Internal Audit
Annual Report 2022/23

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Cardiff Council

Mission Statement
To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight

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1. Introduction

Background

1.1 The Internal Audit Team has an important role, as set out in the Public Sector Internal Audit Standards (PSIAS), and contained within its mission, to 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

1.2 Management is responsible for the system of internal control and for setting policies and procedures to ensure that internal controls are robust and functioning correctly, to effectively address and mitigate risks to the delivery of objectives across the organisation. Internal Audit is an assurance and consultancy function. It completes a range of work to provide an independent and objective opinion on the Council's control environment (governance, risk management and control), and offers critical advice, guidance and insight to management.

1.3 The Internal Audit Team operates in accordance with the Public Sector Internal Audit Standards (PSIAS). In order to demonstrate conformance with the PSIAS, the Audit Manager maintains a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to provide confidence to those relying on the Internal Audit Team's work on the professional standards applied and the quality of services. This is summarised within Section 5 of this report, through which there is a process of ongoing monitoring, periodic review, and 5-yearly external assessment to accord to PSIAS Standard 1300.

1.4 The latest 5-yearly external assessment was completed and reported to the Governance and Audit Committee in March 2023, led by the Chief Auditor in Monmouthshire / Newport Councils, who was allocated to undertake the peer assessment of Cardiff Council's Internal Audit service. The assessment has reported no partial or non-conformance. One optional action was proposed and has been implemented, relating to the communication of the audit scope and objectives along with the risk, within audit outputs.

1.5 During the year, the Governance and Audit Committee's terms of reference required it to oversee internal audit arrangements and delivery. Quarterly performance reports have been provided to the Committee throughout the year, and this annual report is presented to the Committee for consideration and comment.

1.6 The audit team has maintained focus on the Council's operating environment and providing assurance in the context of continued pressures and challenges. Following initial challenges arising from the pandemic, which introduced a need for prompt grant distribution, service changes, and the introduction of new ways of working, the Council has needed to support the

arrival of Ukrainian refugees. The introduction of new systems and processes requires good governance and control, and accordingly, internal audit has provided advice and guidance for relevant assurance.

1.7 The demand for services remains notably high and, at a time of inflationary pressures, a cost-of-living crisis and continued constraints on public finances, the need for effective management of public finances and resources, and independent assurance remains vital.

The Annual Reporting Process

1.8 This annual report gives an overview of audit performance during 2022/23, provides an opinion on the adequacy of the control environment in Cardiff Council, and reports the incidence of any significant control weaknesses.

1.9 The annual report includes:
    (a) The Audit Manager's opinion on the Council's control environment;
    (b) A summary of the work that supports the opinion; and
    (c) A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.

Requirement for Internal Audit

1.10 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control. The Council also has a duty to prepare an Annual Governance Statement. The Audit Manager's opinion on the Council's control environment from this report is included within the Annual Governance Statement to provide independent assurance to the Council's stakeholders based on the Internal Audit's programme of work.

1.11 The Audit Manager (referred to as the Chief Audit Executive in the PSIAS) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement, and conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In doing so, the Audit Manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

Independence and Objectivity (PSIAS standard 1100)

1.12 The Audit Manager does not manage any functions other than the Internal Audit and Investigation Teams. Organisational independence has been achieved throughout 2022/23. The Corporate Director of Resources & Section 151 Officer is the Senior Manager overseeing the Internal Audit Function. The Audit Manager reports administratively to the Head of Finance (Deputy Section 151 Officer) and has direct reporting access to the Chief Executive, the Chair of Governance and Audit Committee and all elected Members where required.

1.13 Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies of which they are members. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner.

1.14 The PSIAS requires any conflicts of interest or impairment to independence or objectivity to be disclosed. Each year, all members of the Internal Audit section are required to complete a Staff Declaration Statement (and update it if circumstances change during the year). This identifies any potential conflict of interest that any member of the team may have, which is considered when assigning and undertaking audits. All declarations were appropriately taken into account in allocating and conducting work. There were no impairments to independence or objectivity in 2022/23.

2. Context and Approach

Audit Plan 2022/23

2.1 The Audit Plan 2022/23 was approved by the Governance and Audit Committee on 15 March 2022, after consideration and agreement with the Council's Senior Management Team. The Plan provided the framework for audit work aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year. Each year, the Plan is mapped to business objectives and key systems, whilst being informed by risk, governance and assurance assessments.

2.2 During the year to date, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to progress targeted assurance engagements from the Audit Plan.

Audit Consultancy

2.3   The Internal Audit Team provides insight and guidance on areas of control during process development / change. It has continued to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh and Central Government grant schemes such as the Homes for Ukraine Scheme, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

Assurance Audit Plan

2.4   The Audit Plan is substantially comprised of assurance audit engagements, designed to support a full annual audit opinion on the Council's control environment. The Plan is of sufficient size to enable decisions on the timing and prioritisation of audit engagements to be made as each year progresses. Each year, a proportion of the Audit Plan is targeted for delivery, and the target for 2022/23 was 70%.

2.5   Whilst set on an annual basis, the Audit Plan is adaptable and responsive and subject to ongoing risk assessment, prioritisation and review throughout the year to maximise assurance and management support. In its meeting on 24 January 2023, the Governance and Audit Committee was advised that 25 audits were being prioritised for completion by the year-end. The prioritised approach was taken, in the context of reduced staff resources due to vacant audit posts, to ensure all fundamental areas of the plan were delivered, that core areas of corporate governance were reviewed, and that there was sufficient coverage at the directorate level in order to provide a full audit opinion on the Council's control environment. Alongside this targeted approach, four audits were delivered via contract under the direction and control of the Audit Manager.

2.6   During the year, auditors completed the majority of their work while working remotely from home and only a small number of site visits were undertaken (supported by authorised risk assessments and control processes), in consideration of business requirements.

