



# Internal Audit Annual Report 2020/21

Cardiff Council

## Mission Statement

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

### FOR FURTHER INFORMATION, PLEASE CONTACT:

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

# Contents Page

<b>1</b>	<b>Introduction</b>	<b>2</b>
	Background	2
	The Annual Reporting Process	3
	Requirement for Internal Audit	3
	Independence and Objectivity	3
<b>2.</b>	<b>Context and Approach</b>	<b>4</b>
	Audit Plan 2020/21	4
	Audit Consultancy	5
	Assurance Audit Plan	6
	Developing the Audit Opinion	7
<b>3.</b>	<b>Opinion &amp; Control Environment Review</b>	<b>8</b>
	Opinion 2020/21	8
	How the control environment is reviewed	10
<b>4.</b>	<b>Summary of Work Performed</b>	<b>13</b>
	Reports to Audit Committee	16
<b>5.</b>	<b>Quality Assurance and Improvement Programme</b>	<b>17</b>
	Requirements and Assurance	17
	Performance	19
	Benchmarking	21
	Quality Assurance Review	22
	Post Audit Assessment & Customer Feedback	23
	Audit Recommendations	24
	Internal Audit Team Resources	25
	Continuing Professional Development	26
	Experience and Qualifications	27
<b>6.</b>	<b>Conclusions</b>	<b>27</b>
	Appendices	
	Appendix A - Audit Outputs Issued	29
	Appendix B - Work Areas where an Audit Output is not prepared	37
	Appendix C - Quality Assurance and improvement Programme	38

# 1. Introduction

## Background

- 1.1 The Internal Audit Team has an important role, as set out in the Public Sector Internal Audit Standards (PSIAS), and contained within its mission to *'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*
- 1.2 Management are responsible for the system of internal control and for setting policies and procedures to ensure that internal controls are robust and functioning correctly, to effectively address and mitigate risks to the delivery of objectives across the organisation. Internal Audit is an assurance and consultancy function. It completes a range of work to provide an independent and objective opinion on the Council's control environment (governance, risk management and control), and offers critical advice, guidance and insight to management.
- 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 5 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 During the year, the Audit Committee's terms of reference required it to oversee internal audit arrangements and delivery. Quarterly performance reports have been provided to the Audit Committee throughout the year, and this annual report is presented to the Committee for consideration and comment. Following the end of the financial year 2020/21, the Audit Committee was renamed a Governance and Audit Committee in accordance with the provisions of the Local Government and Elections (Wales) Act 2021. Its role has expanded to include oversight and assurance on aspects of performance, although it will retain its core function and responsibilities.
- 1.5 Throughout the year, audit staff and clients have been operating in the context of an ongoing pandemic. This has presented challenges to staff availability; it has changed the operating environment and has introduced new risks. At the start of the year, emergency management arrangements were invoked across the Council, and priority was given to key frontline services and support for vulnerable people, preventing the spread of infection and ensuring

health and safety for staff, service users and citizens. Section 2 of this report provides details of this operating context, and the approach to delivering a comprehensive internal audit service at a time when a need for robust assurance has remained vital.

## The Annual Reporting Process

- 1.6 This annual report gives an overview of audit performance during 2020/21, provides 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 (referred to as the Chief Audit Executive in the PSIAS) 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 Investigation Teams. Organisational independence has been achieved throughout 2020/21. 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 team may have, which is considered when assigning and undertaking audits. All declarations were appropriately taken into account in allocating and conducting work. There were no impairments to independence or objectivity in 2020/21.

## 2. Context and Approach

### Audit Plan 2020/21

2.1 The onset of the pandemic meant that the Audit Committee meeting of 24 March 2020 needed to be cancelled. The Audit Plan for the year, which had been developed and agreed with Senior Management Team in the weeks and months prior to this date, required some further reflection, review and a process of consultation with the Audit Committee outside of the normal Committee meeting environment.

2.2 Each year the Plan is mapped to business objectives, and key systems, whilst being informed by risk, governance and assurance assessments. Whilst at the onset of the pandemic there were adjustments to the Audit Plan before it was considered by Audit Committee and then during the course of the financial year, a large proportion of the Audit Plan remained current, relevant and was unchanged.

2.3 Some new assurance audits were added to the plan to target new systems that were established in respect of the pandemic, such as a review of the processes to administer business grants on behalf of the Welsh Government, a review of governance arrangements which considered the processes for COVID-19 decision-making and control, and a review of the temporary stores at Dominions Way which were established to maintain and allocate a stock of personal protective equipment.

- 2.4 Rather than needing to change a number of audit engagements in view of the pandemic, new systems, risks, pressures and priorities informed the scope of each audit and the testing completed. For instance, audits of ‘commissioning and procurement’ and ‘income and debtors’ were delivered across directorates for which processes in both areas had changed, new risks had emerged, and these were reviewed through each audit engagement with a focus on current and future risks and controls. Similarly, the audit of ‘corporate landlord’ considered the updated risk assessments and authorisation protocols and statutory compliance monitoring for office accommodation at a time when most staff were working from home as part of the audit scope.
- 2.5 The most substantial adjustment to the Audit Plan 2020/21 was the provision of one hundred COVID-19 related audit consultancy days, for the provision of timely advice, guidance and support to management in implementing new systems and processes for front line delivery, and maintaining back-office resilience. The provision of these audit days provided flexibility in the provision of audit advice and support in response to areas of risk and business need. Further information is provided below.

