Internal Audit Annual Report 2019/20

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

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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 maintains 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.

1.5 At the financial year-end, the onset of the COVID-19 pandemic required services to invoke crisis management arrangements to respond to the social and economic priorities of the Council. Internal Audit provided initial consultancy services to support resilience and the maintenance of an effective control environment as systems were developed or adapted in response to the crisis. Given the timing of the COVID-19 pandemic, there was limited overall impact on the Council's control environment for the 2019/20 financial year. Significant audit attention will be given to providing advice and assurance on controls on core systems in respect of COVID-19 in the year ahead.

The Annual Reporting Process

1.6   The annual report gives an overview of audit performance during 2019/20, seeks to provide an opinion on the adequacy of the control environment in Cardiff Council, and reports the incidence of any significant control weaknesses.

1.7   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

1.8   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.

1.9   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)

1.10   The Audit Manager does not manage any functions other than the Internal Audit and Investigations Teams. Organisational independence has been achieved throughout 2019/20. The Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. 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.

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. All declarations of interest were appropriately taken into account in allocating and conducting work, and there were no impairments to independence or objectivity in 2019/20.

2. REVIEW OF INTERNAL CONTROL AND OPINION

Opinion 2019/20 (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 or their representatives, Audit Manager attendance at Senior Management Team meetings where assurance items are considered, 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 risk based verification for housing benefit and council tax reduction applications, and wider process guidance, such as continuity and control in back office functions during the COVID-19 crisis which took place at the financial year-end.

- *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 2019/20 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 (74%) was considered as adequate, and allocated an opinion of 'effective' or 'effective with opportunity for improvement'. Twenty three audits have been given an audit opinion of 'insufficient with major improvement needed' recognising the need for attention to achieve sound controls, and four audits were given 'unsatisfactory' opinions in respect of a particular school, a school traded service, and in areas of waste management. A number of allegations of fraud within the Waste Management function which preceded this financial year have been investigated, the majority of associated disciplinary hearings have been completed in accordance with the Council's disciplinary policy, and Police liaison is ongoing. The Waste Management function continues to receive a greater proportion of allegations of fraud and financial impropriety, and all allegations are robustly assessed and investigated as appropriate. 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 2019/20 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 2019/20, 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	• 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	• 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	• 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	• 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	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: • 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 Examples are: • 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

Rating	Criteria
Red / Amber	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: • 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 Examples are: • 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	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. Examples are: • 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 2019/20 continued an approach to allocating resources to audit assurance themes across the Council. The thematic work substantially concluded within the year was as follows:

(a) Health and Safety

(b) Asset Management

(c) ICT Governance in Schools

(d) Counter-Fraud in Schools.

2.11 A limited number of adverse opinions were provided in respect of the thematic audits, with the exception of the asset management audits for which fixed assets, which met the requirement to be recorded as part of the Council's Statement of Accounts, had reasonable record keeping and oversight, but a common area for attention related to the recording and oversight of equipment and devices. Whilst there were some areas of effective inventory record keeping for these assets within individual teams, a number of directorates needed to embed a system through which asset registers are fully established to contain all relevant items, and supported by a regime for periodic monitoring, review and oversight. Management has been advised to give initial priority to portable, desirable and high value items.

2.12 At the financial year-end, a substantial level of preparation and initial analysis had been completed for the thematic audits of commissioning and procurement, which has been carried forward together with a further planned thematic audit of income and debtors, for the audit plan 2020/21.

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 April 2019.

3.2 A listing of the audit engagements delivered in 2019/20 is attached in **Appendix A**, whereby 113 new audit engagements were completed to at least draft output stage against an original plan of 162 audits (70%), and a further 21 draft outputs from the prior year were finalised. 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 audits completed in 2019/20 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	5	17	11	0	0
Final	101	4	50	12	4	31
TOTAL	**134**	**9**	**67**	**23**	**4**	**31**
	113	*New Audit Engagements completed*				
	21	*Finalised Audit Engagements from 2018/19*				

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. 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.