Developing the Audit Opinion

2.7   During the financial year, the Audit Plan and approach to delivery has been designed in order to target assurance on key risks and controls, and to provide an adequate body of assurance work to support a full annual opinion on the Council's control environment. This has included setting a prioritised approach to auditing fundamental systems and corporate governance and progressing a targeted spread of wider assurance work.

2.8 All decisions in respect of the Plan have been made with appropriate attention to risk, professional standards and advisories from CIPFA, the CIIA, the Internal Audit Standards Advisory Board and the advice of professional and peer officers.

2.9 In considering professional guidance, audit coverage and risk:
- Priority was given to substantially delivering the 'fundamental' and 'corporate governance' categories of audits. Work was completed in all fundamental areas of the Audit Plan, and the majority of Corporate Governance audits were delivered.
- At a directorate level, a spread of audit was completed, considering current levels of assurance and the importance of each audit engagement to achieving a full annual opinion on the Council's control environment.

3. Opinion & Control Environment Review

Opinion 2022/23 (PSIAS standard 2450)

3.1 The Public Sector Internal Audit Standards (PSIAS) state that the 'Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.' This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.

3.2 This opinion has been prepared by the Audit Manager (Chief Audit Executive for the purpose of the PSIAS), based on the provisions of the PSIAS. In preparing and forming this opinion, a number of sources of information, assurance and insight have been taken into account, including:
- Assurance Audit Engagements – The risk-based annual audit plan has been delivered through an approach to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, monitoring of Council activity, strategy, risks, and wider assurance sources. For all audits, current risks, pressures and priorities continue to inform the audit scope and testing.
- Consultancy Audit Engagements - The Internal Audit Team provides insight and guidance on areas of control during process development / change. It has continued to provide advice and guidance on the design and implementation of effective controls in the administration of

Welsh and Central Government grant schemes such as the Homes for Ukraine Scheme, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

- Discussion with Senior Managers – There have been quarterly relationship manager meetings with Directors or their representatives, Audit Manager attendance at Senior Management Team meetings where assurance items have been considered, and regular meetings with the Chief Executive and Corporate Director Resources (Section 151 Officer).
- Risk & Governance Reviews – Risk Registers and Senior Management Assurance Statements which underpin the Council's Annual Governance Statement are subject to regular audit review, and assurance audit engagements.

3.3   Based on the programme of audit work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2022/23 is **effective with opportunity for improvement.** This opinion is based on the delivery of a sufficient Audit Plan, and with an acknowledgment of the significant pressure on Council resources in both demand and budgets, which has been managed through a resilient performance culture.

3.4   The audit opinion comprises assessments of governance, risk management and control, and includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.

- Reviews have been completed in all planned fundamental system areas.
- In accordance with an approach communicated to the Governance and Audit Committee, the majority of corporate governance audit engagements were completed during the year, supported by a spread of directorate-level assurance audit engagements.
- Corporate risk management arrangements have been maintained during the year, and a review of directorate risk management has been completed and has reported that there is an appropriate level of risk management maturity in operation at directorate levels.
- The Council has continued to administer emergency relief, grant payments and support services on behalf of the Welsh and Central Government, and the Internal Audit and Investigation Teams have advised management on the design of systems and counter-fraud checks in accordance with scheme requirements.

3.5   The control environment for core financial systems was sufficient, and the majority of audits overall (87%) were allocated an opinion of 'effective' or 'effective with opportunity for improvement'. Eight audits have been given an audit opinion of 'insufficient with major improvement needed' recognising the need for attention to achieve sound controls, and one audit (in respect of the Central Transport Service) was given an 'unsatisfactory' opinion.

3.6 Audit assurance and support continues to target and follow up on high-risk areas. Focus is being given to finalising audits on a timely basis with audit clients and to the importance of the implementation of audit recommendations within the required timescales.

How the control environment is reviewed

3.7 Internal Audit uses a risk-based approach to audit planning, in accordance with Section 2010 of the PSIAS. The Council's Corporate Risk Register was used to inform the annual audit plan for 2022/23, together with sources of assurance from both within and outside the Council to ensure that audit time and resources targeted the more significant areas. This risk-based approach to audit planning captures emerging risks and issues, and results in a comprehensive range of audits that are undertaken to support the overall opinion on the control environment.

3.8 For 2022/23, the audit assurance opinion definitions were used as outlined in the table when allocating an audit opinion. These assurance levels and definitions were based on those developed by the Chartered Institute of Internal Auditors (CIIA).

Table 1- Audit Assurance Opinion - Definitions

Assurance level	Definition
Effective	• The controls evaluated are adequate and appropriate • The control environment appears sound to provide reasonable assurance that all high level risks are adequately controlled • No findings noted (or a small number of low risk recommendations)
Effective with opportunity for improvement	• A few specific control weaknesses and/or opportunities for improvement were noted • Controls evaluated are otherwise adequate and appropriate to provide reasonable assurance that risks are adequately controlled
Insufficient with major improvement needed	• Some high level risks are not adequately controlled • Numerous specific control weaknesses were noted • Although immediate soundness and safety are not threatened, the control environment requires improvement as it does not provide reasonable assurance that all high level risks are adequately controlled • There may be a risk of exposure to fraud or security vulnerabilities
Unsatisfactory	• The control environment is not adequate and is below standard • The control environment is considered unsound • A lack of attention could lead to significant losses

3.9   The table below sets out the Red / Amber / Green (RAG) ratings given for recommendations and information on the criteria applied when allocating the risk rating.