### Audit Consultancy

- 2.6 Since the onset of the pandemic, significant audit attention has been given to providing critical advice and support to management as the Council adapted services and established new systems in response to the crisis. Consultation and engagement was provided in cases where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk.
- 2.7 COVID-19 consultancy is recognised as three separate areas of audit work within the Audit Plan 2020/21, contained within the one hundred days of bulk audit time available. Details of the three areas of work are contained in the table below. There have been sixteen distinct areas of audit activity within these areas for which full details are provided within Appendix A.

Area of Work	Scope
1. New system checks (compliance, internal controls & counter-fraud)	Supporting a multidisciplinary team with advice and guidance on design of the system through which Welsh Government grants / relief payments were administered and paid.

Area of Work	Scope
2. Resilience, continuity & control	Advice and guidance in procurement systems and managed use of procurement cards.
3. Counter-fraud prevention & post assurance checks.	Active company checks, and validation of eligibility and fraud vulnerabilities for fraud prevention and detection.

2.8 Since quarter two, and thereafter, the majority of audit consultancy and support has been provided in respect of the administration of Welsh Government funds for a range of grant and relief payment schemes. As administration responsibilities are allocated to the Council for further schemes, audit will continue to be available for advice and guidance on the design and application of robust controls.

### Assurance Audit Plan

2.9 In considering the Audit Plan in March 2020, and in giving formal approval in July 2020, the Audit Committee was advised that, due to a range of factors linked with the crisis, delivery would be significantly lower than usual. The Plan was built on auditor and client availability and capacity in a normal operating environment, but targeted delivery of the Plan was set at 60% for the year, whilst the typical target is 80%. During the year, auditors completed the majority of their work while working remotely from home and only a small number of site visits were undertaken (supported by authorised risk assessments and control processes), in consideration of business necessity.

2.10 At the outset of the financial year, initial focus was given to the conclusion of audits already underway. Audits were progressed on a low impact on the capacity of the client, through an increased use of desktop testing, data and system interrogation, and a reduction in the level of management engagement during audit fieldwork where appropriate and feasible. The audit team stood down from seeking management responses and progress against recommendations raised, and finalising audits to give management the space to address crisis management matters. Towards the end of quarter one, when Council services were moving to a documented and managed 'restart', the audit team commenced a targeted delivery of assurance audit engagements from the Audit Plan, and the normal regime for chasing management responses to draft reports and recommendations resumed.

2.11 Audit Committee was advised that the Audit Plan would be delivered in a targeted way to maximise assurance and prioritise high-risk areas. On 17 November 2020, Committee approved the deferral of 32 audit engagements. Information on the how audit engagements

were targeted and prioritised is included in the ‘audit opinion – development’ section of this report.

2.12 The COVID-19 crisis has significantly affected the activities and capacity of audit clients, and it also had a material impact on the capacity of the audit team and the audit resources. The audit team has followed corporate guidance, whereby officers received special leave for periods that they have needed to care for dependants and have been unable to work. The team has shown personal flexibility, which has limited the use of special leave as far as possible.

**Developing the Audit Opinion**

2.13 During the financial year, the Audit Plan and approach to delivery has been adapted in order to target assurance on key risks and controls, and to provide an adequate body of assurance work to support a full annual opinion on the Council’s control environment. This has included adding a substantial provision in the Plan for COVID-19 related audit consultancy work, setting a prioritised approach to auditing fundamental systems and corporate governance, and progressing a targeted spread of wider assurance work.

2.14 All decisions in respect of the Plan have been made with appropriate attention to risk, professional standards and advisories from CIPFA, the IIA, the Internal Audit Standards Advisory Board and the advice of professional and peer officers. Links to relevant documents considered by the Audit Management Team during the year are contained within the table below.

Source	Guidance Links
Internal Audit Standards	<a href="#">Developing an overall opinion during the pandemic crisis</a>
Advisory Board	<a href="#">Conformance with the PSIAS during the coronavirus pandemic</a>
Chartered Institute of Public Finance & Accountancy	<a href="#">Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope</a>

2.15 In considering professional guidance, audit coverage and risk:

- Priority was given to substantially delivering the ‘fundamental’ and ‘corporate governance’ categories of audits. Only one fundamental system audit was not completed by the year-end (Establishment Reviews); all Corporate Governance audits were delivered.

- The majority of 'other assurance' audits were delivered by the year-end. Six audits were not completed and were carried forward, but a good spread of audits was delivered in this area.
- At a directorate level, a number of service specific and thematic audits were deferred, with the agreement of Audit Committee on 17 November 2020. The deferred audits were carefully selected in consultation with Directors, considering current assurance and the importance of each audit engagement to achieving a full annual opinion on the Council's control environment.
- All schools were required to participate in the CRSA exercise, through which they needed to respond to a detailed set of control statements, to identify actions for improvement in the event of any gaps, and to provide a portfolio of evidence to support the assertions made within their returns. A large desktop sample review of 25% of Cardiff schools was completed using the CRSA returns, to provide a breadth of baseline assurance across schools.

### 3. Opinion & Control Environment Review

#### Opinion 2020/21 (PSIAS standard 2450)

- 3.1 The Public Sector Internal Audit Standards (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.
- 3.2 This opinion has been prepared by the Audit Manager (Chief Audit Executive for the purpose of the PSIAS), based on the provisions of the PSIAS. In preparing and forming this opinion, a number of sources of information, assurance and insight have been taken into account, including:
- **Assurance Audit Engagements** – The risk-based annual audit plan has been delivered through an approach 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, monitoring of Council activity, strategy, risks, and wider assurance sources. The assurance audit plan included audits of new systems established as a result of the pandemic, and for all audits current risks, pressures and priorities informed the audit scope and the testing completed.