3.5 The table below shows the audits completed in 2019/20, analysed over the different audit areas

Audit Area	Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given	TOTAL
Fundamental	3	6			6	15
Corporate Governance	1	9				10
Other Assurance		10	3		7	20
Central Transport Services			1		1	2
Economic Development	1	2	4		1	8
Education and Lifelong Learning	2	21	8	2	2	35
Governance and Legal		2				2
People and Communities	1	6			1	8
Planning, Transport & Environment		3				3
Resources	1		1			2
Social Services		4	4			8
Waste Management		3	2	2	1	8
Grants / Accounts / External Bodies		1			12	13
TOTALS	9	67	23	4	31	134

3.6   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. Four audits were given "unsatisfactory" opinions, namely St, Peter's R.C Primary School, Contracts in Waste Management, Fly Tipping and the Music Service income follow up review. All unsatisfactory audits are subject to a follow-up audit, and audit assurance and support targets and follows up on the highest risk areas. A further follow-up audit of Music Service Income was completed prior to the year-end and recognised an improved assurance opinion, but the need for significant improvement remained in certain areas for which progress will be monitored.

3.7   It should be recognised that not all of the work undertaken by the Audit team results in an audit report or action plan. 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 a standard audit output may not be the outcome.

3.8   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 is to provide advice and guidance for management to support them to ensure risks are properly identified and mitigated, controls are adequately considered and prioritised, and projects are delivered to scope, time and budget.

3.9   Towards the end of the financial year, there was a particular need for audit consultancy as management responded to the COVID-19 pandemic, for which advice and guidance was provided in particular to back-office areas to support resilience and control (such as procurement, payments, and payroll), as management responded to immediate priorities and risks. The Audit Plan for 2020/21 contains a number of consultancy audit days in anticipation of the requirement for ongoing support in this area.

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 2019/20.

Report	Purpose
Internal Audit update reports	Regular summaries of the performance of Internal Audit, the audit work scheduled and completed, and the critical findings and trends. This has supported the Audit Committee to discharge its role in 2019/20 in overseeing: • the work and performance of audit, and • the adequacy of council governance, risk management and internal control
Annual Audit Plan 2019/20	The work programme for 2019/20 was approved at the start of the financial year. Any changes or updates were provided for comment, observation and approval where required by the Audit Committee.
Annual Report 2018/19	Provided an overview to Audit Committee in June 2019 of the work undertaken by Internal Audit and the CAE's opinion in respect of the Council's internal control environment for 2018/19.
PSIAS Updates	All actions arising from the peer assessment, which was reported to Audit Committee in March 2018 are completed. Committee has received regular progress updates against the further annual self-assessment by the Audit Manager. All actions from the March 2019 self-assessment were reported to Audit Committee on 10 September 2019 as complete.

4.   QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Requirements and Assurance (PSIAS Standard 1300)

4.1   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.

4.2   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 compilation of good practice CIPFA case studies 'Leading internal audit in the public sector – principles into practice, 2019'.

4.3   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.'*

4.4   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. 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.
INTERNAL ASSESSMENTS	Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	At regular intervals, the Audit Manager considers and reports on the PSIAS Action Plan and progress to the Audit Committee. 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: • 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. *The Audit Manager is a qualified accountant and a chartered member of the Institute of Internal Auditors.*

Requirements		Process of Review and Conformance
EXTERNAL ASSESSMENTS	Conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.	The External Peer Assessment was completed by the Head of Audit from Rhondda Cynon Taf and reported to Audit Committee in March 2018.

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. |

4.5   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, and a review of progress against the existing PSIAS Action Plan, the year-end status, is provided in **Appendix D**. The actions set in 2019/20 are considered as completed, and no further actions are considered as required.

Performance

4.6   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.

4.7   The performance for the year is reported to the Finance Management Team by the Audit Manager and discussed with the audit team. The quarterly results for 2019/20 are in the table below:

Performance Indicator	Target	Results			
		Q1	Q2	Q3	Q4
The percentage of the audit plan completed	80%*	19%	35%	49%	70%
The percentage of audit reports delivered within six weeks	85%	80%	71%	79%	86%
The average number of audit productive days per employee	170	42	86	132	169
The average number of finalised audits per FTE	12	3	6	8	11
The percentage of audit recommendations implemented within the agreed timescale	90%	52%	59%	64%	60%

4.8   Whilst the output and delivery for individual auditors was broadly in line with targets set, in respect of productivity and audit report delivery, the wider level of completion of the audit plan was below the target set at 70%. The largest impact on delivery of the audit plan was sickness, for which there was an increase in short term sickness cases within the team from quarter 3, and one long-term sickness case also commenced. The overall impact on allotable days for audit work was that, of the 1,990 planned allotable days to audits, 1,760 days were applied.

