



**RESOURCES DIRECTORATE
INTERNAL AUDIT SECTION**

**Internal Audit Progress Report
(as at 30th May 2015)**

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INTERNAL AUDIT PROGRESS REPORT

INTRODUCTION

Internal Audit Section Resources

A change in structure was introduced last year, to retain key skills within the team, to help meet the changing pressures and challenges facing the Audit Section at this time. However, there continues to be huge pressure on Audit resources in the current year, mainly as a result of:

- The Audit & Pensions Manager, who shared the role of overseeing the work of the Audit team with the Audit & Risk Manager, retired in early May. The Pensions Manager since May has reported directly to the Corporate Director Resources. The Audit & Risk Manager will continue to “manage” the audit teams.
- A Senior Auditor post has been vacant since November and attempts to fill this post since then have proved difficult. As no suitable candidate was found after both internal and external advertisement a new approach to the role has been adopted and an advertisement placed at the end of May.
- The Principal Auditor, Risk & Governance left the Council in early May to take up a position with a private auditing company. Interviews have concluded and a Senior Auditor with a great deal of experience has been appointed to this key role. There will be an impact on audit coverage, whilst recruitment to fill the vacancy takes place.
- A second Principal Auditor post, previously filled on a temporary basis, has been made permanent to strengthen the senior management arrangements within Audit; a positive decision given the challenges faced.
- The Principal Auditor, Programme and Project Assurance left the Council at the end of May to take up a position within the private sector. It is unlikely this post will be filled as part of budget pressure discussions. The temporary contract for the Senior Auditor working in this area is being extended until the end of March 2016, to ensure this important element of work is maintained.

With increasing pressure to adapt to an ever changing risk profile, these changes are having an impact on audit coverage, but there are some positive developments aimed at strengthening senior management arrangements going forward.

Continuing Professional Development

All PP&DR reviews in relation to performance during 2014/15 are on track to be concluded within the deadline of the end of June. New objectives have been set for all members of the Section based on the Audit Service Delivery Plan (as set out in the Strategy). The objectives of the Audit team for 2015/16 are focussed on output measures of performance, in line with the provisions of the PSIAS.

SUMMARY OF WORK PERFORMED

Audit team

The Audit Strategy for 2015/16 set the scene for audit coverage for the year and the planned assignments have been set up in our audit planning, monitoring and control database. Priority was given to any audits planned for the 2014/15 year end, not commenced or completed during that year.

All auditors have been allocated 3 months work with an expectation their assignments will be effectively managed and delivered within that time scale. This approach, focusing more on outcomes, is new and being tried in order to improve performance and timeliness of reporting.

As in previous years, this progress report concentrates on audit work undertaken and some key performance indicators rather than a Plan v Actual comparison so early on during the year. A full Plan v Actual position will be provided at the half year stage with any recommendations to changes to planned coverage.

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 2015 (time of writing this report). This includes assignments carried forward from 2014/15 which were prioritised accordingly in this year's Plan. Members will note from Appendix A that there have been three Limited Assurance opinions included in final audit reports (and one potential limited assurance has been issued in a draft report). However, in line with the new protocol, none have been assessed as requiring the immediate attention of Audit Committee, and all will be discussed first with the Chief Executive.

Audit Management have been involved in providing training on control and compliance and is raising awareness with middle managers around the importance of control and adhering to Council rules, as part of the Cardiff Manager programme. To date, over 100 managers have attended and feedback has been very encouraging.

As part of a role seeking value for money we have continued to analyse spend in certain areas and sought assurances from Directors around the appropriateness of levels of spend, for example an analysis for each Directorate of “high” earners.

The Audit & Risk Manager has now arranged for the Section to join the UK Core Cities Heads of Audit Group. This first meeting is scheduled for July. This network will be really useful for sharing best practice and developing how the profession can evolve. It is good news that we are now part of this.

Investigations team

A revised Fraud, Bribery and Corruption Policy has been drafted and presented to the Audit Committee; this is due to be presented to Cabinet in June. An updated Money Laundering Policy and Procedure has been produced and is also due to be presented to Cabinet in June.

The Group Auditor (Investigations) has been working with Human Resources to contribute to the review of workplace investigations in Cardiff Council. A report and executive summary has been produced and meetings are ongoing.

Work is continuing on analysing data matching output from the Cabinet Office’s, National Fraud Initiative, targeting those most likely to result in a formal investigation.

Risk and Governance

A great deal of work has been undertaken this quarter on the Corporate Risk Register (CRR) 2014/15 year end position and the Annual Governance Statement (AGS). The latter included meeting with Directors to discuss their Annual Governance Statement and summarising this for relevant input to the AGS. The CRR and Governance Statements summary was reported to Senior Management Team in May 2015. The CRR is being reported to Audit Committee in June and Cabinet in May. The AGS is being reported to Committee in June as part of the Statement of Accounts.