- **Consultancy Audit Engagements** - In the context of the ongoing pandemic, consultation and engagement was provided in cases where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk. The majority of audit consultancy related to the design and application of sound controls in administration of Welsh Government grant and relief payments.
- **Discussion with Senior Managers** – There has been quarterly relationship manager meetings with Directors or their representatives, regular Audit Manager attendance at Senior Management Team meetings where assurance items are considered, and regular meetings with the Chief Executive and Corporate Director Resources (Section 151 Officer).
- **Risk & Governance Reviews** – Risk Registers and Senior Management Assurance Statements which underpin the Council’s Annual Governance Statement are subject to regular audit review, and assurance audit engagements. Changes were reviewed, such as the governance regime applied as incident management arrangements were invoked in response to the pandemic.

3.3 Based on the programme of audit work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2020/21 is **effective with opportunity for improvement**. This opinion is based on the delivery of a sufficient Audit Plan, and with an acknowledgment of the significant pressure on resources in the context of an ongoing pandemic in both demand and budgets, which has been managed through a resilient performance culture.

3.4 The audit opinion comprises assessments of governance, risk management and control, and includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems. In what has been an extraordinary year:

- The normal governance regime changed during the pandemic as incident management arrangements were invoked. The new process was audited and allocated an ‘effective’ audit opinion, whereby an extended Senior Management Team operated as a Strategic Coordination Group, a command and control approach for cascading communications and decisions was applied, and processes for coherent and strategic reporting, decision-making, recording, and engagement were established.
- The standard systems for corporate and directorate risk management were maintained during the year, but with COVID-19 specific risks additionally recorded, monitored and reported.

- A number of new systems, processes and therefore controls needed to be established for the first time during 2020/21 in response to the crisis. Audit assurance and consultancy services targeted these areas during the year to provide a combination of advice, guidance, assurance and insight.
- The Council was required to administer emergency relief and grant payments on behalf of the Welsh Government at pace. Over the year, the Council distributed a significant amount of grant and relief funding, and the Internal Audit and Investigation Teams advised management on the design of systems and counter-fraud checks in accordance with scheme requirements as part of a multidisciplinary team. Post assurance manual and data matching checks and analysis have not identified material cases of fraud or error to date in the context of the value of payments, although a number of case reviews are ongoing and, through participation in the National Fraud Initiative further data matching output is expected to generate cases for investigation in 2021/22.

3.5 The control environment for core financial systems, and for the majority of audits overall (73%), was considered as adequate, and allocated an opinion of 'effective' or 'effective with opportunity for improvement'. Twenty four audits have been given an audit opinion of 'insufficient with major improvement needed' recognising the need for attention to achieve sound controls, and one audit was given an 'unsatisfactory' opinion in respect of the control arrangements in administering British Council Grants.

3.6 Waste Management has been an area where a greater proportion of adverse audit opinions have been allocated in recent years. Through follow up audits this year the position is recognised to be gradually improving. Audit assurance and support continues to target and follow up on high risk areas.

#### How the control environment is reviewed

3.7 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 inform the annual audit plan for 2020/21, together with sources of assurance from both within and outside the Council to ensure that audit time and resources targeted 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.

3.8 For 2020/21, 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"> <li>• The controls evaluated are adequate and appropriate</li> <li>• The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled</li> <li>• No findings noted (or a small number of low risk recommendations)</li> </ul>
Effective with opportunity for improvement	<ul style="list-style-type: none"> <li>• A few specific control weaknesses and/or opportunities for improvement were noted</li> <li>• Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled</li> </ul>
Insufficient with major improvement needed	<ul style="list-style-type: none"> <li>• Some high level risks are not adequately controlled</li> <li>• Numerous specific control weaknesses were noted</li> <li>• 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</li> <li>• There may be a risk of exposure to fraud or security vulnerabilities</li> </ul>
Unsatisfactory	<ul style="list-style-type: none"> <li>• The control environment is not adequate and is below standard</li> <li>• The control environment is considered unsound</li> <li>• A lack of attention could lead to significant losses</li> </ul>

3.9 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"> <li>• Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited</li> <li>• Serious violation of Council strategies, policies or values</li> <li>• Serious reputational damage</li> <li>• Significant adverse or regulatory impact, such as loss of operating licenses or material fines</li> </ul> <p>Examples are:</p> <ul style="list-style-type: none"> <li>• A policy / procedure does not exist for significant Council processes</li> <li>• Preventative, detective and mitigating controls do not exist</li> <li>• Council reputation or financial status is at risk</li> <li>• Fraud or theft is detected</li> <li>• Council is not in compliance with laws and regulations</li> </ul>
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"> <li>• Financial losses</li> <li>• Loss of controls within the organisational entity or process being audited</li> <li>• Reputation damage</li> <li>• Adverse regulatory impact, such as public sanctions or immaterial fines</li> </ul> <p>Examples are:</p> <ul style="list-style-type: none"> <li>• A policy exists but adherence is inconsistent</li> <li>• Preventative and detective controls do not exist, but mitigating controls do exist</li> <li>• The Council's compliance with laws and regulations requires additional evaluation and review</li> <li>• There is a possibility of inappropriate activity</li> </ul>
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"> <li>• A policy exists, but was not adhered to on an exception basis</li> <li>• Preventative controls do not exist, but detective and mitigating controls exist</li> <li>• There is a remote possibility of inappropriate activity</li> </ul>
Green	Best practice

- 3.10 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.
- 3.11 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.
- 3.12 The audit plan in 2020/21 continued an approach to allocating resources to audit assurance themes across the Council. The thematic work substantially concluded within the year related to 'Commissioning and Procurement' and 'Income and Debtors', whilst a number thematic 'Asset Management' audits from the previous year were also concluded.
- 3.13 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 were fully established to contain all relevant items, and supported by a regime for periodic monitoring, review and oversight. Management were advised to give initial priority to portable, desirable and high value items, at a time when staff had moved to largescale working from home.

