



Resources Directorate Internal Audit Section



Internal Audit Progress Report (As at 31 December 2021)

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Prepared by: Chris Pyke, Audit Manager

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.

The Audit Plan 2021/22 was approved on 23 March 2021. The 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.

This progress report provides a summary account of the audit activities, findings and progress against the Audit Plan as at 31 December 2021.

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 Governance and 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 and formalised their objectives for 2021/22 in accordance with corporate requirements. 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 was recognised across the audit team.

2. SUMMARY OF WORK PERFORMED

The following audit summary covers the work programme for 2021/22, and the associated activities, resources, findings and measures of performance as at 31 December 2021.

2.1 Current activities

During the year to date the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to progress targeted assurance engagements from the Audit Plan.

Schools control risk self-assessment (CRSA) action plans

Members will be aware of the Control Risk Self-Assessment (CRSA) exercise completed towards the end of the financial year 2020/21 through which all schools were required to respond to a detailed set of internal control statements, identify actions for improvement in the event of any gaps, and to provide a portfolio of evidence to support the assertions made within their returns.

Following this exercise and associated reporting to Headteacher and Chair of Governors forums, action plans containing recommendations for the schools sampled have been issued and a summary report has been issued to the Director of Education. As at the end of quarter three, nearly 80% of the action plans have been finalised with an agreed course of action in each respective school. Responses to the remaining action plans are being sought in order to conclude the exercise. Alongside individual school audits being completed this year, the implementation of recommendations through the CRSA exercise will be tracked, monitored and reported to support effective control environments across schools.

COVID-19 related consultancy services

The Internal Audit Team has continued to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh Government COVID-19 grants schemes to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

In the financial year to date, audit and counter-fraud consultancy has been provided in respect of the following Welsh Government grant schemes:

- Financial Recognition for Social Workers Scheme
- Economic Resilience Fund

- Wales Culture Recovery Fund (round 2) – Freelancer Support.
- Economic Resilience Fund (Extension)
- Cardiff Growth Funds
- Winter Fuel Support Scheme

Audits completed

A number of assurance audit engagements have commenced, and this work continues to be undertaken predominantly on a desktop basis.

The table below shows a list of audits and their reporting status as at 31 December 2021, whereby 42 new audit engagements were completed to at least draft output stage and 21 audit engagements from the prior year have been finalised. A summary of the audit outputs and opinions in the year to date is shown below.

Figure 4. Audit outputs and opinions (at 31 December 2021)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	14	1	7	3	1	2
Final	49	3	24	12	0	10
TOTAL	63	4	31	15	1	12
	42	<i>New Audit Engagements completed</i>				
	21	<i>Finalised Audit Engagements from 2020/21</i>				

Since the last reporting period, one draft audit output has been issued with an opinion of unsatisfactory and one draft report has provided an opinion of insufficient with major improvement needed. Information on the findings of these audits is provided within Section 2.4 – Critical Findings or Emerging Trends.

Figure 5. 2021/22 Audit outputs and opinions (at 31 December 2021)

No.	Assurance Audit Engagement	Audit Opinion
1.	Fraud, Bribery and Corruption	Effective
2.	Housing Rents	
3.	Resources – Income and Debtors	
4.	Homelessness - Temporary Accommodation	Effective with

5.	Education - SOP - Review of Band B	opportunity for improvement	
6.	PTE – Income and Debtors		
7.	Members' Remuneration and Allowances		
8.	Marlborough Primary School		
9.	Mary Immaculate High School		
10.	Special Leave		
11.	Treasury Management		
12.	Governance and Legal Services - Pre-Contract Assurance		
13.	Bilingual Cardiff		
14.	City Deal 2020/21		
15.	Disciplinary Policy		
16.	Purchasing Cards		
17.	Cradle to grave audit		
18.	Glamorgan Archives		
19.	Adults, Housing & Communities - Pre-Contract Assurance		
20.	Libraries		
21.	British Council Grants - Follow up		
22.	Concessionary Travel		
23.	Establishment Reviews		Insufficient with major improvement needed
24.	Joint Equipment Service		
25.	Payments to Care Leavers		
26.	Economic Development - Pre-Contract Assurance		
27.	Waste Collections		
28.	Education and Lifelong Learning - Pre-Contract Assurance		
29.	Planning, Transport and Environment - Pre-Contract Assurance		
30.	Cardiff West Community High School	Unsatisfactory	
Audit Work with 'No Opinion'			
31.	Joint Committees - Prosiect Gwyrdd	Consultancy, certification, advice and guidance	
32.	Joint Committees - Port Health Authority		
33.	Joint Committees - Glamorgan Archives		
34.	Service and Process Consultancy – Welsh Government Grants		
35.	Rumourless Cities Grant		

