



RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

Internal Audit Progress Report (as at August 2018)

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit plan for 2018/19 was approved by the Audit Committee at its meeting in March 2018. 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 2018/19 is made up of a total of 2,706 days, with a total of 2,100 chargeable days for the audit team being agreed.

This report serves to provide an update on progress against the plan to the end of August 2018.

1.2 Independence and objectivity

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. For all other matters, the Head of Finance reports to the Corporate Director, Resources. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

The personal reviews in relation to performance during 2017/18 have been completed as at the end of May 2018. The new objectives for 2018/19 have been discussed and agreed with the members of the team; any training and development objectives identified by the team have been taken into account when identifying suitable training courses for the team in the next six months.

2. SUMMARY OF WORK PERFORMED

2.1 Current Activities

The report to Audit Committee in March 2018 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 2017/18 but not completed during that year.

All auditors are allocated three months' work at the end of the previous quarter 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.

Key information this quarter is shown in **Appendix A**, which shows a list of audits reported for the period April until the end of August 2018 (time of writing this report). This includes assignments carried forward from 2017/18 which were prioritised accordingly in this year's plan.

The opinions given in reports issued to the end of August 2018 are shown below.

	Number of reports	Opinion				Other work undertaken
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	
Draft reports issued	6	0	2	2	0	2
Final reports issued	37	6	16	4	1	10
TOTAL	43	6	18	6	1	12

Further to the table above, the other pieces of assurance work undertaken are as follows:

Audit	Comments
Norwegian Church Preservation Trust 2015 - 2017	Audit of accounts for 2015/16 and 2016/17
Review of banking arrangements – Shirenewton	Briefing paper on income and banking
Joint Committee – Glamorgan Archives	Audit undertaken to support the Council's Statement of Accounts
Joint Committee – Prosiect Gwyrdd	Audit undertaken to support the Council's Statement of Accounts
Joint Committee – Port Health	Audit undertaken to support the Council's Statement of Accounts
Summary report – thematic reports in Education	Summary report for Director of Education on themed audits in schools
Welsh Local Government Association	Advice and guidance
Creditor Payments and Processes CRSA	CRSA for 2018/19
Flying Start	Audit of Flying Start processes and procedures
City Deal (CCRCD)	Audit of CCRCD for 2017/18 as part of agreed SLA
Asset Management	Draft report being discussed with management
Cardiff Further Education Trust Fund	Audit of accounts

There has also been one consultation assignment – provision of training to Rent Smart Wales – the cost of which will be recovered directly from the service.

2.2 Annual plan

The annual plan was agreed by Audit Committee at its meeting in March 2018 and was based upon the assurance mapping exercise which is carried out at periodic intervals during the preceding year. Section 2010 of the PSIAS specifies that the risk based plan takes into account the organisation's assurance framework and that the work on internal audit addresses both local and national issues. The assurance available from both within and outside the Council is assessed to enable informed decisions regarding the audits to be undertaken in 2018/19. This "assurance mapping" exercise (using the "three lines of defence" model) also captures emerging risks and issues as they arise during the year to provide informed decisions on any changes that need to be made to the audit plan during the year. These changes are brought to the Audit Committee as they arise.

The annual plan has been reviewed and, following discussion with Directors, some changes have been made to the plan to allocate days that had previously been recorded as "unallocated". The proposed changes are set out in the table below and expanded on in the following paragraphs:

Audit	Original plan days	Revised plan days	Days taken from / given to
Asset management – Planning, Transport & Environment	0	10	PTE unallocated
Asset management – Housing & Communities	0	10	H&C unallocated
Asset management - Economic Development	0	10	Contract audit
Asset management – Social Services	0	10	SS unallocated
Contract audit (unallocated)	30	20	Economic Development
Income procedures in schools – Education	10	20	Education – work in individual schools

Following on from the fundamental audit of asset management within the Council, it is felt that additional reviews should be undertaken in directorates on asset management procedures. This

additional work will be within directorates that have a large number of assets. In most directorates, this work will be accommodated from the days that remained to be allocated to individual assignments; however, within Economic Development, this work will be undertaken using days reallocated from contract audit. There is no change proposed to the audits within Education for asset management as the original plan includes work on schools' estate and use of contractors in schools.

