



ANNUAL INTERNAL AUDIT REPORT

2023/2024

Andrew Wathan, CPFA

**Head of Regional Internal Audit Service
May 2024**

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Section 1 – Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit to deliver an annual internal audit opinion and report which can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- 1.2 The 2023/24 Internal Audit Plan outlined the assignments to be carried out to enable the Head of Internal Audit to form an annual opinion of the Council's overall control environment including, governance, risk management and internal control.
- 1.3 The plan was flexible to respond to changing circumstances and events that may have occurred during the year such as pressures on services, the ability to access staff and evidence or requests to respond to new issues that may emerge.
- 1.4 The Internal Audit Service is delivered through the expanded shared service that came into existence on 1st April 2019. The service is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils.
- 1.5 The service reported to the four Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the four Councils.
- 1.6 During the year Auditors have had the flexibility to work from home or the office and have undertaken site visits as appropriate for each audit.
- 1.7 The initial partnership agreement was signed for three years and extended for two years. The arrangement is underpinned by a detailed legal agreement between the four Councils which sets out a range of obligations (the core service is the same for each Council but there are differences in what is provided outside of the core service). At the five-year anniversary, April 2024, the original partners needed to sign a new partnership agreement. Positive feedback was received in relation to audit service delivery from all four partner S151 Officers and senior management teams however, Rhondda Cynon Taf (RCT) have given notice that they do not wish to continue with the shared service partnership arrangement with effect from April 2024. Therefore a 3 Partner Model will be adopted during 2024/25.

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Section 2 – Summary of Reviews Undertaken 2023/24

- 2.1 On completion of the audit reviews an audit opinion is formed providing assurance for management and those charged with governance on how well the internal controls and governance arrangements of the system, establishment or area of review are operating.
- 2.2 Based upon the findings and recommendations made, an overall conclusion as to the level of assurance that can be provided is given as follows:

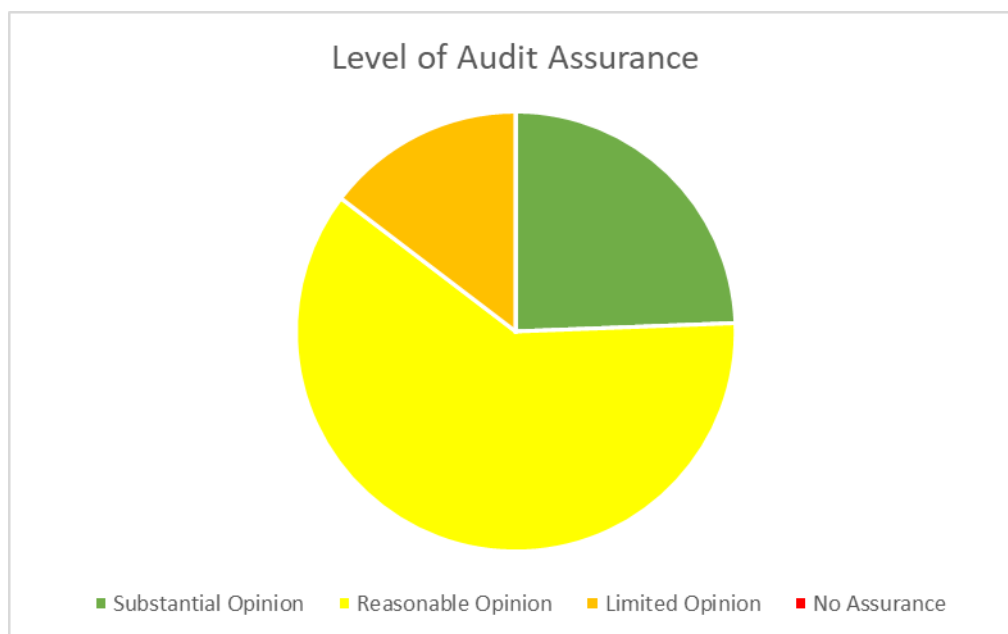
Table 1 - Audit Assurance Category Code	
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system 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.

