



CORPORATE RESOURCES INTERNAL AUDIT SECTION

INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD ENDING 31.12.16

- 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 in June 2016. 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 changes to risks faced by the Council during the year.
- 1.2 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.
- 1.3 This report serves to provide an update on progress against the plan to the end of Q3, 2016/17, as well as providing information relating to any audits of particular concern to members where there has been a "Limited" or "No" Assurance audit opinion during Q3.

Audit team

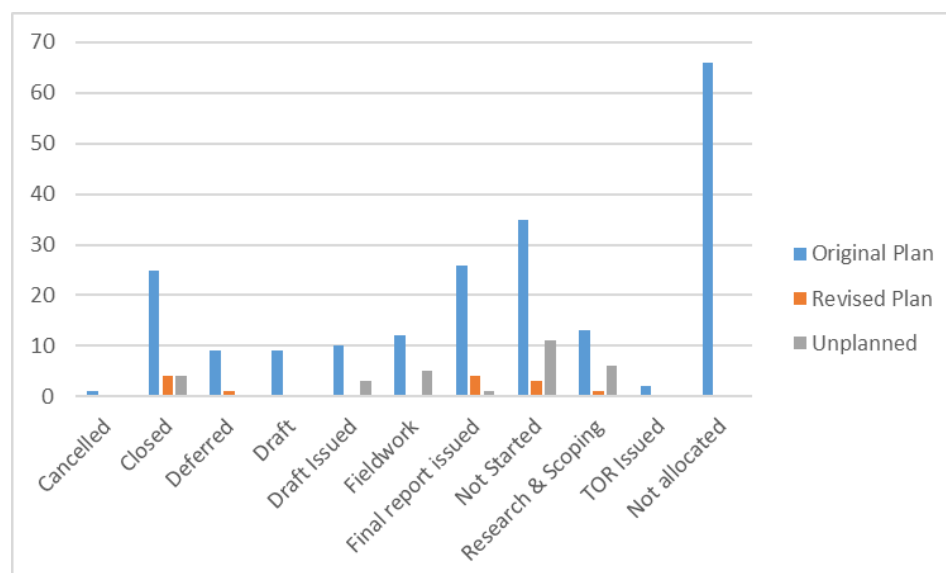
2. Progress against plan

- 2.1 The number of chargeable days allocated to audits to 31st December 2016 is 1,448 (against a plan of 1,725 days), which is almost 84% of the planned chargeable days. The performance of the team is shown in the table below:

	Plan 2016/17	Performance to Q3, 2016/17	Performance to Q3, 2015/16
Audit days delivered (pro-rata)	1,725	1,449.91	1,184.50
Productive time of team (% of work time spend on audit work)		84.05%	76.67%
Audits delivered within budgeted days		30	

- 2.2 Figure 1 below shows the status of the work that has been undertaken to the end of Q3:

Figure 1: Status of Audits as at Q3, 2016/17



2.3 It can be seen from the above graph that 11 assignments (10 assurance and 1 consultation) have been deferred so far in 2016/17. These have been for various reasons, mainly at the request of the auditee, and all such requests are considered by audit management before it is agreed that the audit is deferred.

2.4 The types of audits undertaken are shown in the table below, and in more detail in Appendix A:

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	2	2	44%
Corporate governance	200	27	4	1	19%
Other assurance	460	29	6	4	35%
<i>Service specific:</i>					
City Operations	150	12	5	0	42%
Communities, Housing and Customer Services	120	14	4	1	36%
Economic Development	70	5	0	1	20%
Education and Lifelong Learning	280	35	20	3	66%
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%
TOTAL	2,300	236	62	13	

3. Audit findings and performance

3.1 The table below shows the audit assurance opinions that have been give to the end of Q3, 2016/17:

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	5	0	0	0
Other assurance	0	4	2	0	3
City Operations	0	4	1	0	0
Communities, Housing & Customer Services	0	3	1	0	0
Economic Development	0	0	0	0	1
Education and Lifelong Learning	0	3	16	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	1
TOTAL	0	34	26	2	5

3.2 Audit Committee will be aware that should the opinion be “No” Assurance or relate to a follow up audit where the opinion remains “Limited” or “No” Assurance, this is reported immediately to the Committee. All reports with a “limited” or “no” assurance opinion are recorded in SharePoint on a report created to monitor these audits.

