



RESOURCES DIRECTORATE INTERNAL AUDIT SECTION

Internal Audit Progress Report 2018/19 (as at 15th March 2019)

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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 15th March 2019, whilst some wider performance data has been reported as at 1 March 2019.

1.2 Independence and objectivity

Until 30th September 2018, the Internal Audit section reported directly to the Head of Finance as Acting Audit Manager. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence was maintained as the Head of Finance has reported functionally to the Audit Committee for audit-related matters. For all other matters, the Head of Finance has reported to the Corporate Director, Resources. There were no impairments of independence or objectivity.

From 1st October 2018, an Audit Manager has been in post to manage the Internal Audit section. The Audit Manager is not responsible for managing any functions beyond the Investigations and Internal Audit teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. These reporting lines were formalised through the approval of interim changes to the Audit Charter at the Audit Committee meeting on 13th November 2018.

1.3 Continuing Professional Development

Personal review objectives for 2018/19 were discussed and agreed with the members of the team by the end of June 2018, with training and development objectives identified and taken into account in the allocation of training courses this year.

The six-month personal reviews for 2018/19 were held with the team to discuss progress against agreed objectives, determine whether any revisions to these objectives are required, and to identify relevant training needs. These reviews were completed within the Council deadline of 30th November 2018 and reinforced expectations and focus on internal audit quality and output. The Audit Charter 2019/20 includes an ‘output focussed and quality controlled’ performance management approach as a core component of the Quality Assurance and Improvement Programme (QAIP). The Audit Charter 2019/20 is included in agenda item 10.3.

Members will be aware that four auditors are being supported to become certified members of the Institute of Internal Auditors (IIA). Two of the team are working towards the Part 3 (final) exam and two are working toward Part 1.

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 planned assignments were 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 continue to be 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 improving the timeliness of audit reporting.

Appendix A shows the list of audit reports issued from April to 15th March 2019. This includes assignments carried forward from 2017/18, which were prioritised accordingly in this year’s plan.

The opinions given in reports issued to 15th March 2019 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	22	1	7	1	2	11
Final reports issued	79	13	30	15	4	17
TOTAL	101	14	37	16	6	28

Further to the table above, the 'other work undertaken' comprised the following:

	Audit	Comments
1.	Rent Smart Wales	Provision of training
2.	Asset Management	Briefing paper
3.	Commercial Waste Recycling Centre	Briefing paper
4.	Whitchurch High School	Briefing paper
5.	Social Services – care packages	Consultation assignment
6.	Gatehouse	Briefing paper
7.	Review of banking arrangements - Shirenewton	Briefing paper
8.	Stock control at Lamby Way	Consultation assignment
9.	Income at Lamby Way	Consultation assignment
10.	Ysgol Coed y Gof	Advice and guidance
11.	Training on revised Contract Standing Orders and Procurement Rules	Training provided to Council officers
12.	Discretionary grants	Briefing paper
13.	NFI 2016	Review of data matches from NFI exercise 2016
14.	Use of legal advisers	Consultation assignment
15.	P2P Project Board attendance	Audit presence, monitoring and guidance
16.	Provision of training to schools	Development of presentations and delivery of training at meetings with Chairs of Governors
17.	Review of financial rules	Advice and guidance on financial controls
18.	Weighbridge (review and monitoring)	Audit presence, monitoring and guidance
<i>CRSA Audits</i>		
19.	Insurance	CRSA
20.	Council Tax	
21.	Creditor payments and processing	
22.	Education – ICT governance	
23.	GDPR	
24.	Asset Management x 5	

2.2 Annual plan

The annual audit 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. The PSIAS (2010) requires the risk-based plan to take into account the

organisation's assurance framework with the work of internal audit addressing both local and national issues.

In developing the annual plan, sources of assurance from within and outside the Council are considered, to enable informed decisions to be taken on the audits required. The process of 'assurance mapping' (using the 'three lines of defence' model) also captures emerging risks and issues as they arise during the year, so that the plan can be adapted where appropriate during the year. These changes are brought to the Audit Committee as they arise.

