



Corporate Governance Committee Update

June 2018



Introduction

1. This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
2. The report provides an update as at May 2018 on:
 - Internal Audit reports recently issued
 - Progress on Internal audit work to date in 2018-19
 - Progress with Counter Fraud work
 - Internal Audit performance standards.

Internal Audit reports recently issued

3. The following section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Risks/Issues raised in the report's action plan.

Definitions of Assurance Rating

| | | |
|---------------|------------------|---|
| Green | High Assurance | Risks and controls well managed and objectives being achieved |
| Yellow | Medium Assurance | Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives |
| Amber | Low Assurance | Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk |
| Red | No Assurance | Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives |

Definitions of Risks/Issues

| | | |
|---------------|----------|--|
| Green | Low | Advisory issues discussed with managers during the audit and not included in audit reports and action plans |
| Yellow | Moderate | Operational issues that are containable at service level |
| Amber | Major | Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET |
| Red | Critical | Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee |

Project Management – May 2018

4. Our review covers governance arrangements, risk management, monitoring and reporting on the project and benefit arrangements. It focused on three projects:
- Ruthin Town School – Glasdir;
 - Ysgol Carreg Emlyn new school; and
 - Denbigh Extra Care Housing.

| Project Management – Medium Assurance | |
|---|--------------------------|
| 1 | Moderate Risks/Issues |
| 1 | Major Risks/Issues |
| 0 | Critical Risks/Issues |

Ruthin Town School – Glasdir & Ysgol Carreg Emlyn – New School

5. Project Managers are managing the progress of their own individual projects well and this is monitored by their line manager. However, given the size and complexity of the projects involved with the 21st Century Schools Programme, such governance arrangements are inadequate.
6. Before the Modernising Education Board was disbanded, these two projects reported to the Board by exception, and now they are formally monitored by the Project Sponsor (Corporate Director Communities) mainly through the use of highlight reports. Although highlight reports enable the project manager to keep the project sponsor abreast of progress and key changes, issues or risks arising, it is not evident that the same level of challenge and scrutiny is taking place at a senior management level involving suitable representatives.
7. The Council should also make it clear where a project board is not required and where “management by exception” is permitted instead, as long as agreed tolerances are set to prompt the project manager to escalate the matter to the relevant board or executive.
8. Both projects state reasonable benefits that should be achievable once the projects are complete. The Ysgol Carreg Emlyn project would expect a reduction in staffing and transport costs; however, as mentioned previously, delays to the project is also delaying the realisation of such benefits.
-

Denbigh Extra Care Housing Project

9. While this project is still in its infancy, we can establish that it is currently well monitored.
10. In terms of project governance, a project board is in place which meets regularly. The project is progressing and is on target to complete the legalities regarding the transfer of the site from the Council to Grwp Cynefin.
11. The Council's Project Manager has retired and the post is to be included in a new commissioning post. While there is a contingency in place to ensure that the project continues to be monitored, it is important that this monitoring continues with the new role to ensure the project continues to be delivered in line with the Council's expectations.
12. Risks which are appropriate for the project are recorded on Verto (Council's Project Management software) and these are regularly monitored and amended.

Joint Procurement Service – May 2018

13. This review was given a "low assurance" overall, therefore it is included as a separate agenda item.

| Joint Procurement Service – Low Assurance | |
|---|-----------------------|
| 1 | Moderate Risks/Issues |
| 1 | Major Risks/Issues |
| 0 | Critical Risks/Issues |

Progress in delivering the Internal Audit Assurance 2018-19

14. The following table shows a summary of Internal Audit’s work to date for this year. This table will be added to during the year as more projects commence.

15. Where projects have been completed since 1 April 2018, the table provides assurance ratings and number of issues raised for the completed reviews.

16. The following projects have not yet commenced but are scheduled for the coming months:

- Risk Management;
- Business Continuity Management;
- Homelessness
- Registrars

| Internal Audit Assurance Plan Areas of Work | 2018–19 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|---|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|--|
| 2018–19 Projects | | | | | | | | |
| Catering | 14 | 20 | Fieldwork | | | | | |
| Risk Management | 4 | 10 | Scoping | | | | | Request by service to defer to June 2018 |
| Business Continuity Management | 6 | 12 | Scoping | | | | | Request by service to defer to June 2018 |

| Internal Audit Assurance Plan Areas of Work | 2018-19 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|--|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|--|
| Homelessness | 0 | 30 | Scoping | | | | | |
| Housing Rents | 17 | 20 | Fieldwork | | | | | |
| Section 106 | 3 | 15 | Scoping | | | | | |
| Projects Brought Forward from 2017-18 | | | | | | | | |
| Procurement | 44 | 50 | Final | Low | 0 | 1 | 1 | Joint audit with Flintshire County Council of the shared service. Issues are consolidated into two root causes |
| Project Management | 22 | 25 | Final | Medium | 0 | 1 | 1 | |
| School Transport | 32 | 35 | Draft | | | | | Draft issues, awaiting response from Management |
| Health & Safety in Schools | 20 | 25 | Draft | | | | | Final imminent |
| IT Procurement of Resources | 20 | 25 | Closing meeting | | | | | Nearing completion |
| ALN & Inclusion / Recoupment & Out of County Placement / Special Education | 21 | 25 | Closing meeting | | | | | Nearing completion |

