



RESOURCES DIRECTORATE INTERNAL AUDIT TEAM

Internal Audit Progress Report (As at 28th February 2018)

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Audit Committee at its meeting in March 2017 approved the Internal Audit plan for 2017/18. The plan is 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 was reviewed and the amendments to the plan were approved at the Audit Committee meeting on 18th September 2017.

The Internal Audit plan for the Audit section 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): 2,519 chargeable days were agreed – 2,102 for the audit team and 417 for the investigations team (see separate report at item 10.2 of the agenda). Following the September Audit Committee, the number of chargeable days for Audit was reduced to 1,862.

This report serves to provide an update on progress against the audit plan to 28th February 2018.

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.

As members will be aware from previous reports to this Committee, there were a number of occasions of sickness absence in the team for various reasons during the first four months of the year. This reduced the number of chargeable days worked for that period. For the period 1st August 2017 to 28th February 2018, there have been eight days of short-term sickness, which have been able to be absorbed with in the delivery of the audit plan.

1.3 Continuing Professional Development

The Council's new Personal Review Scheme from April 2017 has been used to reinforce the focus on improvement in productivity and recommendations implemented. The objectives for 2017/18 underpin the work of the Internal Audit section and were discussed and agreed with the

members of the Section by the end of June 2017. The half-year reviews were completed by the deadline given (30th November 2017) and work will shortly begin on the end of year reviews, with meetings diarised for April 2018. Work will begin on the development of objectives for 2018/19 during Q1.

The Performance Review process and the self-assessment against skills and competencies is a cornerstone of the Quality Assurance Improvement Plan (QAIP) for the section. In addition, the Cardiff Internal Audit Section is an active member of the Welsh Chief Internal Auditors group and support attendance at training events held. Further detail on the QAIP will be provided to the June meeting of this Committee.

2. SUMMARY OF WORK PERFORMED

The Audit Plan 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 had been given to any audits planned for 2016/17 but not completed during that year.

A full Plan v Actual position is provided at **Appendix B** and includes agreed changes to planned coverage, taking into account the need to review available resources due to sickness, the enhanced productive time of agency workers and areas identified from work of other scrutiny committees. It also shows the position with each audit as at the end of February 2018.

This progress report concentrates on audit work undertaken and highlights performance against the Audit Plan. The table below has identified for each line in the audit plan the status in terms of delivery. For the purpose of clarity, an audit has been designated as completed when a report has been issued or work has been completed on the CRSA to inform further audits. It can be seen that 69% of assignments have been completed with a further 10.9% being completed by 31st March. The table below summarises the position as at 28th February 2018:

Status of audits	Number of assignments	Percentage (%)
Completed	94	68.7
Deferred	14	10.2
On schedule for completion by 31.03.18	15	10.9
Not scheduled for completion by 31.03.18	14	10.2
	137	100.00

The number of chargeable days allocated to audits to 28th February 2018 is 1,371 (against a pro-rata plan of 1,697 days based on the revised plan), which is 81% of the planned chargeable days.

The opinions given in reports issued to the end of February 2018 (as detailed below) are summarised as:

	Number of reports	Opinion				No opinion given
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	
Draft reports issued	21	3	6	7	1	4
Final reports issued	100	28	47	14	0	11
TOTAL	121	31	53	21	1	15
Draft reports being reviewed	5					

It can be seen that 106 reports have been issued against 92 completed assignments. The difference is because the thematic reviews are entered as one audit but may result in more than one report being issued (such as to each school within the theme). The table below shows the reports analysed over the areas in the audit plan:

	High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	TOTAL
Fundamental	4	1	0	0	5
Corporate Governance	2	1	1	0	4
Other Assurance	2	3	4	0	9
City Operations	0	1	2	0	3
Communities	3	0	1	0	4
Economic Development	0	2	2	0	4
Education	16	38	12	1	67
Governance	1	1	0	0	2
Resources	2	4	0	0	6
Social Services	1	2	1	0	4
	31	53	21	1	106

The 15 pieces of work undertaken that have not been given an assurance opinion are shown in the table below (with the reviews undertaken in the period to 28th February 2018 shown in bold):

