

# Resources Directorate Internal Audit Section



## Internal Audit Progress Report (as at 29 February 2024)

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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 January – 29 February 2024, and follows the updates provided in the last Committee meeting held on 23 January 2024. 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 of 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 (ISPPA), established by the Institute of Internal Auditors (IIA). Committee was provided with details of the draft Standards in November 2023, and the final published [Standards](#) in January 2024.

The UK Public Sector Internal Audit Standards Advisory Board has begun its review of the new Standards ([IASAB](#)). The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements and the Committee will be kept updated on developments.

## 2. SUMMARY OF WORK PERFORMED

### 2.1 Current Activities

During 2023/24 to date, 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 deliver a sufficient breadth 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, attention has been focussed on 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 29 February 2024, whereby 39 new audit engagements have been completed to at least draft output stage and 29 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 29 February 2024)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	13	3	7	3	0	0
Final	55	15	26	3	1	10
TOTAL	68	18	33	6	1	10
	39	New Audit Engagements completed				
	29	Finalised Audit Engagements from 2022/23				

**Figure 2.** 2023/24 Audit outputs and opinions (at 29 February 2024)

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	

No.	Assurance Audit Engagement	Audit Opinion	
7.	Performance Management – Resources		
8.	Electoral Services		
9.	Information Governance		
10.	Insurance		
11.	National Non-Domestic Rates		
12.	Youth Offending Service		Effective with Opp’ for Improv’t
13.	Performance Management – Education and Lifelong Learning		
14.	Commercial (Trade) Waste		
15.	Housing Rents		
16.	Pest Control		
17.	Planning		
18.	Value for money in use of Council Vehicles		
19.	Facilities Management / Building Support		
20.	Backup and Data Recovery		
21.	Bishop of Llandaff		
22.	Thornhill Primary		
23.	Cardiff Capital Region City Deal 2022/23		
24.	Hubs		
25.	Cathays High School		
26.	Cradle to Grave – Contract Audit		
27.	Purchasing Cards	Insufficient, Major	
28.	Cyber Security (Schools) – ICT Managed Technology	Improv’t Needed	
29.	Fairwater Primary		
Audit Work with ‘No Opinion’			
30.	Joint Committees - Prosiect Gwyrdd	Consultancy, Certification, Advice and Guidance	
31.	Joint Committees - Port Health Authority		
32.	Joint Committees - Glamorgan Archives		
33.	Cardiff Further Education Trust Fund 2021/22		
34.	Education Improvement Grant 2022/23		
35.	Weighbridge software and Associated Controls		
36.	Cardiff Further Education Trust Fund 2022/23		
37.	Purchasing and Payments CRSA	Control-Risk	
38.	Payroll and HR CRSA	Self-Assessment	

No.	Assurance Audit Engagement	Audit Opinion
39.	National Fraud Initiative	Data matching
Concluded Audits from the Prior Year		
40.	School Asset Management - Thematic (Albany)	Effective
41.	Welsh Government Covid Grants – Assurance	
42.	Performance Management – Economic Development	
43.	Ysgol Bro Edern	
44.	Purchasing Payments and Processing - In-year Testing 2022/23	
45.	Resources - Health and Safety (cf. 2022/23)	
46.	Harbour Authority	
47.	Cardiff Dogs Home	
48.	Health and safety - Education	
49.	City Deal 2021/22	
50.	Follow up - Cardiff West Community High School	
51.	Waste Management Enforcement	
52.	Skip Hire	
53.	Eastern High School	
54.	Ethics and Values	
55.	Pensions and Investments	
56.	Asset Management	
57.	Disposal of Land and Buildings	
58.	Complaints and compliments	
59.	Payroll & HR - In-year Testing 2022/23	
60.	Whistleblowing Processes	
61.	Income and Debtors	
62.	Partnership / Arms-length Assurance	
63.	Catering in Opted out schools	
64.	Schools with Surplus Balances	
65.	Contract Variations	Insufficient with Major Improv't Needed
66.	Directorate PCI - DSS Compliance	
67.	School Asset Management - St Patrick's Primary School	
68.	Central Transport Service	Unsatisfactory

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 29 February 2024)

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	
Cardiff Further Education Trust Fund 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.

Delivery of the Audit Plan has ramped 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 1008 chargeable days in the year to date, against a pro-rata plan of 1,371 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 was arranged for them to shadow and deliver the two ICT audits in the plan alongside a specialist auditor, 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. 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.

Delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at 29 February 2024, 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'.

The Committee was advised in January 2024 that the Audit Plan had 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 reported as targeted for delivery to draft reporting stage before the financial year end, and the current status of these audits, is contained in Figure 4 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 2024 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 one 2024/25.