Table 2 - Red / Amber / Green (RAG) ratings - Criteria

Rating	Criteria
Red	This is a high priority issue and immediate attention is required. This is a serious internal control or risk management issue that, if not mitigated, may (with a high degree of certainty) lead to: • Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organisational entity or process being audited • Serious violation of Council strategies, policies or values • Serious reputational damage • Significant adverse or regulatory impact, such as loss of operating licenses or material fines Examples are: • A policy / procedure does not exist for significant Council processes • Preventative, detective and mitigating controls do not exist • Council reputation or financial status is at risk • Fraud or theft is detected • Council is not in compliance with laws and regulations
Red / Amber	This is a medium priority issue and timely management action is warranted. This is an internal control or risk management issue that could lead to: • Financial losses • Loss of controls within the organisational entity or process being audited • Reputation damage • Adverse regulatory impact, such as public sanctions or immaterial fines Examples are: • A policy exists but adherence is inconsistent • Preventative and detective controls do not exist, but mitigating controls do exist • The Council's compliance with laws and regulations requires additional evaluation and review • There is a possibility of inappropriate activity
Amber / Green	This is a low priority issue and routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and / or efficiency of the organisational entity or process being audited. Examples are: • A policy exists, but was not adhered to on an exception basis • Preventative controls do not exist, but detective and mitigating controls exist • There is a remote possibility of inappropriate activity
Green	Best practice

3.10 Audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The Council has over a number of years lost a considerable number of officers with experience and knowledge, resulting in process and role changes in order to absorb the impact. The pressure to change services due to constrained financial resources being available is bringing with it new challenges and risks that need to be managed.

3.11 The Internal Audit approach is informed by this risk, and an inherent prioritisation is given to providing assurance on core financial systems and areas of governance ahead of more localised service specific audits. The actual audits allocated are based on the application of a risk-based planning process, informed by wider sources of intelligence and assurance.

3.12 The audit plan in 2022/23 continued an approach to allocating resources to audit assurance themes across the Council and audits of Directorate Performance Management were included in the Audit Plan. At the financial year-end, one audit of directorate performance management had concluded and audits in all other directorates were commencing. The findings will result in recommendations at a directorate level, and an opportunity to reflect on whether there is any scope for further enhancement at the corporate level.

4. Summary of Work Performed

4.1 The work of Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping ' … *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*' The nature of audit services is outlined in the Audit Strategy and the Audit Charter. The Audit Plan documents the listing of planned audit engagements each year.

- The Audit Charter and the Audit Plan 2022/23 were approved by the Governance and Audit Committee on 15 March 2022, and at this time the Committee also considered the Audit Strategy.
- To further clarify the priority areas of audit focus this year, in its meeting on 24 January 2023, the Governance and Audit Committee was advised that 25 audits were being prioritised for completion by the year-end. The prioritised approach was taken, to ensure there was sufficient audit coverage in order to provide a full audit opinion on the Council's control environment.

4.2 A listing of the audit engagements delivered in 2022/23 is attached in **Appendix A**, whereby 55 new audit engagements were completed to at least draft output stage against a plan of 105 audits (52%), and a further 23 draft outputs from the prior year were finalised. The Audit Plan is responsive to risk and, accordingly, some audits were prioritised or deferred during the financial year, with the engagement of the Governance and Audit Committee. Information on audits deferred is contained within Appendix A.

4.3 The audits completed in 2022/23 and the assurance levels given are shown in the table below:

Table 3 - Audits completed in 2022/23 and the assurance levels given

Status	Number of audit outputs	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	30	4	23	2	1	0
Final	48	7	26	6	0	9
TOTAL	78	11	49	8	1	9
	55	New Audit Engagements Completed				
	23	Finalised Audit Engagements from 2021/22				

4.4 Assurance audit engagements will generally result in an audit opinion, whereas audit work of a consultation or advisory nature will not typically assign an assurance rating. The listing of assurance and consultancy audit engagements completed is included in Appendix A.

4.5 It should be noted that in respect of CRSA style audits, an audit opinion is not provided at the point of completion by the directorate. The audit opinion is provided upon once sufficient in-year testing has been completed which follows the original CRSA receipt, advice and guidance to management.

4.6 Details of all audits and audit opinions, together with other tasks performed and key performance indicators, are reported quarterly to the Chief Executive and Section 151 Officer and at each meeting of the Governance and Audit Committee.

4.7 The table below shows the audits completed in 2022/23 analysed over the different audit areas.

Table 4 - Audits completed in 2022/23 analysed over the different audit areas

Audit Area	Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given	TOTAL
Fundamental	4	6			2	12
Corporate Governance	1	21	4		2	28
Adults Services, Housing and Communities	2	1				3
Childrens Services			2			2
Economic Development	1	7				8
Education and Lifelong Learning	1	8				9
Governance and Legal						0
People and Communities	1	1				2
Planning, Transport and Environment		1	2			3
Resources	1	3		1		5
Grants / Accounts / External Bodies		1			5	6
TOTALS	11	49	8	1	9	78

4.8 It can be seen in Appendix A that a number of audits have been given an audit opinion of "insufficient with major improvement needed" recognising the need for attention to achieve sound controls. One audit of Central Transport Service was given an "unsatisfactory" opinion. All unsatisfactory audits are subject to a follow-up audit, and audit assurance and support targets and follows up on the highest risk areas.

4.9 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or action plan. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where a standard audit output may not be the outcome.

4.10 A key element of the role of Internal Audit has continued to be working with clients where systems and processes are being redesigned and reconfigured as outlined in section 2 of this report. Here, the auditor's role is to provide advice and guidance for management to support them to ensure there are effective arrangements for risks to be properly identified and mitigated and for the implementation of effective controls.

Reports to the Governance and Audit Committee

4.11 An important role of the Governance and Audit Committee in 2022/23 has been to oversee the role and performance of the Council's Internal Audit team. In addition, Internal Audit has been required to inform the Governance and Audit Committee about the adequacy of the Council's governance and internal control systems. The table below summarises the information the Committee has received from Internal Audit during 2022/23.