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 Head teacher.
Annual Returns (x 4)	Audits undertaken to support the Council’s Statement of Accounts.
Supporting People - Outcomes	A review of the outcomes information relating to the Supporting People grant (as required by the Welsh Government).
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to the NTSB.
Education Improvement Grant	Audit of grant for 2016/17 and submission of information to the Welsh Government.
Cardiff Further Education Trust Fund	Audit of accounts and draft report issued
Norwegian Church Trust Fund	Audit of accounts and draft report issued
Revision of Council Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Revision of Council Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18
Peer review - Swansea	Draft report issued for presentation to Swansea Council Audit Committee in April 2018
Wedal Road HMRC	Review of processes for closure of site

The assignments identified as “not scheduled for completion by 31st March” will have completed the majority (if not all) of the fieldwork by that date, but any audit reports relating to these assignments will be issued in April / May 2018. The list of these assignments and those deferred is shown in the table below:

<i>Assignments deferred</i>	Assignments to be completed in April / May 2018
<i>Mileage and subsistence</i>	Payroll - CRSA
<i>Audit of corporate governance arrangements</i>	Inventory of information assets
<i>Programmes and projects</i>	CH&CS – effective decision making
<i>Education – statutory observations in opted out schools</i>	Contracts – in year testing
<i>Social Services – domiciliary care</i>	Economic Development – effective decision making

<i>CH&CS – mini tender process</i>	Use of internal and external providers
<i>School admissions</i>	Education - governance
<i>Assessment of return on investment in new housing developments</i>	Governance – commissioning & procurement
<i>Regional Partnership Board</i>	Social Services – commissioning & procurement
<i>Section 106 agreements</i>	Social Services - governance
<i>Pensions – in year testing</i>	Social Services – effective decision making
<i>Housing rents</i>	Advice and guidance
<i>Lease arrangements</i>	System development
<i>Insurance - CRSA</i>	Planning and monitoring
	Support for Audit Committee

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Meetings are arranged with every Director, in line with our Relationship Manager initiative, and should take place at the end of (or near to the end of) each quarter. Additional meetings are held in February to discuss the audit plan for the forthcoming year, and Directors find them useful in discussing audits completed and planned as well as directorate risks, issues and areas for potential audit input (as required in the PSIAS).

Auditors also attend meetings of project boards and offer advice and guidance to officers on the development of new processes.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities, and CIPFA benchmarking groups and has submitted information to all groups for 2016/17. Final information has been received from CIPFA and was reported to the Committee at the September meeting, with the output from the Welsh Chief Auditor Group reported to the November meeting.

There has been discussion at Core Cities group meetings on the benchmarking information, but no information has been received to date.

3.3 Processes

Internal Audit has continued its use of SharePoint and DigiGOV and the management information available from both systems provides performance management information for each auditor and the section as a whole, as well as the information provided in this report.

The Audit Development Group will be looking at further developing the use of SharePoint in the next quarter to enable audit reports to be shared with more audit clients directly (using the workflow functionality). The Group will also look within Sharepoint to streamline the team's processes by increasing the use of the "softer" functionality, such as the team calendar and announcements.

3.4 Recommendations implemented

One of the objectives in 2017/18 from the Finance delivery plan is to ensure that accountability and responsibility is clearly defined and acted upon, and the measure for Internal Audit is the percentage of recommendations implemented within three months. In order to measure this, the recommendations raised in each report are recorded on SharePoint and audit clients are provided with a link to the report to enable them to update the progress made on implementing each recommendation. Schools remain unable to access SharePoint in this way and Head teachers are provided with a copy of the recommendations for them to update.

The recommendations list on SharePoint is key information going forward in order to provide assurance to the Audit Manager and the Audit Committee that progress against the audit plan is being achieved as well as it being an effective way to assess the impact of the audit plan by identifying the % of audit recommendations implemented against those recommended. This is a good example of the reporting being more outcome focussed rather than focussing on inputs such as days available.

With regard to the implementation of recommendations as at the end of February 2018, it can be seen from **Appendix C** that 249 of the 430 (58%) recommendations raised so far in 2017/18 have been implemented. The deadline for some recommendations to be implemented has not yet been reached but, for the recommendations raised where the implementation date has been reached, 210 (86%) have been actioned.