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

Assignment	Area of Plan	Status at 29 February 2024
In-year Testing - Purchasing Payments and Processing	Fundamental Systems	Active fieldwork
In-year Testing - Payroll & HR		Active fieldwork
Main Accounting		Active fieldwork
NDR		Draft issued
Treasury Management		Active fieldwork
Backup and Data Recovery	Corporate Audits	Draft issued
Cradle to Grave Audit		Draft issued
Business Continuity		Active fieldwork
FOLLOW UP - Central Transport Service	Service Specific Audits	Audit Planning
Event Management (Cardiff Castle)		Active fieldwork
Community Safety		Active fieldwork
Emergency Duty Team		Audit Planning
Climate Change Risk Management		Active fieldwork
Building Repairs and Maintenance		Active fieldwork
Falconwood Children's Home		Active fieldwork
Direct Payments - Children's and Adults		Active fieldwork
Hubs		Draft issued
Street Cleansing		Active fieldwork
Waste Management Overtime		Report Drafting
Cathays High school	Schools Audits	Draft issued

Woodlands High school		Active fieldwork
Thornhill Primary		Draft issued
Fairwater Primary		Draft issued
Kitchener Primary		Active fieldwork
Ysgol Gyfun Gymraeg Plasmawr		Audit Planning
Bishop of Llandaff High school		Draft issued
Cardiff Further Education Trust Fund 2022/23	Grant / Certification	Draft issued
City Deal 2022/23	/ External Audits	Draft issued
Schools Education Technology Procurement	Advisory Audits	Active fieldwork
School Catering Controls		Active fieldwork

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'.

In addition to engaging with Directors on the delivery of the Audit Plan for 2023/24, all directors have been engaged with in the development of the draft Audit Plan 2024/25. Further details are contained within the papers for agenda item 7.2.

#### 2.4 Critical Findings or Emerging Trends (Q4 2023/24 – as at 29 February 2024)

During quarter four, as at 29 February 2024, one draft report has been issued with an audit opinion of 'insufficient with major improvement needed'. Management consideration and discussions will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed. The audit related to Fairwater Primary School in which some gaps in control processes were considered to require particular attention. Namely, the school did not have an up-to-date asset register, a number of school governance policies and procedures were outdated and in need of review, goods and services were not consistently being raised through the official orders and the school private fund was overdue an audit, and its signatories needed to be updated.

## 2.5 Value for Money findings (Q4 2023/24 – as at 29 February 2024)

There were no value for money themed audits completed within the reporting period. 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 an audit with a lower assurance opinion, there would be 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 95% satisfaction and 91% 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 29 February 2024), there have been 160 recommendations made, of which 88 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	3	0	3
Red / amber	44	16	28
Amber / green	95	46	49
Green	18	10	8
TOTAL	160	72	88

### 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 further progress the delivery of assurance engagements from the Audit Plan.

The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2024, with relevant commentary, and it is provided below for reference ahead of the quarter four statistics which will be collated following the financial year-end.

A core focus of the team during quarter four is to deliver the majority of the audit engagements listed in figure 4 to draft report stage. This will provide a good level of coverage for the annual opinion from the Audit Manager on the Council's control environment.

Alongside this work, focus is being given to finalising audits on a timely basis and the delivery of audit recommendations within the required timescales. The Audit Manager attended a Senior Management Team meeting on 22 February 2024 to provide relevant analysis, to discuss performance, and to emphasise the importance of continued management attention in these areas.

**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, thirty-nine new audit engagements had been completed as at 29 February 2024.

### 3.5 Recommendations

A summary of the audit recommendations and progress at the reporting date are provided within **Appendix B**. 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	11	10	1
Corporate	18	4	14
External and grants	5	5	0
Adult Services, Housing & Communities	11	11	0
Children’s Services	22	15	7
Economic Development	46	41	5
Education and Lifelong Learning	61	32	29
Planning Transport and Environment	43	35	8
People and Communities	1	1	0
Resources	67	38	29
Governance and Legal Services	7	7	0
Waste Management	6	3	3
	298	202	96
Schools	228	185	43
<b>TOTAL</b>	<b>526</b>	<b>387</b>	<b>139</b>

**NB** - It should be noted that the table above represents the position as at 29 February 2024, 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 2023/24 to date, 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.

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. CIPFA Trainee postholders also commenced in July, with one placed within Internal Audit during the current financial year.

Since these 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. Delivery of the Audit Plan has ramped up during quarter four, with posts now appointed to and with new staff having received initial training and development.

The Committee was advised in January 2024 that the Audit Plan had 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 reported as targeted for delivery to draft reporting stage before the financial year end, have been set out in this report. The level of completion of the Audit Plan by 31 March 2024 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 one 2024/25.