

Review of Internal Audit

Caerphilly County Borough Council

June 2026



We have prepared and published this report for under Section 17(2)(d) of the Public Audit (Wales) Act 2004 and Section 15(1)(b) of the Well-being of Future Generations Act (Wales) 2015.

© Auditor General for Wales 2025

You may re-use this publication (not including logos except as an integral part of the document) free of charge in any format or medium.

If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

If you need any help with this document

If you would like more information, or you need any of our publications in an alternative format or language, please:

- call us on 029 2032 0500
- email us at info@audit.wales

You can use English or Welsh when you get in touch with us – we will respond to you in the language you use.

Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Audit Wales follows the international performance audit standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).

Contents

Audit snapshot	4
Our findings	6
Recommendations	10
Appendices	13
1 About our work	14

Audit snapshot

What we looked at

- 1 We assessed if the internal audit service supports the Council to deliver value for money through its audit activity. We examined whether the Council has a clear vision for internal audit and demonstrates behaviours that enable internal audit to add value. We also looked at audit planning and resourcing, and how internal audit evaluates its performance.

Why this is important

- 2 Internal audit plays an essential role in supporting good governance. It helps give the Council confidence in its processes to secure value for money. Councils in Wales must by law 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control'.¹
- 3 The Global Internal Audit Standards (GIAS) came into effect for the public sector in April 2025. They are interpreted for the UK public sector by the Chartered Institute for Public Finance and Accountancy (CIPFA). The GIAS defines the purpose of internal auditing as strengthening the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight and foresight. For the Council, the board is the Governance and Audit Committee (GAC).

¹ [The Accounts and Audit \(Wales\) Regulations 2014](#)

What we have found

- 4 The Internal Audit Service provides important assurance and support to the Council and is staffed by committed and professional officers. At the time of our review, we identified several areas which could be strengthened to ensure the effectiveness of the service and its ability to support the Council to deliver value for money through its audits. These relate to audit planning, reporting, performance management, leadership support and value of the role of internal audit.
- 5 We are concerned that some of our findings are similar to those identified in our [Special Inspection report in 2014](#) and [follow-up of the special inspection in 2015](#). However, we recognise these reports are over 10 years old. Since then, there have been significant events such as COVID -19 and leadership changes at the Council.
- 6 The Council is already aware of most of these areas and is in the process of taking actions to address our findings. However, these were not underway or embedded at the time of our fieldwork to enable us to assess their impact. The Council will have the opportunity to set out how it is addressing our recommendations in its management response form.

What we recommend

- 7 We have made five recommendations. These are focused on strengthening audit planning, reporting, managing performance and senior management engagement with the service.

Our findings

Planning

- 8 The Internal Audit Service (the service) has the key planning documents required by the Global Internal Audit Standards (GIAS). These include an approved Internal Audit Charter, a Strategy for 2025-28, and an Annual Audit Plan for 2025-26. Governance and Audit Committee (GAC) approved these documents and had an opportunity to consider Internal Audit's programme of work. However, weaknesses in how these documents were developed and used reduce their effectiveness.
- 9 The Annual Audit Plan is not based on a clear, documented assessment of the Council's objectives and risks. Senior officers were consulted by email when the plan was developed, but this engagement is not formally recorded. The plan is also not discussed with the Internal Audit team. As a result, it is not clear how risks were identified, prioritised, or agreed. Although senior officers highlighted risks, there is no clear record showing how competing priorities were weighed up or how final decisions were reached.
- 10 The Strategy and Annual Audit Plan are also not clearly linked to the Council's well-being objectives. The Council does not document its alignment of audits to objectives and provide this information routinely to GAC. As a result, GAC cannot clearly see how the audit programme supports the Council's strategic priorities.
- 11 The audit programme focuses mainly on financial systems, processes, and schools. The reasons for this focus are not clearly explained in planning documents. Aside from two emerging transformation-related reviews, there is limited coverage of wider strategic or transformational risks.

- 12 Without a clear and documented risk-based approach to planning, the Council cannot be confident that Internal Audit resources are being directed to areas of greatest risk or that the service is fully meeting its role as a strategic source of assurance.

Reporting

- 13 Internal Audit provides annual reports and quarterly progress updates to the GAC. It also reports on progress in implementing audit recommendations.
- 14 However, these reports do not always present information in a clear way that helps members understand performance or hold the service and the wider Council to account. For example, reports do not routinely show how much of the audit plan has been completed, how progress changes over time, or how staffing pressures and unplanned work affect delivery.
- 15 The use of different measures, such as audit days in some reports and numbers of audits in others, makes it harder for members to track performance over time. Although reports include large amounts of data, there is limited explanation of what the data shows or why it is important.
- 16 Reports on outstanding recommendations also lack clear thematic analysis. This means they do not highlight common issues, repeated weaknesses, or lessons learned. As a result, opportunities for organisational learning are missed, and the overall value of Internal Audit reporting is reduced.
- 17 Because of these issues, the GAC's ability to provide effective oversight and challenge is limited. Members have raised concerns about the clarity of reporting on several occasions. Reports have been updated with more detail but are still not providing the information that GAC need to be able to understand if the plan is being delivered on time.
- 18 In December, the Council held a workshop with GAC to understand the information required by GAC. We will be keen to see the impact of the workshop and whether this addresses our findings.