3.5 External assessment

Members will be aware that, under the Public Sector Internal Audit Standards (PSIAS), there needs to be an external review of the Section by 31st March 2018. The report prepared by the Chief Audit Executive of Rhondda Cynon Taf CBC has been presented to this meeting at agenda

item 4.2 and Audit Committee members have had the opportunity to raise any matters regarding the review process or the report / action plan with him.

Members will also be aware that Cardiff has undertaken the assessment of Swansea Council. The draft report has been prepared and issued to the Chief Audit Executive of Swansea Council; it is anticipated that the report will be formally presented to the meeting of the Audit Committee of that Council at its meeting in early April 2018, along with the management responses to the action plan prepared. The Chief Audit Executive of Cardiff Council will attend this meeting to answer any questions on the report.

4. SCRUTINY COMMITTEE CORRESPONDENCE

At the March 2017 meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. A review of the correspondence and matters discussed at the Council's Scrutiny Committees has shown a number of items to be considered as part of the work of Internal Audit in 2018/19, and these were outlined to Members at the January 2018 meeting. There have been no other items within the correspondence issued since the last meeting of the Audit Committee that would need to be reviewed in 2017/18 or included in the audit plan for 2018/19 at this stage.

5. FUTURE AUDIT PLANNING

The proposed audit plan for 2018/19 was presented to the January meeting of the Audit Committee and, since that meeting, work has been undertaken to identify the individual audits to be undertaken. This is set out in more detail in agenda item 10.3 to this meeting.

6. CONCLUSION

The indications are that 80% of the Audit Plan will be delivered by 31st March 2018 with the remaining work scheduled to be reported in early 2018/19 or planned to be included in the 2018/19 audit plan.

The audit plan is subject to regular review to ensure that it is reflective of changes to risks faced by the Council and to ensure resources available are used in an optimised manner. Whilst there is pressure on the audit team to achieve the plan there is confidence that the proposals put in place will ensure that the internal audit plan will be achieved and that an appropriate level of assurance will be achieved.