36.	Cardiff Further Education Trust Fund 20/21		
37.	Norwegian Church Preservation Trust 20/21		
38.	Education Improvement Grant 20/21		
39.	Creditor Payments CRSA 2021/22	Control Risk Self-Assessments	
40.	Payroll CRSA 2021/22		
41.	National Fraud Initiative	Data matching counter-fraud exercise	
42.	Pre-Contract Assurance – People and Communities	Assurance via wider directorate engagements	
Concluded Audits from the Prior Year			
43.	Risk Based Verification	Effective	
44.	Audit of scrutiny functions	Effective with opportunity for improvement	
45.	Wellbeing of Future Generations		
46.	Follow-up audit - contracts in Waste Management		
47.	Norwegian Church Preservation Trust 2019/20		
48.	Creditor Payments - In year testing 2020-21		
49.	Council Tax		
50.	Housing Benefit / Local Housing Allowances / Council Tax Reduction		
51.	IT Business Continuity		
52.	Follow-up audit - St. Peter's		
53.	Taxation		
54.	Directorate Risk Management		
55.	Programme and projects risk management		
56.	Gatehouse		Insufficient with major improvement needed
57.	Follow-up audit - fly tipping		
58.	Recycling in HWRCs		
59.	St. Cuthbert's RC Primary School		
60.	Payment Card Industry		
61.	Cardiff Bus - governance relationship with Cardiff Council		
62.	Contract Monitoring and Management		
63.	Education - Asset Management		

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 31 December 2021)

Audit	Comments
Joint Committees - Prosiect Gwyrdd	Work to support completion of Statement of Accounts.
Joint Committees - Port Health Authority	
Joint Committees - Glamorgan Archives	
Service and Process Consultancy – Welsh Government COVID-19 Grants	Compliance, control and counter-fraud guidance
Rumourless Cities Grant	Grant certification
Cardiff Further Education Trust Fund 2020/21	
Norwegian Church Preservation Trust 2020/21	
Education Improvement Grant 2020/21	
Creditor Payments CRSA 2021/22	Developing and coordinating a Control Risk
Payroll CRSA 2021/22	Self-Assessment exercise
National Fraud Initiative	Data matching counter-fraud exercise
Pre-Contract Assurance – People and Communities	No recent contact awards to examine, so assurance to be achieved through a sample of contacts relating to Adults, Housing and Communities and Children’s Services (under portfolio of Corporate Director)

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

2.2 Resources

There has been reduced capacity in the team during quarter three. A member of staff returned from long term sickness on phased return, but there have been two further long-term sickness cases, and as the team is small there has been an impact on the delivery of the audit plan.

To support the delivery of the audit plan, two audit engagements have been commissioned with an external provider under the direction and control of the Audit Manager. The audits of information governance and cloud computing will be delivered during a six-week period commencing February 2022 to support the assurance work delivered directly by the in-house team. Prior to commissioning the audits, agency adverts were issued, and secondment options were explored via the Welsh Local Authority Chief Auditors Network, through which no suitable candidates were found.

Timesheet data contained 995 chargeable days across the team as at the end of quarter three, against a pro-rata plan of 1,226 days. The primary reasons for the difference were a vacant Principal Auditor post during much of quarter one, long-term sickness, nine weeks of work for accountancy by a CIPFA trainee as part of their development, and more time coded in respect of development activities and general meetings than anticipated across the team, some of which related to participation in wellbeing initiatives.

One auditor continues to have funding for study in place, for the Certified Information Systems Auditor (CISA) Qualification with ISACA.

