Report of the Chief Auditor

Audit Committee – 11 December 2018

Internal Audit Annual Plan 2018/19 Monitoring Report for the Period 1 July 2018 to 30 September 2018

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2018 to 30 September 2018. It also provides an update on the implementation of those recommendations arising from the PSIAS peer review.
Policy Framework:	None.
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2018/19.
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Catherine Window

1. Introduction

1.1 The Internal Audit Annual Plan 2018/19 was approved by the Audit Committee on 10th April 2018. This is the second quarterly monitoring

report to be presented to Committee. Further reports will be presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.

1.2 This report shows the audits which were finalised in the period 1st July 2018 to 30th September 2018.

2. Audits Finalised 1 July 2018 to 30 September 2018

2.1 A total of 29 audits were finalised during Quarter 2. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.

2.2 An analysis of the audits finalised during the 2nd Quarter is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	13	16	0	0

2.3 A total of 203 audit recommendations were made and management agreed to implement all of the recommendations made i.e. 100% against a target of 95%.

2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during quarter 2 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
0	22	140	41	203

2.5 In addition, the Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount £
Live Kilometre Support Grant 2017/18	34,769 (449,075 km)
Supporting People Programme Grant – Outcomes Jan-Dec 2017	n/a (9092 Outcomes)
Supporting People Programme Grant – Regional Coordinator 2017/18	42,374
Supporting People Programme Grant – Certification 2017/18	13,817,121

2.6 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in April 2018 and identifies the position of each audit as at 30th September 2018.

2.7 No moderate assurance audit reports were issued during the quarter.

2.8 Two audits that have been finalised since the end of the quarter include Risk Management and Corporate Governance. Due to the amount of interest Committee has shown in relation to these audits, a brief summary of the outcome of the two reviews have been included as part of this report in order to provide a timely update to committee as the next quarterly report isn't due to be presented until February. Please see the tables below:

Audit	**Risk Management**
Objectives	To ensure that the procedures set out in the Council's Risk Management Policy are being implemented as required.
Assurance Level	Substantial
Summary of Key Points	
• The new Risk Management Policy continues to be implemented across the Council with risks being monitored by the Strategic Delivery Unit. A member of staff from the unit is tasked with presenting a report on the status of risks at each Performance & Financial Management (PFM) meeting. • The Strategic Delivery & Performance Manager presents a quarterly risk report to Audit Committee. • Each Corporate Risk is assigned to a Cabinet Member and Audit Committee have also been given access to the Corporate Risk Register. • The Risk Management Policy requires all risks to be monitored on a monthly basis. However, some are monitored on a quarterly basis with the agreement of the Strategic Delivery & Performance Manager. • A review of the Corporate, Directorate and Service Risk Registers for the People Directorate showed that most risks had been updated, but there were five that were not recorded as being monitored for over three months. (MR) • A number of instances were noted where risks had been archived, but there was no reason recorded by the Risk Owner. (LR) • From August 2018 the Strategic Performance & Delivery Manager attends Corporate Management Team (CMT) meetings on a monthly basis to ensure Corporate Risks are discussed and are	

being monitored appropriately.

- The new Risk Management Policy dictates that risks should be discussed at monthly PFM meetings. A review of the minutes of such meetings for the People directorate between January to June 2018 showed risk was not recorded on the agenda for two meetings. (LR)
- The Director of Social Services and all Heads of Service in the People directorate were asked to confirm how they identify, evaluate and monitor risks in their service. A Satisfactory response was received from each officer.
- Three recommendations were made as a result of the review, one MR and two LR.

Audit	**Corporate Governance**
Objectives	To ensure there are robust Governance arrangements in being across the Council. To ensure that there is evidence available to show compliance with the established arrangements.
Assurance Level	Substantial

