

**Bridgend and Vale Internal Audit Service:
Head of Internal Audit's Performance Report April 2018 to September 2018
Bridgend County Borough Council.**

Section 1 - Introduction

The 2018/19 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 26th April 2018. The Plan outlined the assignments to be carried out and their respective priorities. The information summarised below; provides an update on the work undertaken by Internal Audit for the period April to September 2018, together with an update on performance.

Section 2 – Core Financial Systems – C/F from 2017/18

The following reviews of core financial systems were carried forward from 2017/18 and concluded during the first quarter of the 2018/19 Financial Year. It should be noted that all testing undertaken was based on transactions in 2017/18.

Table 1.

Core Financial System Description	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
Creditors	√				1
Debtors	√				2
Automated Processes	√				0
Banking		√			2
Total Audits (4)	3	1	0	0	5

Recommendations have been agreed and Management Implementation Plans have been received.

Section 3 – Other Reviews

The following other reviews have been undertaken and completed during the period April to September 2018:-

Table 2.

Other Reviews	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
C/F Overtime & Excessive Hours		√			4
C/F Energy Management Carbon Reduction Certificate		√			2
Porthcawl Harbour Annual Return certification		√			
C/F Flying Start			√		12
Audit Committee - TOR's - Unplanned		√			
Coychurch Crematorium Annual Return certification		√			
Bus Services Support Grant Claim certification	√				
Education Improvement Grant		√			
GDPR Declarations		√			
School Agency Follow up – to be followed through in Qtr. 4.	n/a	n/a	n/a		4
Total Audits providing an overall assurance opinion (9)	1	7	1		22

Flying Start operates from various settings located across the County and is a grant funded scheme, therefore it is imperative that the control environment is robust and source documents can fully support grant claims. Value for money must be a consideration when procuring goods and/or services. Due to the type of purchases which includes food items, the Corporate Procurement Card is the most frequently used method of purchasing and it is this area that has been the focus of the Internal Audit review. The review resulted in a limited assurance report being issued and the following key issues were identified during the Audit:

- The format of Resource Request Forms were not fit for purpose;
- Not all purchases could be supported by invoices/receipts due to loss of documents; and
- Significant weaknesses in controls surrounding recording and approval mechanisms were identified.

The Management Implementation Plan has been completed and returned and Management have confirmed that all 12 recommendations have been implemented. As this is a limited assurance report, a follow up review will be undertaken by Internal Audit within the next three months.

All 22 recommendations made to improve the overall control environment are followed up in accordance with the Internal Audit Shared Service Strategy.

Section 4 – Counter Fraud Work

The following counter fraud work including irregularity reviews have been carried out during the period.

Table 3

Counter Fraud & Corruption Work	Assurance Opinion			Recommendations Raised	
	Substantial	Reasonable	Limited	Fundamental High	Significant Medium
National Fraud Initiative	No opinion – user administration only – report to follow. New data sets are being collated in order to meet the deadline for submission for the new exercise in October 2018			n/a	n/a
Potential Misuse of PCard	Limited Assurance – matter referred to the Police			n/a	n/a
Bank Account (SO)	Prevented due to adequate controls already in place and operational			n/a	n/a
Grievance NI underpayment	This matter was undertaken under the Council's Grievance Policy on behalf of HR and is now complete			n/a	n/a
Management oversight	This matter is still ongoing. Report has been completed and should be concluded in November			n/a	n/a
Grievance Appeal	Awaiting representation at appeal set for November			n/a	n/a
Total Cases (5)					

National Fraud Initiative is included in our audit plan; however, we only facilitate the upload of data and user account management. A separate report will be presented to the Audit Committee in accordance with their Forward Work Programme.

