



**CORPORATE RESOURCES  
INTERNAL AUDIT SECTION**

**INTERNAL AUDIT PROGRESS REPORT  
FOR THE  
PERIOD ENDING 30.09.16**

- Open**  
We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities
- Fair**  
We champion fairness, recognising that with less resource we need to prioritise services for those who need them most
- Together**  
We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



# INTERNAL AUDIT PROGRESS REPORT

## 1. Background

- 1.1 The Internal Audit plan for 2016/17 was approved by the Audit Committee at its meeting on 27<sup>th</sup> June 2016. The plan provides the framework for audit work in the forthcoming year and it is aligned to the Council's corporate governance arrangements whilst also being responsive to changes to risks faced by the Council during the year.
- 1.2 The plan is informed by the risks identified in the corporate risk register and the level of assurance that can be obtained from internal and external reviews of those risks.
- 1.3 The Internal Audit plan of 2,700 chargeable days was agreed for the year – 2,300 for the audit team and 400 for the investigations team.

### Audit team

## 2. Progress against plan

- 2.1 The number of chargeable days has been allocated across service areas in line with the report presented to Audit Committee in June. To 30<sup>th</sup> September 2016, 960.35 days have been charged to audits (against a plan of 1,150 days), which is 83.5% of the planned chargeable days. It should be noted that, within the average of 83.5%, there are wide differences between the productivity of the members of the team – from less than 50% to almost 99% - due to various reasons including sickness. The performance of the team in shown in the table below:

	Plan 2016/17	Performance to Q2, 2016/17	Performance to Q2, 2015/16
Audit days delivered (pro-rata)	1,150	960.35	758.62
Productive time of team (% of work time spent on audit work)		83.5%	73.65%
Audits delivered within budgeted days		34	

- 2.2 The audits undertaken can be seen in the table below:

Audit area	Number of planned days	Number of planned audits	Final reports issued	Draft reports issued	Percentage of planned assignments
Fundamental	220	13	6	1	54%
Corporate	440	9	0	1	11%
Corporate governance	200	27	4	0	15%
Other assurance	460	29	5	0	17%
<i>Service specific:</i>					
City Operations	150	12	0	4	36%
Communities, Housing and Customer Services	120	14	2	1	23%
Economic Development	70	5	0	1	20%

Audit area	Number of planned days	Number of planned audits	Final reports issued	Draft reports issued	Percentage of planned assignments
Education and Lifelong Learning	280	35	14	4	80%
Governance and Legal Services	20	3	0	0	0%
Resources	60	1	1	0	100%
Social Services	250	30	6	0	20%
External and grants	30	9	8	0	89%
<b>TOTAL</b>	<b>2,300</b>	<b>236</b>	<b>46</b>	<b>12</b>	

2.3 The reports issued are detailed in Appendix A.

2.4 The audit plan will be reviewed during Q3 to take into account the existing control environment and to assess whether any changes in the risks faced by the Council and any new systems implemented would affect the ability of the Audit Manager to provide an assurance opinion on the overall control environment of the Council at the end of the year.

### 3. Audit findings and performance

3.1 The table below shows the audit assurance opinions that have been given during the first half of the year:

Audit Area	High	Satisfactory	Limited Assurance	No Assurance	No Opinion Given
Fundamental	0	4	2	0	0
Corporate	0	0	0	0	0
Corporate governance	0	4	0	0	0
Other assurance	0	1	1	0	3
City Operations	0	0	0	0	0
Communities, Housing & Customer Services	0	2	0	0	0
Economic Development	0	0	0	0	0
Education and Lifelong Learning	0	2	10	2	0
Governance and Legal Services	0	0	0	0	0
Resources	0	0	1	0	0
Social Services	0	4	2	0	0
External clients and grants	0	7	1	0	0
<b>TOTAL</b>	<b>0</b>	<b>24</b>	<b>17</b>	<b>2</b>	<b>3</b>

3.2 Two “no assurance” opinions have been given in the first six months of the year, both to schools, and members of the Audit Committee will have already received copies of the executive summaries of these reports. Follow up work is currently being undertaken in these schools, and an update will be provided at the next meeting of the Audit Committee.