Table 2 – Audit Opinion Given to Completed Audit Reviews 2023/24

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Schools & Education	Grant Verification	Total	%
Substantial	0	4	2	0	4	10	24
Reasonable	1	2	12	9	1	25	61
Limited	0	0	4	2	0	6	15
No Assurance	0	0	0	0	0	0	0
Total	1	6	18	11	5	41	100

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Figure 1



- 2.3 Table 2 illustrates that a total of 41 reviews have been given an audit opinion. A list of these audits is at **Annex 1**. A comparison of opinions issued in the previous year is shown at Table 3 below:

Table 3: Comparison of Audit Opinions

Opinion	2022/23		2023/24	
	Total	%	Total	%
Substantial	13	38%	10	24%
Reasonable	20	59%	25	61%
Limited	1	3%	6	15%
No Assurance	0	0	0	0
Total	34	100%	41	100%

- 2.4 A summary of the key control issues identified within the 6 **Limited Assurance** opinion audits are in Section 3 of the report.
- 2.5 The final position against the 2023/24 approved audit plan is attached at **Annex 2**. This details the status of each planned review, the audit opinion and the number of any high, medium or low recommendations made to improve the control environment. It should be noted that 13 audit reviews listed have no audit opinion. 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. This work is planned but the nature of the audit work

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carried out in respect of these items does not lead to testing and the formation of an audit opinion. Fact finding pieces of work were also undertaken.

- 2.6 **Annex 2** illustrates the status of the 60 audit assignments included in the audit plan, 41 of which were opinion related. A summary of the status of the planned audits is illustrated in Table 4 below.

Table 4 – Status of Planned Audits 2023/24

Status of Audits Assignments	Number	Percentage Completed (%)
Complete with audit opinion	39	
Draft with audit opinion	2	
Audit ongoing and carried forward	4	
Audit not started and included 2024/25 Plan	2	
Not undertaken or carried forward	0	
Sub Total	47	87%
Complete with no audit opinion	13	
Total	60	90%

- 2.7 The 2 planned audits which had not started during 2023/24 will be included in the 2024/25 audit plan. Both audits were delayed following the consideration of requests made by each relevant service area who were under pressure to deliver their service.
- 2.8 It is therefore considered that the level of Internal Audit coverage was sufficient for the Head of Audit to be able to give an annual overall opinion.

Section 3 – Limited Reports - Control Issues

- 3.1 Table 2 illustrates that 6 audit reviews identified control issues which meant that only *Limited Assurance* could be provided. These are detailed below:

3.2 School Vehicles

There is government guidance in respect of vehicle weight and the required licence category. The audit, which included 7 schools, identified that in one case the weight of the vehicle was unknown so compliance to the guidance could not be verified. In addition, some of the schools failed to regularly review staff driving licences to ensure validity and some vehicles had been driven by staff who did not hold the correct vehicle category on their driving licence or the licence was out of date which invalidates the insurance.

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3.3 Security & Access to Council Buildings

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

- There is an exceptionally high number of individuals with administrator rights to the door access control system known as the ACT system.
- One building is no longer used by most council staff but staff access permissions have not been amended to restrict unnecessary access.
- Testing showed a high number of leavers from the council, agencies and shared services remaining live on the access system.
- There is no current contract in place with the provider of the out of hours keyholding service.

3.4 Adult Placement / Shared Lives

This service is run under a partnership agreement between the Vale of Glamorgan Council and Bridgend County Borough Council with the Vale of Glamorgan Council as the lead authority. The Adult Placement (Shared Lives) Service Board, consisting of nominated officers from both authorities, are responsible for the governance hence the audit report has been issued to both Councils. The areas of improvement identified during this audit were :

- The audit found a lack of formal procedures in place in relation to administrative processes
- Minimal signed agreements for both the approved hosts and the service users were on file, and these are required by Regulations.
- Inconsistent Project Worker methods of monitoring cases were identified and insufficient procedures were in place to support individuals to safely manage their finances in line with Regulations.
- In addition, approved hosts have not been provided with the appropriate training.

3.5 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.

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- 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.

3.6 Procurement Tender Evaluation & Award

The key focus of this audit was on supplier payments for which there was no associated entry on the Council's contract register.

Various instances of non-compliance to the Council's Contract Procedure Rules were identified across the Council where supplier spend values did either not appear on the contract register or differed significantly to those on the register. In these 7 instances there was little or no evidence for the invitation of tenders and quotations, and therefore nothing to demonstrate that the Council had undertaken evaluation, approval and award in accordance with the Contract Procedure Rules. This could leave the Council at significant risk of challenge.

