

Meeting of:	<b>Audit Committee</b>
Date of Meeting:	<b>Monday, 16 December 2019</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Progress Against the Audit Risk Based Plan 1st April 2019 to 30th November 2019
Purpose of Report:	To provide Members with a position statement on progress being made against the audit work that was included and approved within the 2019-20 Internal Audit Annual Risk Based Plan
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
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"> <li>• The progress made against the approved internal audit risk based plan as at 30th November 2019 is detailed in Appendix A. It shows that 32 reviews have been finalised with an audit opinion and 102 recommendations have been made to strengthen the control environment. 7 reviews have been given a limited audit opinion in regard to the existing control environment, however recommendations have been made and agreed which when implemented will improve the weaknesses identified.</li> <li>• The status of all the planned priority 1 and priority 2 work identified for quarters 1 to 3 is illustrated in Appendix A. Some planned reviews are on-going or reports have been issued in draft whereas some planned reviews are yet to commence or be allocated.</li> <li>• The plan was based on a fully staffed structure however there are vacant posts being held until the Regional Service restructure has taken place. This has had a knock on effect on the audit plan but in order to assist in this shortfall the South West Audit Partnership (SWAP) have been commissioned to undertake some reviews.</li> </ul>	

## **Recommendations**

1. That Members note the content of the report and the progress made.

## **Reasons for Recommendations**

1. To keep Audit Committee informed.

### **1. Background**

- 1.1 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.
- 1.2 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.

### **2. Key Issues for Consideration**

- 2.1 The Plan provided for a total of 1,402 audit 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.
- 2.2 Actual progress against quarter 1 to quarter 3 of the 2019/20 Risk Based Plan is attached at Appendix A which details the status of each planned review, the audit opinion and the number of any high or medium recommendations made to improve the control environment. It should be noted that some reviews listed have no audit opinion, for example advice and guidance, Audit Committee and CMT reporting and the Closure of Reports. This is because the audit work carried out in respect of these items is planned but the nature of the work does not lead to testing and the formation of an audit opinion.
- 2.3 Appendix A illustrates that as at 30th November 2019, 32 audit reviews have been completed with an audit opinion being given. Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment an audit opinion of substantial

assurance has been given to 5 reviews and an opinion of reasonable to 20 reviews.

- 2.4** The remaining 7 audit reviews have been given an audit opinion of limited, that is only limited assurance can be placed on the current systems of internal control. These areas are as follows :

#### Social Services - Direct Payments

This was a follow up review of a previous limited assurance report. Testing was undertaken to identify the progress made by the service area against the previous recommendations made. Unfortunately, progress had been slower than planned and as a result only limited changes had been made to improve the systems and controls. This will be monitored and reviewed again over the next few months.

#### Youth Services Missing Laptop

A laptop was reported missing and the subsequent audit review identified a poor systems of control in place to record and safely store the assets. Recommendations have been made and accepted by management and a follow up review will be undertaken to ensure that controls have improved.

#### Youth Services Petty Cash

Missing money was reported and as a result a review of the systems and processes in place identified improvements that could be made to strengthen the existing weak controls. These have been accepted and a follow up review will be undertaken in due course.

#### Stanwell Comprehensive School Payroll System

This school undertakes its own payroll function and the planned audit review identified that certain processes and procedures required updating and strengthening. The recommendations made have been accepted and are in the process of being implemented.

#### School Budget Monitoring

This review was undertaken to ensure that the systems and processes in place for monitoring school revenue budgets are efficient and effective in order to provide timely and accurate information. There is a service level agreement in place between schools and the Learning & Skills Directorate and each school has a dedicated Finance Support Officer. The review found areas where improvements can be made to increase efficiency and accuracy such as updating the website with applicable school finance documents, updating the school monitoring coverage and considering streamlining the financial systems in use to avoid duplication and manual entries.