Summary of Key Points

- A detailed review of the Annual Governance Statement was not included as part of the review as this is subject to review by Wales Audit Office as part of the annual audit of the Financial Statements.
- Heads of Service are required to complete Senior Management Assurance Statements detailing their assurance over the internal control, risk management and governance in their areas on an annual basis. A review of the responses submitted for 2016/17 found that in some instances the information returned was limited. The format of the Statements is pending review by the Head of Legal, Democratic Services and Business Intelligence. (MR).
- At present the Council does not have a process in place to record delegate decisions made by individual Cabinet Members or Senior Officers. The Head of Legal, Democratic Services and Business Intelligence is in the process of devising a suitable process which is envisaged to be in place in early 2019. (LR)
- An 'Annual Governance Statement Group' was established in 2016/17, tasked with compiling the Code of Corporate Governance and the Annual Governance Statement. It was also confirmed that CMT has Governance as an agenda item for all meetings.
- Enquiries were made with the Chief Officers or Heads of Service (HoS) responsible for each Procedure Rule in the Council Constitution to confirm they have been reviewed and are up to date. Satisfactory responses were received from all, but it was noted by the Chief Finance Officer that the Financial Procedure Rules had not been reviewed or updated for a number of years. (MR)
- It was noted that there was no process in place requiring Chief Officers or HoS to confirm that the Procedure Rules for their areas

have been reviewed and are up to date on a periodic basis. The Head of democratic Services will now require confirmation of this from the relevant Officers on an annual basis. (LR)

- It is noted that an Officer from Democratic Services is present at all Committee Meetings to ensure any procedures deemed to be inconsistent with good governance are highlighted immediately. In addition, all reports presented at such meetings are subject to checking and approval by officers in Legal, Finance and Equalities & Engagement.
- Enquiries were made with the Strategic Delivery & Performance Manager as to whether all Service Plans for 2018/19 had been completed as required and all performance data was being received from Services within the set timescales. It was confirmed that all such data was being received and all Service Plans had been completed as required.
- PFM meetings should be held for Corporate Services, Place, People, Education and Social Services. However some were not being held on a strictly monthly basis. (LR)
- Evidence was provided to confirm that regular DMT meetings were being held by HoS.
- A sample of HoS were asked to provide evidence that regular SMT meetings were being held with their managers/ principal officers. This proved satisfactory, however it was found that formal records of the meetings are not maintained by the Head of Child & Family or the Head of Cultural Services. (GP)

2.9 An analysis of the details in Appendix 2 shows that by the end of March 2018, approximately 80% of the Audit Plan was either completed or in progress.

2.10 The Internal Audit Section was also involved in the following work during quarter 2:

- Continuation of work on the National Fraud Initiative 2016.
- Completion of the Annual Report for School Audits 2017/18.
- Review of AI 11 Unofficial Funds for Schools & the production of a template constitution and audit certificate.

3. Follow Ups Completed 1 July 2018 to 30 September 2018

3.1 The follow up procedures operated by the Internal Audit Section include visits to any non-fundamental audits which received a moderate or limited level of assurance to confirm and test that action has been taken by management to address the concerns raised during the original audit.

3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in

the case of schools) and the Chief Finance Officer (Section 151 Officer).

3.3 A follow-up review was completed at Penlan Leisure Centre. Testing confirmed that significant action had been taken to implement the recommendations that had been made, with 25 of the 26 recommendations made being fully implemented. The implementation of one recommendation was underway at the time of the follow up. It should be noted, that as of the 1st October all of the Council's Leisure Centres have been transferred to the Freedom Leisure Partnership.

3.4 As reported in the Quarter 1 Monitoring Report, five follow-up visits were undertaken in quarter 1. Of the five follow-up visits completed, three required a second visit in quarter 2 as some recommendations had not been fully implemented. The second follow-up visits have been completed and in all three cases it has been confirmed that all of the outstanding recommendations have been implemented.

4 Update on the Recommendations from the PSIAS Peer Review

4.1 As has been reported to Committee in previous meetings, a number of recommendations were made following the peer review as part of the review of compliance with the Public Sector Internal Audit Standards (PSIAS).

4.2 An update on the progress in implementing the recommendations made can be found in Appendix 3.

5 Equality and Engagement Implications

5.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

5.2 There are no equality and engagement implications associated with this report.

6. Financial Implications

6.1 There are no financial implications associated with this report.

7. Legal Implications

7.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2017/18

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 2 2018/19
Appendix 2 Internal Audit Plan 2018/19 – Progress to 30/09/18
Appendix 3 PSIAS Peer Review Action Plan 2017/18 Update