3.7 Recycling & Waste Management

The financial and performance monitoring of the waste and recycling contracts was audited, and it was found that no independent calculation or reconciliation is carried out as part of the review process prior to payment of monthly variable cost invoices to contractors. This resulted in financial errors and income not being recovered or claimed by the Local Authority.

- 3.8 Follow up audits are undertaken on previous limited assurance reports to ensure that improvements have been made to mitigate the risks previously identified. It is pleasing to note that the follow up audit undertaken at Abercerdin Primary school during 2023/24 demonstrated improvements and therefore a reasonable audit opinion was provided.

Section 4 – Recommendations 2023/24

- 4.1 Recommendations are made at the conclusion of an audit review if it is felt that improvements should be made to mitigate risk. Recommendations are included in a management action plan and following each audit report recipients are asked to complete the action plan showing whether they agree with the recommendations made and how they plan to implement them. The classification of each recommendation made assists management in focusing their attention on priority actions, these ratings being High, Medium and Low.

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Recommendation Categorisation	
Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
Low Priority	Action that is considered desirable and should result in enhanced control.

- 4.2 Management are asked to provide feedback on the status of each recommendation once the target date for implementation has expired. The implementation of these recommendations is monitored using MK Insight internal audit software to ensure improvements are being made and the monitoring is regularly report to Senior Officers via Corporate Management Board and to Governance and Audit Committee.

Table 5 – Analysis of Recommendations Made During 2023/24

Recommendations	Follow Ups	Financial Systems	Other Audit Reviews	Schools & Education	Grant Verification	Total	%
High	0	0	13	12	0	25	11%
Medium	7	2	43	46	1	99	43%
Low	4	7	32	62	1	106	46%
Total	11	9	88	120	2	230	100%

- 4.3 Table 5 illustrates that a total of 230 recommendations have been made to improve the control environment of the areas reviewed during 2023/24. Management has given written assurance that these will be implemented or have accepted the identified risk if the recommendation has not been accepted.
- 4.4 **Annex 3** provides a summary of the status of the high and medium internal audit recommendations made. This includes recommendations made in relation to audits completed in 2021/22 and 2022/23 which are yet to be implemented. The monitoring of recommendations is undertaken regularly by Auditors and any undue delays or issues are highlighted to Senior Management and ultimately the Governance and Audit Committee.

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Section 5 – Counter Fraud Work

- 5.1 In respect of suspected fraud, one matter was referred to Internal Audit for review during 2023/24 which related to the failure to declare a business interest. This review is included within **Annex 2**. A fact-finding exercise was undertaken, and fraud was not proven. However, areas for improvement within the Council's processes were identified and a recommendation was made to improve the controls and mitigate the identified risks within existing systems.
- 5.2 The National Fraud Initiative is also included in the audit plan. Internal Audit facilitates the upload of data and works with the Council's Senior Fraud Investigator to provide advice to officers reviewing the data matches. A biennial exercise commenced when data was extracted from the various Council systems and submitted for matching in October 2022. The matches were returned in January 2023 and work is still ongoing to review the data matches to identify if there any fraud or error has occurred. A new exercise will commence in October 2024.
- 5.3 A separate Annual Corporate Fraud Report will be presented to the Governance and Audit Committee which will outline the counter fraud work undertaken during 2023/24 which is being compiled by Bridgend's Senior Fraud Investigator. Internal Audit has an excellent working relationship with the Senior Fraud Investigator and significant liaison takes place in relation to policies, corporate fraud matters and related investigations.

Section 6 – Key Performance Measures – Client Satisfaction Questionnaires

- 6.1 The Internal Audit Service uses MK Insight (Internal Audit software) to enable clients to feedback with comments on the work undertaken by internal auditors. The client satisfaction questionnaires provide managers with the opportunity to feedback on the performance, professionalism and conduct of the auditor as well as the audit process in general. The questions are contained in **Annex 4**
- 6.2 The return rate was 46% (60% in 2022/23); this is an area that needs to be improved. A review of the process undertaken where surveys have not been returned will take place as well as a review of the questionnaires themselves to make sure they are easy to complete and submit.
- 6.3 The returned surveys however have confirmed satisfaction with the audit approach, the service provided and the conduct of the Auditors. It is pleasing that the average rate of satisfaction is 95% (94% in 2022/23). In addition to the above questions, the client also has an opportunity to make comments within the Client Satisfaction Questionnaire. Set out below are examples of comments received during the

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period. Most of the feedback received was positive and all comments received are considered.