#### Catering Governance & Set Up

A review of the proposed set up and governance arrangements of the new Catering Company was undertaken. At the time of the review the planned "go live" date for the Catering Company was only 5 weeks away. Although the audit concluded that there were many positives to this concept, when looking at the readiness for trading within that timescale, several recommendations were made which had an impact on the level of assurance that could be assigned. Therefore a limited opinion was given. Since this audit review the "go live" date has been revised to a later date. The recommendations have been agreed and are being addressed prior to the new "go live" date.

#### Social Care Contract & Commissioning Follow Up

This was a follow up to a previous limited assurance review completed in 2018/19. SWAP undertook the work to verify that the previous recommendations had been successfully implemented. However, although the target implementation dates had passed many recommendations were not fully completed and therefore improvements could not be verified. The status therefore remained limited and a further review will take place before the financial year end.

- 2.5 Appendix A illustrates that a total of 102 high or medium recommendations have been made to improve the control environment of the areas reviewed. The implementation of these recommendations will be monitored to ensure that improvements are being made.
- 2.6 The annual audit plan was based on a fully staffed structure but as previously reported, the Section continues to carry vacant posts whilst the structure of the Regional Service is being developed. Therefore, 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.

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

- 3.1 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 how they deliver the well-being objectives.

### **4. Resources and Legal Considerations**

#### **Financial**

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

## **Employment**

**4.2** None as a direct consequence of this report.

## **Legal (Including Equalities)**

**4.3** 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.

## **5. Background Papers**

None

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
<b>Priority One</b>							
Adoption Service	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.	Completed	√				1
SRS Joint Service - Governance & Financial Controls	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.	Completed	√				0
Safeguarding	This review will also include an annual assessment of the Council's overall operating model for safeguarding;	deferred - WAO work issued June 2019					
CRSA	To undertake the annual controlled risk self – assessment for schools to enable Head Teachers to review their internal controls and to ensure that they undertake and comply with the requirements of current legislation and the Financial Procedure Rules.	CRSA's issued to all schools, responses due 6th December 2019					
Grant Certification Work	Under the conditions of the specific grant determination, the Head of Audit must certify that the conditions of the grant have been complied with.						
	Bus Service Support Grant (BSSG)	Completed		√			2
	Supporting People Outcomes	Completed		√			0
	SRS - Illegal Money Lending (IML) Verification	Completed	√				0
	Rent Smart Grant Verification	Completed	√				0
	Education Improvement Grant 18/19	Completed		√			0
	Supporting People Grant	Completed	√				0
	Carbon Reduction Commitment (CRC) 18/19	on-going					
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems.						
Procurement – Compliance with Procurement Legislation and Council Regulations.	To provide assurance that the Council has appropriate arrangements in place that are being complied with, to ensure compliance with procurement legislation and internal regulations.	SWAP - draft issued					
Reshaping Services	To gain assurance that high risk projects are being managed under the Reshaping Services Agenda are delivering the savings required.	not allocated - SWAP report 2018/19 and WAO review due to commence in Feb 2020					
Capital Programme	The work undertaken in this area will focus across both business as usual projects and those associated with the Reshaping Service programme to provide assurances that the control environment surrounding both are robust, efficient and effective.	SWAP - work allocated					

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Direct Payments	To follow up on the recommendations made as part of the review during 2018/19 to ensure that action has been taken to address the weaknesses identified.	Completed			√		12
Data Analytics	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	on-going, analysis of supplier data used to inform contract audit work					
Audit Committee / Member and CMT Reporting	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.						
Advice & Guidance Provision of Internal Control / General Advice	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.						
Compliance – expenses / mileage claims	Review of expenses / mileage claims submitted which are over three months old. Ongoing throughout the year.	Ongoing - all expenses in excess of 3 months old are reviewed by Internal Audit. Since the 1st April 2019, 165 claims have been reviewed.					
Compliance with PSIAS	Review compliance with the Public Sector Internal Audit Standards.	on-going					
Carry Forward from 2018-19	Provision for those assignments which are still ongoing at the end of 2018-19.						
	C/F Housing Benefits	Completed		√			4
	C/F Payroll & Excessive Hours	Completed		√			7
	C/F Debtors	Completed		√			5
	C/F Creditors	Completed		√			2
	C/F Reshaping Services	Completed		√			1
2018-19 closure of reports	To finalise all draft reports outstanding at the end of 2018-19.	Completed					
Annual Governance Statement 2018-19	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.	Completed					
Follow up of Recs. for Limited Reports	To ensure that all recommendations made in 2018-19 have been actioned.	see below					
	e-Procurement Follow Up	Completed		√			1
	Youth Services - Use of fuel Follow Up	Completed		√			4