At the mid-year position, the annual plan was reviewed to determine the most appropriate use of unallocated audit days for general assurance and value for money audit purposes. These proposed changes were reported to the last meeting of the Audit Committee on 13th November 2018, and **Appendix B** shows the audit plan as at 1st March 2019. Further information on the delivery of the audit plan is included within *Section 3.2 - Performance and Benchmarking*.

2.3 Critical findings or emerging trends

In accordance with the PSIAS, Internal Audit is required to report to Audit Committee on critical findings or emerging trends and, based on the work undertaken since the last audit progress report, these details are provided below.

Following Audit Committee notification of the draft findings of an audit at Pontprennau Primary School, the audit has now been finalised with an assurance opinion of *unsatisfactory* and, accordingly, an executive summary has been prepared and is attached in **Appendix C**. The report considered that strengthening of governance is needed, with it being recommended that the Governing Body improves its oversight and challenge of both delegated budget and private fund activities. Improvements are also required in the financial controls at an operational level. The audit recommendations have been agreed with the Chair of Governors and Headteacher.

A draft report following an audit at St. Peter's RC Primary School has been issued with an assurance opinion of *unsatisfactory* and the findings are being considered by the Headteacher and Governing Body. During the course of the audit, Estyn published a report (following an inspection in October 2018) which led to financial delegation being withdrawn in January 2019, following which additional support and challenge has been provided by the Council. The draft report has also been shared with the Director of Education and, an executive summary report will be prepared for the

next Audit Committee meeting, once the audit has been finalised. The Director of Education and Lifelong Learning will attend the meeting of the Audit Committee in September 2019 and report on the assurances in place and the actions taken for school audits where particular concerns have been identified among other matters.

Members will be aware of the work being undertaken in Waste Management having received a briefing paper in January 2019. The audit of stores at Lamby Way has now been finalised with an assurance opinion of *unsatisfactory* and, accordingly, an executive summary has been prepared and attached as **Appendix D**. Internal Audit will be present during the year-end stock count 2018/19, to provide assurance on the processes and controls in place in quantifying the stock held.

A draft report has also been issued relating to procurement in Waste Management. The report has raised concerns about compliance, co-ordination and, due to gaps in these areas, value for money. Greater assurances have been sought by the Audit Manager in certain areas, and a meeting will take place to establish further details and conclude the audit work, for which an assurance opinion of *unsatisfactory* has been provided. Accordingly, an executive summary report will be prepared for the next Audit Committee meeting, once the audit has been finalised.

The Audit Committee has requested specific updates in respect of Brexit Risk Management and processes operated for the Youth Innovation Grant. The key findings in these areas are summarised below.

a. Brexit Risk Management

As part of an audit of Risk Management, one particular focus was the planning and preparation for Brexit. Audit held discussions with the Risk Management Team, the Risk Champions Network, Policy and Emergency Management Unit lead officers, and attended and observed a briefing for key officers allocated to support a daily Council-wide local intelligence response to the Local Resilience Forum, for reporting to Regional and Central Government.

In respect of Brexit risk management, Internal Audit has observed:

- meaningful preparations, to respond to, and mitigate risks across the organisation. At the time of the audit review, all directors had been required to engage with supply chains

regarding resilience issues and to provide an assurance statement to the Emergency Management Unit to confirm that any significant Brexit risks had been identified and that appropriate mitigation was in place. If delivered as instructed, this should provide an appropriate feedback loop for a full discussion and awareness within the Senior Management Team, for which a level of testing / validation could be sought from Emergency Management, where required.

- The Establishment of a corporate risk and instructions for Brexit risks to be integrated and appropriately reflected into directorate risk registers in the ongoing quarter four review. Risk Champions will need to lead the delivery on this directorate risk update, with the Risk Management Team taking the role to challenge the overall delivery of risk register updates.

b. Youth Innovation Grant Review

The Audit Committee has requested an evaluation of performance and transparency of the commissioning model in respect of the Youth Innovation Grant, for which an internal audit was arranged, and completed in quarter four. The audit identified effective governance and decision making at a strategic level through pre-award and award phases of the grant process. The grant had clearly defined objectives, specifications and requirements of service providers, and used an evaluation process with a scoring system to select providers, for which terms and conditions and grant agreements were in place for the selected providers.