2.3 Annual plan

The Committee approved the Audit Plan 2021/22 in its meeting in March 2021. The annual Audit Plan is designed to be of sufficient size to enable decisions on the timing and prioritisation of audit engagements to be made as each year progresses. Each year a proportion of the Audit Plan is targeted for delivery, and the target for 2021/22 is 70%.

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.

In the Committee meeting on 23 November 2021, the Governance and Audit Committee approved the deferral of 29 audit engagement from the Audit Plan 2021/22 and the addition of a corporate performance management audit. This action did not impact the performance target, but instead indicated strategic priorities, focussing on the delivery of all planned audits of fundamental systems, a high level of coverage in areas of core governance and a spread of directorate level systems. The revised Audit Plan contained 75% of the audits approved by Committee at the beginning of the year. The target remained to deliver 70% of the original plan.

Delivery of the Audit Plan 2021/22 is proportionately lower than targeted as at the end of quarter three, for which the reasons primarily relate to resources as outlined in section 2.2 'Resources' for which the position is shown in section 3.2 'performance'.

A greater level of progress has been made in delivering on key audit priorities that the audit statistics may suggest:

- Substantial planning has been made for a review of directorate recovery planning to take place with each directorate management team. An assessment tool has been developed after discussion with management in Performance and Partnerships, wider senior officers and colleagues in Audit Wales.
- A significant proportion of the assurance mapping work has been completed, which will conclude in quarter four leading to a proposed risk-based plan for the year ahead to engage with each Director upon, ahead of the full Senior Management Team and a request for Governance and Audit Committee approval in March 2022.
- A number of audits are at a stage of active fieldwork or quality assurance, for which details are provided in the table below. It is intended for draft reports to be issued for these audits in the early stages of quarter four.

Figure 7. Status of ongoing audits

No.	Audit	Status
1.	Ysgol Bro Edern	Review / Quality Assurance
2.	Section 106 Agreements	Review / Quality Assurance
3.	Whistleblowing Processes	Fieldwork
4.	Telecare	Fieldwork
5.	Shared Regulatory Services in Cardiff	Fieldwork
6.	Llanedeyrn Primary	Fieldwork
7.	Value for Money in Digital Initiatives	Fieldwork
8.	Creditor Payments – in-Year Testing	Fieldwork
9.	Payroll – In-year Testing	Fieldwork

It should also be noted that planning is well progressed for two thematic audits of ‘school asset management’ and ‘school health and safety’ which each account for five audit units (representing the numbers of schools sampled) under each study. These audits are scheduled to be delivered during quarter four.

All areas of the audit plan are being progressed, although in allocating and delivering work, the team are mindful of the current crisis in Social Services at the present time in terms of service demands and the availability and priorities of key officers and management. The Council’s Senior Management Team has considered associated risks in recent months and corporate requests have been made for urgent support for continuity of frontline services within the adult social

care service, and for volunteers to support residential and short break provisions. Particular care will be taken during quarter four as audits are progressed, in respect of balancing both the priorities of services and audit assurance, and the position will require ongoing and close monitoring and attention.

There were fourteen audits completed to draft output status during quarter three, of which twelve received an assurance opinion of 'effective', or 'effective with opportunity for improvement'. For the information and assurance of the Governance and Audit Committee, the draft findings of audits with opinions of 'insufficient with major improvement needed' are included in section 2.4 – critical findings and emerging trends, and an executive summary briefing is provided for any 'unsatisfactory' audit report once it has been finalised with management. Over the reporting period one draft 'unsatisfactory' report, and one 'insufficient with major improvement needed' report have been issued.

2.4 Critical findings or emerging trends (Q3 2021/22)

During quarter three, two audit reports were issued with adverse audit opinions for which further details are provided in the paragraphs below. The audits referred to below are at 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 the Governance and Audit Committee.

