

# Resources Directorate Internal Audit Section



## Internal Audit Progress Report (as at 31 December 2023)

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# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Internal Audit Progress Report sets out performance in relation to the Internal Audit Plan. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings.

This progress report covers the period from 1 April – 31 December 2023, and follows the updates provided in the last Committee meeting held on 28 November 2023. This report is structured to provide a summary account of the audit activities, resources, outcomes, and progress made against the Audit Plan 2023/24.

The Audit Plan 2023/24 was approved by Committee on 21 March 2023. The Internal Audit Plan provides the framework for audit work each year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year.

### 1.2 Independence and objectivity

The Internal Audit section reports to the Audit Manager. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained, as the Audit Manager is not responsible for managing any functions beyond the Internal Audit and Investigation teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

### 1.3 Continuing Professional Development

Auditors have completed their year-end personal reviews and formalised their objectives for 2023/24. Prior to discussing performance, auditors updated their skills assessment in application of the IIA Professional Competencies Framework.

The results of personal reviews and skills assessments informed the year-end Audit Manager's 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.

#### 1.4 Conformance with Audit Standards

On an annual basis the Audit Manager completes an internal review against the CIPFA Local Government Application Note, which breaks down the conformance requirements of the Public Sector Internal Audit Standards (PSIAS). In addition to internal reviews, the PSIAS requires that external assessments are conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The latest 5-yearly external assessment was completed and reported to the Governance and Audit Committee in March 2023, led by the Chief Auditor in Monmouthshire / Newport Councils. The assessment reported no partial or non-conformance. One optional action was proposed and has been implemented, relating to the communication of the audit scope and objectives along with the risk, within audit outputs.

#### 1.3 New Global Internal Audit Standards

The PSIAS are derived from International Standards for the Professional Practice of Internal Auditing (ISPPIA), established by the Institute of Internal Auditors (IIA). Further to the update to Committee in November 2023, and the resources and details provided at that point, the IIA has reviewed all elements of the International Professional Practices Framework (IPPF) including the ISPPIA and has published the new [Standards](#). Further updates and briefings will be provided to Committee when updates are made to the PSIAS to define public sector application.

## 2. SUMMARY OF WORK PERFORMED

### 2.1 Current Activities

During quarter three 2023/24, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to commence the delivery of assurance engagements from the Audit Plan.

The Internal Audit Team has continued to be available to provide advice and guidance on the design and implementation of effective controls, process changes and grant administration,

to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

Following the planned conclusion of the Audit Plan for 2022/23, a number of assurance audit engagements have commenced from the Audit Plan 2023/24. This work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, to observe the operation of physical controls or operating practices.

The table below shows a list of audits and their reporting status in the current year until 30 December 2023, whereby 29 new audit engagements have been completed to at least draft output stage and 24 audit engagements from the prior year have been finalised. A summary of the audit outputs and opinions in the year to date is shown below.

**Figure 1.** Audit outputs and opinions (at 31 December 2023)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	8	3	3	2	0	0
Final	45	11	21	3	1	9
TOTAL	53	14	24	5	1	9
	29	New Audit Engagements completed				
	24	Finalised Audit Engagements from 2022/23				

**Figure 2.** 2023/24 Audit outputs and opinions (at 31 December 2023)

No.	Assurance Audit Engagement	Audit Opinion
1.	Performance Management – Governance and Legal Services	Effective
2.	Performance Management – Children’s Services	
3.	Performance Management – Adults, Housing and Communities	
4.	Performance Management – People and Communities	
5.	Performance Management – Planning, Transport and Environment	
6.	Taxation	
7.	Performance Management – Resources	
8.	Electoral Services	
9.	Information Governance	