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Recommendation Monitoring	Monitoring the implementation of Internal Audit recommendations ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	on-going					
Annual Opinion Report 2018-19	To prepare and issue the Head of Audit's Annual Opinion Report 2018/19.	Completed					
Audit Planning 19-20	To monitor the annual risk based audit plan for 2019/20.	on-going					
Audit Planning 20-21	To prepare and present the annual risk based audit plan for 2020/21.	to be allocated					
Exemptions to Contract / Finance Procedure Rules	To challenge the use of exemptions to both Contract and Finance Procedure Rules via the waiver procedure. Challenge provided throughout the year.	ongoing -17 exemptions / waivers have been challenged and actioned to date.					
Emerging Risks / unplanned	To enable Audit Services to flexibly respond to provide assurance activity as required.						
	Flex Scheme Pilot Review Contractor Final Account	Completed draft for review		v			3
External Audit Liaison	To ensure that a "managed audit" approach is followed in relation to the provision of internal and external audit services.						
Fraud / Error / Irregularity	Irregularity Investigations - Reactive work where suspected irregularity has been detected.	see below					
	Youth Missing Laptop	Completed			v		3
	Email & Internet Use	fact finding report issued					
	EMail Internet Review	fact finding report issued					
	Team Email & Internet Review	fact finding report issued					1
	Email & Internet Update	fact finding report issued					
	School Cleaners Timekeeping	fact finding report issued					1
	Youth Services Petty Cash School Grievance	Completed fact finding report issued			v		3
Fraud / Error / Irregularity	Anti-Fraud & Corruption – Proactive - Proactive counter-fraud work that includes targeted testing of processes with inherent risk of fraud .Include training and awareness sessions	on-going					
Fraud / Error / Irregularity	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.	ongoing					
<b>Sub Totals Priority One</b>			<b>5</b>	<b>11</b>	<b>3</b>	<b>0</b>	<b>50</b>

Area	Audit		Status	Opinion			Recommendations	
	Scope / Risk			Substantial	Reasonable	Limited	High	Medium
<b>Priority Two</b>								
Risk Management	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.		to be allocated					
Retrospective Orders	Inappropriate use of retrospective orders increases the risk to the Council of duplicate / fraudulent orders and payments, disputes and legal consequences, ineffective budget management and the non-achievement of Value for Money.		Completed		√			5
Standing Data inc. PO Box Addresses	This is a bespoke piece of work which will look at:-reviwing validty of PO Boxes, identify irregularities and rec checks to be carried out.		Completed		√			0
Homelessness	This audit will review the effectiveness of the systems in operation for processing applications and monitoring homelessness cases to review the application process, to ensure compliance with the guidance, and to establish the level of monitoring undertaken once the decision to accept a homeless		to be allocated					
Banks Automated Clearing System (BACS)	This review will provide assurance on the adequacy and effectiveness of the control environment surrounding both Direct Debits and Credits across the Council.		brief issued and work due to commence in Qtr 4					
Housing Revenue Account	To review Leasehold service charge accounts, systems and controls		on-going					
Housing Tenancy Verification	To provide assurance that appropriate arrangements have been put in place to manage the impact of Universal Credit on rent collection including intervention relating to identified vulnerable cases.		on-going					
Fostering	To review the resilience of the system for recruiting and retaining Foster Carers.		draft report for review					
VAT	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.		on-going					
Employee Gifts and Hospitality & Declarations of Interests.	The "Code of Conduct Protocol" require employees to register any gifts or hospitality / declarations of interest, in order to provide openness and transparency and protection for employees against allegations of conflicts of interest or corruption in the minds of the public. This review will seek to determine the level of compliance with the Code.		on-going					
Performance Management Framework	To review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported.		to be allocated					
PCI – DSS (Payment Card Industries – Data Security Standards)	To review the procedures and processes in operation relating to PCI - DSS to determine if the previously identified areas of weakness have been fully rectified and that the control environment is robust.		to be allocated					

