

Name of Committee:	Audit Committee
Date of Meeting:	01/07/2019
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Outturn Report April 2019 to May 2019
Purpose of Report:	To inform Members of the actual Internal Audit performance against the first two months of the Internal Audit Risk Based Plan.
Report Owner:	Head of the Regional Audit Service
Responsible Officer:	Head of the Regional Audit Service
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • 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. • 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. • 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. 	

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
Adoption Service	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.	20	Work completed and draft report issued
SRS Joint Service	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.	15	Final report on Governance and Financial Control issued. Work on-going on the verification of 2 grants
Safeguarding	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.	10	Deferred until later in the year
Grant Certification Work	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.	15	Bus Services Support Grant completed
Procurement – Compliance with Procurement Legislation and	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	10	Unallocated

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Council Regulations.			has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.		
Data Analytics	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.	10	Work commenced and is on-going
Audit Committee / Member and CMT Reporting	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.	15	Prepared reports and attended Audit Committee 30th April & 1st July 2019
Advice & Guidance Provision of Internal Control / General Advice	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.	5	Ongoing – advice & guidance is provided when requested
Compliance –	Cross Cutting		Review of expenses / mileage claims submitted which are over three months old.	5	Ongoing - all expenses submitted in excess of three months old are

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

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Exemptions to Contract / Finance Procedure Rules	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.	5	This work is ongoing throughout the year. During the period 3 exemptions / waivers have been challenged and actioned.
Emerging Risks / unplanned	Cross Cutting	Contingency	To enable Audit Services to flexibly respond to provide assurance activity as required.	10	None
External Audit Liaison	Cross Cutting	Governance	To ensure that a “managed audit” approach is followed in relation to the provision of internal and external audit services.	5	On-going
Fraud / Error / Irregularity	Cross Cutting	Contingency Fraud & Error	Irregularity Investigations - Reactive work where suspected irregularity has been detected. Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud. Also to develop awareness sessions; e-learning; policies and procedures. National Fraud Initiative - 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. Review of the Council’s Anti-Fraud & Bribery Policy	15	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
			Sub Totals Priority One	235	

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<u>PRIORITY TWO – High Risk</u>					
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"> • Reviewing the validity of the PO Box addresses currently recorded on Oracle; • Inform the Corporate Fraud Officer of any irregularities identified; and • Make recommendations on the minimum level of checks to be completed and carried out before setting up on Oracle. 	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. 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

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		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
Sub Total Priority Two				65	
OVERALL TOTALS				300	