Table 5 - Summary of the information the Committee has received from Internal Audit during 2022/23

Report	Purpose
Internal Audit update reports	Quarterly summaries of the performance of Internal Audit, the audit work scheduled and completed, and the critical findings and trends were provided to the Governance and Audit Committee in 2022/23. This supports the Committee in its role to oversee the work and performance of audit, and the adequacy of council governance, risk management and internal control.
Annual Audit Plan, Charter and Strategy 2023/24.	The Committee considered the Audit Strategy and approved the Annual Audit Plan 2023/24 and Charter in March 2023. These are considered and approved annually in March, which is prior to the forthcoming financial year.
Annual Reports 2021/22	Last year's Internal Audit Annual Report was provided to Governance and Audit Committee in July 2022, providing an overview of the work undertaken by Internal Audit and the Audit Manager's opinion on the Council's control environment for 2021/22. The Counter-Fraud Annual Report 2021/22 was provided to the Governance and Audit Committee for awareness and consideration in September 2022.
External Quality Assessment - PSIAS	The latest 5-yearly external assessment was led by the Chief Auditor in Monmouthshire / Newport Councils and reported to the Governance and Audit Committee in March 2023. The assessment reported no partial or non-conformance.

5.   Quality Assurance and Improvement Programme

Requirements and Assurance (PSIAS Standard 1300)

5.1   Internal Audit is committed to working to the highest professional standards, and to delivering quality services that add value for senior management. The Audit Manager maintains a Quality Assurance and Improvement Programme (QAIP), which is designed to achieve high professional performance operating in accordance with PSIAS and the Code of Ethics. The QAIP is summarised in **Appendix C** and included in the Internal Audit Charter.

5.2   The QAIP developed for Cardiff Council's Internal Audit Team is based on a performance management approach to delivering 'output focussed – quality controlled' audit services. The approach in Cardiff has been included in a compilation of good practice CIPFA case studies. Leading internal audit in the public sector – principles into practice, 2019

5.3   The PSIAS provides the following outline of the QAIP:

'A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.'

5.4   The quality assurance and improvement programme must include both internal and external assessments, the requirements, and the review processes applied are documented below.

Table 6 - Internal and external assessments, the requirements, and the review processes applied

	Requirements	Process of Review and Conformance
EXTERNAL ASSESSMENTS	External Assessments conducted at least once every five years by a qualified, independent assessor / assessment team from outside the organisation.	The latest 5-yearly external assessment was led by the Chief Auditor in Monmouthshire / Newport Councils and reported to the Governance and Audit Committee in March 2023. The assessment reported no partial or non-conformance.

	Requirements	Process of Review and Conformance
INTERNAL ASSESSMENTS	Ongoing monitoring of the performance of the internal audit activity.	Each auditor has monthly monitoring, mid-audit, and quality assurance reviews, to ensure that all audits are complete, of a high professional standard, and delivered in conformance with the PSIAS and the Code of Ethics. A range of performance information is reported and monitored on a balanced scorecard basis as outlined in Appendix C. The Audit Manager considers and reports on performance information that makes up the QAIP in each Governance and Audit Committee Progress Report, through which any non-conformance would be disclosed. Throughout the year the Audit Manager has considered practice advisories and guidance in respect of delivering professional responsibilities and reporting from the IASAB, the CIIA and CIPFA.
INTERNAL ASSESSMENTS	Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.	On an annual basis, the Audit Manager considers the QAIP performance for the year as a whole, reflecting on the ongoing assurance framework information and outputs, and through the following annual activities: • Completing a self-assessment against the Local Government Application Note • Reviewing performance against the CIPFA Statement on 'The role of the Head of Internal Audit' • Reviewing the results of the skills assessment exercise completed by all members of the Internal Audit Team, in application of the CIIA Competency Framework • Reviewing the annual Personal Reviews for all members of the Internal Audit Team. *The Audit Manager is a qualified accountant and a chartered member of the Institute of Internal Auditors.*

5.5   Through application of the QAIP, assurance can be provided of ongoing conformance with the PSIAS and application of the Code of Ethics.

Performance

5.6 An audit planning control database is maintained to effectively monitor work done in line with that planned. The database is used to allocate engagements, record work completed and to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken, so management can continually assess productivity and progress against the Plan.

5.7 The performance for the year is reported to the Finance Management Team by the Audit Manager and discussed with the audit team. The quarterly results for 2022/23 are in the table below:

Table 7 - Performance against targets for 2022/23

Performance Indicator	2021/22 Outcome	2022/23 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome	Q4 Outcome
The percentage of the Audit Plan completed	61%	70%	13%	25%	29%	52%
The average number of audit productive days per FTE	147	150	37	68	103	144
The average number of finalised audits per FTE	7.4	9	1.43	3.13	4.82	6.64
The percentage of draft audit outputs delivered within four weeks	92%	90%	80%	84%	87%	91%
The percentage of audit recommendations implemented within the agreed timescale	68%	80%	56%	71%	65%	67%

5.8 Whilst measures of productive audit days and the timeframe for producing draft outputs were broadly in line with targets, the percentage of the Audit Plan Completed (at 52%) and the number of finalised audits per FTE (at 6.64) were lower than planned. During the year, the Team has faced reduced capacity which has affected delivery of the Audit Plan, most notably due to vacant posts. In the context of reduced staff resource, it is considered that an effective outcome was achieved in terms of audit delivery, coverage and focus. Information on the coverage and focus is contained on section 2 of this report 'context and approach'.

5.9 In respect of the percentage of audit recommendations implemented within the agreed timescale, directorate performance remains materially below the target set and improvements are also being targeted in finalising audits on a timely basis. During the year, the Audit Manager attended Senior Management Team meetings to provide relevant analysis, to discuss

performance, and to emphasise the importance of continued management attention in these areas.