The governance and monitoring that was in place was considered as proportionate to the amount of funding and level of financial risk involved in the grant process. However, some opportunities were identified to improve performance monitoring at an operational level during the post-award phase. This would ensure that relevant data continues to be collected on individual projects to provide greater assurance that the expected outcomes are met; and to further inform decisions.

During the audit it was noted that an internal review of the Youth Innovation Grant has been arranged by the service to consider and, where appropriate, improve operational processes. The planned review by the service will inform how the Youth Innovation Grant is delivered into 2019/20, and draft internal audit recommendations have been raised for consideration in this process, relating to policy development and sharpening communications with stakeholders.

2.4 Value for Money Findings

The vast majority of audits undertaken by the Internal Audit Team have objectives, which cover value for money assurances, from which there has been a general satisfactory level of assurance, which can be reported for the reporting period.

As highlighted in section 2.3 above, the draft audit report relating to procurement in Waste Management has identified concerns about compliance, co-ordination and, due to gaps in these areas, value for money. Greater assurances have been sought by the Audit Manager in certain areas, and a meeting will take place to establish further details, conclude the audit work and have a clearer view in respect of value for money. Audit Committee will receive further information when the audit view is consolidated through the discussions and details necessary to finalise the audit.

A number of audits which have contained a value for money focus are underway at the financial year-end, and are expected to be reported in the Audit Committee meeting of 25 June 2019. These audits comprise value for money in enforcement, agency – consultancy – interim workers, workforce deployment and sickness absence.

2.5 Resources and training received

There were 2,418 days coded on auditor timesheets as at 1st March 2019, against a pro-rata plan of 2,550 days. Of this, 1,569 days have been chargeable to audits (65%) and 35 related to non-audit duties (including Trades Union duties).

The Audit team supports the Welsh Chief Auditor Group training programme co-ordinated by colleagues in Newport Council and the proposed programme for 2019/20 has recently been received. Consideration is being given to attendance at the courses and the benefits to be derived from attending, relative to current skills and experience. Two auditors have recently attended leadership training courses which covered a range of communication and behavioural areas, from which learning resources and feedback are being shared with the audit team.

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. Senior members of the team also meet regularly with officers in directorates to discuss recommendations made and other issues for audit input.

Audit has issued 47 client questionnaires to 1st March 2019 and has received 31 responses (a response rate of 65.96%). One question asked of clients is whether they considered that the audit work added value to their service, and 80% of the respondents thought that the audits added value.

Appendix E shows the red and red / amber recommendations that are not yet complete (including those that have not yet reached their proposed action date), and the RAG ratings for these are summarised in the table below.

Directorate	Actions still open	Red	Red / amber	Amber / green or green
Planning Transport and Environment	42	4	20	18
Housing and Communities	2		1	1
Corporate Governance	2		1	1
Economic Development	11	1	6	4
Education and Lifelong Learning	33	4	12	17
External and grants	2			2
Fundamental	8	1	4	3
Governance & Legal Services	5			5
Other assurance	6		3	3
Resources	7		1	6
Social Services	15	1	7	7
	133	11	55	67
Schools	66	5	20	41
TOTAL	199	16	75	108

Appendix F shows the red and red / amber recommendations that have been completed since the last Audit Committee in January 2019.

3.2 Performance and Benchmarking

The Audit team is a member of the Welsh Chief Auditors and Core Cities benchmarking groups for 2018/19. The outputs of the Welsh Chief Auditors Group were reported to the Audit Committee in June 2018 and the Core Cities benchmarking group benchmarking exercise is due to take place in quarter 1 2019/10, following some adjustments to the format of the performance measures.

The Internal Audit team also has internal key performance measures, which 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, Q2 and Q3 are as in the table below:

Performance Indicator	2017/18 Outcome	2018/19 Target	Actual as at end of Q1	Actual as at end of Q2	Actual as at end of Q3
The percentage of audit reports delivered within six weeks	74.6%	78.0%	80%	63%	69%
The average number of audit productive days per employee	143.43	170.00	37.90	68.91	104.59
The average number of finalised audits per FTE (excluding schools’ thematic reviews)	6.52	10.00	3.19	5.10	8.18
The percentage of audit recommendations implemented within the agreed timescale	86%	90%	76.92%	55.53%	73.47%
The percentage of the audit plan completed (current plan)	75%	80%	25.32%	35.71%	50.00%
<i>The percentage of the audit plan completed (original plan)</i>	<i>75%</i>	<i>80%</i>	<i>25%</i>	<i>35.26%</i>	<i>49.36%</i>

The Audit Manager has reiterated the expectation for each auditor to take responsibility for delivering their portfolio of audits, and to follow up on the delivery of client recommendations as priority areas. The following paragraphs show an improving performance in these areas.

Audit Plan Delivery

There has been a strong momentum to deliver the audit plan in the final quarter of the year. Audit Committee Members will note that 48 audits were prioritised for delivery in quarter four, to seek to deliver the targeted 80% of the audit plan for 2018/19.

As at 15th March, 70% of the audit plan has been practically delivered, with 101 audits issued and 8 at a stage of quality assurance prior to issue. A further 12 audits are expected to be delivered by the financial year-end, which will represent an audit plan completion in the region of 78%, and a comprehensive review of the Council’s control environment.

The small slippage in targeted delivery is represented by:

- two planned data matching exercises as part of the National Fraud Initiative, in respect of Creditors and Payroll. These audits could not be undertaken at this stage, as we have been advised that the datasets will not be ready until May 2019, at which point the work will commence.
- a spike in sickness cases in the Audit Team in the months of January and February 2019, meaning that some planned audits will conclude in early 2019/20.

The final audits being concluded in 2018/19 are listed below.

Draft Prepared – Due for issue (at 15.03.19)	To conclude by 31.03.19
Music Service Expenditure Review	Communities, Partnership & Collaborative Governance
Health and Safety Framework	Communities, Budgeting and Forecasting
Risk Management Arrangements	Housing Benefits and LHA
Willows High School	Sickness absence
Ysgol Glantaf	Review of Gatehouse
City Deal	Economic Development, Budgeting and Forecasting
Cloud Computing	Payroll – In-year Testing
Whitchurch High School	Asset Management CRSA Reviews x 2
	Stock Check observations x 2
	Housing Rents CRSA
Current Audit Plan Delivery 70%	Expected Delivery at 31.03.2019 78%
<p>The target for 2018/19 was 80%</p> <p><i>(75% achieved in 17/18)</i></p>	

Recommendation Progress

The team has given continued attention to following up on the implementation of recommendations due, with priority given to those of a red and red/amber priority rating. Management are required to either provide evidence that all red and red / amber recommendations due have been implemented by the target date, or to revise target dates and give renewed attention to implementation.

Audit Committee will note the continued attention to this area in the appended recommendation reports, whilst some updates are due at the reporting period from audit clients.

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, with an emphasis on the completion of audit engagements to support the completion of the audit plan.

The table below shows the instances where implementation dates have been revised by audit clients on SharePoint (as at 01.03.19). This reporting mechanism is used to monitor progress and target discussions on the effective management of risk management in relationship management meetings each quarter.

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Education and Lifelong Learning	37	9	28
<i>Social Services</i>	27	13	14
<i>Resources</i>	11	6	5
Housing and Communities	3	1	2
Planning Transport and Environment	9	3	6
Economic Development	5	4	1
External and grants	2	1	1
Fundamental	2	1	1
<i>Corporate Governance</i>	2	2	
<i>Governance and Legal Services</i>	4		4
<i>Other assurance</i>	9	5	4
	111	45	66
Schools	117	99	18
TOTAL	228	144	84

Appendix G 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.

4. CONCLUSION

- 4.1 There has been steady increase in delivery of the audit plan in quarters three and four, as outlined in section 3.2. There was an increase in performance across all indicators in quarter three, and the full year's data will be reviewed against all targets as soon as the this data is available.

The expectation set for the Audit Team to apply an 'output focussed, quality controlled' ethos to audit delivery will continue as we enter the new financial year looking to deliver steady and consistent progress through the audit plan in the financial year ahead.

Reports Issued as at 15th March 2019

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			
Planning Transport and Environment – effective decision making	Effective			
Communities – effective decision making	Effective			
Education – school governance	Criegiau	Effective		
	St. Illtyd's	Effective		
	Coed Glas	Effective		
	Hywel Dda	Effective		
	Ysgol Coed y Gof	Effective		Draft report issued
	Birchgrove	Effective with opportunity for improvement		
	Cardiff	Effective with opportunity for improvement		
	Radyr	Effective with opportunity for improvement		
	Danescourt	Effective with opportunity for improvement		
	Holy Family	Effective with opportunity for improvement		
	Peter Lea	Effective with opportunity for improvement		
St. Fagan's	Effective with opportunity for improvement			
Council Tax (in year testing)	Effective			
Audit of Corporate Governance	Effective			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – partnerships and collaborative governance	Effective			
Economic Development – partnerships and collaborative governance	Effective			
G&LS – budgeting and forecasting	Effective			
Social Services – budgeting and forecasting	Effective			
G&LS – effective decision making	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			
Resources – effective decision making	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			
Planning, Transport and Environment – commissioning and procurement	Effective with opportunity for improvement			
Economic Development – effective decision making	Effective with opportunity for improvement			
Communities – commissioning and procurement	Effective with opportunity for improvement			
Business Continuity	Effective with opportunity for improvement			
Social Services – partnerships and collaborative governance	Effective with opportunity for improvement			
Planning, Transportation and Environment – partnerships and collaborative governance	Effective with opportunity for improvement			
Income and Debtors	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Education – budgeting and forecasting	Effective with opportunity for improvement			
PTE – budgeting and forecasting	Effective with opportunity for improvement			
Creditors – payment processing 2017/18	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	
Sports Joint Venture (GLL)	Insufficient with major improvement needed	1		
Commercial Services – BM charging mechanism	Insufficient with major improvement needed	1		
Acting up payments and overtime at Lamby Way	Insufficient with major improvement needed	1		
Purchasing cards	Insufficient with major improvement needed			
Payroll review in Planning, Transport and Environment	Insufficient with major improvement needed	1		Draft report issued
Lamby Way stores	Unsatisfactory	2	2	
Medium				
Education - commissioning and procurement	Cantonian	Effective		
	Tongwynlais Primary	Effective with opportunity for improvement		
Cradle to Grave – Gulliver’s	Effective with opportunity for improvement			
Communities First	Effective with opportunity for improvement			

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Front of House – Cardiff Castle	Effective with opportunity for improvement			
Flood risk management	Effective with opportunity for improvement			
Whitchurch Primary School	Effective with opportunity for improvement			
Programmes and projects in CADT	Effective with opportunity for improvement			
Llandaff CiW Primary School	Effective with opportunity for improvement			
Regional Social Care Training Unit	Effective with opportunity for improvement			Draft report issued
Youth Innovation Grant	Effective with opportunity for improvement			Draft report issued
Atebion Solutions	Effective with opportunity for improvement			Draft report issued
IT governance	Effective with opportunity for improvement			Draft report issued
Baden Powell	Insufficient with major improvement needed			
Mileage and subsistence	Insufficient with major improvement needed			
St. David's	Insufficient with major improvement needed	2	2	
Income and banking control procedures at Lamby Way	Insufficient with major improvement needed			
Safeguarding Arrangements	Insufficient with major improvement needed			Draft report issued
Youth Foods – County Hall restaurant	Insufficient with major improvement needed			Draft report issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Park and Ride (events)	Insufficient with major improvement needed			Draft report issued
Music Service	Unsatisfactory	5	5	
Income in school kitchens	Unsatisfactory	2	2	
Pontprenau	Unsatisfactory	6	6	
St. Peter's	Unsatisfactory	5		Draft report issued
Grants / Accounts / External Bodies				
Joint Committees	Glamorgan Archives	Audits undertaken to support the Council's Statement of Accounts		
	Prosiect Gwyrdd			
	Port Health			
Cardiff Further Education Trust	Audit of Statement of Accounts			
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			
Education – summary of thematic audits				Draft report issued
Corporate – partnerships and collaborative governance	Effective with opportunity for improvement			Draft report issued
Norwegian Church Preservation Trust 2017/18	Effective with opportunity for improvement			Draft report issued
Other assignments				
Rent Smart Wales	Consultation assignment – provision of training			
Asset management	No assurance opinion given			Briefing paper
Commercial Waste Recycling Centre	No assurance opinion given			Briefing report
Whitchurch High School	No assurance opinion given			Briefing paper
Social Services – care packages	Consultation assignment			
Gatehouse	No assurance opinion given			Briefing report
Review of banking arrangements – Shirenewton	No assurance opinion given			Briefing paper

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Stock control at Lamby Way	Consultation assignment			
Income at Lamby Way	Consultation assignment			
Ysgol Coed y Gof	Provision of advice and guidance			
Training on revised Contract Standing Orders and Procurement Rules	Provision of training to Council officers			
Discretionary grants	No assurance opinion given			Briefing paper
NFI 2016	Review of data matches from NFI exercise 2016			
Use of legal advisers	Consultation assignment			
P2P Project Board attendance	Audit presence, monitoring and guidance			
Provision of training to schools	Development of presentations and delivery of training at meetings with Chairs of Governors			
Review of financial rules	Advice and guidance on financial controls			
Weighbridge (review and monitoring)	Audit presence, monitoring and guidance			
Insurance	CRSA			
Council Tax	CRSA			
Creditor payments and processing	CRSA			
Education – ICT governance	CRSA			
GDPR	CRSA			
Asset Management x 5	CRSA			

Audit Plan (as at 31.12.18)

See separate sheet

EXECUTIVE SUMMARY

PONTPRENNAU PRIMARY SCHOOL

BACKGROUND

- 1 Pontprennau Primary School opened in September 2015 and incorporates a former community centre for which it provides community facilities outside of school hours. It received formula funding of £1,116,000 in 2018-19 for 268 pupils aged from 3-7. It had not previously been subject to an internal audit, or Estyn inspection.
- 2 The School Governing Body had been subject to a turnover of a number of members with three clerks to governors within a 12 month period. The Governing Body started the new academic year with one Parent and two Local Authority Governor vacancies and an acting Chair and Vice Chair.
- 3 The Headteacher had returned from a period of absence, during which time there had been some delay in the setting of a deficit budget pending advice and support from the Challenge Advisor and Central Education.

MAIN CONCLUSIONS

- 4 Based on the work undertaken and the samples tested during the audit, it was considered that there was an overall **Unsatisfactory** level of control for which attention was required to address control gaps and exposure to risk.
- 5 The Governing Body needed to strengthen its oversight and challenge of delegated budget and private fund activities, and to oversee targeted improvements in the areas identified in the Audit Action Plan. There was a need for regular reconciliations and private fund audits as school budget monies were being deposited in the private fund account and not in the budget account intact. At an operational level, general financial control required improved Headteacher oversight and action to address the level of reliance on LFM officers to undertake financial monitoring.
- 6 During the audit, a number of Governors has not concluded their mandatory training and declarations of business interest could not be evidenced. Processes needed to be established to ensure all statutory policies and procedures were appropriately reviewed, authorised and published. School governance documents and policies had not been reviewed since 2016, accordingly, audit advice was provided to improve control around officer authority levels for Governor approval.
- 7 The audit identified a number of concerns relating to the appropriate recording and accounting for transactional school activities. It was not possible to provide sufficient assurance that all school budget income and expenditure was appropriately accounted for, as:
 - All 'cashless' income was deposited to the private fund account relying on the manual identification and transfer of relevant school budget income by school office staff.
 - Records were incomplete for contracts entered, purchases made and lettings making it difficult to use these records to account for and reconcile transactions on the school budget account.
 - The private fund, with a balance of £18,017, had not been audited since 2015/16 with the last reconciliation signed by the Clerk and Headteacher in June 2017. There was a lack of oversight and external assurance on the fund's administration.

