budget of 61 days for training and staff are encouraged to update their skills, such as by attendance at relevant courses provided by the South Wales Chief Internal Auditor group, and suitable CIPFA or IIA courses when budget restrictions allow. Arrangements are also made for internal training, to update and refresh knowledge on various aspects of audit methodologies and Council procedures.
- 4.29 During 2018/19, four members of the team were being supported through a Certified Internal Auditor (CIA) qualification with the IIA. Two of these auditors have progressed to working towards their third and final exam, one auditor is working towards their first exam, and one auditor is no longer being supported for study in accordance with the post entry training process, following a number of unsuccessful attempts at the first exam.
- 4.30 The provisions of the Council's Personal Review process are fully supported in the section, and are an integral component of the performance management process, as outlined in the section on the QAIP and information included in Appendix C.
- 4.31 A skills exercise is undertaken annually by each auditor as a self-assessment, the results of which are taken into account in the personal review discussions. At the financial year-end 2018/19, the team have transitioned to using the IIA Internal Audit Competency Framework, which aligns to the mandatory elements of the PSIAS, and includes a more detailed assessment of a range of technical and behavioural qualities.
- 4.32 As part of the 2019/20 post entry training process, expressions of interest will be sought for specialist ICT audit training within the team, which is an area where the team would benefit from a lead specialist officer. During 2018/19, some IT audits were delivered through a procurement, and in the event that

specialist skills are required for which the team does not have the capacity or skills, resources will be bought in as necessary.

Experience and qualifications

4.33 Members of the section hold various qualifications appropriate to their work, including CIPFA, IIA and AAT. At the end of 2018/19, three members of staff (2.5 FTE) were being supported in their studying for the CIA qualification of which two are studying towards their final exam. The majority of staff in the Internal Audit team have over 10 years' experience in audit.

5. CONCLUSIONS

5.1 The performance at the beginning of 2018/19 was below target across performance measures, with a high number of days lost to sickness having an impact. The appointment of a full time Audit Manager mid-way through the year provided the managerial capacity to refocus the critical performance priorities around output and quality, and to establish this approach through a refresh of the quality assurance and improvement programme.

5.2 The team has responded well to the performance expectations, resulting in a recovery of the audit plan delivery to 77%, against a target of 80% for the year overall. A number of indicators of performance are positive, but there is a need to focus on supporting management to implement their recommendations within the agreed timescale, and to increase the number of productive days for team overall, whilst not impacting on personal and professional development opportunities. At the year-end, the team is awaiting the results of benchmarking from the Core UK Cities and Welsh Chief Auditor groups, and the outputs will be reflected upon, used to identify areas for attention, and communicated throughout the team and with the Audit Committee.

5.3 There is continued evidence that clients value the audit service, at a time when a greater trend of unsatisfactory audit opinions are being issued. Adverse audit findings and opinions are still limited to a small number of areas, but the team will remain vigilant moving into next year in testing the design and application of the governance and controls necessary to deliver a sound control environment.

5.4 The outcome of the QAIP annual self-review by the Audit Manager is of conformance with the PSIAS. There are areas for improvement, and these are included on the action plan within Appendix D, for which the progress will be reported to the Audit Committee at relevant intervals throughout 2019/20.