4.9   The long-term sickness case ended towards the end of January 2020. To support the auditor in their return to work, for the remainder of quarter 4 they were assigned focussed national fraud initiative (NFI) data-matching work to assist the Investigation Team to progress Council Tax Reduction cases, prior to resuming normal audit duties on 1 April 2020. The impact of the reduced resource on internal audit delivery was managed through carefully targeting the work to be delivered in quarter 4, accounting for a reduction in available audit days, and accepting managed slippage in audit delivery.

4.10   It should be noted that the basis for calculating the 'percentage of the Audit Plan' completed was adjusted for 2019/20. The adjustment involved excluding audit outputs which were finalised in the current year, if the original draft output was issued in the prior year. In setting the performance measure for 2019/20, it was considered that measuring performance based on draft audit outputs issued against the planned audits for the year, provided an improved separation of performance against each annual plan. Accordingly, twenty-one audits, which were finalised in 2019/20, to conclude draft outputs issued in 2018/19, were not included in current year performance indicator. The table below shows the quarterly difference in the performance outcome for 2019/20 when using the current performance indicator, compared to applying the calculation from the prior year.

Performance Indicator	2018/19 Outcome	2019/20 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome	Q4 position
current year calculation The percentage of the Audit Plan completed	77%	80%	19%	35%	49%	70%
prior year calculation basis The percentage of the Audit Plan completed			27%	42%	55%	74%

4.11   The number of finalised audit reports per auditor was slightly below target, impacted by the availability of audit clients prior to the financial year-end as a result of the COVID-19 crisis. In respect of the wider health indicator of the percentage of audit recommendations implemented within the agreed timescale, directorate performance remains materially below the target set. One of the strengths of the recommendation tracker process, is that higher risk ('red' and 'red/amber') recommendations are

not closed down without evidence of satisfactory completion and, accordingly, a proportion of recommendations are not recognised as completed until this information has been received.

4.12 Each Directorate has their own audit link offers who have a responsibility for co-ordinating the monitoring and update of recommendations for their respective management team, and the Audit Manager has attended a Senior Management Team meeting to outline current performance and discuss reporting and update mechanisms. The full recommendation tracker is provided to the Audit Committee in each meeting, and directors are required to provide an account of their progress in addressing audit recommendations in their reports to Audit Committee on their respective internal control environments. Recommendation delivery will continue to be a prominent focus going forward.

Benchmarking

4.13 The Internal Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups. During the course of the year, the benchmarked performance in respect of the prior year (2018/19) was received, and reported to the Audit Committee from both groups.

4.14 The benchmarking information has provided general comfort, and is positive in respect of the overall number of audits delivered in the year, productivity, staff costs per productive day and client satisfaction, for which performance was in keeping with, or greater than, each benchmarking group. In Cardiff, the number of audits completed was higher than the Core Cities average, and considerably higher than average of the Welsh Chief Auditors, and the level of client feedback was marginally higher than the Welsh Chief Auditors, but considerably higher than the Core Cities group.

4.15 The following table provides a representation of common measures between the two groups, and Cardiff's performance compared the group average of each benchmarking group. In some instances, the basis of the benchmarking calculation was slightly different between each group, but any differences were minor and immaterial in demonstrating comparative performance.

Measures	Cardiff	Core Cities Group Average	Welsh Chief Auditors Group Average
AUDIT PLAN			
Number of Audits Planned	156	134	76
The percentage of the Audit Plan Completed	77	83	82

Measures	Cardiff	Core Cities Group Average	Welsh Chief Auditors Group Average
PRODUCTIVITY			
The percentage of Audit Productive time	80	80.2	69
CUSTOMERS			
The percentage of Client Surveys Returned	64	37	56
The percentage of returned Client Surveys rated "Satisfied" or better	98.5	99	99
COSTS			
Gross Audit Days per £1m Council Budget	3.6	2	
Productive Audit Days per £1m Council Budget	2.8	2	
Staff Costs per Productive Audit Day	£262	£290	£265

Quality Assurance Review

4.16 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.

4.17 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

4.18 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.

4.19   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.