Section 5 – Work in Progress as at 30th September 2018
Table 4

Type of Work In Progress	Update
Section 117 Follow Up	The purpose of this review is to follow up on a Limited Assurance report issued in October 2017 to ensure that the recommendations agreed by management have been implemented in an attempt to reduce the risk. The audit field is complete and the draft report is being prepared.
Fostering Follow Up	The objective of the audit was to ensure that adequate steps have been taken by the department to implement the agreed recommendations made in the Limited assurance Audit Report. This audit work is ongoing.
Business Continuity	To evaluate the Council's ICT Business Continuity Plan to determine how the Council will operate following an incident and how it expects to return to 'business as usual' in the quickest possible time afterwards. To provide assurance that roles and responsibilities are clearly defined and understood and that all relevant stakeholders are fully aware of the Plan and its content. This work is nearing completion.
Corporate Safeguarding	To undertake an assessment of the Council's overall operating model for safeguarding to evaluate the Council's safeguarding performance. The review will include the safeguarding arrangements in place for vulnerable adults as well as children. Work is completed and draft report is under review prior to issuing the report to management.
Community Action Fund	The Community Action Fund was approved by Cabinet on 05/09/2017. Its aim being to create opportunities for localised intervention by Members within their own ward to the benefit of the community. The objectives of the audit are to ensure that the Community Action Fund's financial controls are efficient and effective and decisions are transparent and made in accordance with the published guidance.

	This work is complete and the draft report has been issued for management comment.
Health and Safety	To ensure there are suitable systems and controls in place across the Authority for managing Health & Safety, in particular training, risk assessments, record maintenance and incident and accident reporting, and that these are operating effectively. This work is complete and the draft report is under review with some review comments needing to be followed up prior to issuing the draft to management for comment.
Transformational Change	To identify the current position in regard to the Transformational Change Agenda with a view to identifying a further programme of audit work during 2018-19. This work is now complete and will be discussed with CMB in order to identify specific areas for further review.
Council Tax	The objectives of the audit were to provide assurance that the financial system in place is efficient and effective and that the internal control environment is robust. The scope of the Audit was to review the processes in place for processing refunds including : Receiving & verifying a refund request; Appropriate access rights to parts of the system to enforce division of duties; Regular reconciliations of refunds made; Verification of bank account details and Review action logs. This work has now been completed and the draft report is under review prior to its submission to management for their response.
Main Accounting & Budgetary Control	To provide assurance that effective controls are in place to ensure the prompt and accurate recording of financial data in order to comply with reporting requirements. The objectives of this audit is to ascertain the extent to which the assessed risks have been identified and managed and to evaluate whether effective controls which mitigate the risks have been established within the system and processes and that these have operated effectively throughout the period under review <u>Main Accounting</u> Through the issue and completion of a Control Risk Self-Assessment, assess the controls in place with regards to the Main Accounting system. Undertake testing on a selected area (in consultation with the Audit Client Manager).

	<p><u>Budgetary Control</u> Testing to be undertaken in a sample of departments in relation to:</p> <ul style="list-style-type: none"> • Budget planning / set up • Budget monitoring / reports – preparation, distribution, review and checking, challenge. • Access Controls – ability to move items between cost centres. <p>The audit work has commenced and is ongoing.</p>
Safer Recruitment	<p>The audit looked at whether safer recruitment was operating effectively across the Council. The audit looked at how well the control environment within positions that fall under safer recruitment was operating. The Audit looked specifically at the following: references; DBS checks; risk assessments; EWC (Education Workforce Council) membership; SCW (Social Care Wales) membership; DBS renewals. These were all checked to see if they were in place for employees before employment start date.</p> <p>The audit work has been completed and a draft report prepared for review.</p>
Supporting People Grant 2017-18	<p>The Supporting People Programme was launched in April 2003 and provides housing-related support to help vulnerable people to live as independently as possible. Its aims include helping to prevent and tackle homelessness, providing people with the help they need to live in their own homes, hostels, sheltered housing or other specialist housing and preventing problems in the first place or providing help as early as possible in order to reduce demand on other services such as health and social services. In June 2013 the Welsh Government published guidance as a result of the Aylward Review for implementing the restructure of the administration, governance and funding arrangements for the Supporting People Programme. The guidance also required an independent check from either Internal Audit or the Chief Finance Officer to give assurance that grant expenditure has been managed appropriately by way of completing the Audit Certificate.</p> <p>The audit work has been completed and the resultant report is under review prior to issue.</p>
Procurement	<p>Undertake an overview of the Council's procurement arrangements with particular focus on the overarching strategic management arrangements and category management.</p>

