



ANNUAL INTERNAL AUDIT REPORT

2024-25

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**Head of Regional Internal Audit Service
May 2025**

**REGIONAL INTERNAL AUDIT SERVICE /
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



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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 2024/25 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 have emerged.
- 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 currently provides internal audit services to Bridgend, Merthyr Tydfil & the Vale Unitary Councils.
- 1.5 The service reported to the three Governance & Audit Committees and is overseen at a strategic level by the Board which consists of the Chief Finance Officers of the three 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 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, three of the original partners renewed the partnership agreement. Positive feedback was received in relation to audit service delivery from all partner S151 Officers and senior management teams however, RCT decided to leave the partnership; a 3 Partner Model has therefore been in operation from April 2024 and has worked well.

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Section 2 – Summary of Reviews Undertaken 2024/25

- 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 2024/25

Opinion	Follow Ups	Financial Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
Substantial		2	5		3	10	23
Reasonable	3	3	17	5	1	29	68
Limited			2	2		4	9
No Assurance						0	0
Total	3	5	24	7	4	43	100

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Figure 1 – Level of Audit Assurance

- 2.3 Table 2 illustrates that a total of 43 reviews have been given an audit opinion and 91% of these audit opinions are Substantial or Reasonable Assurance, a positive outcome. 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		2024/25	
	Total	%	Total	%	Total	%
Substantial	13	38%	10	24%	10	23%
Reasonable	20	59%	25	61%	29	68%
Limited	1	3%	6	15%	4	9%
No Assurance	0	0	0	0	0	0
Total	34	100%	41	100%	43	100%

- 2.4 A summary of the key control issues identified within the 4 **Limited Assurance** opinion audits are in Section 3 of the report.
- 2.5 The final position against the 2024/25 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 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 63 audit assignments included in the audit plan, 50 of which were opinion related. A summary of the status of the planned audits is illustrated in Table 4 below.

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Table 4 – Status of Planned Audits 2024/25

Status of Audits Assignments	Number	Percentage Completed (%)
Complete with audit opinion	42	84%
Draft with audit opinion	1	2%
Audit in progress and carried forward	3	-
Audit not started; considered for 2025/26 Plan	4	-
Not undertaken or carried forward	0	-
Sub Total	50	86%
Complete with no audit opinion	13	
Total	63	89%

- 2.7 The 4 planned audits which had not started during 2024/25 have been considered for inclusion in the 2025/26 audit plan.
- 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 4 audit reviews identified control issues which meant that only *Limited Assurance* could be provided. These are detailed below:

3.2 Business Continuity Planning

The following key issues were identified during the audit :

- Despite the process commencing in September 2022 a high number of service area Business Impact Assessments were outstanding leading to delays in subsequent stages of the process.
- There was no current record of prioritised critical systems, services and processes.
- The Corporate Business Continuity Plan was outdated.

3.3 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 at the time of the audit; however, the Council was in the process of engaging a Qualified Security Advisor to assess the Council's compliance. During the year the recommendations made have been implemented and a follow up audit is planned for 2025-26 to confirm that the identified control issues have been mitigated.

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3.4 Penybont Primary School

It was identified that the level of expenditure, using a Council Purchasing Card, at this school was extremely high when compared to other schools. The audit identified that records were not fully maintained including the retention of receipts and invoices. This meant that independent checks of the purchases were not being undertaken as expected. The audit also highlighted that purchased items were not being securely stored or recorded on an inventory.

3.5 Maesteg School

The following key issues were identified during the audit:

- Only the Head Teacher has a delegated expenditure limit at the school.
- A purchase of a minibus did not have the required 3 quotes or authorisation by the Full Governing Body available.
- The private fund had not undergone an independent audit for at least two years and records of cash received were not available for the two years up to September 2024.
- There was no breakdown of expected miscellaneous income in the school budget.
- Letting fees charged to hirers had not been agreed by the Governing Body and inadequate records maintained.
- Some new starters had commenced their roles without DBS clearance or risk assessments in place.

3.6 Follow up audits are undertaken to provide assurance that improvements have been made following a previous *Limited Assurance* audit opinion report. Of the 6 *Limited Assurance* opinion reports issued during 2023-24, Table 2 identifies that 3 of these have been followed up during 2024-25, improvements were identified and the audit opinions on all 3 were *Reasonable Assurance*. These are:

- School Vehicles
- Adult Placements/ Shared Lives
- Recycling & Waste Management

The remaining 3 *Limited Assurance* opinion audits will be undertaken during 2025-26:

- Security & Access to Council Buildings
- St Mary's Catholic School
- Procurement Tender Evaluation & Award

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Section 4 – Recommendations 2024/25

- 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.

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 reported to Senior Officers via Corporate Management Board and to Governance and Audit Committee.