4.20   During the year, 35 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Poor	TOTAL
Communication	26	8	1	0	35
Auditor Advice	16	14	5	0	35
Report	11	18	4	2	35
Performance	26	8	1	0	35
TOTALS	79	48	11	2	140

4.21   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.

4.22   The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 85% 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.

4.23   In respect of the two poor opinions, Audit Management were advised in one case that, whilst the auditor was helpful, the timing of the school audit visit was poor, being on the day of a governing body meeting, which impacted on its value for school management. In the other case, in respect of Treasury Management, the client considered that the audit focussed on compliance with regulations and guidance, and did not identify any matters not known to management. It was suggested that future audits should have a greater focus on the treasury decisions on investments and borrowing, given the assurance on strategy and policy compliance, which has been agreed with audit management.

<u>Audit Recommendations</u>

4.24 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.

4.25 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	2019/20			2019/20	
	Recommendations made	Recommendations agreed	Recommendations being considered	Recommendations agreed & implemented in 2019/20	Recommendations implemented overall in 2019/20
Red	41	28	13	12	28
Red / amber	316	248	68	112	171
Amber / green	272	193	79	101	162
Green	59	48	11	19	26
TOTAL	**688**	**517**	**171**	**244**	**387**

4.26 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. As in previous years, there remains a disparity between the numbers of recommendations raised to implemented over the period. The level of recommendations implemented on time is too low in schools (at 55%) and requires improvement across other areas of the Council (at 65%).

4.27 The figures show that, with audit recommendations consistently 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. Management need to ensure their commitment to implementing a significant proportion of recommendations on time.

4.28 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 2020, 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	168	92	55%
Non-schools	219	142	65%
TOTAL	387	234	60%

Internal Audit Team Resources

4.25   As at 31st March 2019, the Internal Audit team has 12 members of staff (10.3 FTE) overseen by the Audit Manager, made up as in the table below:

Post	Number	FTE
Audit Manager	1.0	0.80 *(0.2 Investigations)*
Group Auditor	1.0	1.0
Principal Auditor	1.0	1.0
Senior Auditor	2.0	1.9
Auditor	6.0	4.4
CIPFA Trainee	1.0	1.0
Audit Assistant	1.0	1.0
TOTAL	12.0	10.3

4.26   There were no changes to staffing during the course of the year, but the availability of audit staff over the year was impacted by cases of short and long-term sickness, resulting in fewer audit days available for productive audit work than planned. From quarter three onwards, there has been an increase in the number of short-term sicknesses absences within the team, and one long-term sickness case commenced. Further information is provided in the 'performance' section of this report.

4.27   The controllable expenditure budget for the section for 2019/20 is set out in the table below:

		Budget £(000)	Actual £(000)
Employees	Employees (overall cost)	523	537
	Audit Component	*438*	*435*
	Investigations Team Component 1. – Initial Staffing Inc. 0.2 FTE Audit Manager cost	*85*	*85*
	Investigation Team Component 2. - Subsequent appointment of investigator at the beginning of Q2	*(direct budget allocated from 2020/21*	*17*
Other	Transport	3	1
	Supplies and services	20	13
	Support Services (Controllable)	44	44
	GROSS CONTROLLABLE EXPENDITURE	590	595

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 2019/20 included a budget of 59 days for training, outside of the 60 days of study support provided to the CIPFA Trainee who is a member of the team. 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 2019/20, three members of the team were being supported through a Certified Internal Auditor (CIA) qualification with the IIA. At the year-end position, one auditor has completed the qualification, one is working towards their third and final exam, and another is working towards their second exam.

4.30   A skills exercise is undertaken annually by each auditor as a self-assessment against the IIA Internal Audit Competency Framework, which aligns to the mandatory elements of the PSIAS, and includes a detailed assessment of a range of technical and behavioural qualities. The results informed the Personal Review process, and the year-end Audit Manager review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills were recognised across the audit team. Areas of the IIA Professional Competencies Framework where auditors scored themselves comparatively lower, are being targeted through team training sessions to commence in quarter one 2020/21.

4.31   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.

4.32   As part of the 2020/21 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.

Experience and qualifications

4.33   Members of the section hold various qualifications appropriate to their work, including CIPFA, IIA and AAT. The majority of staff in the Internal Audit team have over 10 years' experience in audit.