The audit of catering procedures in Education has identified areas for further work, and Internal Audit has been asked by the Director of Education to expand the number of schools visited as part of the sample. This work will be accommodated within the number of days already allocated to that directorate by reducing the number of audit days for work in individual schools.

There will be a reduction in the number of days allocated to Social Services, but these days will be reallocated to further work in creditor payments and processing, including various elements within the Council's P2P project.

The revised plan is set out in **Appendix B**, along with a position statement for audits up to the end of August 2018.

2.3 Critical findings or emerging trends

In accordance with PSIAS Standards, Internal Audit is required to report to Audit Committee on critical findings or emerging trends.

The thematic reviews of partnerships and collaborative governance have been undertaken using a common terms of reference across directorates, albeit with slight amendments where necessary. The reports are being finalised and the key points arising from the reviews will be reported to Audit Committee in November.

The partnerships being reviewed in the audits of partnerships and collaborative governance show that they are well formed. However, the common recommendation arising from the reviews refers to the lack of a Council-wide partnership framework / guidance, to include a clear definition of a "partnership". A framework would standardise the Council's approach to partnership working in order to strengthen accountability, manage risks and rationalise working arrangements.

Work is currently ongoing on the budgeting and forecasting thematic reviews, and these also use a common terms of reference.

The audit of Business Continuity processes in the Council has been issued in draft to management. It has been given an assurance opinion of *effective with opportunity for improvement*, and the key recommendations concern the need to keep all red activity business continuity plans up to date and fit for purpose, and effectively managing any non-compliance with the Council's Business Continuity Policy.

The audit of corporate governance is nearing completion, with the anticipated assurance level being *effective*. Three green / best practice recommendations and one amber / green recommendation will be raised.

2.4 Resources and training received

There have been 1,040 days coded on timesheets to 24th August, against a pro-rata plan of 1,058 days. Of this, 682 days have been chargeable to audits and 20 related to non-audit duties (including Trades Union duties). The temporary contract for the Principal Auditor came to an end on 31st July 2018.

One of the auditors attended a Cyber Security course run by CIPFA, and then disseminated the learning points from the course to the remaining members of the section at two seminars (which were also attended by the Council's ICT Security & Compliance Manager, who provided practical examples). The seminars were well received and encouraged discussion amongst the team on the key risks relating to ICT security in general. Members may be aware that the Council's Chief Digital Officer will be attending the meeting of the Audit Committee in November 2018, and auditors will work closely with officers in her team to further develop skills for use in future audits.

The Council's Post Entry Training scheme is in place for the 2018/19 academic year, and the four members of the team undertaking the IIA qualification have been given further support for their studies. One member of the team is currently studying for Certified Internal Auditor (CIA) Part 3, one for CIA Part 2 and the other two auditors are working toward CIA Part 1.

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Relationship Manager meetings have been arranged with every Director and diarised for quarterly meetings throughout 2018/19. These are useful in progressing matters relating to audits completed and planned, and for discussing corporate and directorate risks, issues and areas for potential audit input.

The Chief Audit Executive also attended a strategic briefing for Chairs of Governing Bodies at the end of June 2018 to discuss the main themes identified during the thematic reviews of schools during 2017/18. Emphasis was placed on the need to have up to date policies and procedures and to have an adequate division of duties; although few questions were raised at the briefing, Chairs of Governors have since been in contact with Internal Audit to seek further clarification and advice.

Audit has issued 32 client questionnaires to August 2018 and has received 23 responses (a response rate of 72%). One question asked of clients is whether they considered that the audit work added value to their service; 18 out of the 23 clients responded in the affirmative. Where the response was “no”, this was in reports where the client had accepted the gaps in governance processes during the audit review and was already in the process of improving procedures.

In the reports issued to date, there have been a total of 598 recommendations made to audit clients. These are summarised in the table below, where it can be seen that 254 (43%) have been implemented by the proposed action date and 139 (23%) had not been completed by the proposed action date. The remaining recommendations (34%) have not yet reached their action date.

Appendix C shows the red and red / amber recommendations that are not yet complete (including those that have not yet reached their proposed action date).

Appendix D shows the red and red / amber recommendations that have been completed since the last Audit Committee in June 2018.