No.	Assurance Audit Engagement	Audit Opinion
10	Insurance	
11.	Youth Offending Service	Effective with Opp' for Improv't
12.	Performance Management – Education and Lifelong Learning	
13.	Trade Waste	
14.	Housing Rents	
15.	Pest Control	
16.	Planning	
17.	Value for money in use of Council Vehicles	
18.	Facilities Management / Building Support	
19.	Purchasing Cards	Insufficient, Major
20.	Cyber Security (Schools) – ICT Managed Technology	Improv't Needed
Audit Work with 'No Opinion'		
21.	Joint Committees - Prosiect Gwyrdd	Consultancy, Certification, Advice and Guidance
22.	Joint Committees - Port Health Authority	
23.	Joint Committees - Glamorgan Archives	
24.	Cardiff Further Education Trust Fund 2021/22	
25.	Education Improvement Grant 2022/23	
26.	Weighbridge software and Associated Controls	
27.	Purchasing and Payments CRSA	Control-Risk
28.	Payroll and HR CRSA	Self-Assessment
29.	National Fraud Initiative	Data matching
Concluded Audits from the Prior Year		
30.	School Asset Management - Thematic (Albany)	Effective
31.	Welsh Government Covid Grants – Assurance	
32.	Performance Management – Economic Development	
33.	Ysgol Bro Edern	
34.	Resources - Health and Safety (cf. 2022/23)	Effective with opportunity for improvement
35.	Harbour Authority	
36.	Cardiff Dogs Home	
37.	Health and safety - Education	
38.	City Deal 2021/22	
39.	Follow up - Cardiff West Community High School	
40.	Waste Management Enforcement	

No.	Assurance Audit Engagement	Audit Opinion
41.	Skip Hire	
42.	Eastern High School	
43.	Ethics and Values	
44.	Pensions and Investments	
45.	Asset Management	
46.	Disposal of Land and Buildings	
47.	Complaints and compliments	
48.	Payroll & HR - In-year Testing 2022/23	
49.	Whistleblowing Processes	Insufficient with Major Improv't Needed
50.	Contract Variations	
51.	Directorate PCI - DSS Compliance	
52.	School Asset Management - St Patrick's Primary School	Unsatisfactory
53.	Central Transport Service	

Further to the table above, the outputs that were not been given an assurance opinion and the reasons for this were as follows:

**Figure 3.** Completed audits without an assurance opinion (at 31 December 2023)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2022/23
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Cardiff Further Education Trust Fund 2021/22	Vouching spend, accounts and applicable grant use
Education Improvement Grant 2022/23	
Weighbridge software and Associated Controls	Consultancy
Purchasing and Payments CRSA	Control-Risk
Payroll and HR CRSA	Self-Assessment
National Fraud Initiative	Data matching

The report status for the year to date is shown in **Appendix A.**

## 2.2 Resources

Through previous progress reports, Committee has been advised of vacant posts held earlier in the year, for which two FTE appointments were made at senior auditor level in July, and two FTE auditor posts were appointed to in October. Committee has also been advised that three CIPFA Trainee postholders commenced in July, with one placed within Internal Audit during the current financial year.

Since their appointments, priority has been given to the development of new staff for their benefit, and for the longer-term benefit of the audit service overall. This was with the knowledge that providing detailed training and support would impact the capacity of the wider team as audit staff across the team have been involved.

All new staff have been supporting the delivery of audit fieldwork and the delivery of the Audit Plan will ramp up during quarter four, with posts now appointed to and with new staff having received initial training and development. Further details are provided in section 2.3 – Audit Plan.

As all operational auditors and the audit assistant record all actual time worked, there is useful management information available for planning, monitoring, and reporting purposes. Timesheet data contained 767 chargeable days in the year to date, against a pro-rata plan of 1,122 days (the pro rata days are calculated as an even quarterly average of available days for the year as a whole and are therefore affected by vacancies held until staff appointments. Staff training and development following appointment is also non-chargeable).

Time is available for audit development purposes, and one Auditor has funding in place to study the Certified Information Systems Auditor (CISA) Qualification with ISACA. To support their development and the delivery of the Audit Plan, it has been arranged for them to shadow and deliver the two ICT audits in the plan alongside a specialist auditor who has been commissioned under contract under the direction of the Audit Manager.

## 2.3 Annual plan

The Committee approved the Audit Plan 2023/24 in its meeting in March 2023 which is contained within Appendix B. Whilst set on an annual basis, the Audit Plan is adaptable and responsive and will be subject to ongoing risk assessment, prioritisation, and review

throughout the year to maximise assurance and management support. In-year changes may be introduced where appropriate, to respond to emerging risks and issues as the year progresses.

Through engagement with senior officers within the Education Directorate, a request was made to add two advisory audits to this year's Audit Plan, on 'schools education technology procurement' and 'school catering controls'. The request has been made by the Operational Manager who has taken on responsibility for these areas after the recent retirement of the Head of Services to Schools and asked for an audit review of the controls in place. These reviews have been agreed by the Audit Manager in accordance with his delegation to approve audit engagements of no more than 10 planned audit days without seeking approval from the Governance and Audit Committee.

Delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at the end of quarter three, for which the reasons primarily relate to vacant posts being held during quarter one, followed by appointments being made during quarter two for which training, and development have been prioritised as outlined in section 2.2. 'Resources'.

At the current stage in the financial year, the Audit Plan has been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work.

The audits being targeted for completion to draft reporting stage in the remainder of the year are contained within the table below. Completion of these audits would achieve a proportion of the Audit Plan completed at 69% for the year overall (against a target at the start of the year of 70%). The level of completion of the Audit Plan by 31 March 2023 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork; however, any of the following audits that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter 1 2024/25.



**Figure 4.** Targeted audits for completion during quarter 4.

Assignment	Area of Plan
In-year Testing - Purchasing Payments and Processing In-year Testing - Payroll & HR Main Accounting NNDR Treasury Management	Fundamental Systems
Backup and Data Recovery Cradle to Grave Audit Business Continuity	Corporate Audits
FOLLOW UP - Central Transport Service Event Management (Cardiff Castle) Community Safety Emergency Duty Team Climate Change Risk Management Building Repairs and Maintenance Falconwood Children's Home Direct Payments - Children's and Adults Hubs Street Cleansing Waste Management Overtime	Service Specific Audits
Cathays High school Woodlands High school Thornhill Primary Fairwater Primary Kitchener Primary Ysgol Gyfun Gymraeg Plasmawr Bishop of Llandaff High school	Schools Audits
Cardiff Further Education Trust Fund 2022/23 City Deal 2022/23	Grant / Certification / External Audits
Schools Education Technology Procurement School Catering Controls	Advisory Audits

For the information of the Committee, all audits that were at draft status at the end of 2022/23 are highlighted in 'grey' in order to enable the finalisation of these audits to be tracked, whilst providing a visible separation from the audit engagements contained within the Audit Plan 2023/24.

At all times audits are allocated on the basis that assurance is maximised and that a sufficient spread of coverage will be achieved in order to mitigate any risk to the provision of a full audit opinion on the Council's control environment at the financial year end. Performance measures are shown in section 3.2 'performance'.

#### 2.4 Critical Findings or Emerging Trends (Q3 2023/24)

During quarter three, two draft reports have been issued with audit opinions of 'insufficient with major improvement needed'. Management consideration and discussions will follow before the reports are finalised, at which time the assurance ratings and recommendations will be confirmed. Further details are provided on these audits below, together with details of an advisory review completed on the weighbridge software and associated controls.

An audit of Cyber Security in Schools focused on the arrangements within the Council for the direction and oversight of cyber security across the 128 schools within its boundary. The review considered the strategy that the Council implemented for managing funds provided by the Welsh Government programme for improving the use of digital technology for teaching and learning in schools and the impacts on the maturity of the Authority's cyber security posture. The report has provided an opinion of insufficient with major improvement needed and raises a small number of core governance and system-based recommendations which are designed to provide the basis of a framework for cyber security management and assurance across schools. These recommendations serve as practical building blocks upon which cyber security maturity and assurance can be developed and enhanced.

Arrangements for managing cyber security in schools demonstrate positive aspects, including alignment with the Welsh Government's Education Digital Standards, procurement of devices through a central catalogue maintained by the Government, and well-secured device deployment. However, it was considered that there was a need for clear ownership and defined roles, and responsibilities for cyber security in schools across key stakeholders including the

Council's Education Directorate, central ICT, Governing Bodies and schools. These are considered as essential to protect schools from cyber-attacks which could disrupt the education of learners, cause financial loss through data breaches and reputational damage to the Council and its schools. The audit identified several areas for improvement, including:

- Integrating cyber security into education technology investment strategies
- Enhancing third-party security assurance
- Establishing a structured governance framework with appropriate reporting and assurance
- Developing training, policies, and minimum cyber security standards for schools to comply with.

School Governors should have a critical role in supporting and overseeing the management of cyber security risk in educational settings regardless of whether they are using school IT systems themselves. Hwb have published high level guidelines for school governors with regards to the themes and the questions they should be asking schools, and this information has been signposted in the report to support training and awareness.