Area	Audit		Status	Opinion			Recommendations	
	Scope / Risk			Substantial	Reasonable	Limited	High	Medium
Schools	To undertake a number of school based reviews in accordance with Internal Audit's risk based schools assessment.		see below					
	Cowbridge Comprehensive Payroll		Completed		√			1
	Holton Road Primary Follow Up		Completed		√			1
	St Cyres Comprehensive Payroll		Completed		√			3
	Stanwell Comprehensive Payroll		Completed			√		10
	Colcot Follow Up		Completed		√			5
	Pendoylan School		draft report for review					
	Ysgol Bro Morgannwg		on-going					
Schools	To undertake cross-cutting projects to ensure compliance across all schools.		see below					
	School Budget Monitoring		Completed			√		6
Intake & Family support	To follow up on the recommendations made as part of the review in 2017/18 to ensure that action has been taken to address the weaknesses identified.		to be allocated					
SRS Work	To review the procedures and processes in operation relating to the Shared Regulatory Service determine if the control environment is robust.		taxi licensing in VOG and BCBC undertaken					
Waste Management	To review collection performance, arrangements in place for increasing levels of recycling, how customer complaints are dealt with, as well as monitoring costs and collecting income (trade waste).		Completed		√			3
Catering	To provide assurances as to the robustness of the overall governance structure within the newly formed Catering Company.		Completed			√	4	7
Contract and Project Management	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.		SWAP - work on-going					
ICT Audit	ICT systems reviews will be undertaken across Directorates ICT systems to ensure robust controls are evident and operating effectively.							
	C1V Software Applications		on-going					
Data Security in the Cloud based environment	To provide assurance over the Council's arrangements to ensure data security where business is transacted in the Cloud.		on-going					
ICT – Social Services - WCCIS	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.		SWAP - completed		√			0

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
			Substantial	Reasonable	Limited	High	Medium
Complaints / Representations & Advocacy – Social Services	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	SWAP - work on-going					
Communications	This review will seek to determine whether there is an effective control framework in place for the production of reliable financial information, prior to release to either internal or external parties	deferred as review completed and issued in qtr 4 2018/19					
General Data Protection Regulations (GDPR)	The General Data Protection Regulation (GDPR)	SWAP - completed		√			3
Highways Winter Maintenance	To provide assurance over the Council’s compliance with the Code of Practice for Well Maintained Highways	to be allocated					
Home to School Transport	This review will focus on the application of eligibility criteria to determine whether children receive the right level of assistance. In addition, the scope of this review will include the processes in place in relation to the provision of home to school transport. The audit will focus on the risks associated with non-transparent procurement processes (and non-compliance with Procurement rules), inadequate service provider checks putting the safety of children at risk, budget overspends and inappropriate / invalid payments.	SWAP - work on-going					
Follow Up - Additional Learning Needs Bill	To follow up on the recommendations made during the 2018/19 review to ensure action has been taken to address the weaknesses identified.	to be allocated					
Follow Up - Contract & Commissioning – Brokerage etc.	To follow up on the recommendations made during the 2018/19 limited assurance audit review to ensure that action has been taken to address the weaknesses identified.	Completed by SWAP			√	1	3
Debt Mapping	Map the processes for debt recovery and review for efficiency; ensuring it is in line with the Council’s Regulations and Policies.	Included in Debtor review completed in June 2019					
Acquisition and disposal of assets	To review the governance arrangements and decision making procedures for the acquisition and disposal of the Council’s Assets to ensure they comply with the Council’s Policies, Regulations and Procedures.	on-going					
<b>Sub Total Priority Two</b>			<b>0</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>47</b>
<b>OVERALL TOTALS</b>			<b>5</b>	<b>20</b>	<b>7</b>	<b>5</b>	<b>97</b>