



Resources Directorate Internal Audit Section



Internal Audit Progress Report (As at 30 September 2021)

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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.

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 30 September 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 have completed their year-end personal reviews and formalised their objectives for 2021/22. 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 30 September 2021.

2.4 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 27 of the schools sampled have been issued. A further 5 schools were sampled, for which the actions plans were being prepared for issue at the quarter end. 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.

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 30 September 2021, whereby 28 new audit engagements were completed to at least draft output stage and 16 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 30 September 2021)

Status	Number of completed audits	Opinion				
		Effective	Effective with opportunity for improvement	Insufficient with major improvement needed	Unsatisfactory	No opinion given
Draft	13	1	8	4	0	0
Final	31	3	13	8	0	7
TOTAL	44	4	21	12	0	7
	28	<i>New Audit Engagements completed</i>				
	16	<i>Finalised Audit Engagements from 2020/21</i>				

Since the last reporting period, four 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. 2021/22 Audit outputs and opinions (at 30 September 2021)

No.	Assurance Audit Engagement	Audit Opinion
1.	Fraud, Bribery and Corruption	Effective
2.	Housing Rents	
3.	Homelessness - Temporary Accommodation	
4.	Education - SOP - Review of Band B	Effective with opportunity for improvement
5.	PTE – Income and Debtors	
6.	Resources – 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.	Establishment Reviews	Insufficient with major improvement needed
17.	Joint Equipment Service	
18.	Payments to Care Leavers	
19.	Economic Development - Pre-Contract Assurance	
20.	Waste Collections	
21.	Education and Lifelong Learning - Pre-Contract Assurance	
Audit Work with 'No Opinion'		
22.	Joint Committees - Prosiect Gwyrdd	Consultancy, certification, advice and guidance
23.	Joint Committees - Port Health Authority	
24.	Joint Committees - Glamorgan Archives	
25.	Service and Process Consultancy – Welsh Government Grants	
26.	Rumourless Cities Grant	
27.	Creditor Payments CRSA 2021/22	Control Risk Self-Assessments
28.	Payroll CRSA 2021/22	
Concluded Audits from the Prior Year		
29.	Risk Based Verification	Effective
30.	Wellbeing of Future Generations	
31.	Audit of scrutiny functions	Effective with opportunity for improvement
32.	Follow-up audit - contracts in Waste Management	
33.	Norwegian Church Preservation Trust 2019/20	
34.	Creditor Payments - In year testing 2020-21	
35.	Council Tax	
36.	Housing Benefit / Local Housing Allowances / Council Tax Reduction	
37.	IT Business Continuity	
38.	Follow-up audit - St. Peter's	
39.	Gatehouse	Insufficient with major improvement needed
40.	Follow-up audit - fly tipping	
41.	Recycling in HWRCs	

42.	St. Cuthbert's RC Primary School	
43.	Payment Card Industry	
44.	Cardiff Bus - governance relationship with Cardiff Council	

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 September 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
Creditor Payments CRSA 2021/22	Developing and coordinating a Control Risk
Payroll CRSA 2021/22	
	Self-Assessment

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

2.5 Resources

There has been reduced capacity in the team during quarter two. One long-term sick case which began towards the end of quarter four 2020/21 has remained ongoing and there have been some instances of short-term sickness absence.

Timesheet data contained 667 chargeable days across the team as at the end of quarter two, against a pro-rata plan of 817 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. The Audit Management Team is monitoring the ongoing resources available closely, and in the event of a risk to the sufficient level of assurance work to support the annual audit opinion, options for additional temporary resourcing will be explored.

During quarter two the CIPFA trainee placement ended, as the member of staff passed their exams and was successful in their application for a post in accountancy. On behalf of the team, we wish them well. There has been further exam success, as the remaining member of the team who was being supported to study a CIA qualification with the IIA passed their final exam. There is one ongoing auditor with funding for study in place, for the Certified Information Systems Auditor (CISA) Qualification with ISACA.

2.6 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.

