

**Bridgend and Vale Internal Audit Service:
Head of Internal Audit's Performance Report April 2018 to December 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 December 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 December 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		√			
Transformational Change Overview – additional work to be picked up by SWAP	n/a	n/a	n/a		
GDPR Declarations		√			1
School Agency Follow up – to be followed through in Qtr. 4.	n/a	n/a	n/a		4
Council Tax		√			
Safer Recruitment	√				
Supporting People Grant		√			3
Brynmenyn School		√			5
Database Catering		√			3
ICT Business Continuity		√			2
Community Action Fund		√			3
Health & Safety		√			1
Complaints and Representation		√			1
Additional Learning needs		√			3
Advocacy		√			1
Information Management – Follow Up		√			18
Total Audits providing an overall assurance opinion (21)	2	18	1	0	63

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 63 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. All data sets extracted and submitted by the deadline. Matches should be received in January 2019 for investigation and auctioning.			n/a	n/a
Potential Misuse of PCard	Limited Assurance – matter referred to the Police - ongoing			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 now complete and dealt with internally.			n/a	n/a

Grievance Appeal	Awaiting representation at appeal moved to January 2019	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 31st December 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 work is complete and the draft report has been issued, awaiting management response.
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.
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.
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 audit work has commenced and is ongoing.
Procurement	Undertake an overview of the Council's procurement arrangements with particular focus on the overarching strategic management arrangements and category management.

	<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>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 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, this work is now nearing completion.</p>
Project and Contract Management - ARBED funding	<p>The purpose of this piece of work was to undertake initial fieldwork on the commissioning 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 is nearing completion.</p>
Coety Primary School	<p>The objectives of the audit are to: review the schools budgeting arrangements; ensure that all orders and payments are being processed correctly; that purchasing cards are being used in line with BCBC policy and that all income is being recouped by the Council for school meals; that the Governance arrangements in the school are appropriate and that the school's private fund is relevant to the school. Visit has been completed and the draft</p>

	report has been issued, awaiting Head Teacher's response.
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>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>This work is now complete and the draft report has been issued and awaiting management response.</p>
Housing Benefit	<p>To provide assurance that there are effective controls in place surrounding data security and control as well as quality assurance to minimise any associated risks and to ensure compliance to GDPR. The work to include:</p> <ul style="list-style-type: none"> • Examination of staff training to undertake their duties in the processing and administration of Housing Benefit. • Individual permission controls including Northgate Revenue & Benefits system live; system access controls for the Information @ Work system; and DWP Customer Information System (CIS). • Physical security controls to Scanning / Post room and Housing Benefit Office. • Call handling / data security processes for Benefit enquiries made via telephone.
Treasury Management	To provide assurance that adequate controls are in place for the administration of the Treasury Management process.
Property Compliance	To ensure that the Council has adequate monitoring, management and escalation processes in place for property compliance in the Council's buildings (including schools) in line with legislative requirements
Security and Information Transfer	To evaluate and provide assurance on how the Council protects and secures the transfer of emails, files and information. Additionally, to provide an independent overview relating to the configuration of Microsoft Exchange.

Mobile Communications	The Council has recognised the growth of mobile communications which can be demonstrated in a number of ways including integrated self-service opportunities via the Council website. The review will evaluate the effectiveness of the Council's use of Mobile Communications for its community having regards to any appropriate legislation, guidance and internal policies.
-----------------------	---

Section 6 – Update on SWAP Reviews – as at 31st December 2018

Type of work in progress SWAP	Update
Direct Payments	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. 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.
Complaints and Representations	Review complaints processes within Social Services to provide assurance as to their effectiveness and compliance with set targets. 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. AUDIT COMPLETED
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. AUDIT COMPLETED
Advocacy	The scope of the audit work was to review the Council's arrangements in place for Children's and Adult's Advocacy, including commissioning, procurement, performance management, and

	Finance. AUDIT COMPLETED.
Additional Learning Needs	To provide assurance that reasonable preparatory work has been undertaken by the Council for the upcoming Additional Learning Needs Bill and Transformation Programme. Terms of Reference for this review have been agreed and work is underway. Report issued. AUDIT COMPLETED.
Domiciliary Care	To provide assurances that the Council ensures that value for money domiciliary care is provided to eligible people in need of care, based on an accurate needs assessment. Terms of Reference have been agreed and work is underway.
Looked After Accommodated Children -	To provide assurance over the suitability and effectiveness of the systems and controls in place to ensure that the Council is fulfilling its duty of care for out of authority residential care placements, in line with the Social Services and Well-Being Act (2014) and the Children Act (1989). Terms of Reference have been agreed and work is underway.
Adults at Risk (POVA)	Discussions are underway to formulate the Terms of Reference for this review.
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. Overview Completed.
Transformational Change	To interview all members of the Council's Corporate Management Board to ascertain how Transformational Change is being managed across the organisation and provide assurances that appropriate processes are being adhered to. The review will focus on the overall governance arrangements, completeness of records and the allocation of Project Managers with the necessary skills and experience to oversee major projects.
DOLS	Terms of Reference will be agreed once the Terms of Reference for Adults at Risk has been agreed. Work not yet commenced.
Youth Justice and Early Intervention Service	This review has been cancelled as the service is undergoing a comprehensive inspection; therefore, assurances will be gained from the outcome of the inspection rather than have a duplication of effort.
Project / Contract Management	To review a number of Council projects / contracts to ensure compliance with the appropriate policies, procedures, guidance and legal requirements.

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 December 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. Another member of staff is about to embark (in January) on their studies to attain the Professional Practitioner's level of the Institute of Internal Auditors qualification.

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

Section 10 – Matters of Note

Based on the work completed by the Internal Audit Shared Service so far this year, and with the exception of the limited report outlined in Section 3 above, there are no significant cross cutting control issues that have been identified that would impact on the Council's Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

Notwithstanding the above, it is important to highlight the current interim arrangements that are in place in relation to two of the key Statutory Officers of the Council and members of the Corporate Management Board. With the recent departure of the Chief Executive as Head of Paid Services, the Corporate Director Communities has been appointed on an interim basis as the Head of Paid Services (Chief Executive) - interim, this together with the continued interim arrangements in place to cover the statutory position of the Council's Section 151 Officer / Head of Finance, causes some concern from a continuity and capacity perspective. Whilst, there is little or no risk in the short term as both Statutory Officers are extremely experienced and more than capable to fulfil these roles, it is important that these interim positions are permanently addressed as soon as possible to ensure that the Council's corporate governance arrangements are not affected in the medium to longer term.

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.