

<b>Meeting of:</b>	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
<b>Date of Meeting:</b>	<b>6 JUNE 2024</b>
<b>Report Title:</b>	<b>ANNUAL INTERNAL AUDIT REPORT 2023-24</b>
<b>Report Owner / Corporate Director:</b>	<b>HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE</b>
<b>Responsible Officer:</b>	<b>ANDREW WATHAN HEAD OF REGIONAL INTERNAL AUDIT SERVICE</b>
<b>Policy Framework and Procedure Rules:</b>	<b>The proposals in this report are in accordance with the policy framework and budget.</b>
<b>Executive Summary:</b>	<ul style="list-style-type: none"> <li>• <b>This report provides the Head of Internal Audit’s Annual Opinion on the Council’s control environment in relation to governance, risk management and internal control. It also informs the Governance and Audit Committee of the work and performance of Internal Audit for the Financial Year 2023-24. This information is provided to comply with the Public Sector Internal Audit Standards.</b></li> <li>• <b>Appendix A contains the Annual Internal Audit Report 2023-24 which details Internal Audit’s performance, opinions and recommendations made during the year which assist in forming the Head of Internal Audit’s Annual Opinion on the Council’s overall control environment.</b></li> <li>• <b>From the work undertaken during the financial year 2023-24 and considering other sources of assurance, the Head of Internal Audit’s annual opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control for 2023-24 is of Reasonable Assurance.</b></li> <li>• <b>Those audits that provided an audit opinion during the year are listed in Annex 1, the detailed position against the audit plan is at Annex 2 and Annex 3 is the recommendation monitoring position statement.</b></li> </ul>

## 1. Purpose of Report

- 1.1 The purpose of this report is to provide the Governance and Audit Committee with the Head of Internal Audit's Annual Opinion on the Council's control environment in relation to governance, risk management and internal control and to inform the Committee of the work and performance of Internal Audit for the 2023-24 financial year.

## 2. Background

- 2.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an Annual Report to support the Annual Governance Statement. The report should:
- Include an opinion on the adequacy and effectiveness of the Council's framework governance, risk management and internal control;
  - Present a summary of the audit work undertaken;
  - Draw attention to any issues that may impact on the level of assurance provided;
  - Provide a summary of the performance for the service;
  - Comment on conformance with the Public Sector Internal Audit Standards.
- 2.2 In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Internal 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 Internal Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 2.3 The Internal Audit Plan for 2023-24 was submitted to the Governance and Audit Committee for consideration and approval on 1<sup>st</sup> June 2023. The approved plan was flexible to be able to respond to changing circumstances and events that may occur during the year. The assurance gained from the audit work undertaken during the year assists the Head of Internal Audit in providing an overall annual opinion.

## 3. Current situation / proposal

- 3.1 The Annual Internal Audit Report is presented at **Appendix A** which summarises the reviews undertaken during 2023-24, the recommendations made and any control issues identified. A total of 41 reviews were completed with an audit opinion and a total of 230 recommendations made (25 High, 99 Medium, 106 Low). A breakdown is included at **Annex 1** of this Appendix. The annual report also discusses the performance of the internal audit service during the year and highlights individual staff development and training that has taken place.
- 3.2 Progress against the 2023-24 Risk Based Plan is attached at **Annex 2**. This details the status of each planned review. 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. This is because the

audit work carried out in respect of these items was planned but the nature of the work does not lead to testing and the formation of an audit opinion.

- 3.3 **Annex 2** illustrates the status of the 60 audit assignments included in the audit plan, 47 of which were opinion related of these 41 were concluded during 2023/24 with an audit opinion. Two audits were not started during the year after considering requests from services that were under pressure, these have been included in the 2024-25 audit plan. Four audits are ongoing and have been carried forward into the 2024-25 plan. It should be noted that 13 audit reviews listed have no audit opinion, this includes a data gathering exercise for School Cyber Security. The majority of these are routine internal audit work, for example advice and guidance, external audit liaison, fraud and irregularity work, audit planning and recommendation monitoring.
- 3.4 Based on the testing of the effectiveness of the internal control environment an audit opinion of *Substantial Assurance* has been given to 10 audit reviews (24%) and an opinion of *Reasonable* to 25 audit reviews (61%). The remaining 6 audit reviews (15%) have been given an audit opinion of *Limited*, that is only limited assurance can be placed on the current systems of internal control. Recommendations have been made for improvements and a follow up audit will be undertaken to ensure controls have been improved to mitigate the risks identified. Table 1 below illustrates the number of opinion / assurance audits completed in 2022/23 and 2023/24.

**Table 1 – Number of Audit Opinion Reviews Completed**

<b>Opinion / Assurance</b>	<b>2022-23</b>	<b>2023-24</b>
Substantial	13	10
Reasonable	20	25
Limited	1	6
No Assurance	0	0
<b>Total</b>	<b>34</b>	<b>41</b>

- 3.5 To ensure that appropriate action is taken on agreed management action plans, High and Medium recommendations are routinely followed up to assess the implementation progress. **Annex 3** provides a summary of the status of all High and Medium audit recommendations made.
- 3.6 Taking into account the results of the internal audit reviews completed during 2023-24, the recommendations made and considering other sources of assurance, such as Head Teacher and Chair of Governor Assurance Statements, the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2023-24 is of:

**“Reasonable Assurance.”**

No significant cross-cutting control issues have been identified that would impact on the Council's overall control environment and the weaknesses identified are service specific.

- 3.7 In providing this annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control

processes. The matters raised in this report are only those which came to our attention during our internal audit work in the 2023-24 financial year and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

#### **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 The Governance and Audit Committee is requested to consider and note the Annual Internal Audit Report for the 2023-24 financial year including the Head of Internal Audit's Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control.

#### **Background documents**

None