An audit of 'Cardiff West Community High School' has provided an opinion of 'unsatisfactory'. The school had an agreed deficit budget of £878,203 for 2021/22 for which indications of additional support and challenge were noted during the audit, including the development of a Medium-Term Financial Plan. The report identified gaps in the completeness of declarations of interest, the monitoring of governor training, the availability of sub-committee minutes, documented risk management measures in cases where staff are to start work prior to receipt of a Disclosure and Barring Service (DBS) check, and a need to review and update certain statutory policies. At an operational level, general financial control was reported to require improved oversight and control. This included a need for school private fund account updates and audit following school amalgamation, improvements to the management trail of contracts entered and associated processes followed, income records completeness, and purchasing card record keeping and control. Audit Management has met with the Headteacher, the Chair of Governors and the Chair of Finance to discuss the draft report and a series of recommendations

have been raised for management consideration. Once the management response has been received and the audit has been finalised, the Governance and Audit Committee will receive an executive summary report of the findings and actions for improvement in the following Committee meeting.

An audit of pre-contract assurance in Planning Transport and Environment provided an opinion of insufficient with major improvement needed. The audit identified good working relationships and engagement with Commissioning & Procurement and other professional disciplines, but there were gaps in the completeness of processes followed to achieve an effective level of assurance prior to entering contracts. A small number of procurements plans sampled did not contain assessments of risk. There were also cases where supplier suitability, capability and capacity and financial vetting had not been completed in accordance with corporate guidance. There were some gaps in the completion of internal corporate processes in respect of matters including health and safety, Welsh language, and socially responsible procurement requirements. In one instance, a reduced number of tenders / single supply had not received Commissioning and Procurement approval, and some core procurement documentation was not stored on the Proactis system.

It is pleasing to report that a follow up report in respect of British Council Grants received an opinion of 'effective with opportunity for improvement', for which the original audit provided an 'unsatisfactory' audit opinion, and the associated executive summary was provided to the Committee in its meeting of 23 March 2021. There have been improvements in the governance arrangements in place for British Council grants. Declarations of interest had been recorded and the Director had communicated a comprehensive management instruction to reinforce audit requirements. It is recognised that there have been no trips since the original audit was undertaken, but steps have been taken to improve documentation and reconciliation processes. There has also been a change in the management structure and composition of the ISL team and the team has recently moved into an office in County Hall. A third-party organisation previously operating from a Council premises has relocated and has no association with the Council or its staff. The purchasing card has been closed, although new cards may be required when trips are able to recommence. The directorate has worked with Accountancy and Information Governance to improve data handling and financial administration processes.

2.5 Value for Money findings (Q3 2021/22)

There were no value for money themed audits completed within the reporting period, although an audit of value for money in digital initiatives is being progressed at the time of reporting.

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 2020/21. Further Relationship Management meetings have then been held on a quarterly basis this year, 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 has been positive in the year to date, high satisfaction rates, although one client reported that their audit did not 'add value'. The audit of pre-contract assurance in Governance and Legal Services did not identify particular issues that the Directorate was not aware of.

Figure 8. Client Feedback

	Excellent	Good	Satisfactory	Poor
Communication	17	7	3	0
Advice	10	13	4	0
Report Value	7	16	4	0
Overall Performance	13	11	2	0
Percentages	44%	44%	12%	0%

In the audit outputs issued to date (as at 31 December 2021), there have been 440 recommendations made, of which 287 have been agreed and 153 are being considered by audit clients through draft audit outputs. These are summarised below:

Figure 9. Recommendations raised and agreed

Rating	Recommendations made	Recommendations agreed	Recommendations being considered
Red	15	5	10
Red / amber	166	101	65
Amber / green	235	166	69
Green	24	15	9
TOTAL	440	287	153

3.2 Performance

The priorities and approach of the audit team are outlined in section 2.1 ('Current Activities'). Figure 10 contains performance indicators and targets for 2021/22, together with the outcomes for 2020/21.

The primary reasons why the audit service is operating at a lower capacity during the quarter are outlined in 2.2 ('Resources'). At the outset of the year, a proposed target for delivery of the Audit Plan was set at 70% and integrated into audit planning and performance management processes. The target was considered to be stretching and achievable, for which slippage against this measure in the year to date has been primarily affected by long-term sickness and greater development / wellbeing initiatives time used by the team. The targets of audit productive days and audits per FTE are in alignment with the audit plan target percentage, for which performance is below target due primarily to the same factors.

