



RESOURCES DIRECTORATE INTERNAL AUDIT TEAM

Internal Audit Progress Report (As at 31st December 2017)

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Audit Committee at its meeting in March 2017 approved the Internal Audit plan for 2017/18. The plan is the framework for audit work in the forthcoming year and is 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. The Internal Audit Plan was reviewed and the amendments to the plan were approved at the Audit Committee meeting on 18th September 2017.

The Internal Audit plan for the Audit section for 2017/18 is made up of a total of 3,500 days (2,900 for the audit team and 600 for the investigations team): 2,519 chargeable days were agreed – 2,102 for the audit team and 417 for the investigations team (see separate report at item 10.2 of the agenda).

This report serves to provide an update on progress against the audit plan to 31st December 2017.

1.2 Internal Audit Section Resources

The Internal Audit section reports directly to the Head of Finance. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. In all other respects, the Head of Finance reports to the Corporate Director Resources.

As members will be aware from previous reports to this Committee, there were a number of occasions of sickness absence in the team for various reasons during the first four months of the year. This reduced the number of chargeable days worked for that period. For the period August to Mid-January there has been 8 days of short-term sickness, which have been able to be absorbed with in the delivery of the audit plan.

A Principal Auditor was appointed at the end of November 2017 and commenced work in the section on 18th December 2017. This recruitment exercise also allowed the recruitment of a temporary Principal Auditor for a period of six months from 1st February 2018.

These appointments against a backdrop where other authorities in both Wales and the Core Cities group have highlighted difficulties in recruiting experienced auditors. Members will be aware that it had proved difficult to recruit to the post, despite a number of attempts.

1.3 Continuing Professional Development

The Council's new Personal Review Scheme from April 2017 has been used to reinforce the focus on improvement in productivity and recommendations implemented. The objectives for 2017/18 underpin the work of the internal audit section and were discussed and agreed with the members of the Section by the end of June 2017. The half-year reviews were completed by the deadline given (30th November 2017).

The Performance Review process and the self-assessment against skills and competencies is a cornerstone of the Quality Assurance Improvement Plan for the section. In addition, the Cardiff Internal Audit Section is an active member of the Welsh Chief Internal Auditors group and support attendance at training events held.

2. SUMMARY OF WORK PERFORMED

The Audit Plan for 2017/18 set the scene for audit coverage for the year and the planned assignments have been set up in the audit planning, monitoring and control database. Priority had been given to any audits planned for 2016/17 but not completed during that year.

A full Plan v Actual position is provided at **Appendix B** and includes agreed changes to planned coverage, taking into account the need to review available resources due to sickness, the enhanced productive time of agency workers and areas identified from work of other scrutiny committees. It also shows the position with each audit as at the end of December 2017.

This progress report concentrates on audit work undertaken and highlights performance against the Audit Plan. The table below has identified for each line in the audit plan the status in terms of delivery. For the purpose of clarity, an audit has been designated as completed when a report has been issued or work has been completed on the CRSA to inform further audits. It can be seen that 34% of audits have been completed with a further 52% of audits being completed by 28 February and 31 March respectively. It should be noted that the 46 audits completed have resulted in 72 reports being issued.

The audits identified as not scheduled for completion by 31 March 2018 will have completed the majority if not all of the fieldwork by that date but an audit report will be issued in April / May 2018.

The list of the audits that are not scheduled for completion by 31 March 2018 are set out below;

- Housing Rents
- Vehicle Usage
- Disciplinary Process
- Pensions & investments in year testing
- Stores
- Business Continuity
- Section 106 agreements
- City Operations Admin Processes
- Leasehold Properties
- Social Services Admin Processes

The audits identified as deferred are because of timing issues particularly where resources are already targeted to be put into that areas and the benefits of a review currently would be limited. The list of those audits marked as deferred are set out below;

- Domiciliary care
- Premises / Statutory obligations in opted-out schools
- Corporate governance arrangements
- Programme & Projects
- Regional Partnership Board
- Assessment of return on Investment of new housing developments
- Mileage & Subsistence
- School Admissions

The table below summarises the plan as at 31st December 2017:

Status of audits	Number of audits	Percentage of plan (%)
Completed	46	34.07
Deferred	8	5.92
On schedule for completion by 28.02.18	29	21.49
On schedule for completion by 31.03.18	42	31.11
Not scheduled for completion by 31.03.18	10	7.41
	135	100.00

As Members will be aware, a reduction in the audit plan of 250 days was agreed at the meeting in September to reflect the working time lost by sickness absence and the principal auditor post vacancy.

The number of chargeable days allocated to audits to 31st December 2017 is 1,050 (against a pro-rata plan of 1,577 days based on the original plan), which is 66% of the planned chargeable days. The resource limitations of the early part of the year have already been documented along with the remedial action proposed and implemented and, based on the reduced number of chargeable days, the percentage is 79% (77% at the November meeting).