Audit Reports Issued

1. Effective / Effective with opportunity for improvement

Opinion	Audit Area	Status of report (if not final)
<i>Fundamental / High</i>		
EFFECTIVE	Council Tax - CRSA 2018-19	
	Council Tax - in-year testing 2017-18	
	Audit of governance arrangements 2018-19	
	City Operations - effective decision making 2018-19	
	Education - Partnerships and collaborative governance	
	Social Services - Budgeting and Forecasting	
	Social Services - effective decision making 2018-19	
	Audit of Risk Management arrangements 2017-18	
	Communities - Budgeting and forecasting	
	Communities - effective decision making 2018-19	
	Economic Development - Budgeting and forecasting	
	Economic Development - Partnerships and collaborative governance	
	Governance - effective decision making 2018-19	
	Governance - governance 2018-19	
	Governance and Legal Services - Budgeting and Forecasting 2018-19	
	Social Services - governance 2018-19	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Income and Debtors - 2018-19	
	Business Continuity 2018-19	
	City Deal	
	City Operations - governance 2018-19	
	Economic Development - commissioning and procurement 2017-18	
	Economic Development - governance 2018-19	
	Governance and Legal - Partnerships and collaborative governance	
	PTE - Budgeting and forecasting	
	Resources - commissioning and procurement 2017-18	
	Resources - governance 2018-19	

Opinion	Audit Area	Status of report (if not final)
	Social Services - commissioning and procurement 2017-18	
	City Operations - commissioning and procurement 2017-18	
	Communities - commissioning and procurement 2017-18	
	Economic Development - effective decision making 2018-19	
	Education - Budgeting and forecasting	
	Education - governance 2018-19	
	PTE - Partnerships and collaborative governance	
	Resources - effective decision making 2018-19	
	Social Services - Partnerships and collaborative governance	
	Creditor Payments Processes (inc procurement) In year testing	
	Health and Safety framework 2018-19	
	Risk management arrangements 2018-19	
	Communities - Partnerships and collaborative governance	
	Medium	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Communities First 2018-19	
	Cradle to Grave - Gulliver's 2018-19	
	Education - commissioning and procurement of	
	Front of House (Cardiff Castle)	
	Llandaff Church in Wales	
	Programme and projects in CADT 2018-19	
	PTE - Flood risk management	
	Regional Social Care Training Unit	
	Whitchurch Primary School	
	Willows 2018-19	
	Atebion Solutions	
	Cloud computing	
	IT governance 2018-19	
	Stocktake observation - Brindley Road	
	Stocktake observation - Lamby Way	
	VFM - discretionary grants 2018-19	
	VFM - Review of sickness absence	

II. Insufficient with major improvement needed / Unsatisfactory

	Audit Area	Status of report (if not final)
	<i>Fundamental / High</i>	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	Purchasing cards	
	Cardiff Capital Fund 2018-19	
	GLL and other partnership working 2018-19	
	Commercial Services 2018-19	
	Education - SOP 2018-19	
	FMIT - 2018-19	
	<i>Medium</i>	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	Baden Powell 2018-19	
	Economic Development - Park and Ride - Events	
	Income and Banking control procedures within Lamby Way	
	Mileage and subsistence 2018-19	
	PTE – Payroll Review	
	Safeguarding arrangements	
	St. David's 2018-19	
	County Hall canteen	Drafts Issued
	Music Service - expenditure review	
	Review of Gatehouse	
	Ysgol Glantaf	
UNSATISFACTORY	Education - Income Procedures in school kitchens	
	Music Service 2018-19	
	Pontprennau	
	Stores 2018-19	
	Review of contracts in Waste Management	Drafts Issued
	St. Peter's 2018-19	

III. Other Audits and Audits with no opinion provided

Audit Area		Nature
Grants / Accounts / External Bodies		
Joint Committees	Glamorgan Archives	Statement of Accounts Reviews / Support <i>No opinion</i>
	Prosiect Gwyrdd	
	Port Health	
Cardiff Further Education Trust Fund 2017-18 cf		Compliance Certification <i>No opinion</i>
City Deal 2018-19		Assurance audit <i>Effective</i>
City Deal 2017-18		Assurance audits <i>Effective with opportunities for improvement</i>
Norwegian Church Trust 2018-19		
Education Improvement Grant 2018-19		
Flying Start 2018-19		
Norwegian Church Trust 2015-16		Assurance audits <i>Insufficient with major improvement needed</i>
Norwegian Church Trust 2017-18		
WLGA		
No Opinion – Audit Engagements		
National Fraud Initiative 2016-17 cont		Data Matching
Asset Management - 2018-19		Consultancy Services
Gatehouse		
P2P Project Board 2018-19		
Weighbridge - review and monitoring		
Ysgol Coed y Gof		
Review of Financial Rules 2018-19		
Contract Audit - Training on new CSOPRs		
Lamby Way - income processes		
Lamby Way - stock take		
Bessemer Close - weighbridge		
PTE - acting up allowances		
Social Services - care packages		
Social Services - service review		
Use of external legal advice 2018-19		