| Internal Audit Assurance Plan Areas of Work | 2018-19 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|--|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|--|
| Registrars | 15 | 25 | Fieldwork | | | | | Initial investigation concluded. Further work planned after office relocation. |
| Court of protection | 27 | 30 | Fieldwork | | | | | Nearing completion. Includes investigation |
| Fraud & Corruption Work | | | | | | | | |
| National Fraud Initiative | 0 | 40 | Ongoing | | | | | |
| Housing Tenancy Fraud | 5 | 20 | Scoping | | | | | |
| General fraud enquiries and counter fraud work | 6 | 50 | Ongoing | | | | | |
| Follow-up Reviews | | | | | | | | |
| IA project follow-ups | 3 | 30 | Ongoing | | | | | Includes devising new follow up process |
| Management of follow-ups | 5 | 20 | | | | | | |
| Other Areas of Work | | | | | | | | |
| School Fund admin & audits | 6 | 40 | In progress | | | | | Includes development of new School Fund Guidance |
| Corporate Governance Framework | 1 | 10 | 2017-18 complete | | | | | |

| Internal Audit Assurance Plan Areas of Work | 2018-19 Days to Date | Likely Outturn Days | Current Status of Work | Audit Assurance | No. of Critical Issues | No. of Major Issues | No. of Moderate Issues | Comments |
|---|----------------------|---------------------|------------------------|-----------------|------------------------|---------------------|------------------------|----------|
| Corporate working groups | 5 | 35 | In progress | | | | | |
| Consultancy & corporate areas | 5 | 70 | In progress | | | | | |
| IA Support & Management | | | | | | | | |
| Team Meetings / 1:1s | 14 | 40 | | | | | | |
| Management | 4 | 50 | | | | | | |
| Training & development | 2 | 40 | | | | | | |
| Total Days | 300 | 792 | | | | | | |

Progress with Counter Fraud Work

Referrals 2018/19

| Date Referred | Investigation Details | Outcome |
|-------------------------------|--|---|
| Ongoing from 2017/18 | | |
| July 2017 | Referral was received concerning a member of staff attempting to obtain reimbursement from school funds by deception. | Letter of Management advice |
| July 2017 | A referral was received concerning a member of staff overcharging for a service and potential that they were keeping the difference. | Internal disciplinary proceeding and non-compliance proven. Member of staff resigned and recommendations have been made to strengthen controls. |
| September 2017 | Concern raised regarding emptying of property as well as other allegations. | Ongoing. |
| October 2017 | NFI match showing a member of staff with the same address as a business. Potential conflict of interest in awarding work. | Letter of Management advice |
| October 2017 | Allegation of financial mismanagement of a citizen's funds. | Allegation unfounded. Lessons learned around control weaknesses. |
| Referrals from 2018-19 | | |
| April 2018 | Conflict of interest, employee using their position to gain work for their own company. | Employee dismissed |
| April 2018 | Potential abuse of the Council's Cycle to Work Scheme | Ongoing |
| May 2018 | Allegation that external company gaining work through deception and false claims. | Ongoing |
| May 2018 | Allegation of theft involving a school caretaker. | Ongoing |
| May 2018 | Member of staff stole money from a safe with intention of returning it before it was due to be banked. | Allegation proven, money recovered and member of staff left the Council. |

17. In addition to the referrals listed above, counter fraud work carried out during 2018/19 includes:

- Providing advice on counter-fraud to officers on request;
- Co-ordinating the National Fraud Initiative (NFI) data matching exercise;
- Involvement with the Welsh Chief Auditor's Group to share learning regarding potential vulnerabilities and control weaknesses.
- Investigating the potential for the Council to partake in a pilot all Wales Fraud Hub run by CIPFA (Chartered Institute for Public Finance) and coordinated via the Welsh Chief Auditor's Group; and
- Scoping of the Housing Tenancy Fraud review.

Internal Audit performance standards

18. Internal Audit measures its performance in two key areas:

- Follow-up audit work – Two measures to ensure that Internal Audit carries out its follow-up work promptly and that services implement agreed improvement actions.
- Customer Standards – A range of indicators to ensure that Internal Audit delivers a good service to its customers.

19. The table below shows Internal Audit's performance to date for 2018/19.

| Customer Service Standard | Target | Current Performance |
|--|--------------------------|---------------------|
| Internal Audit will discuss, agree and send services the Internal Audit Project Scoping Document before it commences work. | 100% | 100% |
| At the conclusion of its work, Internal Audit will hold a closing meeting with all relevant people to discuss the outcome of its work, and then send services a draft report as soon as possible after that meeting. | Avg. Days (less than 10) | 4 |
| Internal Audit will issue a final audit report as soon as possible after agreeing the report and its action plan with services. | Avg. Days (less than 5) | 1 |

| Follow Up Action Plans & Service Improvement | Target | Current Performance |
|---|--------|------------------------|
| Using performance management system (Verto), Internal Audit will monitor and report on the % of agreed improvement actions that have been implemented by services to show that Internal Audit's service is effective in helping to deliver improvement. | 75% | Data not yet available |