



**RESOURCES DIRECTORATE
INTERNAL AUDIT SECTION**

**Internal Audit Progress Report
(as at May 2018)**

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit plan for 2018/19 was approved by the Audit Committee at its meeting in March 2018. The plan provides 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 for 2018/19 is made up of a total of 2,706 days, with a total of 2,100 chargeable days for the audit team being agreed.

This report serves to provide an update on progress against the plan to the end of May 2018.

1.2 Independence and objectivity

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. For all other matters, the Head of Finance reports to the Corporate Director, Resources. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

The personal reviews in relation to performance during 2017/18 have been completed as at the end of May 2018. The new objectives for 2018/19 are being discussed with the members of the team and will be agreed by the Council's deadline of the end of June.

2. SUMMARY OF WORK PERFORMED

2.1 Current Activities

The report to Audit Committee in March 2018 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 was given to any audits planned for 2017/18 but not completed during that year.

All auditors have been allocated three months' work with an expectation their assignments will be effectively managed and delivered within that time scale. This approach focuses on outcomes and is improving performance and timeliness of reporting.

Key information this quarter is shown in [Appendix A](#), which shows a list of audits reported for the period April until the end of May 2018 (time of writing this report). This includes assignments carried forward from 2017/18 which were prioritised accordingly in this year's plan.

The brought forward audits from 2017/18 and status for each review (as at the end of May) is shown in the table below:

Audit	Status as at 31.05.18
Economic Development – governance	Final report issued
Audit of Risk Management	Final report issued
School Organisation Access and Planning	Final report issued
Social Services – governance	Final report issued
Resources – governance	Final report issued
Economic Development – commissioning and procurement	Final report issued
Social Services – effective decision making	Final report issued
City Operations – effective decision making	Final report issued
Social Services – commissioning and procurement	Final report issued
Governance & Legal Services – commissioning and procurement	Further work ongoing at request of Director
Education – governance	Draft reports issued
Economic Development – effective decision making	Draft report prepared
Resources – commissioning and procurement	Final report issued
Communities, Housing & Customer Services – effective decision making	Final report issued
Use of internal and external providers	Fieldwork ongoing
Inventory of information assets	Continuous review of assets with IT Manager as part of ongoing GDPR work.
Contract audit	Included in C&P thematic audits. Training on new CSO&PR ongoing *.

* as at the end of May 2018, around 100 officers have attended training

The opinions given in reports issued to the end of May 2018 are shown below.

	Number of reports	Opinion				No opinion given
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft reports issued	14	5	8	0	0	1
Final reports issued	22	6	8	2	1	5
TOTAL	36	11	16	2	1	6

Further to the table above, the six reports issued that have not been given an assurance opinion at this stage are as follows:

Audit	Comments
Norwegian Church Preservation Trust 2015 - 2017	Audit of accounts for 2015/16 and 2016/17
Review of banking arrangements – Shirenewton	Briefing paper on income and banking
Joint Committee – Glamorgan Archives	Audit undertaken to support the Council’s Statement of Accounts
Joint Committee – Prosiect Gwyrdd	Audit undertaken to support the Council’s Statement of Accounts
Joint Committee – Port Health	Audit undertaken to support the Council’s Statement of Accounts
Summary report – thematic reports in Education	Summary report for Director of Education on themed audits in schools

2.2 Annual plan

The annual plan was agreed by Audit Committee at its meeting in March 2018 and was based upon the assurance mapping exercise which is carried out at periodic intervals during the preceding year. Section 2010 of the PSIAS specifies that the risk based plan takes into account the organisation’s assurance framework and that the work on internal audit addresses both local and national issues. The assurance available from both within and outside the Council is assessed to enable informed decisions regarding the audits to be undertaken in 2018/19. This “assurance mapping” exercise (using the “three lines of defence” model) also captures emerging risks and issues as they arise during the year to provide informed decisions on any changes that need to be made to the audit plan during the year. These changes are brought to the Audit Committee as they arise.

The assurance map is used to ensure that audit resources are used to assess risks and controls in the areas where assurance on the control environment cannot be gained from other sources.

This enables the Audit Manager to provide an opinion on the overall Council control environment. The assurance map that was used to inform the 2018/19 audit plan is attached as **Appendix B**.

Members will be aware that, at the time the plan was agreed in March 2018, there were still some audit days to be allocated to individual assignments. Changes have been made to further identify audits to be carried out, and these are set out in **Appendix C**, along with a position statement for each audit up to the end of May 2018.

At this stage, no changes are anticipated to the annual plan. However, Members will be kept informed should circumstances change in the next quarter. The audit plan will be reviewed at the end of September to take any changes in the Council's risks or requests from directors, and the results of that review will be reported to Audit Committee.

2.3 Critical findings or emerging trends

In accordance with PSIAS Standards, Internal Audit is required to report to Audit Committee on critical findings or emerging trends. As Members will be aware, one report (Music Service) was issued in 2017/18 with an opinion of "unsatisfactory" and this has been finalised during Q1 2018/19. A copy of the executive summary is attached as **Appendix D**.

The final report on the School Organisation Access and Planning (SOAP) audit was issued during Q1 and has an audit opinion of "Insufficient with major improvement needed". The main recommendations made in the report concerned governance and effective decision making, and budget monitoring of the schemes within Band A of the 21st Century schools programme.

Audit Committee will also note that a report has been finalised on Fleet Management Information Technology (FMIT). Although this has been given an assurance rating of "Insufficient with major improvement needed", the key themes coming from this review relate to project management, including a lack of detailed measures and baseline data to measure success. It was also noted that the outline specifications produced by the Council were not initially shared with the contractor, which resulted in additional costs as gaps in the functionality of the system were not identified at an early stage.