5. CONCLUSION

5.1 The Audit Team has delivered a thorough review of the Council's internal control environment. Since quarter three this year, there has been a material reduction in the available audit resource due in particular to sickness, but also due to wider factors such as union duties, and study support.

5.2 The Audit Management team has responded, through reprioritising audits in each quarter with close attention to audit coverage and risk. A decision was also made to support wider service delivery, and to reallocate the responsibilities of an auditor in quarter four to support important NFI work for the Investigation Team, which also assisted their return to the workplace after a period of sickness, through providing more routine and focussed initial activities.

5.3 The team has delivered strong performance and progress overall, showing good resilience. In a wider context, the last benchmarking exercise from the Welsh Chief Auditors and Core UK Cities has shown that audit output in Cardiff was greater than the average for each local authority group. In Cardiff, the number of audits completed in the 2018/19 (120 audits), was higher than the Core Cities average (111 audits), and considerably higher than average of the Welsh Chief Auditors (62 audits). One hundred and thirteen new audit engagements were completed in 2019/20, which will be subject to future benchmarking for ongoing assurance.

5.4 There is continued evidence that clients value the audit service through the feedback received. 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.

1.13 At the financial year-end, and the onset of the COVID-19 pandemic, Internal Audit provided initial consultancy services to support resilience and the maintenance of an effective control environment as systems were developed or adapted in response to the crisis. Given the timing of the COVID-19 pandemic, there was limited overall impact on the Council's control environment for the 2019/20 financial year overall. Significant audit attention will be given to providing advice and assurance on controls on core systems in respect of COVID-19 in the year ahead.

5.5 The outcome of the QAIP annual self-review by the Audit Manager is of conformance with the PSIAS. The actions set in 2019/20 following the last annual review are considered as completed, for which the current position is documented within the action plan in Appendix D.

Audit Reports Issued

I. Effective / Effective with opportunity for improvement

Opinion	Audit Area	Status of output (if not final)
Fundamental / High		
EFFECTIVE	Resources - Budgeting and forecasting 2019/20	
	Main Accounting – In Year Testing	
	Treasury Management – In-year testing	
	People and Communities - Health and Safety	Drafts Issued
	Creditor Payments & Processing – In-year testing	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Health and Safety Framework	
	Risk management arrangements	
	Housing Rents	
	Creditors	
	Payroll - In year testing	
	Payroll Overpayments	
	Local Housing Allowance	
	Information Governance	
	Ethics and values – Gifts and Hospitality	
	Risk Management Arrangements 2019/20	
	Asset Management – Governance & Legal Services	
	Governance & Legal Services – Health and Safety	
	Ethics and Values - Business and Personal Interests	
	NNDR in-year testing	
	Governance Arrangements	Drafts Issued
	Economic Development – Health and Safety	
	Social Services – Health and Safety	
	PTE – Health and Safety	
Medium		
	Eastern High - Counter-fraud arrangements	

Opinion	Audit Area	Status of output (if not final)
EFFECTIVE	Willows High School - Counter-Fraud Arrangements	Drafts Issued
	Major Project Governance	
	Digital Services – Virtual Agent	
EFFECTIVE OPPORTUNITY FOR IMPROVEMENT	Atebion Solutions	
	Sickness absence processes	
	Willows High School	
	Youth Innovation Grant	
	Communities - Partnership and collaborative governance	
	Stocktake observation - Brindley Road	
	Stocktake observation - Lamby Way	
	Storey Arms	
	VFM – Agency workers, interims and consultants	
	Personal Review Process	
	Radyr High – ICT Governance	
	LLanishen High – ICT Governance	
	Fitzalan High – ICT Governance	
	Cardiff High – ICT Governance	
	Cathays High – ICT Governance	
	IT Governance	
	Cloud Computing	
	Joint Equipment Stores	
	Bulky Waste	
	Responsive Repairs	
	St. Teilo's – ICT Governance	
	VFM – Enforcement	
	VFM – Overtime	
	Into Work Grant Streams	
	Bishop of Llandaff – ICT Governance	
	Stock systems (Vectec)	
	Building Control	