A major component of the 2017/18 Audit Plan was the four thematic reviews (five for Education). Each Directorate would be considered in respect to commissioning and procurement, payroll, governance and effective decision-making whilst income was added for Education only. As each thematic review is completed, the results will be contained within the Audit Progress report.

The timetable agreed at the meeting in September indicated that the main points identified from the thematic reviews for governance would be reported to this meeting. However, the fieldwork for these directorate reviews has not yet been completed, and the main points will be reported to the March meeting.

The opinions given in reports issued to the end of December 2017 are shown below:

	Number of reports	Opinion				No opinion given
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	
Draft reports issued	13	5	4	3	0	1
Final reports issued	59	19	22	10	0	8
TOTAL	72	24	26	13	0	9
Draft reports being reviewed	8					

It can be seen that 72 reports have been issued against 46 completed assignments. The difference is because, within the audit plan for Education, the thematic reviews are entered as one audit. However, action plans are issued to each school within the themes.

The nine pieces of work undertaken that have not been given an assurance opinion are as shown in previous reports and are shown in the table below:

Audit	Comments
Welsh Language Standards	Briefing paper for consideration by Senior Management Team. Further, audit work to be considered after Q3.
Breakfast Club – Coryton Primary School	Briefing paper on the Breakfast Club provided at the request of the Head teacher.
Annual Returns (x 4)	Audits undertaken to support the Council’s Statement of Accounts.
Supporting People Outcomes	A review of the outcomes information relating to the Supporting People grant (as required by the Welsh Government).
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to the NTSB.
Education Improvement Grant	Audit of grant for 2016/17 and submission of information to the Welsh Government.

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Meetings are arranged with every Director, in line with our Relationship Manager initiative, and should take place at the end of (or near to the end of) each quarter. Additional meetings are held in February to discuss the audit plan for the forthcoming year, and Directors find them

useful in discussing audits completed and planned as well as directorate risks, issues and areas for potential audit input (as required in the PSIAS).

Where Directors postpone meetings, they are rearranged and meetings are now diarised with all Directors for the forthcoming 12 months.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities, and CIPFA benchmarking groups and has submitted information to all groups for 2016/17. Final information has been received from CIPFA and was reported to the Committee at the September meeting, with the output from the Welsh Chief Auditor Group reported to the November meeting. No data has yet been received from the Core Cities Group.

3.3 Processes

Internal Audit has continued its use of SharePoint and DigiGOV and the management information available from both systems provides performance management information for each auditor and the section as a whole, as well as the information provided in this report.

The Audit Development Group will be looking at further developing the use of SharePoint in the next quarter to enable audit reports to be shared with more audit clients directly (using the workflow functionality). The Group will also look within Sharepoint to streamline the team's processes by increasing the use of the "softer" functionality, such as the team calendar and announcements.

Discussions remain on going with colleagues in Education regarding access permissions for Head teachers, with the possibility of using the new on-line portal to communicate with them. All Audit regulations and guidance notes are now available to schools via the on-line portal.

3.4 Recommendations implemented

One of the objectives in 2017/18 from the Finance delivery plan is to ensure that accountability and responsibility is clearly defined and acted upon, and the measure for Internal Audit is the percentage of recommendations implemented within three months. In order to measure this, the recommendations raised in each report are recorded on SharePoint and audit clients are provided with a link to the report to enable them to update the progress made on

implementing each recommendation. Schools remain unable to access SharePoint in this way and Head teachers are provided with a copy of the recommendations for them to update.

The recommendations list on SharePoint is key information going forward in order to provide assurance to the Audit Manager and the Audit Committee that progress against the audit plan is being achieved as well as it being an effective way to assess the impact of the audit plan by identifying the % of audit recommendations implemented against those recommended. This is a good example of the reporting being more outcome focussed rather than focussing on inputs such as days available.

With regard to the implementation of recommendations as at the end of December 2017, it can be seen from **Appendix C** that 130 of the 294 (44%) recommendations raised so far in 2017/18 have been implemented. This would be expected at this stage of the year, as the deadline for some recommendations to be implemented have not yet been reached. For the recommendations raised where the implementation date has been reached, 120 have been actioned.

Auditors are also focussing on the recommendations that are being written to ensure that audit clients are clear on their responsibilities for improving controls. In addition, recommendations focus on the root causes of issues identified, so that managers understand the actions to be taken.

3.5 External assessment

Members will be aware that, under the Public Sector Internal Audit Standards (PSIAS), there needs to be an external review of the Section by 31st March 2018. The review was due to take place in Q4 2016/17 but was postponed with the agreement of the external assessor in order to allow for the changes in processes and procedures outlined at the March 2017 Committee to embed.

The peer review has now been completed and a draft report has been received from the external assessor (as seen at agenda item 10.1 to this meeting).

Members will also be aware that, as part of the peer review process as agreed with most other Welsh councils; Cardiff is due to undertake the assessment of Swansea Council. Meetings have

been held with the Chief Audit Executive of Swansea Council and the Section 151 Officer and this work is ongoing, with the aim of reporting to the Audit Committee of that Council in February 2018.

