# Internal Audit Update

**March 2019**

# 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 January 2019 on:

   - Internal Audit reports recently issued:
     - o Business Continuity & Emergency Planning
   - Progress on Internal Audit work to date in 2018–19;
   - Progress with improvement actions arising from 2018–19
   - Internal Audit performance standards.
   - CIPFA Practical Guidance for Audit Committees update
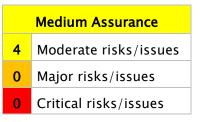
## Internal Audit Reports Recently Issued

3. 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.

### Business Continuity & Emergency Planning – November 2018

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

4. The Regional Emergency Planning Services was formed in 2014 by bringing together the six North Wales councils' emergency planning teams together to ensure a coordinated response to any major incidents in North Wales such as flooding, severe weather, power cuts, transport or industrial accidents. Flintshire County Council is the lead authority.

5. We conclude that there is suitable governance arrangements in place by way of a Corporate Business Continuity Group (CBCG), and a good working relationship between the Council and the Regional Emergency Planning Service with improved officer engagement and support.

6. The CBCG recently completed the annual review of the Service Business Continuity Plans (SBCP) with the exception of one service. The completed SBCP together with the lessons learned from the Caer Goch exercise (July 2017) and

the severe weather which disrupted travel during the winter of 2017 have been incorporated into the draft Corporate Business Continuity Plan.

7. Four moderate risk issues were raised which relate to:

- All Service Business Continuity Plans (SBCP) need to be completed prior to the Corporate Business Continuity Plan (CBCP) to ensure all risks identified by the individual services are included in the CBCP.

- Complete the actions arising from the test of the CBCP i.e. Caer Goch exercise (June 2017).

- Training for CBCG members on how to properly complete individual SBCP on the Resilience site to remove inconsistencies.

- CBCG members all need to have a nominated deputy to provide cover for each service should the main representative be unavailable.

# Progress in Delivering the Internal Audit Assurance 2018-19

8.  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.

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

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

    •   Housing Tenancy Fraud

    •   SARTH (Single Access Route to Housing)

| 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 | 7 | 7 | Complete | Medium | 0 | 0 | 5 | |
| Business Continuity Management | 16 | 18 | Complete | Medium | | | | Nearing completion |
| Homelessness | 9 | 9 | On hold | | | | | On hold until Q2 2019–20 as internal service review underway. |
| Housing Rents | 49 | 49 | Complete | Medium | 0 | 0 | 4 | |
| AONB Grant Certification | 2 | 2 | Complete | N/a | | | | |

| 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 |
|---|---|---|---|---|---|---|---|---|
| Welsh Government Grant Certification:<br>• Pupil Deprivation Grant<br>• Education Improvement Grant | 12 | 12 | Complete | N/a | | | | |
| Section 106 | 44 | 45 | Final | Low | | | | Nearing completion |
| Welsh Transport Grant | 14 | 14 | Complete | Medium | 0 | 0 | 3 | |
| Single Access Route to Housing (SARTH) | 1 | 10 | Scoping | | | | | Matches from NFI exercise 2018–19 released. Due to commence shortly |
| Revenues and Benefits:<br>• Sundry Debtors<br>• Overpayments | 55 | 57 | Complete | Medium | | | | Nearing completion |
| School Governance | 39 | 45 | Draft | | | | | Fieldwork nearing completion |
| Grants Management | 33 | 35 | Draft | | | | | Fieldwork nearing completion |
| School Fund Management | 20 | 25 | Fieldwork | | | | | Nearing completion |
| Bridges and Structures | 17 | 20 | Draft | | | | | |
| Waste Management | 2 | 10 | Fieldwork | | | | | New Waste and recycling collection model |

| 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 |
|---|---|---|---|---|---|---|---|---|
| Legal Services Collaboration | 9 | 15 | Fieldwork | | | | | |
| Programme and Project Management | 13 | 20 | Fieldwork | | | | | Focus on benefit realisation |
| Financial Services:<br><br>• Treasury Management<br><br>• Payroll<br><br>• Accounts Payable<br><br>• Cash Receipting | 20 | 40 | Fieldwork | | | | | Due to commence in January 2019 |
| Supported Budgets (Direct Payments) | 6 | 20 | Fieldwork | | | | | |
| General Data Protection Regulations | 3 | 20 | Scoping | | | | | Due to commence shortly |
| Cyber Security | 11 | 15 | Fieldwork | | | | | Due to commence shortly |
| Contract Management | 2 | 15 | Scoping | | | | | Joint review with Flintshire County Council. Due to commence shortly |
| Projects Brought Forward from 2017–18 | | | | | | | | |
| Procurement | 7 | 7 | Complete | Low | 0 | 1 | 1 | Joint audit with Flintshire County Council of the shared service. |
| Project Management | 5 | 5 | Complete | Medium | 0 | 1 | 1 | |