Section 7 – Key Performance Measures – Staff Training

- 7.1 Investment in the development of staff continues as it is recognised that with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated, and versatile audit staff has never been higher.
- 7.2 In terms of professional training, our two Graduate Auditors have each successfully completed 4 Chartered Institute of Public Finance & Accountancy (CIPFA) exams attaining the CIPFA Certificate in Management and Financial Accounting. Their study will continue over the next 2 years and will result in them becoming fully qualified CIPFA Accountants. Another member of staff is working towards the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification, whilst a further 5 members of the team have indicated they wish to commence professional training during 2024/25.
- 7.3 Staff are encouraged to complete on-line courses to develop their skills and networking opportunities. Listed below illustrate the range of training courses that staff have completed during 2023/24: -
- Information Security
 - Phishing Training
 - Data Protection
 - Equalities
 - Climate Change
 - Ethics
 - Challenging Conversations
 - Delivering Effective Feedback
 - Fraud Awareness

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- How to use data effectively
- Stress Awareness

7.4 In addition, those staff who hold professional qualification continue to meet their continuing professional development (CPD) requirements.

Section 8 – Key Performance Measures – Benchmarking

8.1 The Regional Internal Audit Service (RIAS) participates annually in the Welsh Chief Auditors Group (WCAG) benchmarking exercise. The key performance measures for the Service are illustrated in Table 6. It should be noted that 13 of the 22 Councils returned their performance figures for 2022/23 representing a return rate of 59%.

Table 6 – Performance Data

Performance Indicator	RIAS Performance BCBC 2023/24	RIAS Performance BCBC 2022/23	WCAG Average Performance 2022/23
% of Planned Audits Completed	90%	79 %	75%
% of recommendations accepted versus made	100%	99%	98%
% of clients responses at least satisfied	95%	94%	100%

8.2 The RIAS set quarterly targets to monitor the delivery of the approved audit plan to assist in ensuring sufficient audit coverage has been given to the Council to provide an overall opinion at the end of 2023/24. The year-end target set was 80% and Table 6 illustrates that this was exceeded as 90% of the audit plan was completed. A total of 60 assignments were planned during the year of which 54 were completed. Of these, 41 audits were completed with an audit opinion. The nature of the remaining 13 audits did not lead to testing and the formation of an audit opinion, although in some instances recommendations are made.

8.3 Table 6 and **Annex 3** illustrate that 100% of the 124 high and medium recommendations made during 2023/24 were accepted by managers. The implementation of these is regularly monitored by Internal Audit staff and reported to Governance and Audit Committee and the Corporate Management Board.

8.4 Table 6 illustrates that 95% of clients who responded to the questionnaire were at least satisfied with the work undertaken by Internal Audit. This level has improved slightly from last year.

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- 8.5 The PI's illustrate that the performance of the Regional Internal Audit staff within Bridgend Council is still comparable to the Welsh average.

Section 9 – Public Sector Internal Audit Standards

- 9.1 The Public Sector Internal Audit Standards (PSIAS) encompass the following mandatory elements:
- Definition of Internal Auditing;
 - Code of Ethics
 - International Standards for the Professional Practice of Internal Auditing.
- 9.2 The Standards aim to promote further improvement in the professionalism, quality, and effectiveness of Internal Audit Services across the public sector. The Standards require that each public sector Internal Audit Service has in place robust arrangements for quality assurance and requires that Internal Audit be the subject of an external assessment at least once every 5 years by a qualified, independent reviewer from outside of the organisation.
- 9.3 The two possible approaches to external assessments outlined in the standard include either a full external assessment or an internal self-assessment which is validated by an external reviewer.
- 9.4. Members of the Welsh Chief Auditor Group (WCAG) elected to adopt the self-assessment approach, with another member of the WCAG undertaking the validation, a peer review assessment. At the time this was agreed with the Section 151 Officers and the former Audit Committees of the regional service.
- 9.5 The Internal Audit Service undertook as self-assessment against the standards during 2022/23 and a few areas of improvement were identified. This self-assessment and the supporting documentation were provided to the external assessor, the Acting Chief Internal Auditor at Newport City Council, to inform an external assessment undertaken in accordance with the Standards.
- 9.6 The outcome of the external assessment was that the Regional Internal Audit Service is fully conforming to the Standards with no partial conformance or non-conformance areas. There were two areas for consideration which would further enhance conformance with the PSIAS, although these were not a significant concern. The result of the external assessment was presented to Governance & Audit Committee in September 2023.

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Section 10 – Regional Internal Audit Service Progress

- 10.1 The expanded shared service came into existence on 1st April 2019, it is hosted by the Vale of Glamorgan Council and provides internal audit services to the Vale, Bridgend, Merthyr Tydfil & Rhondda Cynon Taf Councils. Rhondda Cynon Taf (RCT) have given notice that they do not wish to continue with the shared service partnership arrangement with effect from April 2024. Therefore a 3 Partner Model will be adopted during 2024/25.
- 10.2 The vision for the service is to be the provider of Internal Audit Services of choice to the public sector in South Wales and be a centre of excellence for public sector internal auditing and to be a service that is regarded as:
- ✓ Professional
 - ✓ Approachable
 - ✓ Flexible
 - ✓ Independent but internal to the organisation – a critical friend
- 10.3 During 2023/24, the recruitment process continued with the successful recruitment of 1 Auditor to a fill vacant post. This is a positive development, particularly when many services are struggling to recruit staff. The Graduate Auditors are being supported to become professionally qualified which will assist in succession planning.
- 10.4 Audit work has been conducted using various digital solutions and audit staff and auditees all have adjusted well to this way of working. It is likely that the audit service will largely continue to be delivered remotely with an element of office based and face to face working as required.
- 10.5 The audit software solution continues to be used. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 10.6 The longer-term success of the Regional Internal Audit Service includes plans to develop a commercial approach and analysing the potential public sector market. Limited progress has been made on this aspect as the foundations referred to above need to be embedded before progressing this.

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Section 11 - Opinion Statement 2023/24

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Revenues and Benefits) or generally in the reviews undertaken in respect of directorate systems and processes.

In providing my 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 financial year 2023/24 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at my opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31st March 2024
- The results of follow-up reviews of action taken to address audit recommendations;
- Whether or not any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives and activities.
- Other sources of assurance

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Risk Management

Effective Risk Management forms a key aspect of assurance and governance. The Corporate Risk Management Policy is aligned with Directorate Plans and the Council's performance management framework.

Key risks are distilled in the Corporate Risk Assessment which is regularly reviewed and challenged by senior management. Detailed reports are also provided quarterly to the Governance & Audit Committee. A Corporate Risk Management audit was undertaken during 2023/24 and a reasonable opinion provided. Risk management is also considered as part of every audit.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of **Reasonable Assurance** is given.

Governance Arrangements

Good Governance will facilitate effective management that can deliver long term success and performance of an organisation.

Governance arrangements are considered as part of every audit where applicable.

Whilst some governance issues were identified within the school audits, no other significant issues were identified from a governance perspective therefore an opinion of **Reasonable Assurance** is given.

Internal Control

I have based my opinion on internal control using the work undertaken by internal audit during the year.

A total of 41 reviews culminating in an overall opinion have been completed, 35 (85%) of which have been closed with either a *Substantial* or *Reasonable Assurance* opinion level. 6 reviews (15%) were given a *Limited* opinion which identified significant weaknesses in the overall control environment, and these have been summarised in Section 3 above.

Therefore, an opinion of **Reasonable Assurance** can be given on internal control.

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Head of Internal Audit Opinion Statement 2023/24

From the work undertaken during the financial year 2023/24 and taking into account 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 control for 2023/24 is:

“Reasonable Assurance”

The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

Many Council staff are continuing to work remotely, and systems & processes have had to be adjusted to cater for the new ways of working. Similarly, Internal Audit has worked remotely, conducting audits and obtaining evidence digitally. Each audit has considered the potential impact of remote working to ensure adequate controls and governance arrangements remained in place.

The recommendations made to improve governance, risk management and control have been accepted and are at various stages of implementation.

Andrew Wathan CPFA
Head of Regional Internal Audit Service
May 2024