

Report to	Governance & Audit Committee
Date of meeting	12 June 2024
Lead Member / Officer	Cllr Gwyneth Ellis / Bob Chowdhury – Chief Internal Auditor
Report author	Bob Chowdhury, Chief Internal Auditor
Title	Internal Audit Annual Report 2023-24

1. What is the report about?

- 1.1. This report provides the Committee with the Internal Audit Annual Report for 2023-24 that provides the Chief Internal Auditor's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control during the year that informs the 'annual governance statement'.

2. What is the reason for making this report?

- 2.1. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to deliver an annual internal audit opinion and a report that the organisation can use to inform its annual governance statement. This Committee's terms of reference require it to consider the annual report of the Chief Internal Auditor.
- 2.2. The Accounts and Audit (Wales) Regulations 2014 require the review of governance arrangements to be reported within the authority, in the Council's case the Governance & Audit Committee, and externally with the published accounts of the authority. The Annual Governance Statement (AGS) is an annual review of the systems of internal control and gathers assurance from various sources to support it. Internal Audit is a key contributor and the Chief Internal Auditor (CIA) should provide a written annual report to those charged with governance to support the AGS.

3. What are the Recommendations?

- 3.1. The Committee considers and comments on the Chief Internal Auditor's annual report and overall opinion.

4. Report details

- 4.1. The Internal Audit Strategy 2024-25 is being taken to the Governance and Audit committee for approval on the 12 June 2024. Appendix 2 details the position with audits contained in the 2024/25 audit strategy and those carried forward from 2023/24. Internal Audit operates a flexible plan so that areas of highest perceived risk are prioritised for a review. Governance and Audit Committee are informed of any changes during the year as part of the Internal Audit Update Report.
- 4.2. This year's annual opinion needs to consider a number of key factors: The Chief Internal Auditor has re-evaluating what skill gaps have been created as a consequence of losing two experienced internal auditors in December 2022 and January 2023. This has meant during the last 15 months internal audit has tested the market and was unable to appoint anyone with internal / external audit experience. After a number of discussions with Human Resources (HR), the Chief Internal Auditor decided to go down the route of appointing three Career Pathway – Senior Auditors.
- 4.3. The three new Career Pathway – Senior Auditors have been in post for between 10 and 15 months and are making good progress. Two have started studying for their Association of Accounting Technician qualification and the third is about to start their professional studies with the Institute of Internal Auditors in the autumn. Over the next couple years these new appointments will address the skill gap.
- 4.4. The last 12 months has seen an unprecedented seven special investigations which has placed a considerable strain on the new team. With an experienced team this number of special investigations would have been a challenge, but with a relatively new team it has meant the reviews have taken longer, but it has been a good learning curve.

- 4.5. The Internal Audit Plan for 2023/24, has not been achieved due to training a new team and the sheer volume of special investigations. Therefore, it has meant throughout the year the Chief Internal Auditor has reviewed the plan and has refocused the plan on areas of greatest priority to the council which can be delivered with the resources available to Internal Audit.
- 4.6. My opinion is largely based on the completion of the risk based internal plan, see Appendix 2 for a list of audit results and assurance ratings definitions. No audit during the year received 'Low' assurance, the others being awarded 'High' or 'Medium' Assurance ratings. Where significant issues have been identified, overall these have been appropriately addressed, which confirms that management is responsive to our work.
- 4.7. Internal Audit has completed one item of advisory work during the year, but discussions in the fourth quarter of 2023/24 has identified that Heads of Service (HoS) are requesting more advisory reviews for the financial year 2024/25. This is a positive sign and demonstrates that management are willing to engage with Internal Audit to establish good risk and control environments.
- 4.8. Our work has highlighted some areas of weakness in management of risks and/or controls which may put achievement of objectives at risk. Improvements are required to address such areas so that the framework of governance, risk management and control is adequate.
- 4.9. Internal Audit's annual opinion is attached as Appendix 1 and concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control.

5. How does the decision contribute to the Corporate Priorities?

- 5.1. Internal Audit's role is to provide assurance regarding the adequacy and effectiveness of the Council's framework of governance, risk management and internal control. Each of these areas helps ensure that the council can deliver on all corporate priorities as identified in its corporate plan.

6. What will it cost and how will it affect other services?

6.1. There are no additional costs associated with this report. Actions to ensure compliance with relevant legislation and Council policies are taken within existing budgets.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. Not applicable - there is no decision required with this report.

8. What consultations have been carried out with Scrutiny and others?

8.1. Consultation with Chief Executive Team (CET), Cabinet, Head of Service (HoS) and Audit Wales was conducted in drafting the Internal Audit Strategy.

9. Chief Finance Officer Statement

9.1. Not applicable - there is no decision required with this report.

10. What risks are there and is there anything we can do to reduce them?

10.1. An inadequate and operationally ineffective internal control system can have adverse impact on the Council's risk management processes and wider corporate governance, and, therefore, the quality of service provided.

10.2. The Public Sector Internal Audit Standards require Internal Audit to evaluate the effectiveness of risk management and contribute to the improvement of risk management processes. Where risks are identified as part of the Internal Audit process, action plans are agreed and monitored in order to mitigate these risks.

11. Power to make the decision

11.1. Not applicable - there is no decision required with this report.