An audit of Purchasing Cards reviewed cardholder policies, procedures, controls and oversight, for which an opinion of insufficient with major improvement needed has been provided. It is considered that the general framework for procurement cards is sufficient, but systems were not being appropriately followed based on the sample and testing completed. The pertinent findings from the audit are outlined below.

From the sample selected, there were examples of purchases made which should have been made through other routes, such as business travel, car rental and foreign currency, and a split transaction was also noted to avoid exceeding a card transaction limit. There were a number of cases where cards were not being solely used by the assigned card user listed, but by at least one member of a wider team, which is not allowed in the terms of use. There were also instances where cards had not been cancelled or reassigned when officers were on maternity leave. More generally transactions were not being consistently reviewed, coded and reconciled by the end of each month, for effective and timely monitoring and oversight, and it is felt that consideration should be given to the seniority of officers who can approve transactions. Relevant managers are being made aware of the matters identified through the audit relating to their areas of responsibility, and recommendations have been made for management and corporate oversight and assurance arrangements to be strengthened.

In November, the Committee was advised that an advisory audit review was being arranged to review the weighbridge software and associated controls, following the procurement of a new system. The audit has been completed and, whilst some control improvements are noted since previous audit reviews, the new system purchased did not have some core reporting functionality for which further details are provided below. There has been a positive and prompt response to the matters raised during the audit, and it is essential that the system and management controls are now fully addressed.

The Weighbridge software system records weighbridge activity (waste movements) at Lamby Way and Bessemer Close, and there were several pressures for the recent system upgrade, notably that the existing software was being unsupported.

The service has implemented improvements since previous audit reviews, notably:

- An independent officer has been introduced to visually check and record the contents of all vehicles before entering the weighbridge. The materials recorded are being checked independently to the materials entered by the weighbridge operator.
- The weighbridge operator does not have the ability to amend tickets which record the weight and category of materials after transactions have completed. Any amendments at this stage are now limited to the Weighbridge Supervisor and Weighbridge Data Manager.

Not all required software functionality was available at the point of implementation, and this has affected monitoring and review processes within the service:

- A report on manual entries, which should only be required for operational reasons on an exception basis, has recently been made available. Any use of this functionality requires close monitoring and understanding, which the report will now facilitate.
- The system has not been able to report on amended tickets (materials and weight). At the point of reporting this remains as a priority development request for the software provider. In the meantime, management have agreed for weekly sample checks of tickets processed, through which identified ticket amendments would be reviewed. However, it is recognised that this is a core report that is needed for management monitoring and oversight.

A small number of wider audit comments have been provided to management on the weighbridge, and there are ongoing and regular discussion on system development and controls

with audit and senior officers within waste management, who are in regular engagement with the provider. This will continue until the required system reports are available and in use, and it is intended to include a follow up assurance audit on the weighbridge in the Audit Plan 2024/25.

## 2.5 Value for Money findings (Q3 2023/24)

An audit of value for money in use of Council vehicles has been recently completed and the findings were contained within the progress report to Governance and Audit Committee in November 2023. The vast majority of audits undertaken by the Internal Audit Team have objectives which cover value for money assurances, from which a general satisfactory level of assurance can be provided for the reporting period. However, within the audits of a lower assurance opinion, there were control gaps which need to be addressed to provide assurance that the objectives of these services are being run with proper attention to a combination of economy, efficiency, and effectiveness.

## **3 AUDIT PERFORMANCE AND ADDED VALUE**

### 3.1 Added Value

Relationship Manager meetings have continued to be held on a quarterly basis with Directors and their representatives during 2023/24. Particular focus has been given to understanding the priorities and risks within each management team, and the changes to systems or processes planned or underway, in order to direct audit advice and inform the planning of audit engagements.

Feedback from audit clients has been generally positive with 93% satisfaction and 88% of clients scoring all areas of their audit as good or excellent. Details were provided in the July Committee of the reasons why one audit did not receive satisfactory feedback from the audit client. All other clients reported that their audits added value.

In the audit outputs issued to date (as at 31 December 2023), there have been 93 recommendations made, of which 50 have been agreed through a finalised report. All other recommendations are being considered by audit clients through draft audit outputs. These are summarised below:

**Figure 5.** Recommendations raised and agreed.

Rating	Recommendations made	Recommendations agreed	Recommendations being considered
Red	2	0	2
Red / amber	27	12	15
Amber / green	54	34	20
Green	10	4	6
TOTAL	93	50	43

### 3.2 Performance

As outlined in section 2.1 ('Current Activities'), the priorities and approach of the audit team in the year to date were to deliver a combination of management support through consultation and engagement in high-risk areas, and to commence the delivery of assurance engagements from the Audit Plan 2023/24.