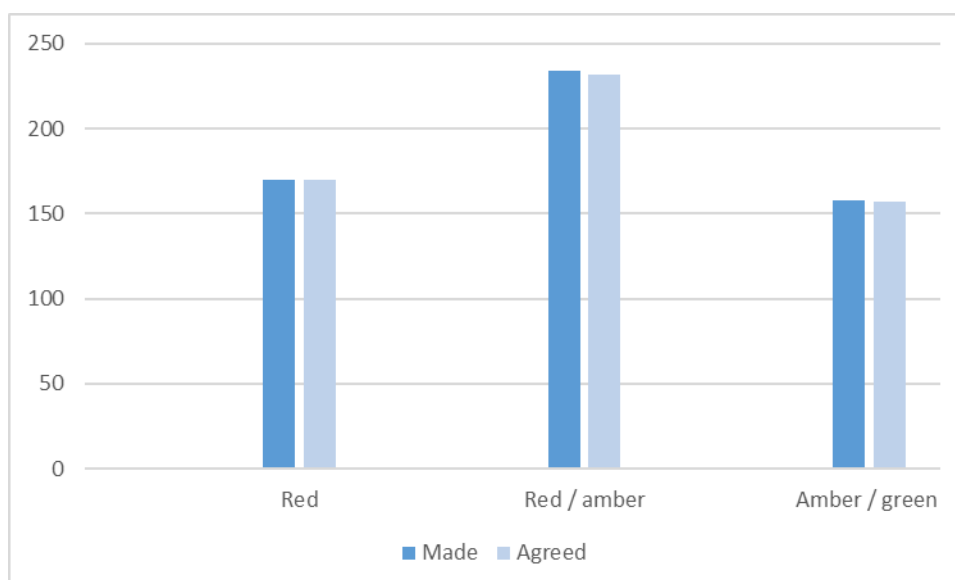
3.3 Although the audit plan at the start of the year includes a certain element of time for follow up audits, it is clear that having this number of follow up audits is reducing the resources available to undertake audits during the year. Under the Public Sector Internal Audit Standards (2500.A1) “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.” Consideration is being given to re-focussing the way in which follow up work is carried out in order to maintain compliance with the PSIAS whilst also releasing resources to undertake audits of the key risks facing the Council. This is one of the possible changes being considered to ensure that the team complies with PSIAS and best practice.

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 efficiency 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 A total of 562 recommendations has been made in the 64 reports issued, and these can be seen in the diagram below. It should be noted that 100% of the red risk recommendations have been accepted.

Figure 2: Recommendations Made and Agreed, Q3 2016/17



5. Revised plan

5.1 Following on from the information set out above, the audit plan for 2016/17 has been reviewed to identify audits which will not be carried out in the year and which may have to be carried over to 2017/18 (depending on consideration of risk).

5.2 It is anticipated that reviews will be undertaken in all fundamental systems of the Council, although not all may be finalised before the end of the financial year. Work has continued on the development of CRSA questionnaires during the year, and these will be further refined as systems and risks change.

Investigation team6. 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:

	Plan 2016/17	Performance to Q3, 2016/17	Performance to Q3, 2015/16
Planned investigation days	300	325	357
Productive time of team (% of work time spent on investigative work)		108%	110%
Investigating Officer training sessions delivered		17	

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

6.2 Preparations have commenced on the Cabinet Office and Wales Audit Office data matching exercise, the National Fraud Initiative. Three thousand matches have been received identifying potential council tax liability anomalies. Output from the main exercise, NFI 2016, is due at the end of January.

6.3 The Investigation Team continues to develop and deliver the training programme for officers who may be tasked with conducting the role of Investigating Officer as part of the new Disciplinary Policy.