Directorate	Recommendations completed by action date				Recommendations not completed by action date				TOTAL NUMBER OF RECOMMENDATIONS RAISED
	Red	Red / Amber	Amber / Green or Green	TOTAL	Red	Red / Amber	Amber / Green or Green	TOTAL	
Economic Development	2	3	8	13			2	2	15
Education and Lifelong Learning	4	8	8	20	5	5	7	17	70
External and grants		1	2	3			1	1	13
Fundamental			3	3					5
Governance and Legal Services		1	3	4					9
Housing and Communities		4	16	20		1	2	4	42
Other assurance	1	4	10	15		1	1	2	27
Planning, Transport and Environment	1	2	2	5	2	1	2	5	34
Resources		3	7	10		2	7	9	32
Social Services		3	10	13	1	5	8	14	39
	8	29	69	106	8	15	31	54	286
Schools	4	89	57	150		28	55	83	312
	12	118	126	256	8	43	86	137	598

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2018/19. The information for Cardiff has been submitted to the authority responsible for collating the data and the outputs in respect of the Welsh Chief Auditors Group were reported to the meeting of the Audit Committee in June 2018. No output has yet been received from the Core Cities benchmarking group.

The Internal Audit team also has key performance measures as part of the Resources directorate. These are reported on a quarterly basis to Resources management team. The Council's performance targets for 2018/19 audit work and the actual outcome at the end of Q1 are as in the table below (the percentage of the audit plan completed being a new performance indicator for 2018/19):

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual as at end of Q1
The percentage of audit reports delivered within six weeks	74.6%	78.0%	80%
The average number of audit productive days per employee	143.43	170.00	37.90
The average number of final audit reports produced per FTE (excluding schools' thematic reviews)	6.52	10.00	3.19
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	76.92%
The percentage of the audit plan completed	75%	80%	19.20%

The average number of audit productive days per auditor is estimated to be around 50, but the actual at the end of Q1 was 37.9. This is due to a higher than anticipated number of annual leave days being taken in Q1 and some time for non-audit duties, but this is anticipated to improve later in the year.

The average number of reports issued is 3.19 against a 2018/19 target of 10. This reflects the finalisation of work from 2017/18 and the work started in the thematic reviews which are more detailed and have greater time allocations. The average at the time of preparing this report is 4.5, and this figure will increase throughout the year as more reports are issued.

3.3 Processes

The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor, the section as a whole, and the information provided in this report. Each of the performance indicators shown in the table above (for the team as a whole) are given to individual auditors at the end of the quarter, along with the auditor's individual outcomes. These form part of the discussion with the auditors at the monthly meetings to discuss progress on assignments.

A new way of collecting information on recommendations implemented by clients has been developed and was fully in place from July 2018 for all audit reports issued in 2018/19. Whereas previously, the audit team had to contact each client individually regarding the progress of implementing recommendations (which became very time-consuming and took auditors away

from current audits), SharePoint has been developed with the help of the Council's SharePoint team to issue automatic reminders for management updates and supply of evidence to support the closure of red and red / amber recommendations.

In addition, it is now possible to more easily identify recommendations where a revised action date has been added; this makes it easier to question managers on how risks are being managed until the recommended actions are fully implemented. The table below shows, by directorate, where revised dates have been added to SharePoint (as at 28.08.18):

Directorate	Number of recommendations with revised dates	Actions now implemented	Actions still open
City Operations	4	2	2
Communities, Housing & Customer Services	1		1
Economic Development	1	1	
Education and Lifelong Learning	31	17	14
Fundamental	1	1	
Other assurance	8	5	3
Resources	4		4
Social Services	22	9	13
	72	35	37
Schools	92	74	18
TOTAL	164	109	55

The below table provides a breakdown of the RAG ratings of recommendations. **Appendix E** provides more detail on the red and red / amber recommendations with revised action dates, and detail of the amber / green and green recommendations is provided to Audit Committee via a separate route.

Directorate	Actions still open
City Operations	2
Communities, Housing & Customer Services	1
Economic Development	
Education and Lifelong Learning	14
Fundamental	
Other assurance	3
Resources	4
Social Services	13
	37
Schools	18
TOTAL	55

Red	Red / amber	Amber / green or green
	1	1
		1
1	5	8
	1	2
	1	3
1	5	7
2	13	22
	14	4
2	27	26

There are two red recommendations that have not yet been fully actioned – one in Education and Lifelong Learning relating to the School Organisation Programme audit, and one in Social Services relating to the Payment to Care Leavers follow up review.