Opinion	Audit Area	Status of output (if not final)
	Bilingual Cardiff	
	Education – Commissioning of Independent Investigations	
	Music Service - expenditure review	
	St. Illtyd's RC High School	
	Insurance	
	Hawthorn Primary - Counter-fraud arrangements	
	Allensbank Primary - Counter-fraud arrangements	
	The Hollies - Counter-fraud arrangements	
	Corpus Christi - Counter-fraud arrangements	
	Regional Partnership Board	
	Identification and access management	
	Radyr Comprehensive School – Counter Fraud Arrangements	
	Ysgol Plasmawr – ICT Governance	
	Audit of Scrutiny Functions	
	Learning Disabilities	
	Kitchener Primary - Counter-fraud arrangements	
	Income collection in schools – Cardiff High School	
	Pentyrch Primary School	Drafts Issued
	Foster Carers	
	Performance Management	
	Safeguarding – follow up	
	Lamby Way Stores – follow up	

II. Insufficient with major improvement needed / Unsatisfactory

	Audit Area	Status of report (if not final)
	Fundamental / High	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	Direct Payments	Drafts Issued
	Waste Management – Health and Safety	
	Education – Asset Management	
	Resources – Asset Management	
	Social Services – Asset Management	
	Economic Development – Asset Management	
	Medium	
INSUFFICIENT MAJOR IMPROVEMENT NEEDED	County Hall Canteen	
	Ysgol Glantaf	
	Purchasing Cards (CTS)	
	Review of Gatehouse	
	Whitchurch High School	
	ICT governance in Schools – Cantonian	
	Windsor Clive Primary School	
	Stock systems (Tranman)	
	Strategic Estates – Processes	
	Deprivation of Liberty Safeguards	
	Roath Park Primary School	
	St. Francis	
	IT inventory and asset management	Drafts Issued
	Film Unit	
	Domiciliary Care	
	Fleet Management (pool cars, grey fleet, etc.)	
	Music Service Income – Follow up (2)	
UNSATISFACTORY	St. Peter's R.C. Primary School	
	Music Service – income review follow up (1)	
	Contracts in Waste Management	
	Fly Tipping	

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 *No opinion*
	Prosiect Gwyrdd	
	Port Health	
Cardiff Further Education Trust Fund y/e 2017/18		Compliance Certification *No opinion*
Cardiff Further Education Trust Fund y/e 2018/19		
Education Improvement Grant y/e 2017/18		
Education Improvement Grant y/e 2018/19		
Norwegian Church Trust y/e 2017/18		
Norwegian Church Trust y/e 2018/19		
St. Peter's Out of School Club and Governors' Fund		
St. Peter's Private Fund		
Rumourless Cities European Grant		
No Opinion – Audit Engagements		
National Fraud Initiative 2019/20		Data Matching
Contract guidance for schools		Consultancy Services
Education – income processes		
Risk Based Verification		
County Hall Canteen		
Payroll - Continuity and Control		
Procure to pay - Continuity and Control		
Weighbridge – Review and Monitoring		
Stock Check Control		
Grant Payments to Businesses		
Procurement Cards		
Fleetwheel		
Payroll – CRSA		CRSA
Treasury Management – CRSA		

Audit Area	Nature
Counter-fraud in schools – CRSA	
Main Accounting – CRSA	
NNDR – CRSA	
Creditor Payments & Processing - CRSA	
Pensions and Investments – CRSA	

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
Planning, Transport and Environment – Asset Management
People and Communities – Asset Management
Payroll – Recruit
Payroll – In year testing
Digital Services – Hybrid Mail
FOLLOW UP - Income Procedures in School Kitchens
City Deal 2019/20

V. **Audits Planned for 2019/20 which were cancelled or deferred**

Audit	Action Taken
Creditor Payments In year testing (year end 2019/20)	Carry Forward audit for 2020/21
Establishment reviews	Carry Forward audit for 2020/21
Wellbeing of Future Generations	Carry Forward audit for 2020/21
Delegation and decision making	Not in draft Audit Plan 2020/21 - audit scope to be delivered through thematic audits of 'commissioning and procurement' & 'pre-contract assurance'
Cradle to Grave review - Building Maintenance Framework	Carry Forward audit for 2020/21
Cardiff Bus - governance	Carry Forward audit for 2020/21