	<p>The objectives of this audit is to ascertain the extent to which the assessed risks have been identified and managed and to evaluate whether effective controls which mitigate the risks have been established within the system and processes and that these have operated effectively throughout the period under review</p> <p>Examine procedures and processes within the Procurement service and provide an overarching overview of the strategic management and category management arrangements.</p> <p>Follow up on the recommendations made as part of the Healthy Organisation Review. In addition, undertake a comparison from partner Councils to establish best practice and process efficiencies if applicable.</p> <p>The audit brief has been agreed and the work is underway.</p>
Highways (Potholes)	<p>The objective of the audit is to review the procedures and processes in operation within Highways – specifically relating to potholes to determine if the control environment is robust.</p> <p>The objectives of this audit is to ascertain the extent to which the assessed risks have been identified and managed and to evaluate whether effective controls which mitigate the risks have been established within the system and processes and that these have operated effectively throughout the period under review.</p> <p>Confirm arrangements in place (whether in-house or contractors) for how the Council reacts to damage to roads, including potholes.</p> <p>Determine the decision making process in undertaking either temporary, semi-permanent or permanent repairs. Establish how best value is obtained within the whole repair process.</p> <p>Audit brief has been agreed and field work is underway.</p>
Project and Contract Management - ARBED funding	The purpose of this piece of work was to undertake initial fieldwork on the commissioning

	<p>and procurement that took place in relation to the Arbed programme.</p> <p>The Arbed programme was set up by Welsh Government to bring environmental, social and economic benefits to Wales and coordinate investment into the energy performance of Welsh homes.</p> <p>This work has commenced and is ongoing.</p>
Performance Indicators	<p>The objective of this audit is to review the performance management arrangements paying particular attention to the accuracy of the performance information collected and reported for 2017/18.</p> <p>The objectives of this audit is to ascertain the extent to which the assessed risks have been identified and managed and to evaluate whether effective controls which mitigate the risks have been established within the system and processes and that these have operated effectively throughout the period under review</p> <p>To verify the accuracy of the National, Core and Local Performance Indicators submitted for 2017/18 providing assurance on the overall reliance that can be place on the accuracy of the information by ensuring that all working papers and source data is correct.</p> <p>Select a number of Indicators from each of the sets of data</p> <ul style="list-style-type: none"> • Refer to the NSI & PAM guidance to ensure all data has been collected in line with the current definitions; • Validate all data sources used to evidence PIs; • Check the accuracy of the working papers; • Using the verified data, check that the PI calculation is correct • Refer to the SID definitions and ensure all data has been collected agrees with the current definition • Validate any source data used; • Check the accuracy of the working papers; • Using the verified information, checking that the PI calculation is correct;

	<ul style="list-style-type: none"> • Refer to the PI library for Local PI definitions and ensure all data has been collected in line with current definitions; • Validate all data sources used to evidence PIs; • Check the accuracy of the working papers; <p>Using the verified data, check that the PI calculation is correct</p> <p>This work is now complete and the draft report is under review prior to issue.</p>
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Section 6 – Update on SWAP Reviews – April to September 2018

Type of work in progress SWAP	Update
Direct Payments	<p>To review the effectiveness of the procedures and processes in place for Direct Payments, to ensure compliance particularly in light of the increase in numbers as a result of the SS&WB Act.</p> <p>The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed.</p>
Complaints and Representations	<p>Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets.</p> <p>The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed.</p>
Information Management – follow up	To follow up on the information management function as a consequence of the work

undertaken in 2017/18.

The audit work has now been completed and a draft report has been produced. This has been sent to the relevant service manager for their information and we are awaiting their comments and their response to the audit recommendations made so that this work can be finalised and closed.

