



## RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

### Internal Audit Progress Report (as at May 2017)

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# INTERNAL AUDIT PROGRESS REPORT

## 1. INTRODUCTION

### 1.1 Background

The Internal Audit plan for 2017/18 was approved by the Audit Committee at its meeting in March 2017. 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 2017/18 is made up of a total of 3,500 days (2,900 for the audit team and 600 for the investigations team). A total of 2,519 chargeable days was agreed – 2,102 for the audit team and 417 for the investigations team.

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

During the first few weeks of the quarter, there have been a number of occasions of sickness absence in the team for various reasons, which has reduced the number of chargeable days that have been worked. The provisions of the Council's Attendance and Wellbeing Policy have been followed in each case of sickness absence and officers will be supported in their return to work. In addition, the team also has a vacancy for a Principal Auditor and, although a short gap in recruitment had been anticipated when the plan for 2017/18 was developed, the post has had to be readvertised. As at 31<sup>st</sup> May 2017, around 11 working weeks have been lost to sickness absence and these have, consequently, had an impact on the productivity of the audit team in particular. Work is currently being undertaken in order to ensure that the audit plan continues to focus on the key risk areas of the Council which will include the use of short term agency auditors.

### 1.3 Continuing Professional Development

Where possible, the PP&DR reviews in relation to performance during 2016/17 have been completed as at 31<sup>st</sup> May 2017 with the two outstanding being in respect of those on sickness absence. The Council has a new Personal Review scheme from April 2017 and for Audit will reinforce the focus on improvement in productivity and recommendations implemented. The new objectives for 2017/18 underpinning continue to be discussed with the members of the Section and will be agreed by the end of June.

## 2. SUMMARY OF WORK PERFORMED

### 2.1 Audit team

The Audit Strategy 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 was given to any audits planned for 2016/17 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.

This progress report concentrates on audit work undertaken and some key performance indicators to date. A full Plan v Actual position will be provided at the half year stage with any recommendations to changes to planned coverage, taking into account the reduction in available resources due to sickness, the productive time of the agency workers and areas identified from work of other scrutiny committees.

The Head of Finance has met with the Chief Executive to discuss audit matters and provide information on the new assurance ratings and recommendation definitions. These changes have been recognised and reinforced in the Council's Senior Management Assurance Statements for 2016/17 and going forward into 2017/18.

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 2017 (time of writing this report). This includes assignments carried forward from 2016/17 which were prioritised accordingly in this year's Plan. Members will note from Appendix A that two limited assurance reports (St. Cuthbert's and All Saints Primary Schools) have been finalised in Q1.

The opinions given in reports issued to the end of May 2017 are shown below. Members will note that the opinions given are those applicable to 2016/17, as these reports have been carried over from the previous year:

	Number of reports	Opinion				No opinion given
		High Assurance	Satisfactory Assurance	Limited Assurance	No Assurance	
Draft reports issued	2	0	0	1	0	1
Final reports issued	8	0	5	2	0	1
Closed	4	0	0	0	0	4
<b>TOTAL</b>	<b>14</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>6</b>

There are six reports issued that have not been given an assurance opinion at this stage. These are:

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 Headteacher.
Annual returns (x 4)	Audits undertaken to support the Council's Statement of Accounts.

As the team issues reports using the new assurance ratings (as agreed in the March meeting), the information provided to Audit Committee will not be immediately comparable. It is, therefore, proposed that the ratings will be combined as below, and this analysis used from the progress report for Q2:

Previous assurance rating	Equivalent rating for new audits from April 2017
High	Effective
Satisfactory	Effective with Opportunity for Improvement
Limited	Insufficient with Major Improvement Needed
No	Unsatisfactory

The number of chargeable days allocated to audits to 26<sup>th</sup> May 2017 is 175 (against a pro-rata plan of 432 days), which is almost 41% of the planned chargeable days. As indicated above, the team has had a number of sickness absences in Q1 and this has had a severe impact on the number of chargeable days achieved. The number of chargeable days has also been affected by a vacant post

and a period of jury service, and a report will be put before Members in Q2 which will show the impact the use of agency auditors will have on chargeable time.

#### Investigation Team

Following the success of the delivery of the Investigating officer training on behalf of HR People Services, additional sessions have now been agreed and scheduled to take place later in the year.

Following an inspection in February by the Office of Surveillance Commissioners, a formal recommendation was made that the Council introduce a policy for the use of Social Networking sites for investigative purposes. Owing to the experience the Council's Investigation Team have in this field, the Group Auditor (Investigations) was tasked with producing a policy, which is currently with Governance and Legal Services.