- 19 A peer review in 2024 found the Internal Audit Service was partially compliant with standards but identified gaps in IT skills and the lack of a formal training plan. These issues have not yet been fully addressed. However, the Council considers that the migration of core IT systems to cloud-based platforms and its cyber security arrangements have reduced the significance of the gap in IT skills.
- 20 The service supports staff development and has a suitable mix of professional qualifications. It does not have a dedicated team level training budget. However, a training budget is held centrally within the Finance team and funding was provided to cover professional training and study time for the Internal Audit team. However, the service lacks a formal training plan. Although staff do complete training, the lack of a structured approach makes it harder to identify skills gaps, plan development activity, or show how training supports delivery of the Audit Strategy.
- 21 The Internal Audit Charter sets out expectations for regular one-to-one meetings and performance discussions. Whilst ad hoc meetings are held, formal one-to-one meetings that are linked to the Council's well-being objectives and the Internal Audit Strategy are not in place. This reduces assurance that individual objectives align with organisational priorities and limits opportunities for structured feedback and development. However, we are aware that the Council is rolling out a new corporate approach to one-to-one meetings.
- 22 During interviews, staff raised concerns about the software used to record and monitor the status of audits and recommendations. Whilst some tasks are automated, it requires manual intervention to collate reports. This reduces efficiency. The Council recently extended the software contract, whilst it is testing the market for a potential replacement.
- 23 The Internal Audit Manager provides an annual report to GAC with their opinion on the robustness and effectiveness of the Council's internal control systems and procedures as required. However, the Council has not set out how it will evaluate if the service has met its objectives and the measures it will use. This is a key part of domain IV of the GIAS: managing the internal audit function.

- 24 The Council has not evaluated or compared how its Internal Audit service performs with others. Therefore, it is difficult to see how the Council understands if the service is providing value for money.

Leadership and oversight

- 25 Interviews with officers and members of GAC show that Internal Audit is valued and relationships with GAC are generally positive. However, the service has a relatively low profile across the organisation, and engagement varies between Directorates. This can affect how quickly audits are completed and how consistently recommendations are implemented.
- 26 The Internal Audit Manager (Manager) attends a range of organisational meetings. These include bimonthly Managers' network and operational managers meetings. However, the Manager does not attend Senior Leadership Team meetings, despite this being set out in the Council's audit strategy and being a key part of domain III of the GIAS. The Manager relies on the communication channel with their line manager, the Chief Officer for Finance, who is a SLT member. This reduces the service's influence and visibility in strategic discussions and limits its ability to identify emerging risks early or support wider organisational learning.
- 27 Taken together with limited senior management involvement in audit planning, this suggests that the Council is not making full use of the value that its Internal Audit Service could provide.
- 28 Many of these findings reflect issues identified in our [2014](#) Special Inspection and the [2015](#) follow-up report. These included the low profile of the service, weaknesses in risk-based planning and reporting, and challenges for member oversight due to the quality and focus of reports.

Recommendations

- R1** To strengthen its internal audit planning arrangements, the Council should:
- 1.1 Introduce a documented assurance mapping process to support prioritisation of the annual audit plan and provide transparent evidence of how risks and priorities have been determined (**paragraph 9**).
 - 1.2 Formalise engagement with senior officers during planning, ensuring it clearly documents how risks were identified, prioritised and agreed (**paragraph 9**).
 - 1.3 Ensure the internal audit strategy and annual plan explicitly align to the Council's well-being objectives, and that each planned audit clearly shows its contribution toward delivering these objectives (**paragraph 10**).

R2 To enhance the quality of Internal Audit progress reports and facilitate oversight by GAC, the Council should:

2.1 Standardise the presentation of performance information, ensuring progress against the audit plan is clearly shown over time, including the impact of staffing pressures and unplanned work (**paragraph 14**).

2.2 Adopt consistent performance measures across all reports so that members can easily monitor delivery and understand trends (**paragraph 15**).

2.3 Introduce thematic analysis of outstanding recommendations to highlight common issues, repeated weaknesses, and lessons learned (**paragraph 16**).

R3 To strengthen staff development and resource planning the Council should:

3.1 Develop a training plan to identify skills gaps, plan development activity and show how training supports delivery of the Audit Strategy (**paragraph 20**).

3.2 Undertake regular one-to-ones and performance reviews with Internal Audit staff that link individual objectives to the Internal Audit Strategy and the Council's well-being objectives (**paragraph 21**).

R4 To strengthen performance management of the Internal Audit service the Council should define how it will evaluate whether the service has met its objectives and is delivering value for money. This should include the performance measures it will use in line with Domain IV of the Global Internal Audit Standards (**paragraphs 23 and 24**).

R5 To strengthen the profile and influence of the Internal Audit service the Council should ensure the Internal Audit Manager regularly attends Senior Leadership Team meetings (paragraph 26).

Appendices

1 About our work

Scope of the audit

We looked at whether the Internal Audit Service supports the Council to deliver value for money through its activity.

Audit questions and criteria

Questions

Our Audit explored the following questions:

- Does the Internal Audit Service have a clear strategy and vision?
- Does the Council demonstrate behaviours that enables internal audit to add value?
- Is audit planning sufficient to provide assurance on the operation of the Council?
- Is the Internal Audit Service effectively resourced to deliver the Internal Audit Plan?
- Does the Internal Audit Service evaluate its performance?

Criteria

We drew on the Global Internal Audit Standards to determine our audit criteria.

Methods

We looked at documents, interviewed officers and members, and observed some GAC meetings and watched recordings of GAC meetings.

About us

The Auditor General for Wales is independent of the Welsh Government and the Senedd. The Auditor General's role is to examine and report on the accounts of the Welsh Government, the NHS in Wales and other related public bodies, together with those of councils and other local government bodies. The Auditor General also reports on these organisations' use of resources and suggests ways they can improve.

The Auditor General carries out his work with the help of staff and other resources from the Wales Audit Office, which is a body set up to support, advise and monitor the Auditor General's work.

Audit Wales is the umbrella term used for both the Auditor General for Wales and the Wales Audit Office. These are separate legal entities with the distinct roles outlined above. Audit Wales itself is not a legal entity.



Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.