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| Name of Committee:   | <b>Audit Committee</b>  |
| Date of Meeting:   | <b>01/07/2019</b>   |
| Relevant Scrutiny Committee:   | <b>Corporate Performance and Resources</b>  |
| Report Title:  | <b>Outturn Report April 2019 to May 2019</b>  |
| Purpose of Report:   | <b>To inform Members of the actual Internal Audit performance against the first two months of the Internal Audit Risk Based Plan.</b> |
| Report Owner:  | <b>Head of the Regional Audit Service</b>   |
| Responsible Officer:   | <b>Head of the Regional Audit Service</b>   |
| Elected Member and Officer Consultation:   | <b>No Elected Members have been consulted. Legal Services and Head of Finance.</b>  |
| Policy Framework:  | <b>The proposals in this report are in accordance with the policy framework and budget.</b>   |
| <b>Executive Summary:</b> <ul style="list-style-type: none"> <li>• In order to ensure that due consideration is given by the Audit Committee to aspects of their core functions, the regular reporting and monitoring of the progress being made against the Annual Risk Based Plan is presented.</li> <li>• The current position against quarter 1 of the 2019/20 Risk Based Plan is attached at Appendix A. It should be noted that it is very early in the financial year and the audit work on many areas identified for review has only just commenced, however no significant weaknesses in the system of internal control have been identified to date.</li> <li>• The structure of the new Regional Service is yet to be finalised hence current vacant posts remain unfilled. Therefore the services of the South West Audit Partnership (SWAP) have been commissioned in order to address in part some of the shortfall in days necessary to complete the plan.</li> </ul> |   |

## **1. Recommendation**

- 1.1** That the Committee Members give due consideration to the Internal Audit Outturn Report covering the period April to May 2019

## **2. Reasons for Recommendations**

- 2.1** To keep the Audit Committee informed on the overall control environment at the Council.

## **3. Background**

- 3.1** In accordance with the Public Sector Internal Audit Standards, the Head of Audit is responsible for developing a risk-based annual audit plan which takes into account the Council's risk management framework. Within the Standards there is also a requirement for the Head of Audit to review and adjust the plan, as necessary, in response to changes in the Council's business risks, operations, programs, systems, controls and resources. The Head of Audit must also ensure that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.
- 3.2** The 2019/20 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 30th April 2019. The Plan outlined the assignments to be carried out and their respective priorities.
- 3.3** The Plan provided for a total of 1,402 productive days to cover the period April 2019 to March 2020. These days were split into those reviews considered to be Priority One and those considered to be Priority Two with the aim of completing the whole plan by the end of the financial year.

## **4. Key Issues for Consideration**

- 4.1** The current position against quarter 1 of the 2019/20 Risk Based Plan is attached at Appendix A. An indication of the current position in regard to each proposed area identified for review in quarter 1 has been provided. It should be noted that it is very early in the financial year and the audit work on many areas identified for review has only just commenced.
- 4.2** The plan was compiled based on all posts being filled. However as previously reported the structure of the new Regional Service is yet to be finalised hence current vacant posts remain unfilled. Therefore the services of the South West Audit Partnership (SWAP) have been commissioned in order to address in part some of the shortfall in days necessary to complete the plan. This arrangement is

likely to continue during the first half of this financial year and a maximum of 70 audit days will be provided across Bridgend and the Vale.

- 4.3** As it is only two months into the start of the new audit plan, no significant weaknesses in the system of internal control have been identified so far to date.

## **5. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 5.1** The Annual Risk Based Plan contains audit reviews that will be service specific and that will assist in understanding how those services undertake the five ways of working and deliver the well-being objectives.

## **6. Resources and Legal Considerations**

### **Financial**

- 6.1** There are no resource implications as a direct consequence of this report.

### **Employment**

- 6.2** None as a direct consequence of this report.