5.10 One of the strengths of the recommendation tracker process is that higher risk ('red' and 'red/amber') recommendations are not closed down without evidence of satisfactory completion and, accordingly, a proportion of recommendations are not recognised as completed until this information has been received.

5.11 The full recommendation tracker has been provided to the Governance and Audit Committee quarterly during 2022/23, and directors have been required to provide an account of their progress in addressing audit recommendations in their reports to Governance and Audit Committee on their respective control environments. The response to audits and recommendations will continue to be a prominent focus going forward.

Benchmarking

5.12 The Internal Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups through which all exercises are participated in.

5.13 A benchmarking exercise is being undertaken at the time of reporting with the Welsh Chief Auditors Group, and once received, results will be shared with the Governance and Audit Committee for information and review.

5.14 A Core Cities benchmarking working group has been created to discuss different elements of performance measurement and management, and to consider the most appropriate and beneficial means of performance comparison. Appropriate benchmarking details will be shared with the Governance and Audit Committee when a benchmarking exercise is completed.

Quality Assurance Review

5.15 Each audit is subject to a quality assurance review by a senior member of the team to ensure the focus on key risks was retained throughout the audit engagement, that the objectives of the audit engagement have been met in full, and that the audit has been delivered in accordance with the PSIAS and the Code of Ethics. Any report with a draft assurance rating of "unsatisfactory" or "insufficient with major improvement needed", or any with a significant finding is referred to the Audit Manager. The Audit Manager will review all reports with the

above draft assurance ratings, and will consult the Audit Management Team as appropriate on the audit opinion and priority recommendations for improvement.

5.16 Following the issue of a draft audit output, a meeting is held with the Client Manager with an opportunity for them to consider the audit findings, proposed recommended actions, the risk profile and the indicative response to be made by the service. This provides a degree of assurance that the final reported position is accurate and that any recommendations are understood.

Post Audit Assessment & Customer Feedback

5.17 A 'Post Audit Assessment' is carried out as part of an ongoing commitment to quality, through a reflection on the performance of the auditor at the end of each audit. The Post Audit Assessment sets out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a means of identifying training needs. Analysing the assessments helps focus individual personal reviews and provides audit management with an overview of performance at the different grades.

5.18 Following each audit, Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.

5.19 During the year, 31 responses were received from the questionnaires issued. The results from the questionnaires are summarised in the table below:

Table 8 - Summary of Questionnaires

	Excellent	Good	Satisfactory	Poor	TOTAL
Communication	17	11	3	0	31
Auditor Advice	13	12	6	0	31
Report	11	14	6	0	31
Performance	17	10	4	0	31
TOTALS	58	47	19	0	124

5.20 It can be seen that the feedback from the audit questionnaires is positive with 100% satisfaction, which is encouraging as the nature and complexity of the assignments continues

to change. The perception of the professionalism and objectivity of the Internal Audit team by audit clients continues to be high.

5.21 The questionnaires also ask Managers to indicate whether they consider that the audit process added value and 87% of respondents thought that it did. "Added value" is defined for managers as whether the audit offered ways to enhance governance, risk management and control processes, and provided relevant assurance. It can be seen that the majority of the audit clients felt that the audits undertaken were constructive and added value.

Audit Recommendations

5.22 The extent to which audit recommendations are agreed by senior managers is used as a measure of the auditor's performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes.

5.23 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council's corporate risk strategy (red, red/amber, amber/green and green) and as set out in previous paragraphs. The table below sets out the recommendations raised by the assurance level given:

Table 9 - Recommendations raised by the assurance level given

| Risk Rating | 2022/23 Recommendations | | | Recommendations | |
	Made	Agreed	Being considered	Agreed & implemented in 2022/23	Implemented overall in 2022/23
Red	4	0	4	0	8
Red / amber	147	58	89	26	150
Amber / green	245	110	135	57	172
Green	24	8	16	3	14
TOTAL	420	176	244	86	344

5.24 Important as it is that audit recommendations are agreed by managers, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. Of the 420 recommendations raised during the year, 86 had been implemented by the year-end.

5.25 The level of recommendations implemented on time (66%) requires improvement. As audit recommendations are consistently agreed, it is considered that managers welcome insight on how governance or controls can be enhanced, for which there is commonly agreement with a proposed course of action.

5.26 The recommendations database on SharePoint is regularly analysed and details of all recommendations raised (and their status) are presented to each meeting of the Governance and Audit Committee. As at the end of March 2023, a summary of the recommendations agreed and actioned is shown below:

Table 10 - Summary of Recommendations agreed and actioned

Area	Recommendations Completed	Implemented in agreed timeframe	Percentage Implemented in agreed time
Schools	114	56	49%
Non-schools	230	172	75%
TOTAL	344	228	66%

Internal Audit Team Resources

5.27 At the financial year end, the Internal Audit team had 8 members of staff (7.2 FTE), overseen by the Audit Manager, as shown in the table below. Two Senior Auditor posts were being advertised at the year-end as they became available through one member of the team securing a Principal Auditor promotion, and another being finding a promotion opportunity within another Council team.

Table 11 - Internal Audit Team Resources

Post	Number	FTE
Audit Manager	1	0.70 *(0.3 Investigations)*
Group Auditor	1	1.0 *(reduced to 0.7 FTE from 1 April 2023)*
Principal Auditor	2	1.6
Senior Auditor	*2 (vacant)*	*2(vacant)*
Auditor	4	3.6
Audit Assistant	1	1.0
TOTAL	8	7.2 *(8.9 from 1 April 2023)*

5.28 The audit team structure was adjusted during the year, with this communicated with the Governance and Audit Committee on 29 November 2022. This comprised a decision to invest

in an additional Principal Auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades. This additional Principal Auditor post was recruited to prior to the financial year end, with the post occupied at 0.6 FTE. A flexible retirement request has been approved for the Group Auditor through which their hours will reduce by 10 hours per week (from 37 to 27) from 1 April 2023.