Education SOP - Review of Band B	Carry Forward audit for 2020/21
ICT - Change and patch management controls	Carry Forward audit for 2020/21
VFM in Digital Initiatives	Carry Forward audit for 2020/21
VFM - workforce deployment	Not in draft Audit Plan 2020/21 - It is recognised that there will need to be flexibility in deployment of the workforce in 2020/21 . Scope to be partly delivered through audit of 'Payroll - Additional Payments' which will look review overtime, enhancements and allowances.
Taxation	Carry Forward audit for 2020/21
Pensions and Investments – In year testing	Carry Forward audit for 2020/21
CTS stores	Not in draft Audit Plan 2020/21 - audit scope delivered through audits of 'Tranman' and 'fleetwheel' in 2019/20
Commissioning and Procurement - Thematic audits in each Directorate	Carry Forward audit for 2020/21
Income and Debtors - Thematic audits in each Directorate	Carry Forward audit for 2020/21
Commercial waste	Carry Forward audit for 2020/21
Bereavement Services	Carry Forward audit for 2020/21
Recycling in HWRCs	Carry Forward audit for 2020/21
Trolleys	Carry Forward audit for 2020/21
FOLLOW UP - Review of contracts in Waste Management	Carry Forward audit for 2020/21
Independent Living	Carry Forward audit for 2020/21
Lettings policy in high rise accommodation	Carry Forward audit for 2020/21
Flexibilities funding (Housing)	Carry Forward audit for 2020/21
"Get me home" service	Carry Forward audit for 2020/21
Economic Development - Income collection (fees and charges)	Not in draft Audit Plan 2020/21 - audit scope to be delivered through 'income and debtors' audit
Channel View	Not in draft Audit Plan 2020/21 - audit scope included in asset management audit and within PCI audit sample, and income and debtors audits planned for 2020/21.

Stores (leasehold properties)	Not in draft Audit Plan 2020/21 - stock check observation planned for this location following 2019/20 year end.
Education and Lifelong Learning - Health and Safety	Carry Forward audit for 2020/21
Contract procedures in schools	Not in draft Audit Plan 2020/21 - Objectives to be delivered through school wider CRSA audit planned for all schools, a planned thematic school audit of commissioning and procurement, and school specific audits in 2020/21.
FOLLOW UP - St. Peter's RC Primary School	Carry Forward audit for 2020/21
FOLLOW UP - Pontprennau Primary School	Carry Forward audit for 2020/21
Resources - Health and Safety	Carry Forward audit for 2020/21
Stock Check Observations	Stock checks were deferred due to COVID-19. Subject to capacity it is intended to observe re-arranged stock takes.
ICF schemes (incl. Families First)	Carry Forward audit for 2020/21
Early help service (impact of FPOC)	Carry Forward audit for 2020/21
Children's Placements	Carry Forward audit for 2020/21
Mental Health Day Services (CRT)	Carry Forward audit for 2020/21
Sensory Services	Not in draft Audit Plan 2020/21 - audit engagements re-prioritised in discussion with Director.
Payments to Care Leavers	Carry Forward audit for 2020/21
Child Health and Disabilities	Carry Forward audit for 2020/21
Home Care (mobile scheduling)	Not in draft Audit Plan 2020/21 - to allow capacity for work in other areas in 2020/21.

Work Areas where a Standard Action Plan / Report is not prepared

It is important to understand that much work undertaken within Audit will not have an standard action plan / 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 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 / Account Certification	Independent certification of grant claims and accounts.
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.