### **Legal (Including Equalities)**

- 6.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

## **7. Background Papers**

OTNone

**PRIORITY ONE – Mandatory Audit Work**

| Area   | Directorate           | Type                          | Audit Scope   | Budget Days Qtr. 1 | Update for Audit Committee July 2019  |
|--|-----------------------|-------------------------------|---|--------------------|---|
| <b>Adoption Service</b>  | Social Services       | Assurance / Governance / Risk | To provide assurance to the governance board on the adequacy and effectiveness of the overall control environment including Governance, Risk Management and Internal Control for 2018-19.   | <b>20</b>          | <b>Work completed and draft report issued</b>   |
| <b>SRS Joint Service</b>   | Environment & Housing |                               | Assurance Testing – To provide assurance to the Shared Regulatory Service Board on the systems and processes in place in respect of the overall control environment including governance, risk management and internal control for the 2018-19 Financial Year.  | <b>15</b>          | <b>Final report on Governance and Financial Control issued. Work on-going on the verification of 2 grants</b> |
| <b>Safeguarding</b>  | Cross Cutting         | Assurance / Governance / Risk | Case management of safeguarding incidents are dealt with in accordance with the Council's safeguarding policies and procedures. This review will also include an annual assessment of the Council's overall operating model for safeguarding; including reviewing the adequacy of assurances obtained by the Council in respect of safeguarding arrangements in place for vulnerable adults and children for 2018-19. | <b>10</b>          | <b>Deferred until later in the year</b>   |
| <b>Grant Certification Work</b>                                  | Cross Cutting         | Assurance                     | Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.  | <b>15</b>          | <b>Bus Services Support Grant completed</b>   |
| <b>Procurement – Compliance with Procurement Legislation and</b> | MD & Resources        | Assurance                     | Procurement across the Council including review of contract spend, contract register, third party spend process (raising of purchase orders). To provide assurance that the Council   | <b>10</b>          | <b>Unallocated</b>  |

| Area  | Directorate   | Type                          | Audit Scope   | Budget Days Qtr. 1 | Update for Audit Committee July 2019   |
|---|---------------|-------------------------------|---|--------------------|--|
| <b>Council Regulations.</b>   |               |                               | has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.   |                    |  |
| <b>Data Analytics</b>   | Cross Cutting | Governance / Assurance / Risk | The Council is seeing an increase in the digitisation of their operations, resulting in a growth of data across all business functions. To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data Analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data, as data analytics enables a vast amount of data to be analysed when selecting testing samples, also utilising IT to discover new capabilities and unlock key information to help identify and reduce inefficiencies and control weaknesses, eliminate waste, fraud and abuse, and improve productivity. | <b>10</b>          | <b>Work commenced and is on-going</b>  |
| <b>Audit Committee / Member and CMT Reporting</b>                           | Cross Cutting | Governance / Assurance / Risk | This allocation covers Member reporting procedures, mainly to the Audit Committee, plan formulation and monitoring, and regular reporting to, and meeting with, the Section 151 Officer, Corporate Management Team and the Internal Audit Shared Service Board.   | <b>15</b>          | <b>Prepared reports and attended Audit Committee 30th April &amp; 1<sup>st</sup> July 2019</b> |
| <b>Advice &amp; Guidance Provision of Internal Control / General Advice</b> | Cross Cutting | Assurance                     | To allow auditors to facilitate the provision of risk and control advice which is regularly requested by officers within the authority, including maintained school based staff.  | <b>5</b>           | <b>Ongoing – advice &amp; guidance is provided when requested</b>                              |
| <b>Compliance –</b>   | Cross Cutting |                               | Review of expenses / mileage claims submitted which are over three months old.  | <b>5</b>           | <b>Ongoing - all expenses submitted in excess of three months old are</b>                      |

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|--|---------------|-------------------------------|---|--------------------|--|
| expenses / mileage claims                        |               |                               | Ongoing throughout the year.  |                    | reviewed and approved by Internal Audit. Since the 1 <sup>st</sup> April 2019, 45 claims have been reviewed. |
| <b>Compliance with PSIAS</b>                     | Cross Cutting | Assurance / Governance / Risk | Review compliance with the Public Sector Internal Audit Standards.  | <b>5</b>           | <b>On-going</b>  |
| <b>Carry Forward from 2018-19</b>                | Cross Cutting | Assurance                     | Provision for those assignments which are still ongoing at the end of 2018-19.  | <b>25</b>          | <b>5 c/f jobs raised and 2 completed and finalised<br/>2 issued in draft<br/>1 work on-going</b>             |
| <b>2018-19 closure of reports</b>                | Cross Cutting | Assurance                     | To finalise all draft reports outstanding at the end of 2018-19.  | <b>10</b>          | <b>1 remains outstanding</b>   |
| <b>Annual Governance Statement 2018-19</b>       | Cross Cutting | Governance                    | The completion of the Council's Annual Governance Statement, submission to the Insight Board and Audit Committee and included with the Draft Statement of Accounts 2018-19 (including the Governance Assurance Statements from Corporate Officers and Senior Management. Deadline date June 2019. | <b>15</b>          | <b>Completed by Section 151 Officer with input from relevant staff</b>                                       |
| <b>Follow up of Recommendations for 2018-19.</b> | Cross Cutting | Assurance                     | To ensure that all recommendations made in 2018-19 have been actioned.  | <b>15</b>          | <b>On-going</b>  |
| <b>Annual Opinion Report 2018-19</b>             | Cross Cutting | Governance                    | To prepare and issue the Head of Audit's Annual Opinion Report 2018/19.   | <b>15</b>          | <b>Completed and presented to Audit Committee 30<sup>th</sup> April 2019</b>                                 |
| <b>Audit Planning – 2019 -20</b>                 | Cross Cutting | Assurance / Governance / Risk | To prepare and present the annual risk based audit plan for 2019/20.  | <b>10</b>          | <b>Completed and presented to Audit Committee 30<sup>th</sup> April 2019</b>                                 |