Audit Area	Nature
Whitchurch High School	CRSA
Education - ICT Governance	
Creditor Payments and Processes CRSA 2018-19	
Housing Benefit and Local Housing Allowances 2018-19	
Housing Rents - 2018-19	
Governance and Legal Services - asset management	
Resources - Asset Management	
Communities - asset management	
Economic Development - asset management	
PTE - asset management	
Social Services - asset management	
Education – Asset Management	
GDPR	
Insurance CRSA 2018-19	
Rent Smart Wales	Training
Education - Provision of training to schools	

Status of Other Audit Reports Planned

IV. Audits ongoing at the year-end for conclusion in 2019/20

Audits ongoing at the year-end 2019/20
Communities - Regional Partnership Board
Bilingual Cardiff
Cardiff Further Education Trust Fund 2018-19
Education - Commissioning of independent investigations
Education - Income Processes
Music Service - follow up
Payroll - in-year testing 2017-18 and 2018-19
Roath Park Primary School
VFM – enforcement
VFM - Personal Reviews

VFM - Review of agency workers, consultants and interims
VFM - Review of overtime
VFM - workforce deployment

V. Audits Planned for 2018/19 which were cancelled or deferred

Audit	Action Taken
Commissioning and Procurement - Thematic audits	Audits planned for each directorate in 2019/20
Value for money Directorate Audits	Time was re-allocated to specific value for money studies, approved by Audit Committee in November 2018.
Audit of performance management	Carry Forward audit for 2019/20
Communities - Independent Living	Carry Forward audit for 2019/20
Communities - Lettings policy for high rise accommodation	Carry Forward audit for 2019/20
Contract Audit - Collaborative and partnership working	Reassigned to audits in each directorate
Economic Development - Sports Joint Venture	Deferred, pending the work of WAO in this area.
Income collection (fees and charges)	2019/20 thematic Audit – Income and Debtors
National Fraud Initiative – creditors & Payroll	Carry Forward audit for 2019/20
Payroll - CRSA 2018-19	Carry Forward audit for 2019/20
PTE - Section 106 agreements	Audit Resources reassigned
Resources - Partnerships and collaborative governance	Cancelled – (Attebion Solutions Audited in 2018/19) Audit Resources reassigned
Social Services - Commissioning of independent investigations	Cancelled – Audit Resources reassigned
Travel policy	Reassigned – audit of fleet Management 2019/20 (& mileage and subsistence audit in 2018/19)

Audit of information governance 2018-19	GDPR CRSA completed – Information Governance audit scheduled for 2019/20
Domiciliary Care - 2018-19	Carry Forward audit for 2019/20
Education - Use of contractors by schools	Cancelled – Commissioning and procurement audit planned for 2019/20
Insurance In-year testing 2018-19	Carry Forward audit for 2019/20
PTE - review of Tranman processes	Carry Forward audit for 2019/20
Self service	Cancelled – Audit Resources reassigned
Education - School Admissions	Audit Resources reassigned
Education - Schools estate	Reassigned – Asset Management Thematic Audit arranged for Education and Lifelong Learning in 2019/20.
Audit of ethics and values	Audits of disclosures arranged for 2019/10 relating to ‘gifts and hospitality’ and ‘business interests’.

Work Areas where a Standard Audit Report is not prepared

It is important to understand that much work undertaken within Audit will not have a report as an outcome. The following list is not exhaustive, but shows some areas where audit time and resources have been spent during the year without necessarily producing a report as an output.