The team are working with management to agree audit actions and, whilst performance in finalising audits has improved during quarter three, further progress is required to meet the target set for the year. Alongside Increasing the number of draft reports issued during the remainder of the year, progress in finalising audits will continue to be monitored closely and communicated at both auditor and directorate management levels.

Whilst the percentage of draft outputs delivered within four weeks of completing fieldwork has reduced during quarter three, performance for the year to date is at the target level, and the

position will continue to be closely monitored to ensure prompt reporting and timely management assurance.

The percentage of audit recommendations implemented within the agreed timescale is 69% against a target of 80% for the year overall. The outcome measure, which allows for slippage of two working weeks from the target set for actions to be evidenced as achieved, showed a small improvement against the prior quarter. The Audit Manager attends Senior Management Team to present the recommendation tracker on a periodic basis, at which time performance and the importance of the timely implementation of agreed actions are discussed.

Figure 10. Performance against targets for 2021-2022 (to date)

Performance Indicator	2020/21 Outcome	2021/22 Target	Q1 Outcome	Q2 Outcome	Q3 Outcome
The percentage of the Audit Plan completed	55%	70%	13%	24%	36%
The average number of audit productive days per FTE	145	150	32.56	64.29	104.46
The average number of finalised audits per FTE	8.51	9	1.64	3.4	5.74
The percentage of draft audit outputs delivered within four weeks* <i>*indicator changed from within 'six weeks' from 2021/22</i>	97%	90%	100%	100%	90%
The percentage of audit recommendations implemented within the agreed timescale	69%	80%	69%	64%	69%

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.

Sections 2.1 – Current Activities and 2.3 – Audit Plan set out relevant details and the current position for the full Audit Plan 2021/22 is shown in **Appendix B – Audit Plan**.

3.4 Recommendations

To support Committee monitoring and review, **Appendix C** contains a summary of all open audit actions, **Appendix D** contains the detail of all red and red/amber open recommendations and

includes the current management response. **Appendix E** contains the red and red/amber recommendations, which have been completed since the last 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, for audits which are not recognised as fully addressed (as at 31.12.21).

Figure 11. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	15	11	4
Corporate	25	21	4
External and grants	8	4	4
Adult Services, Housing and Communities	29	12	17
Children' Services	2	2	0
Economic Development	26	25	1
Education and Lifelong Learning	70	44	26
Planning Transport and Environment	32	21	11
People and Communities	14	14	0
Resources	33	28	5
Governance and Legal Services	5	5	0
Waste Management	74	69	5
	333	256	77
Schools	264	205	59
TOTAL	597	461	136

NB - It should be noted that the table above represents the position as at 31 December 2021, whereas the recommendation tracker appendices show the detailed position against each recommendation at the closest possible date to each Committee meeting.

The position against recommendations is reported in quarterly relationship management meetings to monitor progress and target discussions on effective risk management, and the Audit Manager attends Senior Management Team meetings at periodic intervals during the year to outline and discuss the management response.

4. CONCLUSION

4.1 Summary

During the year to date, the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to progress targeted assurance engagements from the Audit Plan.

The Internal Audit Team has continued to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh Government COVID-19 grants schemes to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.

There has been reduced capacity in the team during quarter three. A member of staff returned from long term sickness on phased return, but there have been two further long-term sickness cases, and as the team is small there has been an impact on the delivery of the audit plan. To support the delivery of the audit plan, two audit engagements have been commissioned with an external provider under the direction and control of the Audit Manager.

All areas of the audit plan are being progressed, although in allocating and delivering work, the team are mindful of the current crisis in Social Services at the present time in terms of service demands, and the availability and priorities of key officers and management.

There will be a continued focus on increasing the coverage of the Audit Plan in quarter four. A number of audits are at a stage of active fieldwork or quality assurance at the time of reporting and substantial planning has taken place to commence further audit engagements. This work will assist in delivering the plan during quarter four.

Each auditor has a full allocation of work to progress, subject to regular monitoring and review processes. Audits are allocated on a basis that provides the greatest assurance and value, and mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2021/22.