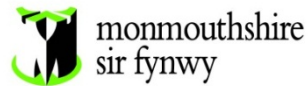


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Wednesday, 20 November 2019

Notice of Reports Received following Publication of Agenda.

Audit Committee

Thursday, 28th November, 2019 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA

Attached are reports that the committee will consider as part of the original agenda but were submitted to democratic services following publication of the agenda.

Item No	Item	Pages
8.	Q2 update & progress	1 - 8

Paul Matthews
Chief Executive

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SUBJECT:	INTERNAL AUDIT SECTION Progress Reports for 6 Months into 2019/20
DIRECTORATE:	Resources
MEETING:	Audit Committee
DATE:	28 November 2019
DIVISION/WARDS AFFECTED:	All

1. PURPOSE

To consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th September 2019.

To consider the performance of the Internal Audit Section over the first 6 months of the current financial year.

2. RECOMMENDATION(S)

That the Committee note the audit opinions issued.

That the Committee note the progress made by the Section towards meeting the 2019/20 Operational Audit Plan and the Section's performance indicators at the 6 months stage of the financial year.

3. KEY ISSUES

3.1 The Section has started to undertake its programme of audits in accordance with the 2019/20 agreed Operational Audit Plan.

3.2 This report gives brief details of the work undertaken in the year to date. The report also gives details of the Section's performance indicators for the 6 months to 30th September 2019.

3.3 The Public Sector Internal Audit Standards came into force in April 2013 (updated March 2017) which the Internal Audit team needs to demonstrate it is compliant with; these replaced the former Code of Practice for Internal Audit within Local Government.

3.4 A requirement of the PSIAS is for the Internal Audit team to be externally assessed once every five years to ensure compliance with these Standards. The Welsh Chief Auditors' Group proposed an option of a peer review in order to meet the requirements of this external

assessment, which has been agreed by respective S 151 Officers of local authorities in Wales. Monmouthshire's peer review took place during 2017/18 with the outcome being that the team is generally compliant; no significant areas of non compliance.

- 3.5 The 2019/20 Draft Audit Plan was agreed by the Audit Committee on 14th March 2019; final approved on 13th June 2019.

4. REASONS

- 4.1 Since the start of the financial year, the Internal Audit Section has completed 24 audit jobs to draft stage from its 2019/20 Operational Audit Plan; 2 of these being opinion related and these are shown in the table at Appendix 1. The team was involved with grant claim certification during Q2.
- 4.2 In relation to the normal audit opinion related reports, 2 have been issued in draft by the end of the 2nd Quarter; 1 provided *Substantial Assurance*, 1 *Limited Assurance*. One report related to the AGS where no opinion was given, but this forms part of the Council's annual financial statements and financial advice was given in several areas; work was also undertaken on the National Fraud Initiative (NFI). The team was involved with auditing grant claims which they have certified as either *qualified* or *unqualified*.
- 4.3 The definitions of the four internal audit opinions and the finding ratings used by the Section are provided at Appendix 2 for Members' information.
- 4.4 Finalisation work from 2018/19 continued; of the 26 reviews at draft report stage at 31 March 2018, 17 have subsequently been finalised; 1 x Substantial opinion, 7 x Considerable opinions, 5 x Reasonable opinions, 3 x Limited opinions and 1 unqualified grant claim.
- 4.5 Audit management have also been involved with 3 ongoing special investigations to date this year, some of which have continued from 2018/19; these are often very sensitive and time consuming. Work has been undertaken on 3 unplanned areas, providing additional advice and support for service managers.
- 4.6 Appendix 3 of the report gives details of the Section's performance indicators as at 30th September 2019.
- 4.7 Of the finalised audit reviews, the acceptance of audit recommendations was good at 98%.
- 4.8 Draft reports have taken 2 days to issue following completion of audit work and the review process. It has taken 23 days to issue final reports following the receipt of management comments.