Table 5 – Analysis of Recommendations Made During 2024/25

Rec. Category	Follow Ups	Financial Systems	Other Audit Reviews	Schools	Grant Verification	Total	%
High	1	0	5	5	0	11	5%
Medium	7	7	65	57	1	137	61%
Low	7	14	33	21	2	77	34%
Total	15	21	103	83	3	225	100%

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- 4.3 Table 5 illustrates that a total of 225 recommendations have been made to improve the control environment of the areas reviewed during 2024/25. 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 2022/23 and 2023/24 which are yet to be implemented. The monitoring of high and medium recommendations is undertaken regularly by Auditors and any undue delays or issues are highlighted to Senior Management and ultimately to the Governance and Audit Committee.

Section 5 – Counter Fraud Work

- 5.1 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 2024. The matches were returned in January 2025 and work is ongoing to review the data matches to identify if any fraud or error has occurred.
- 5.2 A separate Annual Corporate Fraud Report will be presented to the Governance and Audit Committee which will outline the counter fraud work undertaken during 2024/25 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 For Bridgend the return rate was 67% (46% in 2023/24), which is encouraging. A review of the process undertaken where surveys have not been returned will take

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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% (95% in 2023/24). 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 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 year and will result in them becoming fully qualified CIPFA Accountants. Another four members of staff are working towards the Chartered Institute of Internal Auditors, Certified Internal Auditor qualification.
- 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 2024/25:
- Data Protection
 - Safeguarding – Children and Adults

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- Fraud Awareness
- AI and Cyber skills
- Ethics
- Challenging Conversations
- Delivering Effective Feedback
- Project Management
- Welsh Language
- Oracle Fusion
- Writing Smarter

- 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) is a member of the Welsh Chief Auditors Group (WCAG) and its benchmarking exercise. When the figures become available they will be shared with the Governance and Audit Committee.
- 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 2024/25. The year-end target set was 80% and Table 4 illustrates that this was exceeded as 89% of the audit plan was completed. A total of 63 assignments were planned during the year of which 56 were completed. Of these, 43 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.

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

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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 a 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.
- 9.7 The 2024/25 self-assessment against the Standards resulted in a Substantial Assurance opinion. The report was shared with the Chief Officer Finance, Housing and Change.

Section 10 – Global Internal Audit Standards

- 10.1 A presentation on the new Standards was provided to Members of the Governance & Audit Committee.
- 10.2 From 1 April 2025 internal audit teams in the public sector in the UK will be working to new internal audit standards. These will be a combination of the Global Internal Audit Standards (GIAS) and CIPFA's Application Note, Global Internal Audit Standards in the UK Public Sector. The consultation on the Application Note closed at the end of October; the final version has recently been published.
- 10.3 The Global Internal Audit Standards will replace the Public Sector Internal Audit Standards, all reference to which within Internal Audit documentation will need to be updated, in particular, the Internal Audit Charter. Much of the day-to-day practice of

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undertaking audit engagements will not change, the team will need to make sure those engagements fulfil the new standards. Reports, plans and charters will need to be updated to reflect the standards.

10.4 As the Internal Audit team currently fully conforms with the Public Sector Internal Audit Standards (PSIAS) it should have most of the practices it needs. There are some additional requirements, and CIPFA's Application Note should help with those. But time will still be needed to make the transition and build familiarity during 2025/26.

10.5 There are a number of changes, the key ones are:

- a 'mandate' for internal audit; in local government, internal audit's primary mandate comes from statutory regulations
- an internal audit strategy
- professional courage and professional scepticism
- Internal Audit plans support the achievement of organisation's objectives

10.6 The Standards have 5 Domains, 15 Principles and 52 Standards:

The five domains are:

- Purpose
- Ethics & professionalism
- Governing
- Managing
- Reporting

10.7 The Principles and Standards sit within each Domain

Section 11 – Regional Internal Audit Service Progress

11.1 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 Bridgend, Merthyr Tydfil & the Vale Councils. The service has successfully operated as a 3 Partner Model from 1st April 2024.

11.2 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

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✓ Independent but internal to the organisation – a critical friend

- 11.3 During 2024/25, the service was supported by an agency auditor for a few months at the start of the year. The Graduate Auditors are being supported to become professionally qualified which will assist in succession planning.
- 11.4 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.
- 11.5 The audit software solution continues to be used. Ongoing development will continue to ensure maximum use of the improved functionality and reporting tools.
- 11.6 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 2024/25

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 2024/25 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 2025
- 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 43 reviews culminating in an overall opinion have been completed, 39 (91%) of which have been closed with either a *Substantial* or *Reasonable Assurance* opinion level. 4 reviews (9%) 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 2024/25

From the work undertaken during the financial year 2024/25 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 2024/25 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 2025