Audit has continued to support Audit Committee in drafting their Annual Audit report and ensuring they are kept informed on a range of governance and control issues, alongside general support for meetings.

Similar to mentioned above, in relation to control and compliance, Audit management have been involved with training middle managers in risk management, as part of the Cardiff Manager programme, helping to raise their awareness around the importance of managing risks and following a standard methodology of assessment. To date over 100 managers have attended and feedback has been very encouraging

Programmes & Project Assurance

The team has continued to champion PQA and sound governance arrangements across a wide range of projects. They have continued to engage on a number of high profile projects providing advice and training as appropriate. Key successes include procuring accredited project management training to improve the governance and delivery of projects across the Council; leading on the delivery of SharePoint for electronic document & record management for Internal Audit; developing a number of reports which are used by the Senior Management Team to monitor project delivery and governance, such as a new Programme Highlight Report automated from the Portfolio, Programme & Project Management Database and implementing a 'Heat Map' which sets out the status of governance across key programmes and projects.

AUDIT PERFORMANCE AND ADDED VALUE

Added value

Meetings have been arranged with every Director, in line with our Relationship Manager initiative, and diarised for quarterly meetings throughout 2015/16. These have proved to be really useful in progressing matters relating to audits completed and planned and for discussing directorate risks, issues and areas for potential audit input.

The A&RM meets on a bi-monthly basis with the Chief Executive to discuss audit issues and any limited assurance reports.

Extensive work has commenced in progressing a service review as part of the Resource's Finance function. Service Reviews are aimed at ensuring that the Council's services are capable of meeting current and future demands and expectations within the constraints of the budget strategy and will

also support the Council to identify opportunities to improve services and also deliver the significant savings that need to be delivered in the short to medium term. At year end, the opportunity was taken to analyse performance over the past 12 months and use this information for updating our key activities documentation and identify areas for further improvement. This work will be continued in 2015/16.

Benchmarking

The Audit team is a member of the Welsh Chief Auditors and CIPFA benchmarking groups and has recently submitted statistics to both groups for 2014/15. Comparative data is anticipated to be received during the summer period.

The team has also recently joined the Core Cities benchmarking group and the A&RM is in the process of collating benchmarking data for this group, with the comparative information being available in July 2015.

Performance information

Appendix B sets out some key facts for the section for quarter 1.

Processes

We have continued work on taking forward the corporate pilot of SharePoint, as the Council's Electronic Document & Record Management System, whilst carrying out a pre-go-live audit of the SharePoint / EDRMS Project. Audit are on track for go-live with SharePoint by the end of May.

Reports Issued in Quarter since last reported (as at May 2015)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
NDR	Satisfactory	0	0	
Council Tax	Satisfactory	0	0	
Cheque Printing	Satisfactory	2	2	
Housing Rent Arrears	Satisfactory	0	0	
Invest to save	Satisfactory	0	0	
SRB – Whitchurch High School	Limited	4	4	
Castle – overtime review	Limited	3	3	
Main accounting	Satisfactory	0	0	
Service charges	Satisfactory	0		Draft report issued
<i>Medium</i>				
Pencaerau Primary School	Satisfactory	0	0	
St. Monica's Primary School	Limited	9	9	
Pen y Bryn Primary School	Limited	8		Draft report issued
Cashless catering in schools	Satisfactory	1		Draft report issued
<i>Follow-ups</i>				
Direct Payments – Resources	Satisfactory progress	1	1	
Rumney High School (second follow up)	Satisfactory progress	0	0	
<i>Ad hoc assignments</i>				
Property, Land and Procurement Changes				Briefing paper
Additional salary payments				Emails to Directors
Consultancy contract				Briefing paper
Sickness absence				Email to HRPS
Pool cars				Draft report issued
CRSA – Schools				On-going

Key Facts

AUDIT RECOMMENDATIONS		Proposed	Agreed
No. of Recommendations		46	43
No. of Risks:	Red	7	7
	Red/Amber	16	14
	Amber/Green	21	20
	Green	1	1
% Agreed			93%
AUDIT QUESTIONNAIRES		Detail	
No. of Questionnaires Sent:		8	
No. of Questionnaires Received:		8	
		Excellent	53%
		Good	44%
		Satisfactory	3%
		Unsatisfactory	0%
Return Rate:		100%	
Business Plan Target Return Rate:		66%	
Satisfaction Rating:		100%	
			Detail
FRAUD STATS			
No. of Referrals Received:			
- Council tax liability		2	
- Council tax reduction		2	
- Employees		7	
- Housing		4	
REPORTING UPDATES	No. of 'Open' Audits on CIS	Comments	
2015-16	5	Detail to be provided half year.	
2014-15	20		
2013-14	8		
2012-13	1		