5.29 There have been factors that have affected the availability of staff during the year, and further information is provided in the 'performance' section of this report.

5.30 The controllable expenditure budget for the section for 2022/23 is set out in the table below:

Table 12 - The controllable expenditure budget for the section for 2022/23

		Budget £(000)	Actual £(000)
Employees	Employees (overall cost)	630	548
	Audit Component Inc. 0.7 FTE Audit Manager cost	494	409
	Investigations Team Component Inc. 0.3 FTE Audit Manager cost	136	139
Other	Transport	3	0
	Supplies and services	9	58
	Support Services / other contributions (Controllable)	52	50
	GROSS CONTROLLABLE EXPENDITURE	558	517

Continuing Professional Development (PSIAS standard 1230)

5.31 Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to undertake audits to a high standard. The audit plan for 2022/23 included a budget of 39 days for training. Staff are encouraged to update their skills, such as by attendance at relevant courses provided by the South Wales Chief Internal Auditor group (albeit these were not held during the year due to the pandemic), and suitable CIPFA or CIIA courses when budget restrictions allow. Arrangements are also made for internal training, to update and refresh knowledge on various aspects of audit methodologies and Council procedures.

5.32 There is a strong collective range of skills, experience and knowledge across the team. There are two qualified Accountants, one Chartered Internal Auditor, two Certified Internal Auditors, and most other auditors are qualified Accounting Technicians. One member of the team is being funded to study for ISACA's Certified Information Systems Auditor (CISA) qualification.

The development of a lead specialist in this area will benefit the team and complement its existing skills base.

5.33 A skills exercise is undertaken annually by each auditor as a self-assessment against the CIIA Internal Audit Competency Framework, which aligns to the mandatory elements of the PSIAS, and includes a detailed assessment of a range of technical and behavioural qualities. The results informed the Personal Review process, and the year-end Audit Manager review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills were recognised across the audit team.

5.34 Areas of the CIIA Professional Competencies Framework where auditors score themselves comparatively lower are used to deliver targeted training. Over the year, in-house training was provided to the team on 'improvement and innovation' which followed training in the previous year on 'fraud awareness', the 'International Professional Practice Framework' and 'business acumen'.

5.35 The provisions of the Council's Personal Review process are fully supported in the section, and are an integral component of the performance management process, as outlined in the section on the QAIP and information included in Appendix C.

Experience and qualifications

5.36 Members of the section hold various qualifications appropriate to their work, with bodies including CIPFA, CIIA and AAT. The majority of staff in the Internal Audit team have over 10 years' experience in audit.

6. Conclusion

6.1 The operating environment and availability of staff resources has been challenging this year. However, the position has been carefully managed throughout the year, whereby the Audit Plan and approach to delivery have been designed in order to target assurance on key risks and controls, and to provide an adequate body of assurance work to support a full annual opinion on the Council's control environment. A prioritised approach was followed for substantial coverage audit coverage of fundamental systems and corporate governance, and a targeted spread of wider assurance work across directorates.

6.2 All decisions in respect of the Audit Plan have been made this year with appropriate attention to risk, professional standards and advisories from CIPFA, the CIIA, the Internal Audit Standards Advisory Board and the advice of professional and peer officers.

6.3 There is a need for continued attention to the response to audit reports and recommendations and performance has been reported to Senior Management Teams at regular intervals. There is continued evidence that clients value the audit service through the feedback received. Adverse audit findings and opinions are still limited to a small number of areas, but the team will remain vigilant moving into next year in testing the design and application of the governance and controls necessary to deliver a sound control environment.

6.4 The outcome of the external quality assessment, and the annual self-review by the Audit Manager, is that the audit service is operating in conformance with the PSIAS and all associated requirements.

2022/23 Audit Delivery

Audit Outputs Issued

I. Effective / Effective with opportunity for improvement

Table 13 - i. Effective / Effective with Opportunity for Improvement

Opinion	Audit Area	Status of output (if not final)
	Fundamental / High	
Effective	HB / LHA/ CTRS	
	In-year testing - Purchases and Payments	Drafts Issued
	Performance Management (inc Waste Management)	
	Welsh Government Covid Grants – Assurance (21/22)	
Effective With Opportunity For Improvement	Safeguarding	
	ICT Audit - Cyber Security Governance	
	Procurement	
	Health and safety	
	Brindley Road Stores	
	Risk Management Arrangements	
	Agency Staff Payments	
	Ethics and Values	Drafts Issued
	Partnership / Arms-length Assurance	
	Health and Safety	
	Council Tax	
	In-year testing - Payroll and HR	
	City Deal 2021/22	
	Complaints and Compliments	
	Income and Debtors	
	Pensions and Investments	

Opinion	Audit Area	Status of output (if not final)
Medium		
Effective	ICF schemes (incl. Families First)	
	Get me home service	
	School Asset Management - Thematic (Albany)	Drafts Issued
Effective With Opportunity For Improvement	Cardiff Caravan Park	
	Cardiff Riding School	
	Glyncoed Primary School	
	Leisure Contract Governance	
	Cardiff Organic Waste Treatment Contract	
	Cantonian	
	International White Water	Drafts Issued
	Skip Hire	
	Catering in Opted out schools	
	Schools with Surplus Balances - Thematic	
	Cardiff Dogs Home	
	Waste Management Enforcement	
	Harbour Authority	
	Alarm Receiving Centre	
	FOLLOW UP - Cardiff West Community High School	
	Shared Regulatory Services in Cardiff	
	Disposal of Land and Buildings	
	Eastern High School	
	Fitzalan High School	
	Baden Powell Primary School	

