

Internal Audit Update

November 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 the end of October 2018 on:
 - Internal Audit reports recently issued;
 - Progress on Internal Audit work to date in 2018–19;
 - Progress with implementing agreed actions;
 - Internal Audit performance standards.

Internal Audit reports recently issued

This 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.

Housing Rents – September 2018

Medium Assurance	
4	Moderate risks/issues
0	Major risks/issues
0	Critical risks/issues

3. Overall, housing rents is well managed, but there are a few weaknesses that need to be addressed.
 4. An issue raised previously around service continuity has not been fully addressed due to changes in staffing. Policies and procedures have still not been reviewed and in light of: the new OPEN Housing system, current staff absences, new staff or staff changing responsibilities; staff may be unclear of the procedures they should follow to ensure compliance with legislation.
 5. There are two review teams within housing rents who are responsible for ensuring all new legislation and potential changes to the service are identified early, the most notable recent change being the Welfare Reform Act. Tenants are kept informed of changes with regard to Welfare Reform including the introduction of Universal Credit. The team has carried out a profiling exercise of tenants to ascertain how many will be affected by Welfare Reform: 'pop up shops' have been in operation, and the housing website has been maintained with current housing rents information. While it is appreciated that not all
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tenants may attend the meetings or visit the website, the service is providing the necessary information.

6. At the time of our review, the OPEN Housing system went live to replace the previous Housing IT system. The OPEN Housing system benefits from having a General Data Protection Regulation (GDPR) module, and the Senior Business Systems Officer and the Income Manager Team Leader are currently reviewing the retention periods to ensure that data is deleted when it should.
7. The review has confirmed that income is collected and allocated to the tenants' accounts promptly and tenants are being encouraging to pay by direct debit. Although no independent checks around direct debit have been completed, we are satisfied that other controls in place are sufficient to ensure that the bank details and rent account reference is correct. Income reconciliation continues to be well managed and monitored.
8. During our testing we noted arrears balances have increased slightly from previous years, but levels continue to be well managed. We highlighted an issue relating to accuracy of arrears report following the introduction of the new system, which the service is aware of and addressing. Arrears are written off in line with Financial Regulations and only after exhausting all other avenues to recover the debt.
9. The service monitors performance and benchmarks against other Councils and continues to perform well in the areas of: arrears as a percentage of annual rent debt.
10. Overall, four issues have been raised – all of which can be remedied by the service.

Welsh Transport Grants – November 2018

11. The Road Safety & Sustainable Transport team is effective in securing funding from Welsh Government (WG) to improve the transport system across all areas of the county. We established that:

- Consideration is given to the staff and financial resources needed to manage a scheme before grant funding is pursued.

Medium Assurance	
3	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

- Funding is secured via a bidding process where the outcome is more favourable if match funding is also provided. An allocation from the Highways Block Capital Fund is used for this purpose.
 - Appropriate authorisation was sought from the Strategic Investment Group (SIG), Cabinet and Full Council before bids were submitted to WG within the designated timescales.
12. Occasionally, an electronic signature of the Head of Planning and Public Protection is used on the bid application to WG. In these circumstances, the Head of Planning and Public Protection should email authorisation beforehand to give permission to use his signature. We acknowledge that when funding is received, this requires the additional signature of the Chief Finance Officer.
 13. Several of the schemes we sampled were kept 'in-house', and remaining schemes showed evidence that Contract Procedure Rules had been followed correctly and procured via the procurement system (Proactis).
 14. While the team broadly followed the defined process detailed in grant bid applications, there is no evaluation of grant funded schemes when they end, and minimal recording of 'lessons learnt'. Additionally, the bid application details the requirement for having a post-delivery monitoring plan to measure the effectiveness of a scheme and the evaluation of actual outcomes. However, while the proposed actions of how this will be evaluated have been documented in the bid, there was no post-delivery monitoring plan in place.
 15. Now that the Welsh Transport Appraisal Guidance (WelTAG) has been fully implemented, it will provide a framework to ensure that a robust assessment can be made at all stages of future schemes. However, the team do not have their own written procedures or guidelines in place to ensure an appropriate and consistent approach for managing grant bids in line with the framework.
 16. Some of the key documentation in relation to the scheme is kept on a shared network drive so it is easily accessible to all key staff. This could benefit from regular housekeeping, as we struggled to find some documentation. It would be beneficial to have an overarching record showing the progress with each bid so that staff are aware of the progress and timescales for delivering the scheme.
 17. Quarterly reports are submitted to WG detailing the progress and expenditure to date, and there is regular monitoring of projects by the Senior Engineer and the Head of Service is kept informed of any issues.
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18. The issues raised are operational and can easily be remedied, therefore, we have given a medium assurance rating.



Progress in delivering the Internal Audit Assurance 2018-19

19. 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.

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

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

- Bridges and Structures;
- Waste Management;
- School Governance; and
- Direct Payments.