Delivery of the Audit Plan 2021/22 is proportionately lower than targeted as at the end of quarter two, for which the reasons primarily relate to resources as outlined in section 2.5 'Resources' for which the position is shown in section 3.2 'performance'. It is also not uncommon for performance to be lower at this point in the year, following the assignment of a new portfolio of audit engagements in quarter one and the summer holidays; however, the position is being monitored on an ongoing basis by the Audit Management Team so that decisions can be made as and when required.

Reflecting on audit coverage in order to provide a sufficient body of assurance work to provide a full audit opinion for the year as a whole, at the mid-year point the Audit Plan has been subject to audit management review and senior officer engagement. For the remainder of the year, it is proposed to target all planned audits of fundamental systems, a high level of coverage in areas of core governance and a spread of directorate level systems.

As a result of this review Appendix B shows 29 audit engagements highlighted in green which at this stage are not intended to be targeted for completion during 2021/22. The approval of the Committee is sought to formalise deferring these items from the current Audit Plan.

In respect of corporate audits, in the remainder of the financial year it is not proposed to review:

- directorate risk management, as this area is subject to very regular audit review and there is good visibility, awareness and regular use of directorate risk registers by the audit team
- delegation and decision making, as there has been sufficient assurance in this area through wider audits, such as the thematic pre contract assurance audit work and through audit engagements covering a range of general systems and functions
- procurement and contract variations, due to assurance testing completed through pre-contract assurance work, the thematic audit of commissioning and procurement across directorates during 2020/21, and a recent contract monitoring and management audit
- Mileage and subsistence, as the area was reviewed last year, and management are reviewing systems and communications in response to the audit with the engagement of the audit team
- Value for money in Council vehicles, as value for money is considered as a standard objective in the majority of audit engagements, and an audit of value for money in digital initiatives has been prioritised this year.

At a directorate level it is proposed that a thematic audit in each directorate of performance management is deferred until early 2022/23 and replaced in 2021/22 with a single corporate audit of performance management, which would review the overall system and would contain testing of directorate application and compliance. This would release audit time to be applied in prioritised areas of the Audit Plan, whilst providing assurance on the performance framework and its application through the proposed single audit, for which Committee approval is requested. A spread of further directorate audits which it is not proposed to commence during 2021/22 are indicated in green in Appendix B.

It should be noted that the proposal does not impact the performance target, it instead indicates strategic priorities. The revised Audit Plan would still contain 75% of the audits approved by Committee at the beginning of the year. The target is to deliver 70% of the original plan.

2.7 Critical findings or emerging trends (Q2 2021/22)

During quarter two, four 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 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 Payments to Care Leavers provided a draft audit opinion of insufficient with major improvement needed as, whilst payments sampled had been appropriately authorised, wider process control gaps were noted. Pathway Plans should be in place for relevant young people by the time they turn 16 with Personal Advisors (PAs) engaged thereafter. However, process enhancements are recommended as cases were seen where delays in the preparation of Pathway Plans delayed the appointment of PAs. Increased use of digital payments to young people are recommended to provide more modern and efficient service administration, as a high proportion of payments to care leavers were being made via cash. Steps were being taken at the time of the audit to review safe and security arrangements following some reported safe discrepancies. Staff access to the safe was recommended for review, to be limited as far as reasonably possible, and safe insurance limits were noted to have been breached at times. Improvements were also required in transactional records, as gaps in records of cash transfers to young people were noted, and in cases where cash was allocated to young people in advance, for an approved purpose, receipts / evidence of expenditure were not consistently received. Some VAT treatment discrepancies were noted; these matters have been referred to Council's lead VAT Officers to resolve, with relevant staff recommended to complete the corporate VAT training.

Thematic audits of pre-contract assurance in Economic Development and Education and Lifelong Learning each provided draft audit opinions of insufficient with major improvement needed. The audits 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. In both directorates, it was considered that procurement plans required greater detail, including critical success factors and more detailed assessments of risk. There were also cases in both directorates where the supplier suitability, capability and capacity and financial vetting had not been completed in accordance with corporate guidance. In respect of Education and Lifelong Learning,

there was one instance where a reduced number of tenders / single supply had not received Commissioning and Procurement approval, one case where a data protection impact assessment had not been completed and another where the assessment was completed retrospectively.