Reports Issued - as at 28th February 2018

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Fundamental / High				
NDR	Effective			
Council Tax	Effective			
Main accounting 2016/17	Effective			
Resources – payroll	Effective			
Governance & Legal Services – payroll	Effective			
Social Services – payroll	Effective			
City Operations – payroll	Effective with opportunity for improvement			
Resources – effective decision making (Pension Fund)	Effective			
Resources – effective decision making (Business Support)	Effective with opportunity for improvement			
Treasury Management	Effective with opportunity for improvement			
Communities, Housing & Customer Services – governance	Effective			
Communities, Housing & Customer Services – payroll	Effective			Housing
Communities, Housing & Customer Services – payroll	Effective			Customer Services
GLL	Insufficient with major improvement needed			Draft report issued
Risk Management	Effective			Draft report issued
Cardiff Capital Fund	Insufficient with major improvement needed	2		Draft report issued
School Organisational Plan	Insufficient with major improvement needed	3		Draft report issued
Audit of performance management	Effective			Draft report issued
Local Housing Allowances	Effective			Draft report issued
Resources – C&P	Effective with opportunity for improvement			Draft report issued
Economic Development – C&P	Effective with opportunity for improvement			Draft report issued
FMIT	Insufficient with major improvement needed			Draft report issued
Resources – governance	Effective with opportunity for improvement			Draft report issued
Economic Development – governance	Effective with opportunity for improvement			Draft report issued
Medium				
St. Cuthbert's	Limited	2	2	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Adopted Land	Limited	3	3	
Mount Stuart	Satisfactory	1	1	
Eastern High	Satisfactory			
ICT – PCI DSS	Insufficient with major improvement needed	2	1	
ICT – governance	Effective with opportunity for improvement			
Insurance	Effective			
VFM – sickness absence procedures	Effective			
Homecare (Mobile Scheduling)	Insufficient with major improvement needed	0	0	
Education – income (Eastern High)	Effective			
Education – income (Whitchurch High)	Effective with opportunity for improvement			
Education – income (Bryn Celyn)	Effective			
Education – income (Gwaelod y Garth)	Effective			
Education – income (St. Patrick's)	Effective			
Education – income (Lansdowne)	Effective			
Education – income (Ninian Park)	Effective			
Education – income (Ysgol Bro Eirwg)	Effective			
Education – income (Radnor)	Effective			
Education – income (Grangetown)	Effective with opportunity for improvement			
Education – income (Springwood)	Effective with opportunity for improvement			
Education – income (Christ the King)	Effective with opportunity for improvement			
Education – income (Willows)	Effective			
Education – income (Ysgol Pen y Pil)	Effective with opportunity for improvement			
Education – income (Greenhill)	Effective			
Education – income (Llanishen Fach)	Insufficient with major improvement needed	2	2	
The Court	Insufficient with major improvement needed	1	1	
ICT – Business Continuity and Disaster Recovery	Insufficient with major improvement needed			
Cradle to Grave - Days	Effective with opportunity for improvement			
Education – income (Ysgol Mynydd Bychan)	Effective			
Education – income (St. Peter's)	Insufficient with major improvement needed	1	1	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Catering in opted out schools	Effective with opportunity for improvement			
Education – payroll (Cathays)	Effective with opportunity for improvement			
Education – payroll (Tremorfa Nursery)	Effective with opportunity for improvement			
Education – payroll (Oakfield)	Effective			
Education – payroll (Lakeside)	Effective with opportunity for improvement			
Education – payroll (Rhydypenau)	Effective with opportunity for improvement			
Education – income (St. Paul’s)	Effective			
Education – income (Ton yr Ywen)	Effective with opportunity for improvement			
Education – payroll (Mount Stuart)	Effective			
Education – income (Fairwater)	Insufficient with major improvement needed	1		
Kitchener	Effective with opportunity for improvement			
Payment processes	Effective with opportunity for improvement			
Education – payroll (Herbert Thompson)	Effective with opportunity for improvement			
Education – income (Glyn Coed)	Effective			
Education – payroll (Bishop of Llandaff)	Effective			
Adamsdown	Insufficient with major improvement needed	1	1	
Education – Commissioning & Procurement (Tredegarville)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Meadowlane)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Rumney)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bryn Deri)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Gladstone)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Trowbridge)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Stacey)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Trelai)	Effective with opportunity for improvement			
St. Mary’s	Insufficient with major improvement needed	1		
Education – Commissioning & Procurement (St. Philip Evans)	Insufficient with major improvement needed			
Education – Commissioning & Procurement (Allensbank)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – Commissioning & Procurement (Severn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bryn Hafod)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Ysgol Treganna)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Ysgol y Berllan Deg)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Llanedeyrn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Windsor Clive)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Hawthorn)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (All Saints)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Millbank)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Bishop Childs)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Howardian)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (St. Mary the Virgin)	Effective with opportunity for improvement			
Education – Commissioning & Procurement (Tongwynlais)	Insufficient with major improvement needed	1		Draft report issued
Education – Commissioning & Procurement (St. Cadoc's)	Insufficient with major improvement needed	3		Draft report issued
Education – Commissioning & Procurement (Cantonian)	Insufficient with major improvement needed			Draft report issued
Resources – Effective Decision Making (Revenues)	Effective with opportunity for improvement			Draft report issued
Music Service	Unsatisfactory	5		Draft report issued
Cradle to Grave – Gulliver's	Effective with opportunity for improvement			Draft report issued
Follow-ups				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2	2	
Children with Disabilities	Effective with opportunity for improvement			
Grants / Accounts / External Bodies				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Joint Committee – Glamorgan Archives				
Supporting People - outcomes	Assessment of outcomes for Supporting People grant			
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to NTSB			
Education Improvement Grant 2016/17	Audit of grant for 2016/17 and submission of information to Welsh Government			
Cardiff Further Education Trust Fund	Accounts signed off and draft report issued			
Norwegian Church Trust Fund	Draft report issued			
<i>Ad hoc assignments</i>				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Head teacher			
Revision of Contract Standing Orders & Procurement Rules	Updated Rules adopted at Constitution Committee on 15.03.18			
Revision of Financial Procedure Rules	Updated Rules adopted at Constitution Committee on 15.03.18			
Peer review - Swansea	Draft report issued for discussion at Swansea Council Audit Committee			
Wedal Road HMRC				