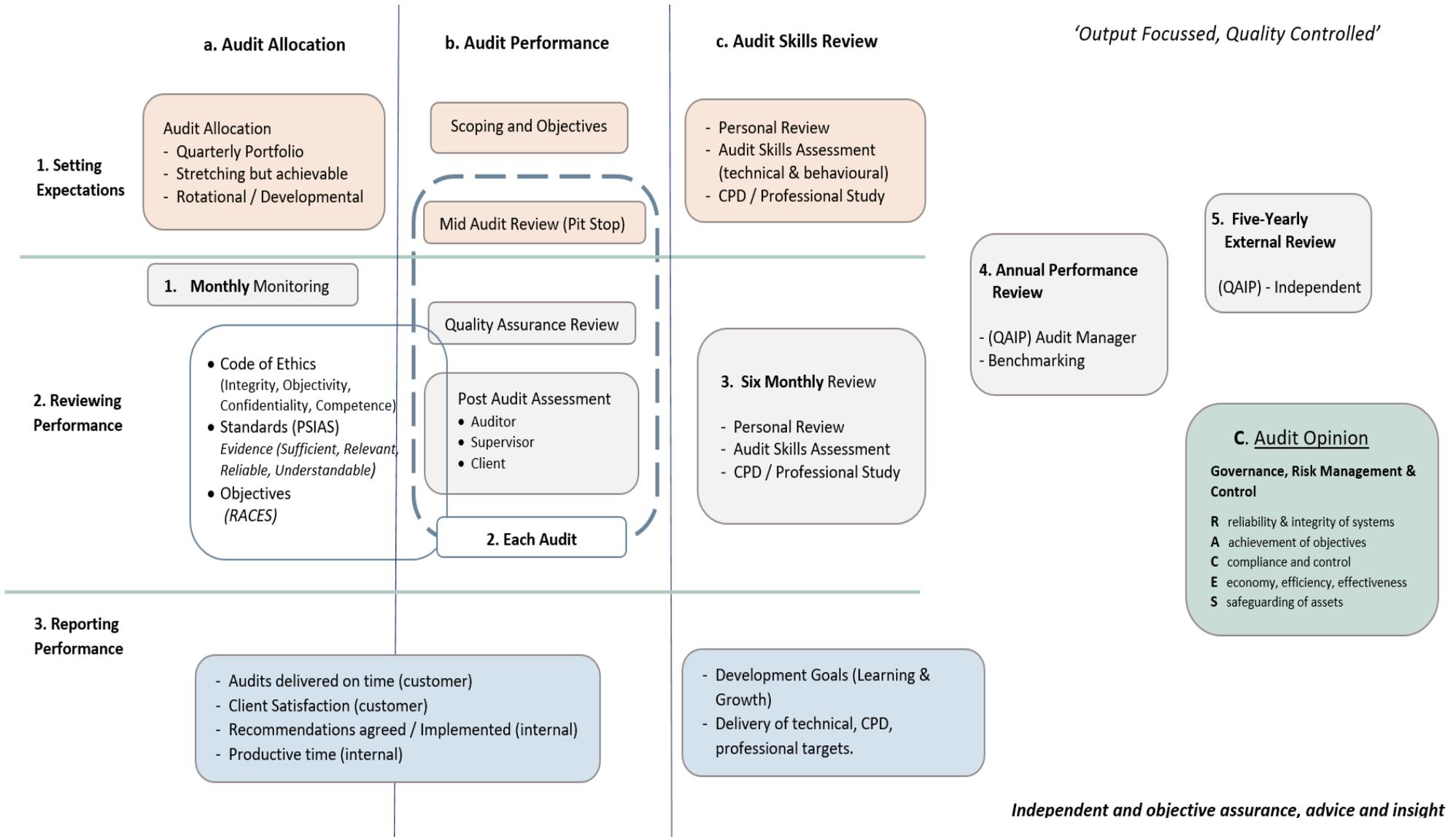
Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work providing advice and guidance to a number of programmes and projects. Senior Members of the Audit Team attend meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend.
Grants	The demand for the audit of grant claims has further reduced as grant instructions delete this requirement and some grants are subsumed into the Council's main RSG.
Ad hoc Requests	Enquiries and assignments.
Schools - General	Specific problems in schools have required audit attention. CRSAs have been developed to include wider areas of assurance, such as ICT governance and counter-fraud.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.