An audit of Waste Collections provided a draft audit opinion of insufficient with major improvement needed. The audit identified strong management controls over staffing and payroll with the areas proposed for improvement isolated to service operations oversight and control, which were being developed following changes to waste collection rounds and through embedding technology. Since February 2021, when a 4-day working model was introduced, management have proactively reviewed route achievability and made relevant adjustments. Citizens have had the ability to log missed collections and complaints via the Council's App and other means since February, where previously the only route was via the C2C phone line. There was good management information on performance available during the audit through the technology in place which assisted audit interrogation and enquiry. Greater use of management information available from various systems is recommended, including Bartec technology and the associated PowerBI report generated, for supervision, oversight and response to relevant operational matters. Supplementary spreadsheets were in use to identify where outstanding jobs were reassigned, and it is recommended that the functionality of Bartec is reviewed to ensure full utilisation. Some isolated instances of repeated missed collections were noted to certain properties, including those registered as assisted lifts. Although these were outliers in the service, more detailed reviews at supervisor and management levels would assist in targeting the service response.

2.8 Value for Money findings (Q2 2021/22)

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 2020/21. Further Relationship Management meetings were then held in quarter one and quarter two 2021/22, 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, with satisfaction rates at 100% from clients who have responded, all of whom advised that their audit 'added value'.

In the audit outputs issued to date (as at 30 September 2021), there have been 283 recommendations made, of which 102 have been agreed and 181 are 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	6	1	5
Red / amber	102	31	71
Amber / green	162	62	100
Green	13	8	5
TOTAL	283	102	181

3.2 Performance

The priorities and approach of the audit team are outlined in section 2.4 ('Current Activities'). Figure 8 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 2.5 ('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 two, 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.

All draft outputs have been delivered within four weeks of completing fieldwork, in recognition of the importance of prompt reporting and timely management assurance.

The percentage of audit recommendations implemented within the agreed timescale, are 64% 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 dip against the prior quarter. Following the quarter end, the Audit Manager attended Senior Management Team to present the recommendation tracker on two occasions to support and emphasise the importance of improvements going forward.

Figure 8. Performance against targets for 2021-2022 (to date)

Performance Indicator	2020/21 Outcome	2021/22 Target	Q1 Outcome	Q2 Outcome
The percentage of the Audit Plan completed	55%	70%	13%	24%
The average number of audit productive days per FTE	145	150	32.56	64.29
The average number of finalised audits per FTE	8.51	9	1.64	3.4
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%
The percentage of audit recommendations implemented within the agreed timescale	69%	80%	69%	64%

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 have been twenty-eight new audit engagements completed in the financial year to date. 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 30.09.21).

Figure 9. Revised recommendation implementation dates and status

Directorate / Audit Category	Number of recommendations with revised dates	Actions now implemented	Actions still open
Fundamental	12	9	3
Corporate	38	32	6
External and grants	8	4	4
Adult Services, Housing and Communities	21	2	19
Children' Services	2	0	2
Economic Development	26	24	2
Education and Lifelong Learning	65	36	29
Planning Transport and Environment	31	17	14
People and Communities	17	16	1
Resources	20	16	4
Governance and Legal Services	5	5	0
Waste Management	69	60	9
	314	221	93
Schools	222	179	43
TOTAL	536	400	136

NB - It should be noted that the table above represents the position as at 30 September 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 two. There is slippage against the Audit Plan in the year to date primarily due to a long-term sickness and greater development / wellbeing initiatives time used by the team. The Audit Management Team is monitoring the ongoing resources available closely, and in the event of a risk to the sufficient level of assurance work to support the annual audit opinion, options for additional temporary resourcing will be explored.

Reflecting on audit coverage, in order to provide a sufficient body of assurance work to provide a full audit opinion for the year as a whole, at the mid-year point the Audit Plan has been subject to audit management review and senior officer engagement. For the remainder of the year, it is proposed to target all planned audits of fundamental systems, a high level of coverage in areas of core governance and a spread of directorate level systems. Accordingly, 29 audit engagements are not intended to be targeted for completion during 2021/22. The approval of the Committee

is sought to formalise deferring these audits and the inclusion of a corporate audit on performance management in the Audit Plan 2021/22.

There will be a continued focus on increasing the coverage of the Audit Plan in quarter three. Audits will be 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.