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| Meeting of: | GOVERNANCE AND AUDIT COMMITTEE |
| Date of Meeting: | 18 APRIL 2024 |
| Report Title: | PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2023-24 |
| Report Owner / Corporate Director: | CHIEF OFFICER – FINANCE, HOUSING & CHANGE |
| Responsible Officer: | ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE |
| Policy Framework and Procedure Rules: | The proposals in this report are in accordance with the policy framework and budget. |
| Executive Summary: | <ul style="list-style-type: none"> • The progress made against the approved internal audit risk-based plan 2023-24 shows that 33 of 47 planned audit reviews have been completed which equates to a completion rate of 70%. • In addition 11 audits are nearing completion and if concluded over the next few weeks they will be included in the completion figure for 2023-24. • The Regional Internal Audit Service has set a target of 80% completion by the end of financial year. • Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, audit opinions have been given to 31 audits. 27 audits have been given Substantial or Reasonable assurance and 4 audits have been given Limited assurance. • Included within this year’s plan are 12 audits that were not undertaken or completed in 2022-23. 9 of the 12 audits are now completed and the remaining 3 are in progress. • A total of 162 recommendations have been made to date to improve the control environment. The progress being made in implementing these is regularly monitored by Internal Audit and reported to this Committee. |

1. Purpose of Report

- 1.1 To provide members of the Committee with a position statement on progress being made against the audit work within the approved Internal Audit Risk Based Plan 2023-24.

2. Background

- 2.1 In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which considers the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 2.2 The Internal Audit Plan for 2023-24 was submitted to the Governance and Audit Committee for consideration and approval on 1st June 2023. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an overall opinion at the end of 2023-24.
- 2.3 The plan is flexible to allow for changing circumstances and events that may occur, such as requests to respond to new issues that may emerge.

3. Current situation / proposal

- 3.1 Progress made against the approved plan for 2023-24 is attached at **Appendix A**. This details the status of each planned review, the audit opinion and the number of any high, medium, or low priority recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance and Governance and Audit Committee / Corporate Management Board (CMB) reporting, Fraud, Error or Irregularity. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.
- 3.2 The Regional Internal Audit Service (RIAS) has set quarterly targets to monitor the delivery of the approved audit plan. This will assist in ensuring sufficient audit coverage has been given to the Council in order to provide an overall opinion at the end of 2023-24. The targets that the RIAS are working towards at the end of each quarter are as follows:
- Qtr 1 = 10%
 - Qtr 2 = 30%
 - Qtr 3 = 50%
 - Qtr 4 = 80%
- 3.3 A summary of the progress made to date, and therefore a provisional final position, is shown in Table 1 below. To date 70% of the audit plan has been completed, however, 12 audits are still in progress. If any of these audits are concluded over the next few weeks, and an audit opinion provided, they will also be included in the overall annual opinion for 2023-24. Details of individual audit assignments are shown in **Appendix A**.

Table 1 – Summary of the Progress Against the Audit Plan 2023-24

| Status of Audits Assignments | Number | % of plan completed |
|---|-----------|---------------------|
| Final report issued | 32 | 68% |
| Draft report issued | 1 | 2% |
| Audits in progress – possible opinion | 11 | |
| Audits in progress – possible carried forward | 1 | |
| Audits deferred to 2024/25 | 2 | |
| Total | 47 | 70% |

3.4 An audit opinion is applied to an audit based on the assessment of the strengths and weaknesses of the areas examined during the audit through testing of the effectiveness of the internal control environment. Table 2 shows that 31 of the 33 completed audits have been given audit opinions (2 reports did not require an opinion). Details of individual audit assignments are shown in **Appendix A**.

Table 2 – Audit Opinions Applied to Audits 2023-24

| Audit Opinion | Number |
|-----------------------|-----------|
| Substantial Assurance | 7 |
| Reasonable Assurance | 20 |
| Limited Assurance | 4 |
| No Assurance | 0 |
| Total | 31 |

3.5 For reference, the audit assurance/opinion categories are:

| AUDIT ASSURANCE CATEGORY CODE | |
|-------------------------------|--|
| Substantial | A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. |
| Reasonable | There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. |
| Limited | Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. |
| No Assurance | Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited. |

3.6 Table 2 identifies that four audits have been given a Limited Assurance opinion; details have been provided previously in respect of three of these, the identified risks of the one audit completed since the last report is detailed below.

St Mary's Catholic School

The following key issues were identified during the audit which need to be addressed:

- Expenditure from the school budget, where applicable, has not adhered to the advertising and tendering requirements set out in the Financial Scheme for Schools.
- There was no evidence of prior authorisation being obtained, in accordance with Governing Body approved delegated spending limits, for procurements exceeding the Headteacher's delegated limit of £5,000.
- A finance agreement was not procured or authorised in accordance with the Financial Scheme for Schools
- No records are maintained to support cash withdrawals from the Private Fund account.
- The statutory Admissions Committee does not have an agreed Terms of Reference.
- 3 staff members had gaps between their cyclical 3-yearly DBS rechecks.
- 34% (11/32) staff members have not completed the mandatory data protection training module.
- No VAT has been reclaimed for any purchasing card transaction between April 2022 and October 2023.

3.7 The audit plan 2023-24 at **Appendix A** includes audits that were not started during 2022-23 or were incomplete at year end. There are 12 of these which are detailed at **Appendix B**. Table 3 below provides a summary of the current status of these - 9 of the 12 audits have been completed and the remaining 3 are in progress. If these 3 are completed over the next few weeks they will also be included in the annual opinion 2023-24.

Table 3 – Status of Audits Carried Forward into the Audit Plan 2023-24

| Status of Audits Assignments | Number | % Complete |
|---|-----------|------------|
| Final report issued | 9 | 75% |
| Draft report issued | 0 | |
| Audits in progress – possible opinion | 3 | |
| Audits in progress – possible carried forward | 0 | |
| Audits deferred to 2024/25 | 0 | |
| Total | 12 | 75% |

3.8 **Appendix A** shows a total of 162 recommendations have been made to date to improve the control environment: 16 high priority, 71 medium priority and 75 low priority. The implementation of the high and medium priority recommendations are regularly monitored by the Auditors to ensure that the identified and agreed improvements are being made. More detailed information is included in a separate report to this Committee.

4. Equality implications (including Socio-economic Duty and Welsh Language)

4.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

5. Well-being of Future Generations implications and connection to Corporate Well-being Objectives

5.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report

6. Climate Change Implications

6.1 There are no climate change implications arising from this report.

7. Safeguarding and Corporate Parent Implications

7.1 There are no safeguarding or corporate parent implications arising from this report.

8. Financial Implications

8.1 There are no direct financial implications arising from this report however effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

9. Recommendation

9.1 It is recommended that members of the Committee note the content of the report and the progress made against the 2023-24 Internal Audit Risk Based Plan.

Background documents

None