



## GOVERNANCE AND AUDIT COMMITTEE – 24<sup>TH</sup> JANUARY 2023

**SUBJECT: INTERNAL AUDIT SERVICES – UPDATE ON PROGRESS**

**REPORT BY: ACTING INTERNAL AUDIT MANAGER**

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### 1. PURPOSE OF REPORT

- 1.1 To provide Members of the Governance and Audit Committee information on progress being made against the audit plan and other unplanned work between the period 1<sup>st</sup> April 2022 and 31<sup>st</sup> December 2022, and to inform the Committee of the opinions derived from the work undertaken.

### 2. SUMMARY

- 2.1 The report provides details of the progress made against the Internal Audit Annual plan 2022/23 which was presented to the Governance and Audit Committee in June 2023.
- 2.2 The Public Sector Internal Audit Standards (PSIAS) require that an annual plan is prepared to ensure that there is an effective and efficient use of audit resources which are directed to address areas of risk. This also provides assurance for management as part of the Annual Governance Statement (AGS).
- 2.3 As in previous years the plan may be flexed and audits reprioritised or additional unplanned audits undertaken as Directors and Service Managers become aware of new operational risks or other service priorities. Also priority will be given to any new or emerging risk areas.
- 2.4 The Internal Audit Service has been successful in recruiting to the vacant posts (with the exception of the deputy IA manager) which is a very positive step, however in the short term there is naturally some impact on output as a result of any external training and support and mentoring that has been required. So as a result, progress on some individual audit assignments has been slower than would be expected.
- 2.5 The status of all current audits as at 31<sup>st</sup> December is shown in the attached appendices. (**APPENDICIES 1 AND 2**). Appendix 1 shows all completed and closed audits and so includes audit opinions.

### 3. RECOMMENDATIONS

- 3.1 The Governance and Audit Committee is asked to note the content of the report and the details of **APPENDIX 1** and **APPENDIX 2** showing progress and status of audit work undertaken in the period from 1<sup>st</sup> April to 31<sup>st</sup> December, together with the opinions generated from any completed and finalised audits.

### 4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that :-
- The Governance and Audit Committee is aware of progress against the plan.
  - The Governance and Audit Committee is aware of audit work being undertaken by the Internal Audit team and the status of each individual audit.
  - By reporting the individual opinions generated from each completed audit, the Governance and Audit Committee is informed of the internal control framework operating in Caerphilly County Borough Council.

### 5. THE REPORT

- 5.1 In accordance with the Public Sector Internal Audit Standards, the Acting Internal Audit Manager is responsible for developing a risk-based annual audit plan. Within the Standards there is also a requirement to review and adjust the plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, controls and resources.
- 5.2 The Acting Internal Audit manager must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 5.3 The 2022/23 Internal Audit plan was submitted to the Governance and Audit Committee for approval in June 2022. The plan outlined estimated staffing resources and a summary of audits that had been identified by a combination of known audit commitments, Head or Service and Director requests and other risk assessments.
- 5.4 Since the plan was created most of the vacant posts have been filled which has provided more certainty over resources and this is a very positive step although these new members of staff have naturally required training, support and mentoring so progress on some audits has been impacted.
- 5.5 As in prior years there will be a number of incomplete audits brought forward which will required to be progressed to completion and in addition the plan may be flexed and audits reprioritised or additional unplanned audits undertaken as Directors and Service Managers become aware of new operational risks or other service priorities and priority will be given to any new or emerging risk areas. As a result there has been a number of changes to the original plan.
- 5.6 **APPENDIX 1** shows closed and completed audits. The table reports the Directorate in which the establishment or system sits, the type of audit and the opinion that was issued. Members are reminded that any system or establishment audit that generates at least one High Risk finding /recommendation will generate an "In need of improvement" opinion, and any contracts or grant with significant issues on non compliance to T&C or Financial Regs will generate a non compliant opinion.

5.7 **APPENDIX 2** reports audits that have been started but are incomplete and audits that have been planned and not started.

5.8 The appendices illustrate that there are 316 individual pieces of work completed or in progress in the period between 1/4/2022 and 31/12/2022. 73 audits have been closed (final agreed report issued), 8 audits have been completed (draft report issued), 11 audits are planned but not started and the rest 224, are in progress.

5.9 Each Audit completed and closed will generate An N opinion in line with the type of Audit. Further detail is given in **APPENDIX 3 (AUDIT REPORT OPINIONS AND CRITERIA)** 81 Audit opinions have been issued in the period to date.

- Systems and establishment audits are as follows :- 18 Effective, 21 Effective with opportunity to improve, 12 in need of improvement.
- Contract and grants audits :- Compliant 24, Substantially compliant 4, Partially compliant 1, Non compliant 1.

5.10 Where recommendations have been issued and agreed with Management in respect of individual audit reports the progress towards implementation is reported separately to the Governance and Audit Committee.

## 5.11 **Conclusion**

The report informs the Governance and Audit Committee on the status of audit work performed to date and audit opinions generated. This information supports the Committee in their determination of assurance which forms an essential part of the governance framework, and the Committee is asked to note this report.

## 6. **ASSUMPTIONS**

6.1 There are no assumptions in this report.

## 7. **SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 The Council will be unable to deliver its Well-being objectives in the absence of effective corporate governance arrangements. Internal audit work provides information to the Governance and Audit Committee in order to for members to evaluate the internal control framework in operation in Caerphilly County Borough Council.

7.2 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

7.3 There are no other equalities implications arising from this report in relation to other equalities issues.

## 8. **FINANCIAL IMPLICATIONS**

8.1 There are no direct financial implications arising from this report.

## **9. PERSONNEL IMPLICATIONS**

9.1 There are no direct personnel implications arising from this report

## **10. CONSULTATIONS**

10.1 All comments have been reflected in this report.

## **11. STATUTORY POWER**

11.1 Local Government and Elections Act (Wales) 2021

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Appendices:

**Appendix 1 Closed and Completed Audits as at 31/12/2022**

**Appendix 2 Audits Started and Planned Audits as at 31/12/2022**

**Appendix 3 Audit Report Opinions and Criteria**