Quality Assurance and improvement Programme – Operational Approach

The QAIP is built around a performance management approach, which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels. The application of these control stages are summarised as follows.

1. Setting expectations - With clear expectations in place, auditors can focus on delivery.
<ul style="list-style-type: none">✓ Audit Allocation - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time.✓ Scoping and Objectives – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering.✓ Audit 'Pit Stop' - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time.✓ Personal Reviews – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.
2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.
<ul style="list-style-type: none">✓ Monitoring - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.✓ Quality Assurance Review - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'.✓ Post Audit Assessment – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed.✓ Six Monthly Personal Review – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.
3. Reporting Performance - A range of performance measures are used for reporting and review.
<ul style="list-style-type: none">○ Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.○ Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Audit Committee on a quarterly basis.○ On an annual basis, the Audit Manager reviews and reports on the application and findings of the performance management Framework that underpins the QAIP to the Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

Quality Assurance and Improvement Programme – Operational Approach (Diagram)



PSIAS Action Plan 31 March 2019

i. New and ongoing Actions

REF	SELF-ASSESSMENT QUESTION	FINDINGS	ACTION	RISK RATING	POSITION	RESPONSIBLE OFFICER	ACTION DATE
1.	<p>Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:</p> <ul style="list-style-type: none"> • How the audit service will be delivered? • How the internal audit service will be developed in accordance with the internal audit charter? • How the internal audit service links to organisational objectives and priorities? 	<p>A strategic statement was included in the covering report to the draft audit plan for 2019/20 for Audit Committee.</p> <p>The self-assessed view is that a focussed Audit Strategy should be created to set out this information clearly, linked to the Audit Plan and Charter.</p>	<p>An Audit Strategy should be developed to set out:</p> <ul style="list-style-type: none"> • How the audit service will be delivered? • How the internal audit service will be developed in accordance with the internal audit charter? • How the internal audit service links to organisational objectives and priorities? 	Green	<p>New</p> <p>An Audit Strategy has been developed which will be reported to the Audit Committee in its meeting of 25 June 2019.</p>	Audit Manager	25 June 2019

2.	<p>Do internal auditors consider the following in planning an engagement, and is this documented:</p> <ul style="list-style-type: none"> • The objectives of the activity being reviewed? • The means by which the activity controls its performance? • The significant risks to the activity being audited? • The activity's resources? • The activity's operations? • The means by which the potential impact of risk is kept to an acceptable level? • The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model? • The opportunities for making significant improvements to the activity's governance, risk management and control processes? 	<p>There are robust processes in place as part of audit planning in order to properly consider and reflect on each of the following areas as part of any audit engagement.</p> <p>Whilst this information is considered in all audits, it is considered that the team would benefit from the introduction of a pro forma document in which all of the required information is consistently documented.</p>	<p>An audit planning assessment form is to be developed and introduced to ensure consistent recording of all planning considerations and preliminary risk assessments.</p>	Green	<p>New</p> <p>An audit planning document has been developed and communicated with the team. Application commenced towards the end of quarter 2 2019/20.</p>	<p>Audit Manager</p>	<p>1 June 2019</p>
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2	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	The audit plan does not set this out specifically, but consideration is taken of issues raised by Scrutiny Committees and any national risks that may impact upon the Council. These are reported regularly to Audit Committee for consideration either for inclusion within the current year plan or a future year's plan.	Although comment is already made in the progress reports to Audit Committee, Management should consider including information on consideration of local and national issues in the committee reports on the development of the audit plan for the following year.	<p style="text-align: center;">Green</p> <p>Ongoing</p> <p>Assurance Mapping has been further progressed in the development of the 2019/20 audit plan and communicated to the Audit Committee to show all the primary assessment of risks and assurances in prioritising areas for audit.</p> <p>The Audit Plan for 2019/20 includes a range of local and national issues, ranging from local safeguarding, procurement and Council Scrutiny assurances, to wider issues such as the Wellbeing of Future Generations and Welsh Language Standards compliance.</p> <p>This action will remain open whilst the means of capturing this context in the audit plan is further developed.</p>	Audit Manager	Refine presentation of audit plan by end of Q2 2019/20
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ii. Completed and Closed Actions

REF	SELF-ASSESSMENT QUESTION	FINDINGS	RECOMMENDATIONS	RISK RATING	YEAR END POSITION	RESPONSIBLE OFFICER	ACTION DATE
1	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	The Charter is approved by the Audit Committee in the presence of the Section 151 Officer. At present, it is not approved by other Senior Management.	Consideration should be given to presenting the Audit Charter to Senior Management Team, with further consideration given to being countersigned by the Chief Executive.	Green	Completed – the Audit Charter 2019/20 has been discussed at Senior Management Team and reviewed and counter-signed by the Chief Executive.	Audit Manager	Completed at 2018/19 year end
2	Does the Board approve decisions relating to the appointment and removal of the CAE?	This is not in place. In accordance with the Constitution of the Council, the Cabinet is responsible for decision making in terms of pay, terms and conditions and redundancy arrangements in relation to employees of the Council. The Employment Conditions Committee is responsible for posts at Chief Officer level and above.	No recommendation to be made as this would be against the Council's current Constitution and agreed pay policy.	Green	No Action Required		

3	Has the internal audit activity evaluated the effectiveness of the organisation's ethics-related objectives, programmes and activities?	A governance review was undertaken in 2017/18 and focussed on the framework relating to staff. This will be expanded further in 2018/19 to the effectiveness of other aspects of the Council's ethics-related objectives and activities.	Audits of ethics-related objectives, programmes and activities should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green	In Place Assurance on ethics will continue to be achieved through a combination of audit engagements. Whilst there may not be a dedicated audit engagement on 'ethics' each year, audit work will be scoped to provide a view of ethics as part of the annual audit opinion.	Audit Manager	In place October 2018
4	<p>Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:</p> <p>a) Organisational objectives support and align with the organisation's mission?</p> <p>b) Significant risks are identified and assessed?</p>	An Internal Audit of Risk Management Arrangements was undertaken in 2017/18 and further work will be undertaken in 2018/19. Various aspects of risk management processes were reviewed in 2017/18 as part of individual audits and risk / governance information is used to scope and plan audits.	Whilst it is appreciated that risk and governance are key parts of the planning and scoping of all audits, separate audits of the Council's risk management arrangements should be undertaken annually as part of the review of the Council's corporate governance framework.	Amber / Green	Completed – Each year an assurance audit engagement on Risk Management will be undertaken, and the risk management output will be taken into account in risk-based audit planning.	Audit Manager	October 2018

	<p>c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?</p> <p>d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?</p>						
5	Does the engagement plan include the engagement's objectives, scope, timing and resource allocations?	This is in place for all assurance engagements, but improvements are needed for consulting engagements.	Consideration should be given to developing a pro forma for significant consultation engagements (i.e. those exceeding 10 planned days). The pro forma should set out the objectives, scope and respective responsibilities for the engagement (and include resource allocations).	Green	Completed - Arrangements have been put in place to record the objectives, scope, responsibilities and resource allocations for all new consulting engagements to be documented in support of the audit plan.	Audit Manager	October 2018