Section 7 – Key Performance Measures – Benchmarking

The Internal Audit Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2017/18 have recently been received and are as shown in Table 4 below:

Table 5

Performance Indicator 2017/2018	IASS Performance BCBC 2017/18	WCAG Average Performance 2017/18	IASS Performance for BCBC 2016/17	Overall WCAG Average Performance 2016/17
Percentage of Planned Audits Completed	79%	86%	91%	84%
Percentage of Audits Completed in Planned Time	59%	73%	63%	63%
Percentage of directly chargeable time, actual versus planned	58%	86%	97.8	92%
Average number of days from audit closing meeting to issue of draft report.	9.5 days	6 days	9.5 days	8 days
% of staff leaving during the Financial Year	35%*	12%	30.6*	10%

*combined figure for the shared service

It should be noted that 15 of the 22 Councils returned their performance figures this year representing a return rate of 68%. It is clear from the figures provided that the Section's performance has dipped when compared with that of 2016/17 and therefore there is room for improvement particular in respect of audits completed within planned time.

Section 8 – Key Performance Measures – Client Satisfaction Questionnaires

At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results for the period April to July 2018 are summarised in Table 5 below.

Table 6

No.	Question	Average Score of Responses to September 2018	Average Score of Responses to March 2018
1	Where appropriate, briefing of client and usefulness of initial discussion.	1.440	1.290
2	Appropriateness of scope and objectives of the audit.	1.560	1.380
3	Timelines of audit.	1.890	1.450
4	Response of Officer to any requests for advice and assistance.	1.440	1.100
5	General helpfulness and conduct of Auditor (s)	1.330	1.100
6	Discussion of findings / recommendations during or at the conclusion of the audit.	1.000	1.000
7	Fairness and accuracy of report.	1.440	1.190
8	Practicality and usefulness of recommendations	1.560	1.190
9	Standard of report.	1.440	1.100
10	Client agreement with overall audit opinion.	1.440	1.190

In addition to the above, the client also has an opportunity to make their own comments on the Client Satisfaction Survey. Set out below are three examples we have received during the period.

The timing of the audit would be more appropriate if done after the lead up to / short period after year end.

The process was fair and the auditor was reactive and responsive to the timeframes for submission of the grant.

I feel that the audit has been managed well by the audit team who have shown a good deal of understanding in this case. While we can influence and raise awareness, we have no actual control over schools' use of agency staff and this has been acknowledged by Audit Committee.

Section 9 – Key Performance Measures – Staff Training

We continue to invest in the development of staff; we have recognised that, whilst the overall audit budget continues to reduce, the need for high quality assurance services does not. Indeed, with the increasing challenges and complexity facing local government and other public sector services, the need for well trained, motivated and versatile audit staff has never been higher.

In terms of professional training, we have 1 member of staff who is currently studying for the Chartered Institute of Public Finance and Accountancy qualification. The member of staff has successfully completed the Professional Certificate stage of the qualification and has now moved on to the Professional Diploma stage.

Staff are encouraged to attend courses and seminars that develop their skills, develop skills for the shared service and also further develop network opportunities. Listed below are a number of training courses that staff have either attended or are scheduled to attend during the coming months:-

- COA Financials refresher training;
- IT Governance Principles
- Best Practices in threat intelligence for threat containment.
- Use of IDEA software;
- Safeguarding,
- General Data Protection Regulations training;
- Wales Audit Office – Finance for the future;
- Institute of Internal Auditors (IIA) Wales Conference and;
- CIPFA Procurement and Contract Audit Summit.
- Domestic Abuse and Sexual Violence

Section 10 – Matters of Note

With the exception of the limited report outlined in Section 3 above, there are no other matters that need to be highlighted from the work undertaken by Internal Audit during the period.

For information:- South West Audit Partnership are continuing to help to support the completion of reviews as outlined in the 2018/19 Risk Based Audit Plan. Three new members of staff have joined the Internal Audit Shared Service on 13th August and have been provided with the necessary induction training together with their work allocation for the relevant quarters.