The UK Cabinet Office continues to release new matches as part of the National Fraud Initiative (NFI) data matching exercise. We are currently investigating potential frauds / anomalies relating to pensions, council tax, creditors, housing, market traders, payroll and pensions. Over the next three months, a value for money exercise will be undertaken to assess the benefits of the NFI data matching exercise.

Numerous fraud referrals have been received and investigations undertaken; a summary of the themes are set out in **Appendix B**.

### **3. AUDIT PERFORMANCE AND ADDED VALUE**

#### **3.1 Added value**

Meetings have been arranged with every Director, in line with our Relationship Manager initiative, and diarised for quarterly meetings throughout 2017/18. These are useful in progressing matters relating to audits completed and planned and for discussing directorate risks, issues and areas for potential audit input. 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.

### 3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities and CIPFA benchmarking groups and is in the process of submitting statistics to all groups for 2016/17. Comparative data is anticipated to be received during the summer period and will be reported to Audit Committee in due course.

### 3.3 Processes

Internal Audit has continued to develop its use of SharePoint, the Council's Electronic Document & Record Management System and has (with the assistance of officers in HR People Services) developed a timesheet module on the Council's DigiGOV system for time recording from April 2017 (to replace the previous Excel-based time recording system which was becoming unfit for purpose). The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor and the section as a whole, as well as the information provided in this report.

### 3.4 Risk-based audit methodology

As Members will be aware, the Audit team is refocussing on risk-based audits to provide assurance with regard to the control environment of the Council.

The audit plan for 2017/18 focusses on a thematic approach to main key strategic risks - payroll, commissioning and procurement, effective decision making and governance – and how these are managed on an operational level within each directorate. The Council's Corporate Risk Register was also used to identify those areas of concern to the Council where there were few sources of assurance on the management of those risks from other scrutiny committees or bodies outside the Council.

The scope of each audit will be set out following a meeting with the managers concerned; the objectives in the terms of reference will be based on importance and meetings held with the reviewing manager half way through the audit to discuss the progress and to adjust resource allocations during the progress of the review. There is more emphasis on the controls in place and the root causes of issues that are identified in order to identify the underlying risk and control gaps.

The team has also refocused the definitions of the recommendation risk ratings with an emphasis on risk and control, as set out in the progress report presented to the last Audit Committee. By doing so, the quality of the reports given to management will improve and the number of recommendations implemented in three months (one of the section's targets for 2017/18) will increase. This focus on recommendations rather than performing follow up audits will also allow the Audit Manager to gain assurance from the implementation of agreed recommendations.

As part of the focus on recommendations and the importance of providing sound advice and guidance to audit clients, Internal Audit has developed a recommendation tracker on SharePoint which will allow managers to directly provide updates on the progress made towards implementing the audit recommendations.

#### **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. The review of items since the last meeting of the Audit Committee has identified the following as being relevant for inclusion in this progress report:

- (a) *Direct Payments (Social Services)* – this is a project that has been considered by the Community and Adult Services Scrutiny Committee in 2016/17; a review of the proposed procurement process has been considered and included in the audit plan for 2017/18 (quarter 3);
- (b) *GLL contract to provide Leisure Services* – a review of partnership working is in the audit plan for 2017/18;
- (c) *Procurement Strategy* – discussion of the strategy for 2017-2020 was held at the Policy Review and Performance Scrutiny Committee in March 2017. Internal Audit has included new strategy as part of the background information for the thematic approach to commissioning and procurement work in 2017/18 (both within directorates and as a strategic Council-wide review);

- (d) *School Admissions* – this policy was considered by the Children and Young People Scrutiny Committee in March 2017, and audit work in this area will be further considered by the Audit Manager, with a scope for the review brought to Audit Committee in September 2017;
- (e) *Regional Partnership Board* - this was discussed by the Community and Adult Services Scrutiny Committee in March 2017. Audit work in this area will be further considered by the Audit Manager, with a scope for this review brought to Audit Committee in September 2017;
- (f) *School Governor Effectiveness* – this is an area which has already been included in the audit plan for 2017/18 as part of the thematic review of effective decision making in schools.

## 5. **CONCLUSION**

Members will note that the work of the section has been affected by a number of factors, including sickness and continuing to have a vacant post. However, steps are being taken to use agency employees to carry out some of the high risk / complex audits and a report will be brought before this Committee at the end of Q2 to show the impact of this on the audit plan.