3.4 Self assessment

Audit Committee will be aware that the recent peer review by the Chief Audit Executive of Rhondda Cynon Taf CBC showed no significant deviations from the PSIAS. The management updates have been added to the action plan arising from the review, and Audit Committee will note that all actions have now been closed. The updated action plan can be seen in **Appendix F**.

The Wales Audit Office has taken assurance from this in its assessment of the Internal Audit team as part of the review of the Council's financial systems for the 2017/18 audit. However, the Quality Assurance and Improvement Programme in the Audit Charter specifies that a self-assessment be undertaken annually to ensure conformance with the Code of Ethics and the Standards. The self assessment has been undertaken in Q2 and the action plan arising from the assessment is attached as **Appendix G**.

4. CONCLUSION

- 4.1 The changes made to SharePoint in recent months have more clearly identified the number of recommendations which have not been implemented by the agreed action dates. The Audit team will work closely with managers to emphasise the need to set realistic action dates for each recommendation. The automatic reminder workflow for managers to update recommendations is

now in effect; it has greatly reduced the time that auditors have had to spend chasing responses, but has had an effect on the updates provided on recommendations. It is hoped that this is a short term effect and, as managers become more used to the SharePoint process, updates will be provided in a timely manner.

Reports Issued in Quarter 2 (as at August 2018)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Fundamental / High				
Social Services – governance	Effective			
Social Services – effective decision making	Effective			
Resources – governance	Effective			
Governance & Legal Services – governance	Effective			
Audit of Risk Management	Effective			
City Operations – effective decision making	Effective			
Communities – effective decision making	Effective			
Education – governance (Criegiau)	Effective			
Education – governance (St. Illtyd’s)	Effective			
Education – governance (Coed Glas)	Effective			
Education – governance (Hywel Dda)	Effective			Draft report issued
Education – governance (Ysgol Coed y Gof)	Effective			Draft report issued
Economic Development – governance	Effective with opportunity for improvement			
Economic Development – commissioning and procurement	Effective with opportunity for improvement			
Resources – commissioning and procurement	Effective with opportunity for improvement			
Social Services – commissioning and procurement	Effective with opportunity for improvement			
G&LS – partnerships and collaborative governance	Effective with opportunity for improvement			
City Operations – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Birchgrove)	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – governance (Cardiff)	Effective with opportunity for improvement			
Education – governance (Radyr)	Effective with opportunity for improvement			
Education – governance (Danescourt)	Effective with opportunity for improvement			
Education – governance (Holy Family)	Effective with opportunity for improvement			
Economic Development – effective decision making	Effective with opportunity for improvement			
Communities – commissioning and procurement	Effective with opportunity for improvement			
Education – governance (Peter Lea)	Effective with opportunity for improvement			Draft report issued
Education – governance (St. Fagan's)	Effective with opportunity for improvement			Draft report issued
Fleet Management Information Technology (FMIT)	Insufficient with major improvement needed	2	2	
School Organisation Access and Planning	Insufficient with major improvement needed	3	3	
Medium				
Education – commissioning and procurement (Cantonian)	Effective			
Education – commissioning and procurement (Tongwynlais Primary)	Effective with opportunity for improvement			
Cradle to Grave – Gulliver's	Effective with opportunity for improvement			
Communities First	Effective with opportunity for improvement			Draft report issued
Music Service	Unsatisfactory	5	5	
Grants / Accounts / External Bodies				
Joint Committee – Glamorgan Archives	Audits undertaken to support the Council's Statement of Accounts			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Port Health				
Norwegian Church Preservation Trust 2015 - 2017	No assurance opinion given	4	4	
Welsh Local Government Association	Final report issued			
Flying Start	Final report issued			
City Deal	Final report issued			
Rent Smart Wales	Consultation assignment – provision of training			
Other assignments				
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper
Education – summary of thematic audits	No assurance opinion given			Draft report issued

Audit Plan (as at 31.08.18)

See separate sheet

Red & red / amber recommendations not yet complete

See separate sheet

Red & red / amber recommendations completed since last meeting

See separate sheet

Red & red / amber recommendations with revised action dates

See separate sheet