✓ **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.
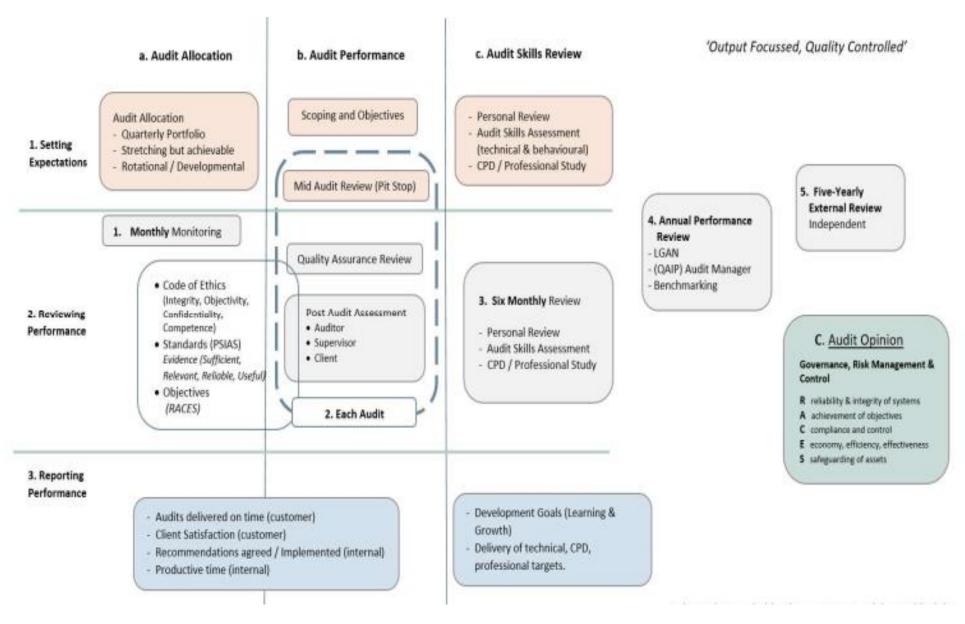
2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.

✓ **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.

○ 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)

'Output Focussed, Quality Controlled'

a. Audit Allocation

b. Audit Performance

c. Audit Skills Review

1. Setting Expectations

Audit Allocation
- Quarterly Portfolio
- Stretching but achievable
- Rotational / Developmental

Scoping and Objectives

Mid Audit Review (Pit Stop)

- Personal Review
- Audit Skills Assessment (technical & behavioural)
- CPD / Professional Study

1. Monthly Monitoring

2. Reviewing Performance

- Code of Ethics (Integrity, Objectivity, Confidentiality, Competence)
- Standards (PSIAS) Evidence (Sufficient, Relevant, Reliable, Useful)
- Objectives (RACES)

Quality Assurance Review

Post Audit Assessment
- Auditor
- Supervisor
- Client

2. Each Audit

3. Six Monthly Review

- Personal Review
- Audit Skills Assessment
- CPD / Professional Study

4. Annual Performance Review
- LGAN
- (QAIP) Audit Manager
- Benchmarking

5. Five-Yearly External Review
Independent

C. Audit Opinion

Governance, Risk Management & Control

R reliability & integrity of systems
A achievement of objectives
C compliance and control
E economy, efficiency, effectiveness
S safeguarding of assets

3. Reporting Performance

- Audits delivered on time (customer)
- Client Satisfaction (customer)
- Recommendations agreed / Implemented (internal)
- Productive time (internal)

- Development Goals (Learning & Growth)
- Delivery of technical, CPD, professional targets.

PSIAS Action Plan Position 31 March 2020

Completed and Closed Actions

REF	SELF-ASSESSMENT QUESTION	FINDINGS	ACTION	RISK RATING	POSITION	OFFICER	ACTION DATE	YEAR END POSITION
1.	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of: • 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?	A strategic statement was included in the covering report to the draft audit plan for 2019/20 for Audit Committee. 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.	An Audit Strategy should be developed to set out: • 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	An Audit Strategy has been developed which will be reported to the Audit Committee in its meeting of 25 June 2019.	Audit Manager	25 June 2019	**Completed.** The Audit Strategy has been adopted, and discussed with the Chief Executive and Directors. The Audit Strategy was presented to the Audit Committee on 25 June 2019.

2.	Do internal auditors consider the following in planning an engagement, and is this documented: • 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	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. 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.	An audit planning assessment form is to be developed and introduced to ensure consistent recording of all planning considerations and preliminary risk assessments.	Green	An audit planning document has been developed and communicated with the team. Application to commence towards the end of quarter 1 2019/20.	Audit Manager	1 June 2019	**Completed.** An Audit planning Pro forma has been developed and was introduced in July 2019 to record the preliminary risk assessment for each audit.

	framework or model? • The opportunities for making significant improvements to the activity's governance, risk management and control processes?			Green				
3	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.	Green	**Ongoing** 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. 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	Audit Manager	Refine presentation of audit plan by end of Q2 19/20	**Completed.** Within the Audit Plan (Appendix B to the Audit Progress Report), it is being recorded against relevant audits where the audit is considering / addressing a national issue.

				Language Standards compliance. This action will remain open whilst the means of capturing this context in the audit plan is further developed.			