

Meeting of:	<b>Audit Committee</b>
Date of Meeting:	<b>Monday, 03 February 2020</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Progress Against the Audit Risk Based Plan 1st April 2019 to 31st December 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 31st December 2019 is detailed in Appendix A. It shows that 35 reviews have been finalised with an audit opinion and 117 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>	

## **Recommendation**

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

## **Reason for Recommendation**

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 Corporate Management Team (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 31st December 2019, 35 audit reviews have been completed with an audit opinion being given. This is an increase of 3 since the last Audit Committee, which are Housing Revenue Account - Leaseholder Service Charges, Fostering and Pendoylan School, all 3 were finalised with reasonable assurance being given to the control environment.

- 2.4** A further 4 reviews have been completed and draft reports have been issued. Feedback from Service Departments is awaited prior to these becoming finalised reports.
- 2.5** 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 23 reviews.
- 2.6** 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. The issues identified during these audit reviews have been outlined in previous Audit Committee reports.
- 2.7** Appendix A illustrates that a total of 117 high or medium recommendations have been made to improve the control environment of the areas reviewed. The implementation of these recommendations is being monitored to ensure that improvements are being made.
- 2.8** 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 were due 6th December 2019, outstanding ones being chased					
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	allocated					
Material Systems – Key Financial Systems	A rolling programme of audits is adopted for material systems.						
	Business Rates	on-going					
	Treasury Management	on-going					
	Council Tax Reduction Scheme	on-going					
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.	included within the Contract review below					
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					

Area	Audit Scope / Risk	Status	Opinion			Recommendations	
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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					
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	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, 182 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					

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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
	Catering Company Governance Follow Up	draft issued					
	Facilities Management Follow Up	allocated					
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 -19 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	Completed		√			3
	Contractor Final Account	report under review					
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			√		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	Completed			√		3
	School Grievance	fact finding report issued					
Fraud / Error / Irregularity	Payroll Change Process	on-going					
	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					

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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>
<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	Completed		√			5
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.	draft issued					
Fostering	To review the resilience of the system for recruiting and retaining Foster Carers.	Completed		√			4
VAT	To provide assurance over arrangements in place to maximise the recovery of VAT and ensure that VAT recovered is adequately supported.	on-going					
Business Rates	To provide assurance over the accuracy of Business Rates billing and robustness of collection arrangements.	on-going					



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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.	allocated						
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	Completed		√			6	
	Ysgol Bro Morgannwg	draft issued						
Schools	To undertake cross-cutting projects to ensure compliance across all schools.	see below						
	School Budget Monitoring	Completed			√		6	
Care Homes	A review of the systems and controls in place to provide assurance that effective management is in place to mitigate any risks	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 - draft issued						

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			Substantial	Reasonable	Limited	High	Medium
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
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					
Insurance	This review will seek to determine whether the Council has an effective control framework in place for the management/monitoring of incidents that have led to claims being upheld; and that any further mitigating actions/controls are considered/implemented as part of the organisation's wider risk management programme.	on-going					
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 and the processes in place for the provision of home to school transport. The audit will consider 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.	position statement, no recs made so not required; days used for Care Homes review					

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			Substantial	Reasonable	Limited	High	Medium
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			v	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>12</b>	<b>4</b>	<b>5</b>	<b>62</b>
<b>OVERALL TOTALS</b>			<b>5</b>	<b>23</b>	<b>7</b>	<b>5</b>	<b>112</b>