



# CORPORATE RESOURCES INTERNAL AUDIT SECTION

## INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD ENDING 30.09.15

**Open**  
We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities

**Fair**  
We champion fairness, recognising that with less resource we need to prioritise services for those who need them most

**Together**  
We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



# INTERNAL AUDIT PROGRESS REPORT

## Overview

1. The past six months have been extremely busy, with many challenges faced, and resource pressures impacting on audit work and planned coverage.
2. A clear Strategy and Audit Plan was set out in March 2015 and our audit planning and monitoring database was ready for audits to be assigned from the beginning of April.
3. In May, the Audit & Pensions Manager (BJ) retired and the Principal Auditor (Risk & Governance) and Principal Auditor (Programme & Projects Assurance) left the Council. We have struggled to recruit to a Senior Auditor post, and a part-time Auditor had been on long term sickness, which has had a significant impact on audit coverage and has required the continuous re-assessing of priorities.
4. Following a recruitment process for the Principal Auditor (Risk & Governance) role, an appointment was made in June, although the person appointed was previously a Senior Auditor, so it created a further vacancy at that level. A decision was made not to recruit to the Principal Auditor (Programme & Projects Assurance) post and work in this area was re-assessed and re-assigned. This post was to be considered for budget savings for 2016/17.
5. An appointment was also made in September to the Senior Auditor post, but the successful candidate was internal, which resulted in a further vacancy at Auditor level. A second Senior Auditor post has not been filled and is to be considered for budget savings for 2016/17.
6. In June we appointed (on a temporary basis) an additional person at Auditor level, to assist with analysing National Fraud Initiative data.
7. A wellbeing and attendance hearing was held in September and, as an outcome, the person on long term sickness absence was dismissed, creating a further vacancy of 0.5 FTE Auditor post.
8. As a consequence of failing to recruit to a Computer Auditor role, a Group Auditor has been assigned to oversee this element of the Audit plan and he is being supported to study for ISACA (formerly known as the Information, Systems, Audit & Control Association). We are also in discussion with neighbouring authorities to develop a shared service for computer audit work and hope to see some progress in the autumn. We have also identified some areas relating to computer controls where we consider that we have the experience to undertake audits.
9. In summary, the current resources within Internal Audit are:

	<b>FTE</b>	
Management	0.50	
Audit	9.80 (1.5 of which is currently vacant)	Total = 14.6
Risk & Governance	2.00	
Investigation	2.30	

10. Arrangements are in hand to advertise the 1.5 Auditor posts and we are looking at supporting up to 3 team members to study for the Institute of Internal Auditors (IIA)

examinations. This is positive, as IIA is now well established throughout both the private and public sector and is fast becoming a lead on auditing as a profession. This will allow a balance of professional qualifications and is considered will be a real benefit to the Section as a whole and to those individuals selected to study. It is intended to retain the one temporary appointment to assist with data matching until the end of March 2016.

11. In addition to the 14.6 posts above there are two vacant posts (Principal and Senior Auditor) not being filled and being considered for savings for 2016-17. There is also further consideration required, following the retirement of the Audit & Pensions Manager.
12. With this number of posts reducing every year, audit coverage is increasingly stretched and any absence, even by just one individual, can have a significant impact on what can be achieved. Also, when a request comes forward for unplanned work, then it is increasingly difficult to decide what assignments will be left unaudited, given we no longer have the opportunity to target all medium assessed risks even over a three year cycle.
13. At the present time we are achieving around 80% of our total planned days and 73% of our planned chargeable days. This seems in line with some recent comparative data from other Audit teams, many struggling with resource issues, where chargeable time seems to be within the range of 70% to 80%.
14. Despite this pressure, we have achieved a great deal over the past six months, including:
  - We have continued to undertake system based auditing with priority on high risk audits, assigned from the Audit Plan. Reports issued over the past three months have been added to [Appendix A](#) which now shows the position at the end of the six months. These have been completed to professional standards, as set out in the Public Sector Internal Audit Standard (PSIAS).
  - Recognising the pressure on resources, we have extended our approach to Control Risk Self-Assessment (CRSA). We are on track to deliver our programme in schools and, at the time of writing this report, we have had staff from 95 schools attend workshops and set about completing the CRSA. We have also used this approach for almost all our fundamental systems audits ahead of our plan to have these completed by the year end. We have also developed a CRSA for Projects and we are looking to pilot this on some ODP projects in the autumn. This approach helps raise awareness around managing risks and the importance of sound governance and financial control and has been well received.
  - As part of reporting we have continued to highlight any control weakness or non-compliance through our audit opinion. A tracker for all Limited Assurance reports is attached at [Appendix B](#). Monthly meetings with the Section 151 Officer and the Head of Finance discuss audit priorities and the Audit & Risk Manager meets with the Chief Executive every two months. There are a number of follow up audits due in the autumn, where it is hoped we will evidence improved control.
  - We have continued to target the objectives set out in our Strategy at the commencement of the year and regular monitoring shows that we are generally on track and many actions contributing to achieving our delivery plan. Our risk register has been updated to reflect some emerging risks.
  - We have continued to engage with all stakeholders and our Relationship Manager meetings continue to be successful. We have recently asked all Directors to complete a short questionnaire seeking their views of the Internal Audit service. Responses to audit