- 4.9 Getting audit reports out to service managers are key indicators. The audit management will endeavour to continue to turnaround the work within the target time set for draft and final reports.
- 4.10 The percentage coverage of the audit plan at 27% (30% 2018/19) is slightly lower than the same period of the previous year and just below the profiled target of 28% at this stage of the financial year. Management will keep this indicator under careful review for the rest of the year to ensure that the audit coverage by the year end is as comprehensive as possible. The operational plan will be re-prioritised to ensure the higher risk areas are covered by the year end if resources become an issue.
- 4.11 The team started the year with a full complement of staff in the team.
- 4.12 In Quarter 1 the team was involved with the verification and validation of the Council's annual performance indicators before they were submitted to Welsh Government. The team is also involved with the administration of the National Fraud Initiative (NFI) data sets on behalf of the Council.

5. SERVICE MANAGEMENT RESPONSIBILITIES

- 5.1 Heads of Service and service managers are responsible for addressing any weaknesses identified in internal systems and demonstrate this by including their management responses within the audit reports. When management agree the audit action plans they are accepting responsibility for addressing the issues identified within the agreed timescales.
- 5.2 Ultimately, managers within MCC are responsible for maintaining adequate internal controls within the systems they operate and for ensuring compliance with Council policies and procedures. All reports, once finalised, are sent to the respective Heads of Service for information and appropriate action where necessary.

6. FOLLOW UP AUDIT REVIEWS

- 6.1 Where 'Limited Assurance' opinions are issued, they are followed up within a twelve month timescale to ensure that the agreed actions have been taken by management and that the internal control systems are improved. These will be reported separately to the Audit Committee.

7. RESOURCE IMPLICATIONS

None.

8. CONSULTTEES

Chief Officer Resources

Results of Consultation:

N/A

9. BACKGROUND PAPERS

Operational Audit Plan 2019/20

10. AUTHORS AND CONTACT DETAILS

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AUDIT COMMITTEE NOVEMBER 2019

INTERNAL AUDIT SECTION PROGRESS REPORT 2019/20 – 6 MONTHS

APPENDIX 1

Internal Audit reviews from the 2019/20 Operational Audit Plan where fieldwork has been completed and/or final reports issued since 1/4/19 are listed in the table below.

Internal Control Opinions give the auditor's overall conclusion on the control environment operating in each system/establishment under review. Opinions range from Substantial Assurance through to Limited Assurance.

Draft issued indicates that a draft report has been issued and a response is awaited from the client before the report can be finalised.

Status of reports as at 30th September 2019

Internal Audit Services - Management Information for 2019/20 – Quarter 2

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Opinion given
P1920/28	Enterprise	Policy & Governance	National Performance Indicators	Medium	Substantial (Draft)
P1920/10	Children & Young People	Schools	Castle Park Primary School	Low	Limited (Final)
P1920/03	Children & Young People	Standards	Pupil Deprivation Grant	Low	Unqualified
P1920/04	Children & Young People	Standards	Outside School Childcare Grant	Low	Unqualified
P1920/68	Social Care & Health	Integrated Services	Supporting People Grant - Outcomes Data (July)	High	Unqualified
P1920/69	Social Care & Health	Integrated Services	Supporting People Grant - Financial Data (Sept)	Medium	Unqualified
P1920/02	Children & Young People	Standards	Education Improvement Grant	Medium	Qualified