#### 4. Added value

- 4.1 The Internal Audit section has added value to the work of the Council by providing objective and relevant assurance and by contributing to the effectiveness and efficient of governance and internal control processes. The section has received 100% satisfaction rating from clients and all have considered that the reports produced added value to the work of the services.
- 4.2 During the first six months of the year, a total of 412 recommendations have been made in the 47 reports issued, and these are broken down as follows:

Audit area	Number of recommendations made			
	Red	Red / amber	Amber / green	Total
Fundamental	1	9	17	27
Corporate	0	0	0	0
Corporate governance	0	25	39	64
Other assurance	0	12	16	28
City Operations	0	0	0	0
Communities, Housing & Customer Services	1	6	4	11
Economic Development	0	0	0	0
Education and Lifelong Learning	107	81	10	198
Governance and Legal Services	0	0	0	0
Resources	1	10	3	14
Social Services	10	16	21	47
External clients and grants	0	7	16	23
<b>TOTAL</b>	<b>120</b>	<b>166</b>	<b>126</b>	<b>412</b>

- 4.3 It should be noted that 100% of the red risk recommendations have been accepted, along with 98.8% of those rated red / amber.
- 4.4 It is management's responsibility to ensure that the accepted recommendations are implemented within the agreed timescale. Reports with limited or no assurance opinions are followed up within six months of the date of the final report, and red recommendations from reports with a satisfactory opinion are now being revisited to ensure that they are implemented by obtaining an update from management on progress made. This is being recorded on SharePoint.

#### 5. Benchmarking and performance management

- 5.1 Internal Audit is required, as part of the Public Sector Internal Audit Standards (PSIAS), to maintain a *Quality Assurance and Improvement Programme* or QAIP, and Audit Committee were informed in March 2016 of the measures in place to support this programme. The measures reported to Audit Committee include:
- (a) Database of audits to control and monitor audit priorities – allows for plan v actual analysis
  - (b) Standard working practices
  - (c) Post Audit Assessments completed at the end of each assignment
  - (d) Client satisfaction questionnaires
  - (e) Recommendations monitored
  - (f) Benchmarking exercises.

- 5.2 The Audit Section is a member of three benchmarking clubs – the Welsh Chief Auditor group, CIPFA and Core Cities. The information gathered for each group is slightly different: the WCAG performance indicators are based on the simpler measures relating to client satisfaction, percentage of plan achieved (that is actuals) within one year; the Core Cities information is very similar but also goes into more detail on the broad categories of audit work undertaken (for both actuals and planned for the following year); the CIPFA benchmarking information goes into more detail on costs, audit activity, staffing (pay bands, qualifications) for both actual and planned. The results produced from the CIPFA benchmarking club are also available for the whole benchmarking club and a set of comparator authorities that we choose, and are also available as an interactive report. It should be noted that the WCAG and Core Cities benchmarking clubs are managed within the WCAG and Core Cities authorities (at no cost to the participants), whereas CIPFA forms part of a wider benchmarking exercise undertaken by the directorate.
- 5.3 Information has been submitted to each group and the output has now been received. A summary of key indicators is attached as Appendix B. It can be seen that Cardiff ranks highly among the Welsh authorities for both client satisfaction and recommendation acceptance, and is around the average for the percentage of directly chargeable time against total time available.
- 5.4 However, examination of the information and benchmarking data provided by CIPFA shows that the section does not perform well in comparison to other authorities for the number of days per auditor during the year (being in the lower quartile of the 22 authorities in the benchmarking club). As highlighted in paragraph 2.1, productivity between auditors is a key focus at the moment and the results bear this out. Work will continue in this regard but also to ensure that customer satisfaction remains high and productivity increases.

#### Investigations team

#### 6.0 Progress against plan

- 6.1 The chargeable days have been allocated across proactive and reactive measures. The performance of the team is shown in the table below:

	Half Year Plan 2016/17	Half Year Delivered 2016/17	Performance to Q2, 2015/16
Planned investigation days	200	212	223*
Productive time of team (% of work time spent on investigative work)		107%	108%
Investigating Officer training sessions delivered		15	

\* The 2015 performance includes days for the Audit Manager and extra hours for the investigation Assistant which ended on the 31/03/16.

- 6.2 Preparations have commenced on the Cabinet Office and Wales Audit Office, data matching exercise, the National Fraud Initiative. All data has been extracted, checked and securely uploaded in readiness for the next round of the exercise.
- 6.3 The half year Investigation Team report is attached at Appendix C.

## Conclusions

- 7.1 There are a number of positive aspects of the performance of the Internal Audit section during the first half of 2016/17. The number of actual chargeable days delivered by both teams has increased over the same period last year and there is a high level of acceptance of the recommendations made during audits. There are still a number of audits with “limited assurance” or “no assurance” opinions (41%), and work is on-going with those directorates to improve internal controls.
- 7.2 Key priorities for the section in the next six months will include the provision of a high standard of professional service in the delivery of the audit plan. An assessment of the audit plan and emerging priorities will be undertaken at the end of quarter 3 and the outcome of this assessment will be reported to Audit Committee in due course.