The report on the contract with GLL is in the process of being finalised. The main audit findings related mainly to the development of the contract with GLL and management information following the inception of the contract. Some of these issues will need to be examined on a corporate, rather than directorate, level.

The thematic reviews of effective decision-making across the Council have identified a number of points for consideration regarding record keeping. The majority of directorate reports raised few recommendations, as the decisions examined were supported with documentation; however, in some cases, the documentation was not immediately available to the auditors or was not held in one place.

2.4 Resources

There have been 432 chargeable days to the end of May, against a pro-rata plan of 468 days, which is reflective of a higher than anticipated number of days annual leave taken in Q1 .

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Relationship Manager meetings have been arranged with every Director and diarised for quarterly meetings throughout 2018/19. These are useful in progressing matters relating to audits completed and planned; and for discussing corporate and directorate risks, issues and areas for potential audit input. Meetings were held with Directors in April 2018 to discuss the audits carried out in 2017/18 in their directorates and their outcomes. The next set of meetings will take place at the end of June / beginning of July to review the audits undertaken in Q1, those planned for Q2 and any changes to internal controls that could affect the audit plan. Members will be updated in Q2 of the outcomes of the next series of meetings and any changes that have been made to the audit plan as a result.

Audit has issued 17 client questionnaires in Q1 and has received 14 responses (a response rate of 82%). One question asked of clients is whether they considered that the audit work added value to their service; 11 out of the 14 clients responded in the affirmative. Where the response was “no”, this was in reports where the client had accepted the gaps in governance processes during the audit review and was already in the process of improving procedures.

In the reports issued to date in Q1, there have been a total of 61 recommendations made (and agreed by audit clients). These are summarised below:

Rating	Recommendations made	Recommendations agreed
Red	20	20
Red / amber	13	13
Amber / green	19	19
Green	9	9
TOTAL	61	61

As the year progresses, updates will be provided on the number of recommendations implemented.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2018/19. The information for Cardiff has been submitted to the authority responsible for collating the data. Fourteen out of twenty two councils responded to the exercise and the comparative data is set out below.

Benchmark	Cardiff	Group average
Number of audit staff	12	7
Staffing cost per £'m gross revenue expenditure	£427	£703
Average cost per directly chargeable day	£287	£272
% directly chargeable time versus total available	71	67

Further information will be provided to Members when all Councils have submitted their outturn data to the group.

The Core Cities group is currently reviewing the performance indicators produced across the Core Cities, and the results will be shared in a future report.

The Council's performance targets for 2018/19 audit work are as in the table below (the percentage of the audit plan completed being new for 2018/19):

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual
The percentage of audit reports delivered within six weeks	74.6%	78.0%	
The average number of audit productive days per employee	143.43	170.00	
The average number of final audit reports produced per FTE (excluding schools' thematic reviews)	6.52	10.00	
The average number of final audit reports produced per FTE (including schools' thematic reviews)	9.60		
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	
The percentage of the audit plan completed	75%	80%	

3.3 Processes

The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor, the section as a whole, and the information provided in this report. SharePoint has been updated for new guidance and protocols and there is increasing use of the alert and calendar functions within the team.

4. CONCLUSION

4.1 Much of the early part of the first quarter was spent completing the audits carried over from 2017/18. These reports are shown in Appendix A to this report. Work on the thematic audit for Q1 is well underway, and the outcomes will be reported in September 2018. Further developments in management reporting in SharePoint have been put in place, particularly in relation to the review of recommendations made and agreed, and the benefits of these changes will be felt over the next few months as the process becomes more automated.

4.2 The audit plan will be reviewed in full during Q2 to ensure that any changes to risks or internal controls are included in the planning process. Where it is considered necessary, the audit plan will be amended to include audits in these areas and the changes reported to Audit Committee for consideration.

Reports Issued in Quarter 1 (as at May 2018)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
Economic Development – governance	Effective with opportunity for improvement			
Audit of Risk Management	Effective			
School Organisation Access and Planning	Insufficient with major improvement needed	3	3	
Social Services – governance	Effective			
Social Services – effective decision making	Effective			
Resources – governance	Effective			
Governance & Legal Services – governance	Effective			
Economic Development – commissioning and procurement	Effective with opportunity for improvement			
City Operations – effective decision making	Effective			
Communities – effective decision making	Effective			
FMIT	Insufficient with major improvement needed	2	2	
Resources – commissioning and procurement	Effective with opportunity for improvement			
Social Services – commissioning and procurement	Effective with opportunity for improvement			
City Operations – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Birchgrove)	Effective with opportunity for improvement			Draft report issued
Education – governance (Cardiff)	Effective with opportunity for improvement			Draft report issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – governance (Coed Glas)	Effective			Draft report issued
Education – governance (Criegiau)	Effective			Draft report issued
Education – governance (Danescourt)	Effective with opportunity for improvement			Draft report issued
Education – governance (Holy Family)	Effective with opportunity for improvement			Draft report issued
Education – governance (Hywel Dda)	Effective			Draft report issued
Education – governance (Peter Lea)	Effective with opportunity for improvement			Draft report issued
Education – governance (Radyr)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Fagan’s)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Illtyd’s)	Effective			Draft report issued
Education – governance (Ysgol Coed y Gof)	Effective			Draft report issued
Medium				
Education – commissioning and procurement (Tongwynlais Primary)	Effective with opportunity for improvement			
Music Service	Unsatisfactory	5	5	See Appendix D for further detail
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement			Draft report issued
Grants / Accounts / External Bodies				
Joint Committee – Glamorgan Archives	Audits undertaken to support the Council’s Statement of Accounts			
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Port Health				
Norwegian Church Preservation Trust 2015 - 2017	No assurance opinion given	4	4	
Other assignments				
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper
Education – summary of thematic audits	No assurance opinion given			Draft report issued