6.4 The Investigation Team has been asked to undertake the role of independent investigating officer on behalf of two schools, and these cases are currently ongoing.

6.5 The Investigation Team report is attached at Appendix B.

7. Conclusions

- 7.1 There are a number of positive aspects of the performance of the Internal Audit section during 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, and work is on-going with those directorates to improve internal controls.
- 7.2 Key priorities for the section in the next three months will include the provision of a high standard of professional service in the delivery of the audit plan.

Reports Issued to the end of Quarter 3

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<i>Fundamental / High</i>				
Council Tax 2015/16	Satisfactory			
Housing Rent Arrears	Satisfactory			
Housing Rent Setting	Satisfactory			
Local Housing Allowance	Satisfactory			
Income Management	Limited	0	0	
Allocations, lettings and voids	Satisfactory			
<i>Medium</i>				
Bishop Childs Primary School	Limited	4	4	
Trowbridge Primary School	Limited	16	16	
Carbon Reduction Commitment	Satisfactory			
Payments to Care Leavers	Limited	5	5	
Danescourt Primary School	Limited	4	4	
ICT – Cloud Computing	Satisfactory			
CRSA – agile working	Satisfactory			
CRSA – mobile working and scheduling	Satisfactory			
CRSA – office rationalisation	Satisfactory			
Riverbank	No	15	15	
St. Alban's Primary School	Limited	4	4	
CRSA – infrastructure ADM	Satisfactory			
Staffed Accommodation (KD148)	Satisfactory			
Staffed Accommodation (KD152)	Satisfactory			
Glamorgan Archives	Satisfactory			
British Council projects	Limited	14	14	
ICT – Business Continuity and Disaster Recovery	Limited	7	7	
CMS – purchasing cards	Satisfactory			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Birchgrove Primary School	Limited	8	8	
Direct Payments – Social Services	Limited	3	3	
Fostering payments	Satisfactory	1	1	
Rhiwbina Primary School	Limited	8	8	
Adamsdown Primary School	Limited	6	6	
Carbon Reduction Commitment	Satisfactory			
School transport	Satisfactory			
St. Illtyd's	Limited	19	19	
St. Joseph's	Limited	5	5	
Corpus Christi	Limited	8	8	
Peter Lea	Limited	10	10	
Highways Maintenance	Limited	9	9	
ICT – Back up management	Satisfactory			Draft report issued
Functions and Retail Catering	Limited	8		Draft report issued
OD governance	Satisfactory			Draft report issued
ICT – Microsoft Exchange	Satisfactory			Draft report issued
Stores - Joint Equipment Service	Satisfactory			Draft report issued
Follow-ups				
Payroll overpayments	Limited	1	1	
Brindley Road Stores	Limited	1	1	
Mental Health contracts	Satisfactory	1	1	
St. Monica's Primary School	Limited	3	3	
Cantonian	Satisfactory	1	1	
Lansdowne Primary	Limited	13	13	
Ninian Park	Satisfactory			
Woodlands	No	11	11	
Pen y Bryn Primary	Satisfactory			
Supporting People	Limited	2	2	
Weighbridge	Satisfactory	1	1	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
St. Alban's	Limited	4	4	
Glyn Derw Michaelston	Deferred			Draft report issued
Youth Centre inventories	Limited	4		Draft report issued
Ad hoc assignments				
CRSA – Schools				On-going
Financial Resilience				Draft report issued
Welsh Purchasing Consortium		Joint Committee statements for 2015/16 accounts		
Port Health		Joint Committee statements for 2015/16 accounts		
Glamorgan Archives		Joint Committee statements for 2015/16 accounts		
Prosiect Gwyrdd		Joint Committee statements for 2015/16 accounts		
<i>Mileage and subsistence</i>				
Value for Money Studies				
Agency costs				
Annual Leave				
Heath Park operating contract (tennis and golf)				
Grants				
Illegal Money Lending Unit				
Homelessness grant				
Education Improvement grant				
Final accounts				
Demolition of flats, Clevedon Road				