Non – opinion / Added Value Audit Work

Job number	Directorate	Service	Job Name	Opinion
P1920/14	Children & Young People	Schools	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/15	Children & Young People	Schools	Audit Advice	Not applicable
P1920/20	Enterprise	Business Growth & Enterprise	Audit Advice	Not applicable
P1920/27	Enterprise	Tourism, Leisure & Culture	Audit Advice	Not applicable
P1920/32	Enterprise	Planning, Housing & Place Shaping	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/36	Enterprise	Passenger Transport Unit	Audit Advice	Not applicable
P1920/42	Enterprise	Waste & Street Operations	Audit Advice	Not applicable
P1920/44	Enterprise	Highways & Flood Management	Audit Advice	Not applicable
P1920/50	Resources	People	Audit Advice	Not applicable
P1920/51	Resources	Digital Programme Office	Audit Advice	Not applicable
P1920/58	Resources	Finance	Monitoring Implementation of Audit Recommendations	Not applicable
P1920/59	Resources	Finance	Audit Advice	Not applicable
P1920/65	Resources	Business Planning & Redesign	Audit Advice	Not applicable
P1920/70	Social Care & Health	Integrated Services	Audit Advice	Not applicable
P1920/72	Social Care & Health	Children's Services	Audit Advice	Not applicable
P1920/75	Social Care & Health	Public Protection	Audit Advice	Not applicable
P1920/79	Corporate	Cross Cutting	Annual Governance Statement	Not applicable

Internal Audit Opinions

Each report contains an opinion which is an overall assessment of the control environment reviewed.

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Very well controlled, with numerous strengths identified and any risks being less significant in nature.</p>
CONSIDERABLE	<p>Considerable level of assurance</p> <p>Generally well controlled, although some risks identified which should be addressed.</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.</p>

The table below summarises the finding ratings used during our audits:

RATING	RISK DESCRIPTION	IMPACT
1	Significant	<p>(Significant) – Major / unacceptable risk identified.</p> <p>Risks exist which could impact on the key business objectives. Immediate action required to address risks.</p>
2	Moderate	<p>(Important) – Risk identified that requires attention.</p> <p>Risks identified which are not business critical but which require management attention as soon as possible.</p>
3	Minor	<p>(Minimal) – Low risk partially mitigated but should still be addressed.</p> <p>Audit comments highlight a suggestion or idea that management may want to consider.</p>
4	Strength	<p>(No risk) – Good operational practices confirmed.</p> <p>Well controlled processes delivering a sound internal control framework.</p>

For grant claim audits:

Unqualified opinion - the terms and conditions of the grant were generally complied with;

Qualified opinion - the terms and conditions of the grant were not fully complied with; the identified breaches of terms and conditions will be reported to the grantor and internally to relevant Head of Service/Chief Officer.

AUDIT COMMITTEE NOVEMBER 2019

INTERNAL AUDIT SECTION PROGRESS REPORT 2019/20 – 6 MONTHS

APPENDIX 3

Performance Indicators

	2018/19	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	17%	30%	53%	84%	82%
2	Percentage of audits completed within planned time	N/A	100%	67%	64%	67%
3	Average no. of days from audit closing meeting to issue of a draft report	3 days	4 days	10 days	9 days	17 days
4	Average no. of days from receipt of response to draft report to issue of the final report	12 days	17 days	16 days	18 days	5 days
5	Percentage of recommendations made that were accepted by the clients	100%	98%	99%	98%	95%
6	Percentage of clients at least 'satisfied' by audit process	100%	100%	100%	100%	95%
7	Percentage of directly chargeable time (actual v planned)	112%	108%	108%	107%	100%
8	Number of special investigations	2	4	5	5	

N / A – not available

	2019/20	Q1	Q2	Q3	Q4	Target
1	Percentage of planned audits completed	11%	27%			28% (84% pa)
2	Percentage of audits completed within planned time	N/A	70%			60%
3	Average no. of days from audit closing meeting to issue of a draft report	2 days	2 days			12 days
4	Average no. of days from receipt of response to draft report to issue of the final report	26 days	23 days			5 days
5	Percentage of recommendations made that were accepted by the clients	98%	98%			90%
6	Percentage of clients at least 'satisfied' by audit process	N/A	100%			90%
7	Percentage of directly chargeable time (actual v planned)	90%	98%			100%
8	Number of special investigations	2	3			