| 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 |
|---|---|---|---|---|---|---|---|---|
| Learner Transport | 24 | 24 | 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 | |
| CCTV Partnership | 1 | 1 | Complete | Medium | 0 | 0 | 3 | |
| IT Procurement of Resources | 17 | 18 | Complete | Medium | 0 | 1 | 3 | |
| ALN & Inclusion / Recoupment & Out of County Placement / Special Education | 54 | 55 | Complete | Medium | 0 | 1 | 2 | |
| Pooled Budgets | 2 | 5 | Fieldwork | | | | | Nearing completion |
| Registrars | 30 | 30 | Complete | Low | 0 | 2 | 2 | |
| Court of protection | 47 | 50 | Draft | | | | | Additional work requested. |
| Fraud & Corruption Work | | | | | | | | |
| National Fraud Initiative | 23 | 40 | Ongoing | | | | | Matches from 2018–19 exercise released, initial review underway |
| Housing Tenancy Fraud | 5 | 10 | Scoping | | | | | Matches from NFI exercise 2018–19 released. Review to commence shortly |

| 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 |
|---|---|---|---|---|---|---|---|---|
| General fraud enquiries and counter fraud work | 76 | 80 | Ongoing | | | | | |
| Follow–up Reviews | | | | | | | | |
| IA project follow-ups | 24 | 30 | Ongoing | | | | | Includes devising new follow up process |
| Management of follow-ups | 21 | 30 | | | | | | |
| Other Areas of Work | | | | | | | | |
| School Fund admin & audits | 54 | 60 | In progress | | | | | |
| Corporate Governance Framework | 16 | 20 | 2017–18 complete | | | | | See separate report on progress to date with the improvement actions. |
| Corporate working groups | 25 | 35 | In progress | | | | | |
| Consultancy & corporate areas | 40 | 45 | In progress | | | | | |
| IA Support & Management | | | | | | | | |
| Team Meetings / 1:1s | 61 | 65 | | | | | | |
| Management | 35 | 40 | | | | | | |
| Training & development | 30 | 40 | | | | | | |
| Total Days | 1026 | 1229 | | | | | | |

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

11. 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 January 2019. The progress and current status of the actions showing as overdue 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 | 16 | 15 | 14 | 93% | 1 |
| Community Support Services | 7 | 7 | 7 | 100% | 0 |
| Communications Customers & Marketing | 3 | 3 | 3 | 100% | 0 |
| Education & Children's Services | 16 | 13 | 6 | 46% | 7 |
| Facilities Assets & Housing | 30 | 25 | 23 | 92% | 2 |
| Finance | 18 | 15 | 8 | 53% | 7 |
| Highways & Environmental Services | 12 | 12 | 8 | 67% | 4 |

| | | | | | |
|---|---|---|---|---|---|
| Legal, HR & Democratic Services | 36 | 22 | 9 | 41% | 14 |
| Planning & Public Protection | 10 | 7 | 3 | 43% | 4 |
| Total | 148 | 119 | 81 | 68% | 39 |

# Internal Audit Performance Standards

12. 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.

13. 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) | 9.6 |
| 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) | 2.8 |

| 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% | 68% |

# CIPFA Practical Guidance for Audit Committees – Update

14. An online survey was developed based on the CIPFA Guidance template for evaluating the effectiveness of the committee and this was circulated to members of the Committee, Lead Members and Lead Officers who have attended the Committee along with Wales Audit Office representatives. There were 22 responses in total, out of a possible 39 (56%), this included a response from 5 out of the 6 Corporate Governance Committee members. A summary of the responses which highlight areas where responders were in least agreement is captured below:

| Question | Yes | Partly | No | Don't know |
|---|---|---|---|---|
| Does each member of the Corporate Governance Committee have sufficient understanding of the Council's priorities and statutory obligations? | 6 | 5 | 5 | 7 |
| Are arrangements in place to support the committee with briefings and training? | 9 | 5 | 0 | 4 |
| Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work? | 4 | 4 | 0 | 10 |
| Do Elected Members (not just Corporate Governance Committee members) and officers understand that the Corporate Governance Committee has different roles and responsibilities to those of Scrutiny Committees? | 10 | 8 | 0 | 0 |
| Has the committee evaluated whether and how it is adding value to the organisation? | 5 | 3 | 1 | 9 |
| Does the committee have an action plan to improve any areas of weakness? | 7 | 3 | 1 | 7 |

Suggestions for improvement:

- "Could display a more robust level of challenge and questioning when dealing with governance failings/ weaknesses"

- "Make it more visible, more information on what it does"

- "Unlike other scrutiny committees it is rare for non-committee members to attend. I believe it would be good for other Councillors to attend the occasional Corp Gov Committee meetings"

15. The North Wales Internal Audit Partnership has agreed to compare the results from each Council's committee self-evaluation and effectiveness survey to explore the potential for coordinating committee members' development with neighbouring councils e.g. through attendance at other Council's equivalent meetings. The areas for improvement highlighted in the survey can be used to inform a development plan for the committee.

16. A review of the Committee's forward work programme features as a separate agenda item. This provides a schedule for reports to Corporate Governance Committee meetings to ensure that the committee carries out its roles and responsibilities as set out in its terms of reference.