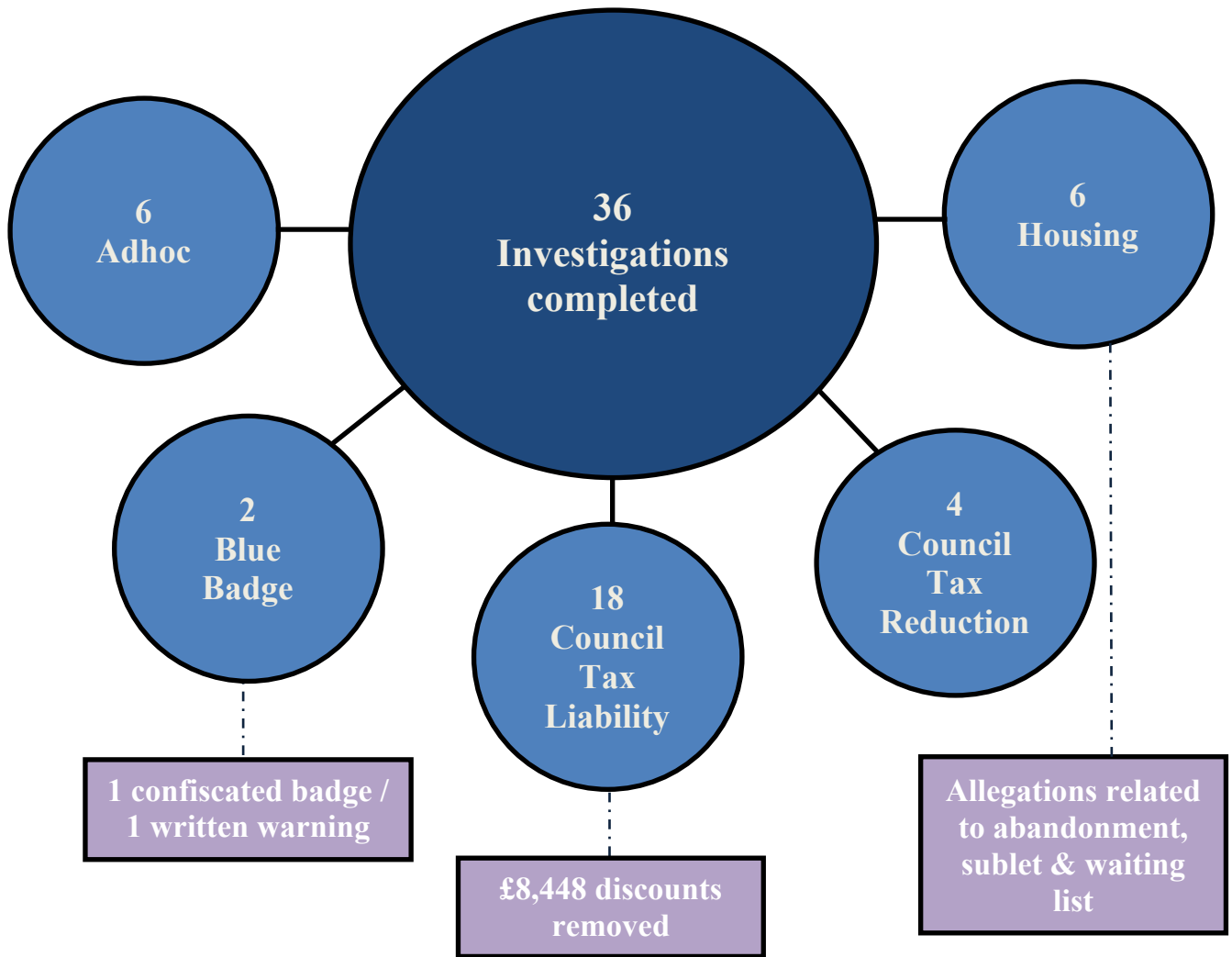
Analysis of the Scrutiny Committee correspondence has show that there are two areas not currently in the plan for 2017/18 (school admissions and the Regional Partnership Board) that will be considered further and a scope for the reviews brought to Audit Committee in September.



## Reports Issued in Quarter 1 (as at May 2017)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Fundamental / High</b>				
<b>Medium</b>				
St. Cuthbert's	Limited	2	2	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Mount Stuart	Satisfactory	1	1	
<b>Follow-ups</b>				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2		Draft report issued
<b>Grants / Accounts / External Bodies</b>				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Glamorgan Archives				
<b>Ad hoc assignments</b>				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Headteacher			

Investigation Team Report (as at May 2017)



During the same period in 2016, 28 investigations were completed.