quality assurance questionnaires continue to be encouraging. [Appendix C](#) provides statistics on performance indicators we use to capture client feedback.

- We have been receptive to tasks we have been asked to consider, including work around VFM. In a number of areas we are extracting spend analysis and seeking assurances from senior management this is justified and “managed”.
- We have ensured that our service review Action Plan is regularly reviewed and updated and have continued adopting lean auditing techniques, which have further streamlined our processes to deliver efficiencies. We have an Audit development group meeting monthly with an opportunity log seeking further improvement. We have also introduced SharePoint which has helped us manage our documents in an improved way. This links with our move to paperless audits and a more agile approach to working.
- We have continued to meet deadlines for the work we undertake in relation to the Corporate Risk Register and Annual Governance Statement and developed a number of new initiatives relating to governance and risk management. These include:
  - Assurance Mapping
  - Risk Appetite – briefing and questionnaire
  - Partnership and Collaboration – protocol & toolkit
  - Audit Committee / Scrutiny Committees Protocol
- We have committed to training and the development of our team and are on track with Performance reviews and we recently undertook a competency / skills assessment exercise to feed into our 6 months performance reviews. Members of staff have been encouraged to attend and participate in roadshows and workshops and Core Brief is delivered at a monthly Section meeting.
- We have had the opportunity to be part of the Cardiff Manager Programme and we now offer two sessions, one on risk management and another on control and compliance, which helps raise awareness and allows us to reinforce some key messages in these essential areas of governance. To date we have had 360+ senior managers attend and feedback has been very positive.
- We have continued to measure our performance in line with the new Accounts and Audit Regulations strengthening the need to monitor and assess the effectiveness of Internal Audit. This has involved a number of initiatives using a mix of self-assessment and questionnaires with stakeholders. Benchmarking has been key to providing comparative data with others. A separate report on the work ongoing to measure the effectiveness of Internal Audit is being prepared for the Section 151 Officer, Head of Finance and Audit Committee (November meeting).
- In June we were invited to join the UK Core Cities Heads of Audit group. This is proving really useful for sharing good practice with potential for networking and some useful benchmarking exercises. [Appendix D](#) is a list of those involved with the UK Core City Heads of Audit Group.
- In relation to fraud work we have continued to be proactive in identifying, detecting and investigating fraud and over the past six months NFI has been a key area of work. [Appendix E](#) provides a summary of the work of the Investigation team.

- We have continued to have the support of the Chief Executive, Section 151 Officer, more recently the newly appointed Head of Finance, and Audit Committee membership, which has proved invaluable in the work we do and the challenges we face.
15. Over the past six months, the main challenges have been associated with reduced resources and impact on our role and how we have continually had to reassess priorities. Finding suitable candidates for key roles has also been an issue and morale also needed attention, as staff are aware of proposed budget scenarios and likely further savings to be made.
  16. Slippage on planned work is being monitored and an exercise underway to identify audits unlikely to be undertaken over the current cycle of the Plan and this will be reported to the Section 151 Officer and Audit Committee around the end of December.
  17. Benchmarking generally provides encouraging news in relation to our costs, quality and performance, but we have scope to further improve productivity. We are raising awareness amongst the team, using SharePoint to good advantage and looking at training and how we can improve delivering audits on time in a smarter way. We have recognised a shift in the type of audit we undertake with the more routine establishment and stewardship type audits replaced by more high risk audits which do take longer to set up ( new control matrices need be prepared) and undertake.
  18. There is also a significant challenge in the changes happening across the Council as other methods of delivering services are being considered and Internal Audit will need to continue to champion sound risk and governance arrangements alongside their role for ensuring adequate financial control through this period of unprecedented change. This often means balancing planned work with other work, that best suit the changing risk profile of the authority.