II. Insufficient with major improvement needed / Unsatisfactory

Table 14 - II. Insufficient with major improvement needed / Unsatisfactory

	Audit Area	Status of report (if not final)
	Fundamental / High	
Insufficient With Major Improvement Needed	Directorate PCI - DSS Compliance	Drafts Issued
	Contract Variations	
	Medium	
Unsatisfactory	Central Transport Service	Draft Issued

III. Other Audits and Audits with no opinion provided

Table 15 - III. Other Audits and Audits with no opinion provided

Audit Area		Nature
Grants / Accounts / External Bodies		
Joint Committees	Glamorgan Archives	Statement of Accounts Reviews / Certification
	Prosiect Gwyrdd	
	Port Health	
Education Improvement Grant 2021/22		
Norwegian Church Preservation Trust 2021/22		
No Opinion – Audit Engagements		
National Fraud Initiative		Data Matching
Service / Process Consultancy		Consultancy
CRSA - Purchases and Payments		CRSA
CRSA - Payroll and HR		

Status of Other Audit Reports

IV. Audits Planned for 2022/23 which were deferred until 2023/24, or cancelled

Table 16 - IV. Audits Planned for 2022/23 which were deferred until 2023/24, or cancelled

Audit	
Cardiff Further Education Trust Fund 2021/22	Fieldwork Ongoing
Allocations, lettings and voids	Carried Forward to Audit Plan for 2023/24
Cashless catering in secondary schools	
Commercial Waste	
Community Safety	
Cradle to Grave Audit	
Delegation and decision making	
Direct Payments - Children's and Adults	
Directorate Performance Management (Thematic Audits) *7	
Education - SOP	
Electoral Services	
Emergency Duty Team	
Governance Arrangements	
Highways Maintenance	
Home Care	
Hubs	
Insurance	
Land Charges	
Mental Health Day Services	
Mileage & Subsistence	
Planning	
Primary school audits*4	
Programmes and Projects	
Purchasing Cards	
Residential Care	
School Admissions	
Schools Information Management	
Schools VAT Assurance	
Secondary school audits *2	
Street Cleansing	

Audit	
Taxation	
Time Recording	
Value for money in use of Council Vehicles	
Value for money in use of Overtime	28 | P a g e
Youth Offending Service	
Adult Services Income Processes	Not Included on Draft Audit Plan 2023/24
Crosslands Children's Home	
Independent Living	
St David's Hall	
Welsh Government Covid Grants - Assurance	

Work Areas where a Standard Audit Output is not prepared

It is important to understand that much work undertaken within Audit will not have a standard action plan / report as an outcome. The following list is not exhaustive, but shows some areas where audit time and resources have been spent during the year without necessarily producing an output.

Table 17 - Work Areas where a Standard Audit Output is not prepared

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other project or process consultancy	Work providing advice and guidance to a number of programmes, projects or initiatives. Senior Members of the Audit Team attend meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls.
Grants / Account Certification	Independent certification of grant claims and accounts.
Ad hoc Requests	Enquiries and assignments.
Schools - General	There is ongoing and regular engagement, and support for schools. CRSA exercises are completed with all schools periodically in addition to targeted school audit reviews. A senior member of the audit team attends and contributes to 'schools causing concern' meetings.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, HR and Payroll systems and imprest accounts. Officers can also be active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Governance and Audit Committee	Advice, reporting and support – including induction training, work planning.

Quality Assurance and Improvement Programme – Operational Approach

The QAIP is built around a performance management approach, which involves 'setting expectations', 'reviewing performance', and 'reporting performance' at individual auditor and team levels. The application of these control stages are summarised as follows.
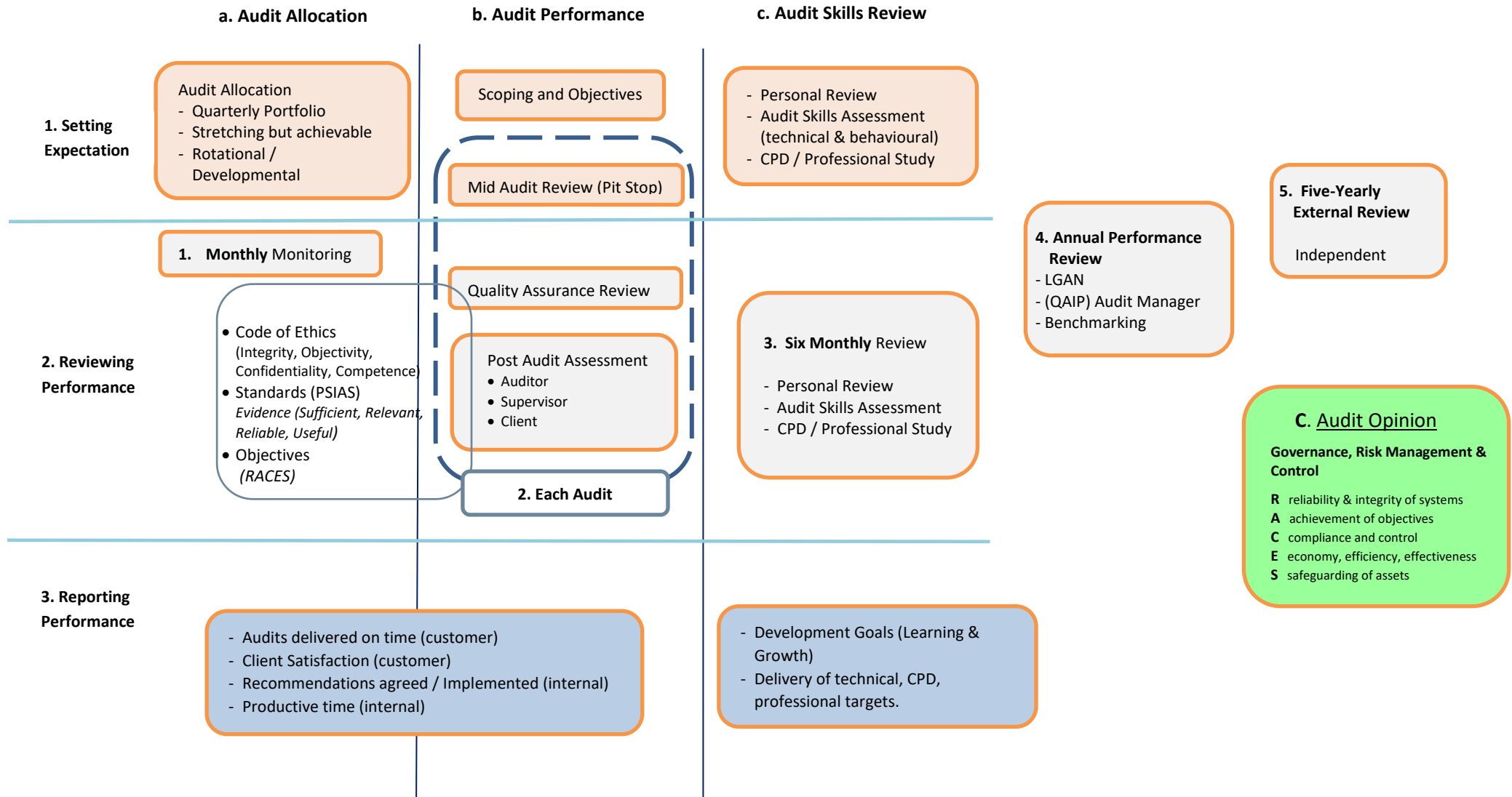
Table 18 - Quality Assurance and Improvement Programme – Operational Approach