## 4. Summary of Work Performed

- 4.1 The work of 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 outlined in the Audit Strategy and the Audit Charter. The Audit Plan documents the listing of planned audit engagements each year.

- The Audit Charter and the Audit Plan 2020/21 were accepted by the Audit Committee through a period of consultation between 23 March – 3 April 2020, and received formal approval on 28 July 2020. At this time, the Audit Committee also considered the Audit Strategy.
- To further clarify the priority areas of audit focus this year, against a performance target to deliver 60% of the original Audit Plan, the Audit Committee approved the deferral of 32 Audits on 17 November 2020.

4.2 A listing of the audit engagements delivered in 2020/21 is attached in **Appendix A**, whereby 75 new audit engagements were completed to at least draft output stage against a plan of 137 audits (55%), and a further 32 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.

4.3 The audits completed in 2020/21 and the assurance levels given are shown in the table below:

Status	Number of audit outputs	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	28	3	15	10	0	0
Final	79	12	37	14	1	15
<b>TOTAL</b>	<b>107</b>	<b>15</b>	<b>52</b>	<b>24</b>	<b>1</b>	<b>15</b>
	<b>75</b>	<b>New Audit Engagements Completed</b>				
	<b>32</b>	<b>Finalised Audit Engagements from 2019/20</b>				

4.4 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.

4.5 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.

4.6 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.

4.7 The table below shows the audits completed in 2020/21 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	7	-	-	2	12
Corporate Governance	3	9	-	-	-	12
Other Assurance	2	4	7	0	2	15
COVID-19 Consultancy	-	-	-	-	3	3
Economic Development	1	4	2	-	-	7
Education and Lifelong Learning	1	9	2	1	1	14
Governance and Legal	2	1	-	-	-	3
People and Communities	3	2	-	-	1	6
Planning, Transport & Environment	-	2	2	-	-	4
Resources	-	2	1	-	-	3
Social Services	-	5	5	-	-	10
Waste Management	-	3	5	-	1	9
Grants / Accounts / External Bodies	-	4	-	-	5	9
TOTALS	15	52	24	1	15	107

4.8 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. One audit, of British Council Grants was given an “unsatisfactory” opinion. All unsatisfactory audits are subject to a follow-up audit, and audit assurance and support targets and follows up on the highest risk areas.

4.9 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.

4.10 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. Particular attention has been given to such changes relating to the pandemic, as outlined in section 2 of this report. 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 that schemes are delivered effectively.

### Reports to the Audit Committee

4.11 An important role of the Audit Committee in 2020/21 has been to oversee the role and performance of the Council’s Internal Audit team. In addition, Internal Audit has been 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 Committee has received from Internal Audit during 2020/21.

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 2020/21 in overseeing:</p> <ul style="list-style-type: none"> <li>• the work and performance of audit, and</li> <li>• the adequacy of council governance, risk management and internal control</li> </ul>
Annual Audit Plan 2020/21 & 2021/22	<p>The work programme for 2020/21 was approved in the first Audit Committee meeting of the financial year. Any changes or updates were provided for comment, observation and approval where required by the Audit Committee. Committee considered and approved the Annual Audit Plan 2021/22 in March 2021.</p>
Annual Reports 2019/20	<p>Last year’s Internal Audit Annual Report was provided to Audit Committee in July 2020, providing an overview of the work undertaken by Internal Audit and the Audit Manager’s opinion on the Council’s control environment for 2019/20. The Counter-Fraud Annual Report 2019/20 was provided to the Audit Committee for awareness and consideration in September 2020.</p>

Report	Purpose
Audit Wales Counter-Fraud National Report & Management Response	The report of the Auditor General for Wales, 'Raising Our Game' Tackling Fraud in Wales was considered by the Audit Committee in September. Members received and considered both the report, the Council's management response to the national recommendations.
CIPFA Guidance Audit Opinion	In January 2021, the Audit Committee received the CIPFA guidance on 'Head of Internal Audit Annual Opinions' as a high-level advisory for Heads of Audit and Audit Committees.

## 5. Quality Assurance and Improvement Programme

### Requirements and Assurance (PSIAS Standard 1300)

- 5.1 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.
- 5.2 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](#)
- 5.3 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.'
- 5.4 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.	<p>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.</p> <p>A range of performance information is reported and monitored on a balanced scorecard basis as outlined in Appendix C.</p> <p>The Audit Manager considers and reports on performance information that makes up the QAIP in each Audit Committee Progress Report, through which any non-conformance would be disclosed.</p> <p>Throughout the year the Audit Manager has considered practice advisories and guidance in respect of delivering professional responsibilities and reporting during the pandemic from the IASAB, the IIA and CIPFA, as outlined in section 2 of this report.</p>
INTERNAL ASSESSMENTS	Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	<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"> <li>• Completing a self-assessment against the Local Government Application Note</li> <li>• Reviewing performance against the CIPFA Statement on 'The role of the Head of Internal Audit'</li> <li>• Reviewing the results of the skills assessment exercise completed by all members of the Internal Audit Team, in application of the IIA Competency Framework.</li> <li>• Reviewing the annual Personal Reviews for all members of the Internal Audit Team.</li> </ul> <p><i>The Audit Manager is a qualified accountant and a chartered member of the Institute of Internal Auditors.</i></p>

Requirements		Process of Review and Conformance
EXTERNAL ASSESSMENTS	External Assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.	<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>

5.5 Through application of the QAIP, assurance can be provided of ongoing conformance with the PSIAS and application of the Code of Ethics. This position is supported by an annual internal review against the CIPFA Local Government Application Note in April 2021, and the completion of all actions from the previous PSIAS Action Plan (as reported in the Annual Report 2019/20).

**Performance**

5.6 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.

5.7 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 2020/21 are in the table below:

Performance Indicator	2019/20 Outcome	Target	Results			
			Q1	Q2	Q3	Q4
The percentage of the audit plan completed	70%	<b>60%</b>	9%	20%	38%	<b>55%</b>
The average number of audit productive days per FTE	169	<b>130</b>	33	67	109	<b>145</b>
The average number of finalised audits per FTE	11	<b>9</b>	*0.54	2.48	5.06	<b>8.51</b>
The percentage of draft audit outputs delivered within six weeks	86%	<b>85%</b>	100%	100%	100%	<b>97%</b>
The percentage of audit recommendations implemented within the agreed timescale	60%	<b>80%</b>	**0%	50%	82%	<b>69%</b>

\* Draft reports not chased up to be finalised in Q1, to allow for attention on COVID-19 priorities.

\*\* Implementation of recommendations not chased up in Q1, to allow for attention on COVID-19 priorities.

5.8 Whilst measures of productive audit days and the timeframe for producing draft outputs were greater than targeted, the percentage of the Audit Plan Completed (at 55%) and the number of finalised audits per FTE (at 8.51) were lower than planned. Targets for the year had accounted for an anticipated impact of the pandemic, although at the time these were set there significant uncertainty about the availability and capacity of audit clients and staff. Given the actual impact of the pandemic over the year and the unprecedented environment in which the Council has been operating, it is considered that an effective outcome was achieved in terms of audit delivery, coverage and focus. Information on the coverage and focus is contained on section 2 of this report 'context and approach'.

5.9 The COVID-19 crisis has significantly affected audit resources. Timesheet data contained 1,491 chargeable days, which is 78% of the expected chargeable days in normal operating circumstances. The audit team has followed corporate guidance, whereby officers received special leave for periods in which they have needed to care for dependants and have been unable to work. Available staff resources have also been impacted by an increased level of sickness and a small number of long-term sickness cases. Given the relatively small team size, any cases of long-term sickness affect the level of progress that can be made against the Plan in each reporting period.

5.10 In respect of the percentage of audit recommendations implemented within the agreed timescale, directorate performance remains materially below the target set. Whilst at the outset of the pandemic the team to stood down from chasing up recommendations, to allow

management the space they needed to respond to more immediate challenges associated with COVID-19, the normal regime was promptly resumed once services commenced a formal and managed restart at the end of quarter one.

5.11 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.

5.12 Each Directorate has their own audit link offers who have a responsibility for coordinating the monitoring and update of recommendations for their respective management team. At regular stages during the year, the Audit Manager has attended Senior Management Team meetings to outline current performance in respect of audits and the response to recommendations. The full recommendation tracker has been provided to the Audit Committee quarterly during 2020/21, and directors have been required to provide an account of their progress in addressing audit recommendations in their reports to Audit Committee on their respective control environments. The response to audits and recommendation will continue to be a prominent focus going forward.

## Benchmarking

5.13 The Internal Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups through which all exercises have been participated in. Since the last annual report, data has been submitted for a benchmarking exercise with the Welsh Chief Auditors Group for the financial years 2019/20 and 2020/21, and the collated responses have been recently received.

5.14 Out of the twenty-two local authorities in Wales, benchmarking data was received from fourteen local authorities in 2019/20 and sixteen in 2020/21, although most benchmarking submissions did not include data against all performance indicators.

5.15 Benchmarking data is included in the table below which indicates that:

- A substantially higher number of audits engagements were completed in Cardiff in both years compared to the group average.
- The 'percentage of the Audit Plan completed' and the 'directly chargeable time as a percentage of planned' both dropped more sharply in Cardiff than the group average during 2020/21. The reason for this is because in Cardiff, the Plan was developed

based on available resources in normal operating circumstances, and the performance target was lowered. This approach was taken as an alternative to directly reducing the number of audits in the Plan relative to the anticipated impact of the pandemic. The Audit Committee was advised that targets (which would include chargeability) were broadly based on 75% of those in usual operating circumstances.

- The percentage of audit productive time (to available time) remains higher in Cardiff than the average. Performance has reduced for the reasons outlined in this report.
- Client satisfaction remains high across Welsh local authorities, and the percentage of client survey responses received has improved in Cardiff.
- Cardiff has continued to have a lower average cost per directly chargeable day than the benchmarked average, although the cost has increased as the number of chargeable days were impacted by the pandemic in 2020/21.

Measures	2019/20		2020/21	
	Cardiff	Welsh Chief Auditors Group Average	Cardiff	Welsh Chief Auditors Group Average
<b>AUDIT PLAN</b>				
Number of Audits Planned	162	62	137	48
The percentage of the Audit Plan Completed	70%	74%	55%	67%
<b>PRODUCTIVITY</b>				
The percentage of Audit Productive time (to available time)	87%	69%	75%	66%
<b>CUSTOMERS</b>				
The percentage of Client Surveys Returned	51%	60%	62%	57%
The percentage of returned Client Surveys rated "Satisfied" or better	99%	99%	100%	100%
<b>COSTS</b>				
Directly chargeable time as a percentage of planned	87%	69%	78%	85%
Average cost per directly chargeable day	£247	£283	£295	£313

## Quality Assurance Review

5.16 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 consult the Audit Management Team to gain a professional consensus on the audit opinion and priority recommendations for improvement.

5.17 Following the issue of a draft audit output, 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**

5.18 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.

5.19 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.

5.20 During the year, 38 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Poor	TOTAL
Communication	23	12	1	1	37
Auditor Advice	21	12	3	0	36
Report	15	19	4	0	38
Performance	24	10	2	1	37
<b>TOTALS</b>	<b>83</b>	<b>53</b>	<b>10</b>	<b>2</b>	<b>148</b>

5.21 It can be seen that the feedback from the audit questionnaires is positive with 99% satisfaction, 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.

5.22 The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 97% 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.

### Audit Recommendations

5.23 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.

5.24 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council’s corporate risk strategy (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	2020/21			2020/21	2020/21
	Recommendations made	Recommendations agreed	Recommendations being considered	Recommendations agreed & implemented in 2020/21	Recommendations implemented overall in 2020/21
Red	46	24	22	5	21
Red / amber	206	133	73	54	128
Amber / green	193	137	56	64	117
Green	33	21	12	14	23
<b>TOTAL</b>	<b>478</b>	<b>315</b>	<b>163</b>	<b>137</b>	<b>289</b>

5.25 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.

5.26 The level of recommendations implemented on time (69%) requires improvement, but performance is better than last year. As audit recommendations are consistently agreed it is considered that managers welcome insight on how governance or controls can be enhanced, for which there is commonly agreement with a proposed course of action.

5.27 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 2021, a summary of the recommendations agreed and actioned is shown below:

Area	Recommendations Completed	Implemented in agreed timeframe	Percentage Implemented in agreed time
Schools	190	116	61%
Non-schools	97	81	84%
<b>TOTAL</b>	<b>287</b>	<b>197</b>	<b>69%</b>

**Internal Audit Team Resources**

5.28 The Internal Audit team has 12 members of staff (10.3 FTE) overseen by the Audit Manager, as shown in the table below:

Post	Number	FTE
Audit Manager	1.0	0.70 <i>(0.3 Investigations)</i>
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
<b>TOTAL</b>	<b>12.0</b>	<b>10.3</b>

5.29 At the end of quarter three, the Principal Auditor in post left the team to work within the Accountancy Section. The post is considered as essential, and was promptly advertised. The recruitment exercise was successful, and the new post holder was an external candidate who commenced in June 2021.

5.30 There have been factors that have affected the availability of staff during the year, and further information is provided in the 'performance' section of this report.

5.31 The controllable expenditure budget for the section for 2020/21 is set out in the table below:

		Budget £(000)	Actual £(000)
Employees	Employees (overall cost)	575	549
	<b>Audit Component</b> Inc. 0.7 FTE Audit Manager cost	440	420
	<b>Investigations Team Component</b> Inc. 0.3 FTE Audit Manager cost	135	129
Other	Transport	3	0
	Supplies and services	21	21
	Support Services / other contributions (Controllable)	65	65
	<b>GROSS CONTROLLABLE EXPENDITURE</b>	<b>664</b>	<b>635</b>

#### Continuing Professional Development (PSIAS standard 1230)

5.32 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 2020/21 included a budget of 37 days for training, outside of the 65 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.

5.33 During 2020/21, one member of the team was approved to study for ISACA's Certified Information Systems Auditor (CISA) qualification, which they commenced in quarter four. The development of a lead specialist in this area will benefit the team, and complement its existing skills base. One member of the team is studying for their third and final exam for the Certified Internal Auditor (CIA) qualification with the IIA. Funding to study for the CIA qualification for another member of the team ceased during the year due to unsuccessful attempts at the second exam.

- 5.34 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.
- 5.35 Areas of the IIA Professional Competencies Framework where auditors scored themselves comparatively lower in their year-end 2019/20 assessments, were targeted through team training sessions during 2020/21. Over the year, in-house training was provided to the team on 'fraud awareness', the 'International Professional Practice Framework' and 'business acumen'.
- 5.36 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.

## Experience and qualifications

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

## 6. Conclusion

- 6.1 The operating environment and availability of staff and client resources has been challenging this year. However, the position has been carefully managed throughout the year, whereby the Audit Plan and approach to delivery has been adapted in order to target assurance on key risks and controls, and to provide an adequate body of assurance work to support a full annual opinion on the Council's control environment. A substantial provision was included in the Plan for COVID-19 related audit consultancy work, and a prioritised approach was followed for substantial coverage audit coverage of fundamental systems and corporate governance, and a targeted spread of wider assurance work across directorates.
- 6.2 Since the beginning of the year, significant audit attention was given to providing critical advice and support to management as the Council adapted services and established new systems in response to the pandemic. Consultation and engagement was provided in cases

where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk. From quarter two, the majority of audit consultancy and support has been provided in respect of the administration of Welsh Government funds for a range of grant and relief payment schemes.

- 6.3 All decisions in respect of the Audit Plan have been made this year with appropriate attention to risk, professional standards and advisories from CIPFA, the IIA, the Internal Audit Standards Advisory Board and the advice of professional and peer officers. After initially progressing the assurance Audit Plan on a low impact basis for management who were dealing with immediate pressures associated with the crisis, towards the end of quarter one when Council services were moving to a documented and managed 'restart' the audit team commenced a targeted delivery of assurance audit engagements from the Audit Plan.
- 6.4 There is a need for continued attention to the response to audit reports and recommendations and performance has been reported to Senior Management Teams at regular intervals. 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.
- 6.5 The outcome of the QAIP annual self-review by the Audit Manager is that the audit service is operating in conformance with the PSIAS and all associated requirements, and Welsh Local Authority Benchmarking data provides comparative assurance on performance.

## 2020/21 Audit Delivery

## Audit Outputs Issued

## I. Effective / Effective with opportunity for improvement

Opinion	Audit Area	Status of output (if not final)
Fundamental / High		
Effective	Health and Safety - People and Communities	
	Creditors - Mid year testing (2019/20)	
	Payroll In-year Testing (2019/20)	
	Payroll In-year Testing (2020/21)	
	Income and Debtors - Governance and Legal Services	
	Commissioning and Procurement - Governance and Legal Services	
	Governance Arrangements	
	Business Grants - Assurance	
	Codes of Conduct	
	Commissioning and Procurement - People and Communities (excl Street Scene)	
Effective Opportunity For Improvement	Health & Safety – Planning, Transport & Environment	
	Health and Safety - Economic Development	
	Governance Arrangements 2019/20	
	Performance Management	
	Safeguarding - follow up	
	NNDR in-year testing	
	Health and Safety – Social Services	
	Health and Safety – Governance and Legal Services	
	Business and Personal Interests	
	Corporate Landlord	
	Complaints and Compliments	
	Programme and Project Governance	
	Insurance	
	City Deal 2019/20	
Income and Debtors - Communities		

Opinion	Audit Area	Status of output (if not final)
	Pensions and Investment In year testing	
	Commissioning and Procurement - Economic Development	
	Commissioning and Procurement - Resources	
	Commissioning and Procurement - Planning, Transport & Environment	
	Commissioning and Procurement - Education	
	Recruit	
	Asset Management - Communities	
	Income and Debtors - Economic Dev	
	Income and Debtors - Education	
	Additional Payments (payroll & allowances)	
	IT Business Continuity	
	Council Tax	
	Housing Benefit – Local Housing Allowance – Council Tax Reduction Scheme	
	Programme and Project Risk Management	
	Directorate Risk Management	
	Health and Safety - Resources	
	Creditor Payments - In year testing (Mid-Year 2020-21)	
	Creditor Payments - Year end (2019-20)	
	Wellbeing of Future Generations	
	Income and Debtors - Social Services	
Medium		
Effective	Major Projects Governance	
	Digital Services - Virtual Agent	
	Counter-fraud arrangements - Willows High School	
	Risk Based Verification	Draft Issued
Effective Opportunity For Improvement	Income collection - Cardiff High School	
	Lamby Way Stores - Follow Up	
	Pentyrch Primary School	
	Foster Carers	
	Learning Disabilities	

Opinion	Audit Area	Status of output (if not final)
	Counter-fraud arrangements – Kitchener Primary School	
	ICT governance in schools - Ysgol Plasmawr	
	Trolleys	
	Follow Up - Income Procedures in School Kitchens	
	Follow Up - Pontprennau Primary	
	Hybrid Mail	
	Taxation	
	Follow Up - St Peters R.C Primary	Drafts Issued
	Follow Up - Contracts in Waste Management	

## II. Insufficient with major improvement needed / Unsatisfactory

	Audit Area	Status of report (if not final)
	Fundamental / High	
Insufficient Major Improvement Needed	Economic Development - Asset Management	
	IT Inventory and Asset Management	
	Health and Safety - Waste Management	
	Asset Management - Social Services	
	Resources - Asset Management	
	Direct Payments - Social Services	
	Commissioning and Procurement - Social Services	
	Asset Management - Planning, Transport & Environment	
	Asset Management - Waste (Street Scene)	
	Mileage and Subsistence	
	Payment Card Industry (chip and pin devices)	
	Medium	
Insufficient Major	Cardiff Film Office	
	Domiciliary Care	
	Fleet Management	
	Music Service - follow up	
	Bereavement	

	Audit Area	Status of report (if not final)
Improvement Needed	Recycling in HWRCs	Drafts Issued
	Cardiff Bus Governance 2020-21	
	Gatehouse	
	Follow Up - Fly Tipping	
	Contract Monitoring and Management	
	Children's Placements (including out of county)	
	St. Cuthbert's	
	Dominions Way Temporary Stores	Draft Issued
Unsatisfactory	British Council Grants	

### III. COVID-19 Audit Consultancy Work

Scope	Area	Scope
1. New system checks  compliance, internal controls and counter-fraud	Start-up grants	Supporting a multidisciplinary team with advice and guidance on design of the system through which grants were administered and paid.
	Business grant administration	
	Wales culture recovery fund – freelancer support	
	Isolation payments	
	Lockdown grant	
	Restrictions business fund	
	Supplier relief	Discussion and engagement with commissioning and procurement and schools
	Coronavirus childcare assistance scheme	Advice and guidance on processes and controls in the system for processing and administering payments.
	Childcare provider grant	
	Care workers £500 payment scheme	
	Statutory sick pay enhancement scheme	
	Childcare provider support (CWTCH) grant	
	Restrictions business fund – extension grants	

Scope	Area	Scope
2. Resilience, continuity & control Consultancy	Procure to pay	Advice and guidance in procurement systems and managed use of procurement cards.
	Procurement cards	
3. Counter-fraud prevention & post assurance checks	Business grant administration	Active company checks and validation of eligibility and fraud vulnerabilities for fraud prevention and detection.

#### IV. 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	
Norwegian Church Preservation Trust 2018/19		Compliance Certification No opinion
Education Improvement Grant 2019/20 *		
Norwegian Church Preservation Trust 2019/20 *		
Rumourless Cities		
Cardiff Further Education Trust Fund 2019/20		
No Opinion – Audit Engagements		
National Fraud Initiative		Data Matching
New system checks – compliance, internal controls and counter-fraud		Consultancy Services
Resilience, continuity & control – consultancy		
Counter-fraud prevention & post assurance checks		
Private Rental Sector Leasing Scheme		
Waste Management Consultancy		
Dominions Way Stores - Stock Check Observation		
Payroll CRSA 2020/21		CRSA
Creditor payments CRSA 2020/21		
Schools CRSA		

\* No assurance opinion provided on grant certification, but control opinion of 'Effective with opportunity for improvement' provided and draft action plan issued for management response.

## Status of Other Audit Reports

### V. Audits ongoing at the year-end for conclusion in 2021/22

Audits ongoing at the year-end 2020/21
Income and Debtors – Planning, Transport & Environment
Income and Debtors - Resources
Cradle to Grave Audit
Cardiff West Community High School
Ysgol Gyfun Gymraeg Bro Edern
Mary Immaculate High School
SOP Review of Band B

### VI. Audits Planned for 2020/21 which were cancelled or deferred

Audit	Action Taken
Establishment Reviews	Carry forward to Audit Plan 2021/22
Cradle to Grave Audit	Conclude Audit in 2021/22
Value for Money in Digital Initiatives	Carry forward to Audit Plan 2021/22
Value For Money in use of Council vehicles	Carry forward to Audit Plan 2021/22
Business Continuity & Incident Management	Carry forward to Audit Plan 2021/22
Members' Allowances	Carry forward to Audit Plan 2021/22
Income and Debtors – Planning, Transport & Environment	Conclude Audit in 2021/22
Performance Management – Thematic Audit	Carry forward to Audit Plan 2021/22
Information Management – Thematic Audit	Objectives incorporated into audit of Information Governance for 2021/22
Pre-Contract Assurance – Thematic Audit	Carry forward to Audit Plan 2021/22
Flexible Funding in Housing	Not prioritised / taken forward for Audit Plan 2021/22
Get me home service	Carry forward to Audit Plan 2021/22
Independent Living	Carry forward to Audit Plan 2021/22
Lettings policy in high rise accommodation	Not prioritised / taken forward for Audit Plan 2021/22

Audit	Action Taken
ICF schemes (incl. Families First)	Carry forward to Audit Plan 2021/22
Libraries	Carry forward to Audit Plan 2021/22
Commercial Waste	Carry forward to Audit Plan 2021/22
Disposal of Land & Buildings	Carry forward to Audit Plan 2021/22
Health and Safety - Education	Carry forward to Audit Plan 2021/22
Cardiff West Community High School	Conclude Audit in 2021/22
Ysgol Gyfun Gymraeg Bro Edern	Conclude Audit in 2021/22
Mary Immaculate High School	Conclude Audit in 2021/22
SOP Review of Band B	Conclude Audit in 2021/22
Llanedeyrn Primary School	Carry forward to Audit Plan 2021/22
Marlborough Primary School	Carry forward to Audit Plan 2021/22
Cantonian High School	Carry forward to Audit Plan 2021/22
School CRSA Audits	Rather than completing a small number of individual CRSA audits, a large desktop sample review of CRSA return was completed.
Catering in Opted out schools	Carry forward to Audit Plan 2021/22
School Admissions	Carry forward to Audit Plan 2021/22
Cashless catering in secondary schools	Carry forward to Audit Plan 2021/22
Income and Debtors - Resources	Conclude Audit in 2021/22
Alarm Receiving Centre	Carry forward with focus given to Telecare in Audit Plan 2021/22
Resources (CTS)	Carry forward to Audit Plan 2021/22
Early help scheme (impact of FPOC)	Not prioritised / taken forward for Audit Plan 2021/22
Social Services - CHAD	Carry forward to Audit Plan 2021/22

Audit	Action Taken
Mental Health Day Services	Carry forward to Audit Plan 2021/22
Emergency Duty Team	Carry forward to Audit Plan 2021/22
Payments to Care Leavers	Carry forward to Audit Plan 2021/22
Residential Care	Carry forward to Audit Plan 2021/22
Workforce Development	Not prioritised / taken forward for Audit Plan 2021/22
City Deal 2020/21	Carry forward to Audit Plan 2021/22

## Work Areas where a Standard Audit Output is not prepared

It is important to understand that much work undertaken within Audit will not have a 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 project or process consultancy	Work providing advice and guidance to a number of programmes, projects or initiatives. 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. This year significant work has been completed, providing advice and guidance on the design of processes to administer a range of Welsh Government COVID grant and relief payments, and in undertaking post-award counter-fraud assurance checks.
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. A new comprehensive school CRSA has been developed, responded to by schools, and subject to desktop audit review at a sample size representing 25% of schools. A senior member of the audit team attends and contributes to 'schools causing concern' meetings.
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)