The primary reasons why the audit service is operating at a lower capacity during the quarter are outlined in 2.2 ('Resources'). At the outset of the year, a proposed target for delivery of the Audit Plan is set at 70% and this has been integrated into audit planning and performance management processes. The target was considered to be stretching and achievable, for which the primary reasons for slippage arise from vacant posts at the beginning of the year, followed by the prioritisation given to development new staff following their appointment, for their benefit, and for the longer-term benefit of the audit service overall. This was with the knowledge that providing detailed training and support would impact the capacity of the team.

The average number of audit productive days has been notably affected by the training requirements of the new Members of the Team following their appointment. Following their initial training, the performance against this measure should proportionately improve during quarter four.

A number of audits have been finalised from last financial year, as is shown in figure 2, and attention is being given to the timely conclusion of draft audit reports.

Only one draft report has not been issued in draft within four weeks in the year to date, which was in respect of the audit of 'Cyber Security within Schools'. This delay in reporting was

intentional, in order to engage with both the Director of Education and the Chief Digital Officer on the audit findings and the proposed way forward before the report was formally issued.

Governance and Audit Committee Members have taken particular interest in performance against the percentage of audit recommendations implemented within the agreed timescale, which has been below target for a number of years. The target of 80% for 2023/24 represents an ongoing expectation of the high delivery of agreed management actions, and an expected improvement of directorate performance from 2022/23. Performance against this measure has marginally improved in quarter three, after falling in quarter two. The importance of delivering on this target continues to be emphasised with the Senior Management Team.

**Figure 6.** Performance against targets for 2023/24 (to date)

Performance Indicator	2022/23 Outcome	2023/24 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	52%	70%	12%	24%	34%
The average number of audit productive days per FTE	144	150	28.48	54.21	86.99
The average number of finalised audits per FTE	6.64	8	3.07	4.35	5.75
The percentage of draft audit outputs delivered within four weeks	91%	90%	100%	100%	96.55%
The percentage of audit recommendations implemented within the agreed timescale	67%	80%	80%	71%	73%

### 3.4 Audit Plan Delivery

In addition to monitoring and managing the numbers of audits delivered, audit engagements are allocated in order to ensure that there is a breadth of assurance by the financial year-end, upon which to provide a complete Audit Manager annual opinion.

As outlined in section 2.1 – Current Activities, twenty-nine new audit engagements had been completed as at the end of quarter three 2023/24. The current position for the full Audit Plan 2023/24 is shown in **Appendix B – Audit Plan**.

### 3.5 Recommendations

A summary of the audit recommendations and progress at the reporting date are provided within **Appendix C**. Full recommendation trackers on the recommendations open, and those completed since the last committee, are available for Governance and Audit Committee Members via a SharePoint site for information and reference.

**Figure 7.** Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	19	17	2
Corporate	32	21	11
External and grants	12	12	
Adult Services, Housing & Communities	37	37	
Children's Services	26	19	7
Economic Development	48	45	3
Education and Lifelong Learning	93	64	29
Planning Transport and Environment	54	41	13
People and Communities	1	1	
Resources	80	56	24
Governance and Legal Services	10	10	
Waste Management	39	36	3
	451	359	92
Schools	228	185	43
<b>TOTAL</b>	<b>679</b>	<b>544</b>	<b>135</b>

**NB** - It should be noted that the table above represents the position as at 31 December 2023, whereas the recommendation tracker appendices show the detailed position against each recommendation at the closest possible date to each Committee meeting.

## 4. CONCLUSION

### 4.1 Summary

During quarter three 2023/24, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to progress delivery of assurance engagements from the Audit Plan.

Following the appointment to vacant posts, priority has been given to the development of new staff for their benefit, and for the longer-term benefit of the audit service overall. This



was with the knowledge that providing detailed training and support would impact the capacity of the wider team as audit staff across the team have been involved.

At the current stage in the financial year, the Audit Plan has been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work.

The audits being targeted for completion to draft reporting stage in the remainder of the year have been set out in this report. The level of completion of the Audit Plan by 31 March 2023 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork; however, any of the targeted audits that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter 1 2024/25.