

Meeting of:	GOVERNANCE AND AUDIT COMMITTEE
Date of Meeting:	28 NOVEMBER 2024
Report Title:	PROGRESS AGAINST THE INTERNAL AUDIT RISK BASED PLAN 2024-25
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"> • A summary of the progress made against the internal audit plan as at 31st October 2024 is detailed in Appendix A. It shows that 15 planned audit reviews have been completed which equates to a completion rate of 33%. • Audit opinions, based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment have been given to all 15 audits: 14 <i>Substantial or Reasonable Assurance</i>, and 1 <i>Limited Assurance</i>. • Included within the 2024-25 plan are 6 audits that were not undertaken or completed in 2023-24. Appendix B shows the status of these audits; 5 are completed and the other is in progress. • A total of 50 recommendations have been made to date to improve the control environment. The progress being made in implementing these is regularly monitored by the Audit team 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 2024-25.

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 2024-25 was submitted to the Governance and Audit Committee for consideration and approval on 6th June 2024. The Plan outlined the assignments to be carried out which will provide sufficient coverage to provide an overall opinion at the end of 2024-25.
- 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 the period 1st April 2024 to 31st October 2024 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 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 2024-25. 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 As at 31st October 2024, the level of coverage was 33%. A summary of the progress made to date is shown in **Table 1** below. Details of individual audit assignments are shown in Appendix A.

Table 1 – Summary of the Progress Against the Audit Plan 2024-25

Status of Audits Assignments	Number	% of plan completed
Final report issued	13	29%
Draft report issued	2	4%

Audits in progress	15	
Audits allocated and due to start this qtr.	9	
Planned Audits not yet allocated	6	
Total	45	33%

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 the audit opinions given to the 15 completed audits. Details of individual audit assignments are shown in Appendix A.

Table 2 – Audit Opinions Applied to Audits 2024-25

Audit Opinion	Number
Substantial Assurance	4
Reasonable Assurance	10
Limited Assurance	1
No Assurance	0
Total	15

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 there has been 1 *Limited Assurance* opinion audit issued to date. The details are below:

Payment Card Industry Data Security Standard (PCI-DSS) Compliance

As a PCI-DSS level 3 merchant, the Council needs to complete an annual Self-Assessment Questionnaire for compliance purposes. This had not been completed;

however the Council was in the process of engaging a Qualified Security Advisor to assess the Council's compliance.

- 3.7 Generally when a *Limited Assurance* opinion is issued, management need time to implement the agreed recommendations to make the necessary improvements to the control environment. In these circumstances, the Audit Team would undertake a follow up audit, usually within six to twelve months of the final report being issued to verify that appropriate controls were subsequently in place.
- 3.8 **Appendix A** lists 3 follow up audits that have been allocated and are in progress. Once complete, the audit opinions will be reported to Committee. If improvements have not been made and the recommendations have not been implemented this would result in a second *Limited Assurance* opinion. At this stage the Head of RIAS would recommend to members that they invite in the relevant Corporate Director / Head of Service to provide the necessary assurances that action would be taken to address the issues identified within the audit report.
- 3.9 The audit plan 2024-25 at **Appendix A** includes audits that were not started during 2023-24 or were incomplete at year end. There are 6 of these which are identified at **Appendix B**.
- 3.9 Table 3 below provides a summary of the status of these audits as at 31st October 2024; 5 of the 6 audits have been completed and the remaining audit is in progress.

Table 3 – Status of Audits Brought Forward into the Audit Plan 2024-25

Status of Audits Assignments	Number	% Complete
Final report issued	5	83%
Draft report issued	0	
Audits in progress	1	
Total	6	83%

- 3.10 **Appendix A** shows that a total of 50 recommendations have been made to date to improve the control environment: no high priority, 34 (68%) medium priority and 16 (32%) low priority. The implementation of the high and medium priority recommendations are regularly monitored by the Audit team 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 2024-25 Internal Audit Risk Based Plan.

Background documents

None