## Outcomes

19. Despite a challenging six months, we have remained committed to delivering an efficient and effective audit service and this report highlights some positive work being carried out in many areas. Much of our performance information is encouraging and shows we are generally on track meeting our objectives.
20. The outcomes from audits show that we continue to provide a satisfactory level of assurance in the majority of audits, although we do also identify potential improvements in internal control which have been incorporated into audit reports sent to Directors. Reports continue to be well received by management and it is encouraging that there has been a high level of agreement on the proposed enhancements to control for all of these.
21. The analysis provided shows that there are still a number with a “Limited Assurance” Audit opinion (10) which equates to around 20% of audits completed. Executive Summaries are produced for each and they are subject to discussion with the Chief Executive and it has been agreed for any where there is insufficient improvement, following a re-visit after six months, will be reported to Audit Committee. To date, since April 2015, there have been no “No Assurance” audits. It should be noted at the time of reporting there are a number of draft reports issued and included are three further potential “Limited Assurance” audit opinions and two “No Assurance” audit opinions and this trend will need close monitoring. It should also be noted every “Limited Assurance” report requires a revisit after six months, which then has an impact on planned work and our ability to target new areas.

22. Whilst it is considered that the overall control framework remains sound it has been recognised some of our rules need review to ensure they remain “fit for purpose” in the changing environment in which we operate and such a review is ongoing.
23. We have changed the way completed audits are being followed up, now through relationship manager meetings and we have seen an improvement in “open” actions, with only a few outstanding for longer than twelve months. All are monitored and any delays challenged.
24. With regard to the main areas of concern arising from audit work over the past six months, a themed analysis of recommendations has highlighted contract audits and contract management skills lacking, as we face new models for delivering services. Also, in areas within Social Services, we are seeing some follow up audits recognising improvement but still being given a limited assurance audit opinion, where despite commitment on behalf of senior management, resource reductions are seen as impacting on the ability to implement and enhance controls. (A Principal Auditor now regularly attends the Director of Social Services Management team to ensure these matters are being addressed). In other areas we are also seeing an impact on control with staff numbers reducing at a faster rate than alternate delivery models being developed, thus increasing pressure on staff as expectations remain, or even increase, during periods of change.
25. Wider consideration has seen much work done to address the concerns arising from the initial Wales Audit Office Corporate Assessment and of particular note is an improved stability at senior management level since the appointments made in the summer, a significant engagement programme with staff through briefings, workshops and the ambassador networks and with the public through the Cardiff Debate. Also noted is the work on service reviews, analysing key activities to inform future priorities and funding options for effective service delivery and an overall improvement in performance management and monitoring thereof. Much work has also been done around improving governance, an example being through the work of Scrutiny and other Committees looking at agenda management, to streamline processes to encourage more effective decision making. Key appointments to support the delivery of the ODP have also been welcomed which helps provide assurance around governance in some key emerging areas of new ways of delivering services.
26. Key priorities for Audit over the next six months are to continue to prioritise high risk audits and maximise the use of audit resources, to provide a high standard of professional service. We need to maintain and build on our client relationship and continue to identify emerging trends and risks to ensure we continue to add value in the best way.
27. We also have a number of initiatives ongoing, especially around governance and risk management that need progressing and we aim to continue work on VFM to support the work of colleagues across Finance, given the huge budget challenges the authority faces.
28. Work on assurance mapping in coming months will be key in helping inform our own priorities in drafting next year’s Audit Plan.
29. We need to build relationships and contacts with colleagues in the UK core cities and make the best of the opportunities this presents in terms of learning and sharing professional best practice.
30. Finally, we need to keep abreast of any changes to systems and processes across directorates, to ensure early intervention regarding sound risk, governance and control issues.