4. SCRUTINY COMMITTEE CORRESPONDENCE

At the March meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. A review of the correspondence and matters discussed at the Council's Scrutiny Committees has shown a number of items to be considered as part of the work of Internal Audit in future quarters.

Agenda item 10.4 shows examples of reports to Scrutiny Committees that will be taken into account in the preparation of the audit plan for 2018/19.

5. FUTURE AUDIT PLANNING

Work has begun to develop the audit plan for 2018/19, using assurance mapping to identify areas that should be considered for inclusion in the plan. Further information on the planning process and the proposed draft plan for 2018/19 can be found at agenda item 10.4.

6. CONCLUSION

The indications are that 86.67% of the Audit Plan will be delivered by the 31 March 2018 with the remaining work scheduled to be reported in early 2018/19 or planned to be resources in the 2018/19 audit plan.

The audit plan is subject to regular review to ensure that it is reflective of changes to risks faced by the Council and to ensure resources available are used in an optimised manner. Whilst there is pressure on the audit team to achieve the plan there is confidence that the proposals put in place will ensure that the internal audit plan will be achieved and that an appropriate level of assurance will be achieved.

A further report on the progress of the internal audit team and the audit plan will be brought to Audit Committee as scheduled in March 2018.

Reports Issued - as at 31st December 2017

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
NDR	Effective			
Council Tax	Effective			
Main accounting 2016/17	Effective			
Resources – payroll	Effective			
Governance & Legal Services – payroll	Effective			
Social Services – payroll	Effective			
City Operations – payroll	Effective with opportunity for improvement			Draft issued
<i>Medium</i>				
St. Cuthbert's	Limited	2	2	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Adopted Land	Limited	3	3	
Mount Stuart	Satisfactory	1	1	
Eastern High	Satisfactory			
ICT – PCI DSS	Insufficient with major improvement needed	2	1	
ICT – governance	Effective with opportunity for improvement			
Insurance	Effective			
VFM – sickness absence procedures	Effective			
Homecare (Mobile Scheduling)	Insufficient with major improvement needed	0	0	
Education – income (Eastern High)	Effective			
Education – income (Whitchurch High)	Effective with opportunity for improvement			
Education – income (Bryn Celyn)	Effective			
Education – income (Gwaelod y Garth)	Effective			
Education – income (St. Patrick's)	Effective			
Education – income (Lansdowne)	Effective			
Education – income (Ninian Park)	Effective			
Education – income (Ysgol Bro Eirwg)	Effective			
Education – income (Radnor)	Effective			
Education – income (Grangetown)	Effective with opportunity for improvement			
Education – income (Springwood)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – income (Christ the King)	Effective with opportunity for improvement			
Education – income (Willows)	Effective			
Education – income (Ysgol Pen y Pil)	Effective with opportunity for improvement			
Education – income (Greenhill)	Effective			
Education – income (Llanishen Fach)	Insufficient with major improvement needed	2	2	
The Court	Insufficient with major improvement needed	1	1	
ICT – Business Continuity and Disaster Recovery	Insufficient with major improvement needed	0	0	
Cradle to Grave - Days	Effective with opportunity for improvement			
Education – income (Ysgol Mynydd Bychan)	Effective			
Education – income (St. Peter’s)	Insufficient with major improvement needed	1	1	
Catering in opted out schools	Effective with opportunity for improvement			
Education – payroll (Cathays)	Effective with opportunity for improvement			
Education – payroll (Tremorfa Nursery)	Effective with opportunity for improvement			
Education – payroll (Oakfield)	Effective			
Education – payroll (Lakeside)	Effective with opportunity for improvement			
Education – payroll (Rhydypenau)	Effective with opportunity for improvement			
Education – income (St. Paul’s)	Effective			
Education – income (Ton yr Ywen)	Effective with opportunity for improvement			
Adamsdown	Insufficient with major improvement needed	1		Draft issued
St. Mary’s	Insufficient with major improvement needed	1		Draft issued
Education – payroll (Bishop of Llandaff)	Effective			Draft issued
Education – payroll (Herbert Thompson)	Effective with opportunity for improvement			Draft issued
Education – payroll (Mount Stuart)	Effective			Draft issued
Education – income (Fairwater)	Insufficient with major improvement needed	1		Draft issued
Education – income (Glyncoed)	Effective			Draft issued
Education – income (Kitchener)	Effective			Draft issued
Education – income (Ysgol Melin Gruffydd)	Effective with opportunity for improvement			Draft issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Follow-ups				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2	2	
Children with Disabilities	Effective with opportunity for improvement			
Grants / Accounts / External Bodies				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Glamorgan Archives				
Supporting People - outcomes	Assessment of outcomes for Supporting People grant			
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to NTSB			
Education Improvement Grant 2016/17	Audit of grant for 2016/17 and submission of information to Welsh Government			
Ad hoc assignments				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Head teacher			