1. Setting Expectations - With clear expectations in place, auditors can focus on delivery.
✓ Audit Allocation - Each auditor has a quarterly allocation of work, which is stretching but achievable. Auditors are responsible for delivering their allocation effectively and on time.
✓ Scoping and Objectives – Each auditor has clear and documented objectives for each audit engagement, that they are responsible for delivering.
✓ Audit 'Pit Stop' - When half of the audit time is used, a senior team member completes a short and sharp review of progress against the audit objectives. This can either result in assurance that the audit is being delivered effectively, or it leads to expectations being re-set, with actions developed for the auditor to conclude a high quality audit engagement on time.
✓ Personal Reviews – Each year delivery, training and development goals and objectives are established for each auditor, in recognition of the individual and collective skills needed to deliver the risk-based plan effectively in the current and medium term.
2. Reviewing Performance - Expectations are revisited in quality assurance and control reviews.
✓ Monitoring - Each auditor attends a monthly monitoring meeting, through which the delivery of their 'Audit Allocation' is reviewed, issues are identified and addressed.
✓ Quality Assurance Review - Each audit is subject to a quality assurance review by a member of the audit management team, to ensure high quality delivery in accordance with the Code of Ethics and the Standards. The review considers the quality of evidence to support the audit 'Objectives', and the delivery of actions resulting from the audit 'Pit Stop'.
✓ Post Audit Assessment – Upon conclusion of each audit, the auditor, and a senior team member review the auditor's performance against best practice technical and behavioural qualities. A client satisfaction survey is also used to identify the audit delivery and value from the client's perspective. Any development needs are identified and progressed.
✓ Six Monthly Personal Review – Progress is measured against the objectives and targets in each Auditor's 'Personal Review', taking account of the findings and outcomes from the activities in the 'Reviewing Performance' control stage. It can lead to new objectives, targets and support.
3. Reporting Performance - A range of performance measures are used for reporting and review.
○ Core performance measures relate to the audits delivered on time, client satisfaction, recommendations agreed / implemented, productivity and the delivery of personal objectives.
○ Performance information is regularly monitored by the Audit Manager and is considered by the Finance Management Team and the Governance and Audit Committee on a quarterly basis.
○ On an annual basis, the Audit Manager reviews and reports on the application and findings of the performance management Framework that underpins the QAIP to the Governance and Audit Committee. An external assessment of conformance with the PSIAS is completed and reported at least every five years.

Quality Assurance and Improvement Programme – Operational Approach (Diagram)

'Output Focussed, Quality Controlled'

Figure 1 - Quality Assurance and Improvement Programme – Operational Approach (Diagram)

a. Audit Allocation

b. Audit Performance

c. Audit Skills Review

1. Setting Expectation

Audit Allocation
- Quarterly Portfolio
- Stretching but achievable
- Rotational / Developmental

Scoping and Objectives

Mid Audit Review (Pit Stop)

- Personal Review
- Audit Skills Assessment (technical & behavioural)
- CPD / Professional Study

5. Five-Yearly External Review

Independent

1. **Monthly** Monitoring

4. Annual Performance Review
- LGAN
- (QAIP) Audit Manager
- Benchmarking

Quality Assurance Review

2. Reviewing Performance

- Code of Ethics (Integrity, Objectivity, Confidentiality, Competence)
- Standards (PSIAS) *Evidence (Sufficient, Relevant, Reliable, Useful)*
- Objectives *(RACES)*

Post Audit Assessment
- Auditor
- Supervisor
- Client

2. Each Audit

3. **Six Monthly** Review

- Personal Review
- Audit Skills Assessment
- CPD / Professional Study

C. Audit Opinion

Governance, Risk Management & Control

R reliability & integrity of systems
A achievement of objectives
C compliance and control
E economy, efficiency, effectiveness
S safeguarding of assets

3. Reporting Performance

- Audits delivered on time (customer)
- Client Satisfaction (customer)
- Recommendations agreed / Implemented (internal)
- Productive time (internal)

- Development Goals (Learning & Growth)
- Delivery of technical, CPD, professional targets.

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg