



Resources Directorate Internal Audit Section



Internal Audit Progress Report (as at 30 June 2020)

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INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Internal Audit Progress Report sets out performance in relation to the Internal Audit Plan. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings.

This progress report covers the period from 1 January – 30 June 2020, and follows the updates provided in the last Committee meeting held on 21 January 2020. The Audit Committee meeting scheduled for 24 March 2020 was cancelled due to COVID-19. This report is structured to provide a summary account of audit activities for quarter four 2019/20, followed by an outline of the activities and progress made against the Audit Plan 2020/21.

The Audit plan 2019/20 was approved by Audit Committee on 2 April 2019, and the Audit Plan 2020/21 was accepted by the Audit Committee through a period of consultation between 23 March – 3 April 2020, for which formal approval is sought within agenda item 5.2.

The Internal Audit Plan provides the framework for audit work each 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.

1.2 Independence and objectivity

The Internal Audit section reports to the Audit Manager. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained, as the Audit Manager is not responsible for managing any functions beyond the Internal Audit and Investigation teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

1.3 Continuing Professional Development

Auditors completed their year-end personal reviews in line with corporate direction, and are formalising their objectives for 2020/21. Prior to discussing performance, auditors updated their skills assessment in application of the IIA Professional Competencies Framework.

The results of personal reviews and skills assessments informed the year-end Audit Manager’s review against the Quality Assurance and Improvement Programme (Standard 1300), from which a generally strong baseline of knowledge and skills were recognised across the audit team.

Areas of the IIA Professional Competencies Framework where auditors scored themselves comparatively lower are being targeted through in-house team training sessions, which commenced in May 2020.

2. SUMMARY OF WORK PERFORMED

The following audit summary is separated into two sections. The first section covers the conclusion of the Audit Plan 2019/20, followed by a second section which covers the work programme for 2020/21, and the associated activities, resources, findings and measures of performance in quarter one 2020/21. It is positive to report that no ‘unsatisfactory’ audit opinions have been provided over the reporting period.

Conclusion of 2019/20

2.1 Audit Plan 2019/20

In quarter four 2019/20, thirty-four audit engagements were completed to at least draft report stage, for which details are provided in the following table.

Figure 1. Q4 audit outputs and opinions

No.	Assurance Audit Engagement	Audit Opinion
1.	Willows High School - Counter-Fraud Arrangements	Effective
2.	Major Project Governance	
3.	Digital Services – Virtual Agent	
4.	Creditor Payments – In-year testing	
5.	Social Services – Health and Safety	Effective with opportunity for improvement
6.	Economic Development – Health and Safety	
7.	Pentyrch Primary School	
8.	NNDR in-year testing	
9.	Governance Arrangements	

10.	Lamby Way Stores – follow up		
11.	Foster Carers		
12.	Performance Management		
13.	Safeguarding – follow up		
14.	PTE – Health and Safety		
15.	Risk Management Arrangements		
16.	Radyr Comprehensive School – Counter Fraud Arrangements	Insufficient with major improvement needed	
17.	Music Service Income – Follow up		
18.	Fleet Management (pool cars, public transport & grey fleet)		
19.	Education – Asset Management		
20.	Resources – Asset Management		
21.	Economic Development – Asset Management		
22.	Social Services – Asset Management	Consultancy, certification, advice and guidance	
Audit Work with ‘No Opinion’			
23.	County Hall Canteen (consultancy)		
24.	National Fraud Initiative 2019-20		
25.	Payroll - continuity and control consultancy		
26.	Procure to pay - continuity and control consultancy		
27.	Weighbridge – review and monitoring		
28.	Stock check control - consultancy		
29.	Grant Payments to Businesses - consultancy		
30.	Procurement cards - consultancy		
31.	Fleetwheel- consultancy		
32.	Norwegian Church Trust		
33.	Cardiff Further Education Trust		
34.	Rumourless Cities European Grant		

In March 2020, in response to the COVID-19 crisis, audit resources were deployed (within the Audit Manager’s delegation to agree small audit engagements of no more than 10 planned audit days each) to provide consultancy in areas such as the administration of business grants on behalf of Welsh Government, and for matters of continuity and control in payroll, procure to pay, stock check and procurement card processes. Provision was made in the audit plan for 2020/21 for further consultancy services, recognising that there would be demand from

management for advice and guidance, and a need to discuss changes in controls as processes change and adapt in response to the crisis.

The final position in respect of the Audit Plan 2019/20 and wider information and measures of the performance of the audit team are included in detail within the Internal Audit Annual Report 2019/20.

The summarised position is shown in the table below, whereby 113 new audit engagements were completed to at least draft output stage against an original plan of 162 audits (70%), and a further 21 draft outputs from the prior year were finalised. The audit plan is responsive to risk and, accordingly, some audits were added, deferred and cancelled during the financial year, at which point details were reported to the Audit Committee. The audits completed in 2019/20 and the assurance levels given are shown in the table below:

Figure 2. Audit outputs and opinions (2019/20)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	33	5	17	11	0	0
Final	101	4	50	12	4	31
TOTAL	134	9	67	23	4	31
	113	<i>New Audit Engagements completed</i>				
	21	<i>Finalised Audit Engagements from 2018/19</i>				

Within the Internal Audit Annual Report 2019/20, the Audit Manager has provided an opinion of ‘Effective with opportunity for improvement’ on the Council’s control environment. Recognising that the Internal Audit Annual Report 2019/20 provides the substantive and detailed position in respect of the activities, performance and opinions of Internal Audit for the last financial year, this section of the Progress Report is limited to providing details of the critical findings or emerging trends, and value for money findings for quarter 4 2019/20, which follows the last progress report update to Audit Committee on 21 January 2020.

2.2 Critical Findings or Emerging Trends (Q4 2019/20)

In quarter 4 2019/20, six audit outputs were issued with draft audit opinions of ‘insufficient with major improvement’ audit assurance. The audit outputs covered three areas of assurance,

namely asset management, music service income and fleet management as shown the table in figure 1, for which further details are provided below. The audit outputs referred to below are at a draft status, for which the findings will be discussed with management, and once the audits are finalised, the final opinions and recommendations will be reported to Audit Committee.

Four draft thematic audit outputs issued on directorate asset management in quarter 4 provided opinions of 'insufficient with major improvement needed'. These audits followed a corporate audit of IT Inventory and Asset Management, which also provided an opinion of 'insufficient with major improvement needed', given gaps in IT inventory records and limited evidence of periodic checks to account for IT assets allocated. An overview of the findings of the corporate audit was provided to Audit Committee in its meeting on 21 January 2020.

Following the corporate audit, the directorate asset management audits involved a more detailed review of practices, arrangements and records within directorates. The audits recognised that higher value fixed assets, such as those recorded as part of the Council's Statement of Accounts, had reasonable record keeping and oversight. The common area for attention related to equipment and devices, for which there were some good practices within particular teams, but there was a need to establish a system through which asset registers are fully established to contain all relevant items, and supported by a regime for periodic monitoring, review and oversight. Managers have been advised to give initial priority to portable, desirable and high value items. The audit team reviewed records of leavers, and required a sample of managers to account for the IT devices allocated to staff that had since left the Council. Most managers were able to account for the IT devices sampled, but there was one case in the Education directorate, which is being followed up by management as necessary, which involved the apparent sale of an IT device to a former employee for which the income had not been recovered.

A follow up audit of music service income concluded providing an improved draft audit opinion, from 'unsatisfactory' in previous reports to 'insufficient with major improvement needed'. The audit recognised positive steps taken to improve procedures and controls, reducing the risk of a further accumulation of debts, for which documented procedures should now be developed. Audit has also been advised that a decision would be made on the longstanding debt, which had been reported to Audit Committee within previous executive summary reports. In order to provide greater transparency and control, the recommendation remains for the Head of the

Music Service to close the 20 Ensemble private fund bank accounts that were set up by the previous Ensemble leader and to ensure that any private funds are run in line with the private fund guidance issued by Cardiff Council. A further recommendation remains outstanding for establishing a business plan for the Service, which the Head of Service has indicated would be informed by the findings of a Service Review, which was ongoing at the time of the audit.

An audit of Fleet Management (pool cars, public transport and grey fleet) provided a draft opinion of 'insufficient with major improvement needed'. The audit identified a greater use of taxis and grey fleet compared to prior years, and capacity for greater pool car use. It was recommended that consideration is given to preparing corporate guidance on the most appropriate travel options for staff, and to outline opportunities to reduce travel through digital solutions, to meet corporate and wider environmental objectives. In the intervening time since the draft report was issued, a number of staff have needed to work from home in response to the pandemic, and use of remote digital meetings has increased markedly. Current circumstances also require a greater focus on mitigating infection risks as part of any corporate travel guidance. Aside the above value for money matters arising from travel choices being made by officers, the audit also identified a need for improved vigilance from managers in travel authorisation and administration, as there were gaps in authorisation to drive, receipts and mileage documentation on DigiGOV, which has been an area identified for improvement in previous audit testing.

2.3 Value for Money Findings (Q4 2019/20)

The vast majority of audits undertaken by the Internal Audit Team have objectives which cover value for money assurances, from which a general satisfactory level of assurance can be provided for the reporting period. However, within the audits of a lower assurance opinion, there were control gaps which need to be addressed to provide assurance that the objectives of these services are being run with proper attention to a combination of economy, efficiency and effectiveness.

2.4 Current Activities

The audit activities in quarter one have been adaptive and responsive to the crisis management environment in which the Council has been operating. This environment has necessitated a Council-wide focus on critical and emergency decisions, which the audit team has recognised in the support it has offered, the areas of focus, and the approach to delivering assurance and consultation activities.

Audit resources focussed initially on providing critical advice and support to management as the Council adapted services and established new systems in response to the crisis. Towards the end of the financial quarter, when Council services were moving to a documented and managed 'restart' across directorates, the audit team commenced more routine audit client engagement, and assurance audit engagements were progressed from the Audit Plan 2020/21.

During quarter one 2020/21, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high risk areas, the progression of assurance work on a low impact basis to the capacity of client managers dealing with frontline priorities, and the development of audit work programmes and staff training, as follows:

1. **Consultation and engagement on high risk areas** - Where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk;
2. **Progression of assurance work with a low impact on the capacity of the client** - Through an increased use of desktop testing, data and system interrogation, and a reduction in the level of management engagement during audit fieldwork where appropriate and feasible. Initial focus was on the conclusion of audits which were already underway at the 2019/20 financial year end;
3. **Development and planning for audit test programmes** - Each auditor was allocated a basket of audit areas from the Audit Plan to research, develop test programmes, and extract and analyse data where feasible to prepare for the year ahead;

4. **Development and training for audit staff** – Whereby auditors were allocated certain areas to research and develop training for in-house delivery to the wider team, under the direction of the Audit Manager. The areas for identified training were selected through a review of the results of the IIA competency framework self-assessments, which auditors complete in support of their personal reviews. The first training session was delivered in May 2020 and further training will be rolled out throughout the year.

In respect of the consultancy activities, the audit team has been working directly with management, supporting a number of areas during the COVID-19 crisis. This consultation is recognised as three separate areas of audit work for recognition within the Audit Plan 2020/21, within the 100 days of bulk audit time allocated for COVID-19 related management support. The areas, scope of work and completion status at the end of quarter one for this consultancy are shown in the table below.

Figure 3. COVID-19 consultancy Work in Q1 2020/21.

Scope	Area	Scope	Status (30/06/2020)
1. New system checks. compliance, internal controls and counter-fraud	Start-up grants	Supporting a multidisciplinary team with advice and guidance on design of the system through which grants were administered and paid.	Ongoing
	Business grant administration		Completed
	Supplier relief	Discussion and engagement with commissioning and procurement and schools	
	Coronavirus childcare assistance scheme	Advice and guidance on processes and controls in the system for processing and administering payments.	
2. Resilience, continuity & control. Consultancy	Procure to pay	Advice and guidance in procurement systems and managed use of procurement cards.	Completed
	Procurement cards		
3. Counter-fraud prevention & post assurance checks.	Business grant administration	Active company checks, and validation of eligibility and fraud vulnerabilities for fraud prevention and detection.	Ongoing

The most significant work undertaken during the financial quarter has been in respect of business grant administration on behalf of Welsh Government. The scheme ended for new applications on 30 June 2020, at which time 4,851 grant payments had been processed with an overall value of £65.572million. Whilst the scheme has closed to new applications, payments continue to be processed following necessary checks for applicants who contacted the Council to claim their grant prior to the deadline. For the process, which had to be established at pace, audit attention initially focussed on system design, and providing advice and guidance on compliance and control, risk management, and counter-fraud solutions.

Once the business grant system was established, detailed audit system interrogation and analysis commenced. A number of officers from the audit and investigation teams were deployed to test the integrity of business rates information to prevent ineligible payments, and to identify and arrange appropriate investigation and recovery for any payments which had already been made for businesses identified as ineligible through post assurance work. Further post assurance checks are in progress through data matching for grant payment bank detail and business trading status validations.

The table below shows a list of audits and their reporting status in the current year until 30 June 2020, whereby 12 new audit engagements were completed to at least draft output stage. Management were not subject to the normal follow up correspondence during quarter one in order to finalise existing draft reports, recognising that they needed space to address immediate priorities relating to the crisis. All draft reports will be followed up for management response in quarter two, at which point audit reports previously issued will begin to be finalised. A summary of the audit outputs and opinions in the year to date is shown below.

Figure 4. Audit outputs and opinions (at 30 June 2020)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient (major improvement needed)	Unsatisfactory	No opinion given
Draft	7	2	3	2	0	0
Final	5	0	0	0	0	5
TOTAL	12	2	3	2	0	5
	12	<i>New Audit Engagements completed</i>				
	0	<i>Finalised Audit Engagements from 2019/20</i>				

Since the last reporting period, two draft audit outputs have been issued with opinions of insufficient with major improvement needed. Information on the findings of these audits is provided within Section 2.7 – Critical Findings or Emerging Trends.

Figure 5. 2020/21 Audit outputs and opinions (at 30 June 2020)

No.	Assurance Audit Engagement	Audit Opinion
1.	Governance and Legal Services – Commissioning & Procurement	Effective
2.	Codes of Conduct	
3.	Digital Services - Hybrid Mail	Effective with opportunity for improvement
4.	Health and Safety - Resources	
5.	Programme and Project Risk Management	
6.	PTE - Asset Management	Insufficient with major improvement needed
7.	Street Scene (Waste Management) - Asset Management	
Audit Work with 'No Opinion'		
8.	Joint Committees - Prosiect Gwyrdd	Consultancy, certification, advice and guidance
9.	Joint Committees - Port Health Authority	
10.	Joint Committees - Glamorgan Archives	
11.	New system checks - compliance, internal controls and counter-fraud	
12.	Resilience, continuity & control - Consultancy	

Further to the table above, the outputs that were not been given an assurance opinion and the reasons for this were as follows:

Figure 6. Completed audits without an assurance opinion (at 30 June 2020)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts, 2019/20
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
New system checks - compliance, internal controls and counter-fraud	COVID-19 advice and guidance on establishing new systems and processes.
Resilience, continuity & control - Consultancy	COVID-19 advice and guidance in procurement systems and managed use of procurement cards.

The report status for the year to date is shown in **Appendix A**.

2.5 Resources

During quarter one, the COVID-19 crisis has significantly affected the activities and capacity of audit clients, and it has also had a material impact on the capacity of the audit team and the audit resources.

The audit team has followed corporate guidance, whereby officers have received special leave for periods that they have needed to care for dependants and have been unable to work. The team has shown significant personal flexibility in their commitment to limiting the use of special leave as far as possible. This is commended by audit management given responsibilities within the team which include providing childcare and home schooling, and meeting the care needs for vulnerable family members. Available staff resources have also been impacted by an increased level of sickness and bereavement leave in quarter one, and cases are being managed in accordance with corporate policy. There is one case of long-term sickness within the team at the end of the financial quarter. One member of the team was temporarily deployed for a number of weeks to support their personal development and assist the finance team in preparation of the Statement of Accounts 2019/20, which also affected the staff resource.

As all operational auditors and the audit assistant record all actual time worked, there is useful management information available for planning, monitoring and reporting purposes. Timesheet data contained 343 chargeable days in quarter one, against a pro-rata plan of 478 days, showing that the team has been operating at a chargeable capacity of circa 72% of planned. Using this knowledge, and in consideration of the reasonable capacity of audit staff and clients for the remainder of the year, performance targets have been aligned to resources for 2020/21, for which details are included within section 3.2 'Performance'.

Two members of the team continue to be supported through a CIA qualification with the IIA. One auditor is working towards their third and final exam, and one auditor is working towards their second exam. Both auditors had intended to take exams over the reporting period, but this has not been possible due to current COVID-19 related restrictions by the IIA. The auditors have continued with their studies and will take their next exams in due course. The audit team also contains a CIPFA trainee placement who recently achieved part-qualified CIPFA accountant status, following successful summer exams. CIPFA placements operate on a annual rotation across finance teams. We anticipate the next CIPFA placement to commence in September 2020, at which time the current placement will move on with the best wishes from the team.

2.6 Annual plan

The Audit Committee considered the draft Audit Plan 2020/21 through a consultation process (between 23 March – 3 April 2020), outside of the formal Audit Committee meeting. The consultation process was arranged as the Audit Committee meeting scheduled for 24 March 2020 was cancelled in consideration of business necessity and the COVID-19 risk.

Through the consultation process, all comments received were responded to by the Audit Manager, and the overall position was discussed and agreed with the Chair and endorsed by the Chief Executive on behalf of the Senior Management Team at the beginning of April 2020.

At the end of quarter one, the Audit Plan is subject to a small number of proposed adjustments following audit relationship management arrangements with directors and risk reviews. These changes are detailed within agenda item 5.2, where formal approval is sought from the Audit Committee for the Audit Plan 2020/21.

Whilst set on an annual basis, the Audit Plan is adaptable and responsive and will be subject to ongoing risk assessment, prioritisation and review throughout the year to maximise assurance and management support. In-year changes may be introduced where appropriate, to respond to emerging risks and issues as the year progresses.

The proportion of the Plan which can be delivered in 2020/21 will be materially lower than in 2019/20, for which details are provided in section 3.2. 'Performance'. Whilst significant attention has needed to be provided to management in the form of consultancy during quarter one, as set out in section 2.4 'Current Activities', the level of assurance audit work will ramp up during the rest of the financial year, as services 'restart' as part of the corporate approach to a managed recovery from the crisis.

Audits will be allocated on a basis that provides the greatest assurance and value, and limits any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2020/21.

2.7 Critical findings or emerging trends (Q1 2020/21)

A smaller number of audit reports were issued over the reporting period than usual given the current environmental context, and two audit reports were issued with adverse audit opinions

for which further details are provided in the paragraph below. The audits referred to below are at a draft status, for which the findings will be discussed with management, and once the audits are finalised, the final opinion and recommendations will be reported to Audit Committee.

The two draft thematic audit outputs issued with opinions of insufficient with major improvement needed were in respect of directorate asset management in 'Planning Transport and Environment' and 'Waste Management'. The findings of these audits, and the areas for improvement, were consistent with the other directorate asset management audits. Whilst there was evidence of a system for reasonable management of larger assets e.g. vehicles, skips etc., in respect of portable equipment and devices, there were gaps in record keeping and a regime for periodic monitoring, review and oversight. Through testing of a small sample of leavers, management were able to account for the return of relevant equipment that had been allocated to individuals.

2.8 Value for Money findings (Q1 2020/21)

There were no value for money themed audits undertaken within the reporting period.

The vast majority of audits undertaken by the Internal Audit Team have objectives which cover value for money assurances, from which a general satisfactory level of assurance can be provided for the reporting period. However, within the audits of a lower assurance opinion, there were control gaps, which need to be addressed to provide assurance that the objectives of these services are being run with proper attention to a combination of economy, efficiency and effectiveness.

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Relationship Manager meetings were held with Directors and their representatives during the development of the audit plan in quarter four 2019/20. Further Relationship Management meetings were then held in quarter one 2020/21, with particular focus given to understanding the priorities and risks within each management team, and the changes to systems or processes planned or underway, in order to direct audit advice and inform the planning of audit engagements.

Feedback from audit clients were positive overall in 2019/20, with satisfaction rates at 99% and 85% of clients advising that their audit ‘added value’. Further details are provided within the Internal Audit Annual Report 2019/20, which is being considered by Audit Committee in agenda item 5.1.

There has been very limited audit feedback in quarter one as, whilst draft audit reports have been issued, the usual timescale for management response has been relaxed to allow management the space to prioritise immediate risks and issues as appropriate. Management have been advised that responses will be requested for all outstanding draft reports at the commencement of quarter two. Once audits are finalised, management will be asked to respond to client questionnaires.

In the audit outputs issued to date (as at 30 June 2020), there have been 19 recommendations made, all of which are presently being considered by audit clients through draft audit outputs. These are summarised below:

Figure 7. Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed	Recommendations being considered
Red	2	0	2
Red / amber	5	0	5
Amber / green	10	0	10
Green	2	0	2
TOTAL	19	0	19

3.2 Performance

As outlined in section 2.4 (‘Current Activities’), the focus of audit work in quarter one has been adaptive and responsive to current environment. Initial priority was given to providing audit consultancy and support to areas where Council services needed to change and adapt to the crisis. This was followed by a more formal commencement of the assurance audit engagements towards the end of the financial quarter once services commenced a formal ‘restart’ phase.

In respect of the consultancy work, whilst significant resources were deployed to support managers, this work has been grouped and accounted for within three areas of attention, of which work has been concluded in two areas (indicated in figure 3). A number of assurance audit engagements commenced in June 2020, representing a managed return to business as usual, for

which draft audit outputs have started to be issued and activity will ramp up for the remainder of the financial year.

It is considered that the audit performance indicators utilised in 2019/20 continue to provide an effective measure of the core components of delivering an effective audit service, and it is proposed that these measures are retained for 2020/21. Whilst the indicators are considered to be effective, it is proposed that the audit targets are adjusted in order to reflect a stretching but achievable level of performance within the context of the current environment.

As outlined in 2.5 ('Resources') there are various reasons why the audit service is operating at a lower capacity than usual, and it is recognised that there will be an ongoing constraint on the operating capacity of auditors for the remainder of the year, albeit to a lesser degree as lockdown and social distancing measures are gradually eased.

In consideration of the quarter one resource constraints, which resulted in the team operating at 72% of anticipated chargeable capacity, it is proposed to set the target percentage of the audit plan completion at 60% for 2020/21. In applying this target, audits would be allocated on a basis that provides the greatest assurance and value, and limits any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2020/21. The proposed targets of audit productive days and audits per FTE are in alignment with the proposed audit plan target percentage.

The average number of finalised audits per FTE is significantly below target in quarter one. This performance is symptomatic of the fact that auditors have issued draft reports for management awareness, but stood down from their normal follow up regime in order to seek management responses and to finalise audits in quarter one. Auditors were asked to cease from pursuing management responses to recommendations during quarter one, in order to give them space to address crisis management matters. The position will improve as management responses are actively sought from quarter two, in respect of both the reports issued so far in 2020/21, and those issued in 2019/20 which are also at draft status, and require management response to finalise.

In respect of schools, given closures during quarter one, and the need for school management to focus on pupils safely returning in the Autumn term, the target dates for all 'open' school

recommendations due / shortly due, have been extended until 31 October 2020. This will allow schools to reset their position and attention to responding to audit recommendations midway through the Autumn term.

Audit Committee Members have taken particular interest in performance against the percentage of audit recommendations implemented within the agreed timescale, which has been below target for a number of years. A target is proposed of 80% for 2020/21, which represents an ongoing expectation of the high delivery of agreed management actions, and an expected improvement of directorate performance from 2019/20. The Audit Manager wrote to each Director in June 2020, requesting that target recommendation dates are reviewed and updated in recognition that targets will have been impacted by the necessary priorities given to crisis management matters in quarter one 2020/21. Targets are being updated upon receipt of Director responses, which it is hoped will enable a resetting of realistic timeframes for directorates to work towards.

Figure 8. Performance against targets for 2020-2021 (to date)

Performance Indicator	2019/20 Outcome	2020/21 Target	Q1 Outcome
The percentage of the Audit Plan completed	70%	60%	9%
The average number of audit productive days per FTE	169	130	33
The average number of finalised audits per FTE	11	9	*0.54
The percentage of draft audit outputs delivered within six weeks	86%	85%	100%
The percentage of audit recommendations implemented within the agreed timescale	60%	80%	**0%

* Draft reports not chased up to be finalised in Q1, to allow for attention on COVID-19 priorities.

** Implementation of recommendations not chased up in Q1, to allow for attention on COVID-19 priorities.

3.3 Audit Plan Delivery

In addition to monitoring and managing the numbers of audits delivered, audit engagements are allocated in order to ensure that there is a breadth of assurance by the financial year-end, upon which to provide a complete Audit Manager annual opinion.