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	34	34	Complete	Medium	0	0	2	
Risk Management	5	10	Draft					
Business Continuity Management	10	12	Closing meeting					
Homelessness	5	30	Scoping					

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
Housing Rents	49	50	Complete	Medium	0	0	4	
AONB Grant Certification	2	2	Complete	N/a				
Welsh Government Grant Certification: <ul style="list-style-type: none"> Pupil Deprivation Grant Education Improvement Grant 	12	12	Complete	N/a				
Section 106	34	40	Closing meeting					
Welsh Transport Grant	14	15	Complete	Medium	0	0	3	
Single Access Route to Housing (SARTH)	1	10	On hold					Awaiting matches from NFI exercise 2018-19. Rescheduled to Q4.
Revenues and Benefits: <ul style="list-style-type: none"> Sundry Debtors Overpayments 	39	45	Fieldwork					Nearing completion
School Governance	6	25	Scoping					Due to commence
Grants Management	17	20	Fieldwork					
School Fund Management	9	15	Fieldwork					Nearing completion
Bridges and Structures	1	10	Scoping					

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
Waste Management	1	10	Scoping					New Waste and recycling collection model
Legal Services Collaboration	4	10	Fieldwork					
Programme and Project Management	5	20	Fieldwork					Focus on benefit realisation
Financial Services: <ul style="list-style-type: none"> Treasury Management Payroll Accounts Payable Cash Receipting 	1	40	Scoping					
Projects Brought Forward from 2017-18								
Procurement	7	7	Complete	Low	0	1	1	Joint audit with Flintshire County Council of the shared service. Issues are consolidated into two root causes.
Project Management	5	5	Complete	Medium	0	1	1	
Learner Transport	24	25	Complete	Medium	0	0	5	
Health & Safety in Schools	10	10	Complete	Low	0	1	4	
Travel & Subsistence	1	1	Complete	Medium	0	1	3	

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
CCTV Partnership	1	1	Complete	Medium	0	0	3	
IT Procurement of Resources	16	18	Draft					
ALN & Inclusion / Recoupment & Out of County Placement / Special Education	48	50	Draft					Revised draft issued
Pooled Budgets	2	5	Fieldwork					Potential amendment to the regulation.
Registrars	27	30	Draft					
Court of protection	35	40	Draft					Additional work requested.
Fraud & Corruption Work								
National Fraud Initiative	18	40	Ongoing					Data upload for 2018-19 exercise complete.
Housing Tenancy Fraud	5	20	On hold					Awaiting matches from NFI exercise 2018-19. Rescheduled to Q4.
General fraud enquiries and counter fraud work	42	50	Ongoing					
Follow-up Reviews								
IA project follow-ups	23	30	Ongoing					Includes devising new follow up process
Management of follow-ups	19	30						

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
Other Areas of Work								
School Fund admin & audits	29	40	In progress					
Corporate Governance Framework	14	20	2017-18 complete					See separate report on progress to date with the improvement actions.
Corporate working groups	15	35	In progress					
Consultancy & corporate areas	26	70	In progress					
IA Support & Management								
Team Meetings / 1:1s	45	50						
Management	30	40						
Training & development	16	40						
Total Days	707	1067						

Progress with Improvement Actions arising from Internal Audit Assurance Work 2018-19

22. Responsibility to resolve issues and manage agreed actions lies with management. The International Internal Audit Standards require internal audit to monitor what is happening to the results of audit engagements to ensure that actions have been implemented effectively or that management has accepted the risk of not taking action. The table below summarises progress as at the end of October 2018. The current status of each action is detailed in a separate Appendix report.

Service	Number of Actions Raised (includes actions from 2017/18)	Number of Actions Due	Actions Implemented Since April 2018	% Actions Completed to Date (of those that are due)	Actions Exceeding Original Due Date
Business Improvement & Modernisation	15	13	9	69%	4
Community Support Services	7	7	7	100%	0
Communications Customers & Marketing	3	3	2	67%	1
Education & Children's Services	15	11	3*	27%	8*
Facilities Assets & Housing	22	16	15	94%	1
Finance	15	15	7	47%	7

Highways & Environmental Services	12	12	7	58%	5
Legal, HR & Democratic Services	23	9	6	67%	3
Planning & Public Protection	5	5	2	40%	3
Total	117	79	58	73%	32

* The Service has reopened 3 issues which were previously closed as they recognise the need to undertake further improvement.

Internal Audit performance standards

23. 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.

24. 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)	4.5
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)	2

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%	73%*

25. The table above indicates that the new follow up reporting process, which has been operational for 5 months, is bedding in well. Services are responsible for updating progress themselves and Internal Audit will carry out spot checks to confirm accuracy. Internal Audit continues to perform a separate review of all actions arising from “low” or “no” assurance reports, and any actions linked to a high or major risk issue.

CIPFA Practical Guidance for Audit Committees – Update

26. The terms of reference have been revised to reflect the template recommended by the new CIPFA guidance¹. These are submitted separately for approval and will be presented at the committee's next meeting in January 2019 as part of the Annual Report on the Constitution.
27. An online evaluation survey has been developed which is based on the CIPFA Guidance template for evaluating the effectiveness of the committee. This will be circulated shortly to members of the Committee, Lead Members and Lead Officers who have attended the Committee. The results will be presented as part of the Internal Audit Update in January 2019.
28. The CIPFA Working Group highlighted that the Committee's forward work programme would benefit from a review of the scheduling of standard reports at each meeting. This work will be taken forward before the end of the financial year.

¹ *'Audit Committees, Practical Guidance for Local Authorities and Police'*, 2018 Edition, Chartered Institute of Public Finance and Accountancy