| Area  | Directorate   | Type                             | Audit Scope  | Budget Days Qtr. 1 | Update for Audit Committee July 2019   |
|---|---------------|----------------------------------|--|--------------------|--|
| <b>Exemptions to Contract / Finance Procedure Rules</b> | Cross Cutting | Assurance / Governance / Risk    | To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.  | <b>5</b>           | <b>This work is ongoing throughout the year. During the period 3 exemptions / waivers have been challenged and actioned.</b>   |
| <b>Emerging Risks / unplanned</b>                       | Cross Cutting | Contingency                      | To enable Audit Services to flexibly respond to provide assurance activity as required.  | <b>10</b>          | <b>None</b>  |
| <b>External Audit Liaison</b>                           | Cross Cutting | Governance                       | To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.  | <b>5</b>           | <b>On-going</b>  |
| <b>Fraud / Error / Irregularity</b>                     | Cross Cutting | Contingency<br><br>Fraud & Error | <b>Irregularity Investigations</b> - Reactive work where suspected irregularity has been detected.<br><br><b>Anti-Fraud &amp; Corruption</b> – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud.<br>Also to develop awareness sessions; e-learning; policies and procedures.<br><br><b>National Fraud Initiative</b> - Collection of data and analysis of matches for the NFI exercise, acting as first point of contact and providing advice and guidance to key contact officers.<br>Review of the Council’s Anti-Fraud & Bribery Policy | <b>15</b>          | <b>Advice and guidance is being provided. NFI data analysis of matches is on-going. Some fact finding work undertaken to determine if there has been any fraudulent activity</b> |
|   |               |                                  | <b>Sub Totals Priority One</b>   | <b>235</b>         |  |

| Area                                   | Directorate       | Type                          | Audit Scope   | Budget Days Qtr. 1 | Update for Audit Committee July 2019   |
|--|-------------------|-------------------------------|---|--------------------|--|
| <b><u>PRIORITY TWO – High Risk</u></b> |                   |                               |   |                    |  |
| Risk Management                        | Cross Cutting     | Risk                          | Review of evidence to ensure that the council has a fully embedded risk management system in place that identifies and treats risks to key strategic and operational objectives.  | 10                 | Not allocated  |
| PO Box Addresses                       | Cross Cutting     | Assurance / Risk              | This is a bespoke piece of work which will look at:- <ul style="list-style-type: none"> <li>• Reviewing the validity of the PO Box addresses currently recorded on Oracle;</li> <li>• Inform the Corporate Fraud Officer of any irregularities identified; and</li> <li>• Make recommendations on the minimum level of checks to be completed and carried out before setting up on Oracle.</li> </ul> | 10                 | Work commenced and is on-going   |
| Schools                                | Learning & Skills | Assurance                     | To undertake a number of school based reviews in accordance with Internal Audit's risk based schools assessment.<br><br>To undertake cross-cutting projects to ensure compliance across all schools.  | 10                 | Planning for 3 school payroll audits to be undertaken and a follow up review at one primary school |
| Contract and Project Management        | Cross Cutting     | Governance / Assurance / Risk | To undertake a review of the procedures and processes associated with a number of Contracts / Projects / Programme. Particular emphasis will be placed on compliance to the Council's Rules and Regulations and Project Management Methodology associated with high risk contracts.   | 10                 | Allocated to SWAP  |
| ICT – Social Services                  | Social Services   | Governance / Assurance /      | To follow up on the recommendations made as part of the 2018/19 review to ensure action has   | 5                  | Not allocated  |

| Area  | Directorate           | Type                          | Audit Scope   | Budget Days Qtr. 1 | Update for Audit Committee July 2019 |
|---|-----------------------|-------------------------------|---|--------------------|--------------------------------------|
|   |                       | Risk                          | been taken to address the weaknesses identified.  |                    |                                      |
| Complaints / Representations & Advocacy – Social Services | Social Services       | Governance / Assurance / Risk | To follow up on the recommendations made as part of the 2018/19 review to ensure action has been taken to address the weaknesses identified | 5                  | Not allocated                        |
| General Data Protection Regulations (GDPR)                | Cross Cutting         | Assurance                     | The General Data Protection Regulation (GDPR)   | 5                  | Allocated to SWAP                    |
| Highways Winter Maintenance                               | Environment & Housing | Assurance                     | To provide assurance over the Council's compliance with the Code of Practice for Well Maintained Highways                                   | 10                 | Not allocated                        |
| <b>Sub Total Priority Two</b>                             |                       |                               |   | <b>65</b>          |                                      |
| <b>OVERALL TOTALS</b>                                     |                       |                               |   | <b>300</b>         |                                      |