As outlined in section 2.4 – Current Activities, there were twelve audit engagements completed in quarter one 2020/21. The level of delivery of the Audit Plan is substantially lower than is usual at this point in the financial year, primarily impacted the extensive focus on consultancy services, before services began to restart, and assurance audit engagement could more formally progress. The current position for the full Audit Plan 2020/21 is shown in **Appendix B** – Audit Plan.

3.4 PSIAS Compliance

The Internal Audit Standards Advisory Board (IASAB) has provided guidance for Heads of Audit and Audit Committees on remaining compliant with Relevant Internal Audit Standard Setters (RIASS), which in respect of the Council is the Public Sector Internal Audit Standards (PSIAS). The guidance is designed to set out the steps that can be taken to safeguard the long-term position of internal audit, and to provide reassurance that diversion from planned audit work will not automatically mean non-conformance with the Standards.

Included within **Appendix C** is the guidance from the IASAB, accompanied by an assessment of the Audit Manager against the associated checklist in **Appendix D**. There are considered to be suitable provisions and safeguards in place to continue to operate the Internal Audit Service in conformance with the PSIAS. Steps have been taken to ensure that audit priorities and activities are appropriately communicated, and align to the Mission of Internal Audit ‘to enhance and protect organisational value by providing risk based and objective assurance, advice and insight’. Safeguards to independence and objectivity are embedded through existing processes and regimes, and audit activities are being delivered in accordance with Government and Council guidelines to meet all necessary health and safety requirements.

3.5 Recommendations

In accordance with an action from the Audit Committee Annual Workshop on 21 January, a Summary of the open audit actions has been introduced, and is included within **Appendix E**, to support the Audit Committee to monitor and review the management response to recommendations raised.

Included within **Appendix F** are the red and red/amber open recommendations including the current management response for the information and monitoring of the Audit Committee. **Appendix G** contains the red and red/amber recommendations, which have been completed

since the last Audit Committee Meeting. Amber / green and green recommendations are provided to Committee via a separate route.

The table below shows the instances where implementation dates have been revised, typically by audit clients on SharePoint (as at 30.06.20). As referred to within section 3.2. 'Performance', the target dates for all 'open' school recommendations due / shortly due, have been extended until 31 October 2020. The position against recommendations is reported, to monitor progress and target discussions on the effective management of risk management, in relationship management meetings each quarter.

Figure 9. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Education and Lifelong Learning	38	10	28
Social Services	14	10	4
Resources	5	4	1
Housing and Communities	2	2	0
Planning Transport and Environment	4	3	1
Waste Management	35	23	12
Central Transport Services	9	0	9
Economic Development	18	10	8
External and grants	0	0	0
Fundamental	8	5	3
Corporate Governance	4	1	3
Governance and Legal Services	1	0	1
Other assurance	10	2	8
	148	70	78
Schools	184	68	86
TOTAL	332	138	194

4. CONCLUSION

4.1 Summary

Quarter one has seen a need to deploy audit resources in order to provide advice, guidance and support services to management as they have adapted systems, and set up new processes to meet Council priorities and respond to the current COVID-19 crisis. Whilst a level of consultancy work will need to continue, following the 'restart' of Council services towards the end of quarter one 2020/21, assurance audit engagements have been able to progress, and will be a focus of priority for the remainder of the year.

The Audit Team relaxed the regime for chasing up management responses to draft reports in quarter one to allow management the space they needed to respond to more immediate challenges associated with COVID-19. From quarter two, all draft reports will be followed up with management to request their formal response to the recommendations raised.

The Audit Management Team has reviewed the ongoing impact of the crisis on resources, and proposed performance indicators for 2020/21 are set at levels which are stretching but realistic for individuals and the team overall. The targeted delivery of the Audit Plan will ramp up in the remaining quarters of the financial year, with audits selected with a view to minimise any impairment to the overall opinion of the Audit Manager on Council's control environment for 2020/21.

Audit practices have been reviewed against the latest guidance from the Internal Audit Standards Advisory Board. There are considered to be suitable provisions and safeguards in place to continue to operate the Internal Audit Service in conformance with the PSIAS.