RECOMMENDATIONS FOR ACTION

- 8 The report included sixteen recommendations for improvement, thirteen of which were red and red/amber rated and required immediate attention.

LATEST POSITION

- 9 The recommendations were agreed by the Headteacher and Governing Body.
- 10 Internal Audit will continue to monitor the internal control environment, with particular attention to the financial management of the school budget and private fund.

EXECUTIVE SUMMARY STORES AT LAMBY WAY

BACKGROUND

- 1 As part of the ongoing programme of audit work, a review was completed on the processes and procedures in place relating to Lamby Way Stores, following ongoing stock discrepancies identified through systematic stock checks.
- 2 The stores hold standard equipment, materials and products for use by operatives within the Waste Management teams and household products such as recycling / wheelie waste bins and wormeries. The stock held at the last stock check had a value of circa £413k.
- 3 Lamby Way Stores transactions are managed using the SAP system and goods issues are managed via a bar-coded system for the majority of stock items, with manual processes in place during peak times of operation. Stock re-order levels are set within SAP and purchase requisitions are automatically generated when these levels are reached.
- 4 Stock is issued from two secure warehouses and twelve insecure garages that are linked to three insecure tunnels. Certain stock items were also stored externally in various yards. Obsolete stock items were noted and had not been adjusted on SAP or physically removed from the premises. There were also items identified, such as wheelie bins and wormeries, that had not been recorded on an asset register or stock inventory.

MAIN CONCLUSIONS

- 5 The audit work has concluded and a final report has been issued with an assurance rating of **Unsatisfactory**, for which attention was required to address control gaps and exposure to risk.
- 6 Stock adjustments discrepancies for the 2017/18 financial year represented 83% of the recorded stock value on SAP for items recorded but not physically present and 41% for items physically present but not recorded on SAP. This equated to a net adjustment of 42% and £174,950.
- 7 The level of stock discrepancies across stock categories indicates an inconsistent application of core processes to ensure all transactions in and out of the stores are consistently and accurately recorded.
- 8 The audit identified a number of concerns relating to the consistent application of transactional and security control mechanisms, namely the prompt raising of purchase orders to the required stock levels, the prompt receipting of items once verified as received and, when required, manual stock process adhered to. There is also a need to ensure that all stock is appropriately secured and stored in a co-ordinated manner.
- 9 Through the auditor's observation of the stores in operation, and a sample of transactions and associated documentation, the systems in place are considered to be reasonably effective, for which a limited number of recommendations have been raised. It is important for management to prioritise their attention to communicating, monitoring and managing a culture of strict adherence to these processes to achieve the level of accountability and control required.

- 10 Whilst there were no inherent concerns raised regarding the integrity of the SAP stock system, a recommendation has been raised to review the re-order levels established in order to reduce the level of manual intervention required to maintain effective stock levels. The audit reported delays in stock management processes, and a need to promptly raise stock orders to the levels necessary when required and to receipt items promptly once they have been verified as satisfactorily received.
- 11 Recommendations have also been raised to ensure that in instances when stock needs to be manually issued, processes are properly adhered to, and to address some stock security weaknesses.

RECOMMENDATIONS FOR ACTION

- 12 The report includes ten recommendations for improvement, which were agreed by management.

LATEST POSITION

- 13 Management are working through the recommendations to address the issues by the target dates agreed.
- 14 Internal Audit will be present during the year-end stock count 2018/19, to provide assurance on the processes and controls in place in quantifying the stock held.

Red & Red / Amber Open Recommendations

See separate sheet

Red & Red / Amber Recommendations Completed Since Last Meeting

See separate sheet

Red & Red / Amber Open Recommendations with Revised Action Dates

See separate sheet