

Powys County Council

Report of Internal Audit Activity

Progress as at Q1 2019/2020

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BACKGROUND



Role of Internal Audit

The Internal Audit planning process considers the objectives of the Council and the risks that it faces in not achieving those objectives.

The coverage of the audit plan will enable the Head of Internal Audit to form an opinion on the overall control environment.

The Internal Audit Service for Powys County Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors and is also guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The work of the Partnership is also guided by the 'Internal Audit Charter' that was approved in May 2019.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work is driven by the Council's vision of the future as specified in Powys 2025:



Summary of Work 2019/20

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting School Themes
- Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Schools
- Follow-up Audits
- Other Special or Responsive Reviews



Internal Audit Activity

Audit Plan Progress 2019/20 @ Q1:

Assignment Status	No.
Completed	7
Draft	2
Discussion Document	5
Work In Progress	8
Deferred to Q2	4

The schedule provided at Appendix B contains a list of all audits as agreed in the Q1 Audit Plan 2019/20. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed at Appendix A of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' is given as part of this report.

Summary of Work 2019/20

Added Value

'Extra feature(s) of an item of interest that go beyond the standard expectations and provide something more whilst adding little or nothing to its cost'

The Audit Committee should be made aware of those issues that hinder the effective operation of the Internal Audit Service.

Primarily, Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control.

During this year, SWAP has added value through the circulation of industry bulletins and fraud prevention alerts wherever possible. We also share the outcomes of any benchmarking undertaken across our partner base. SWAP also aims to share the results of emerging areas of risk, or findings from relevant audit reviews undertaken at our Partners.

Audit Delivery

The Internal Audit Team has suffered two cases of long-term sickness in the first quarter. One of those cases is still on-going. These absences have affected the team's ability to deliver some of its work programme in Quarter 1. Additional resources have been allocated for quarters 2 and 3 to enable the plan to be delivered.

In addition, some Services have not provided information on a timely basis to allow the audit assignments to run efficiently. It is recognised that Services are going through significant change in addition to staff absences and vacancies in key positions. Those Services that caused delay were HR in the Healthy Organisation and Benefits realisation, Adult Social Care on standby payments, Finance for budgeting and IT for Patch Management. In addition, a follow-up assignment at Crickhowell High school was planned and reassigned on several occasions at the request of Management. Internal Audit will work closely with these services to improve the engagement and report further delays to the Committee.

SWAP Performance - Summary of Partial Opinions

- These are areas that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.



Summary of Partial Opinions

Significant findings from the audits that have been awarded partial assurance are summarised below:

Risk Management – Follow Up

Our follow-up review found the Service had made limited progress in implementing the recommendations made during the 2017/18 audit. An action plan was created addressing all recommendations made within the audit. Unfortunately, only the first two points of the action plan had been started, resulting in the planned completion dates needing to be updated. A summary of recommendations (not actions) is included in the table below:

Audit Objective	Progress Summary				
		Complete	In progress	Not Started	Total
To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Partial opinion report have been implemented.	Priority 1	0	0	0	0
	Priority 2	1	1	0	2
	Priority 3	0	2	4	6
	Total	1	3	4	8

During this review it was noted that the post of Risk Management Officer had changed since the original report on two occasions.

Powys County Council had moved on in terms of improving the Risk Management Policy, however, the implementation of the policy had remained the same and had not been undertaken within the planned timeframe.

Within the policy there was a statement regarding the risk appetite statement, however further work is needed to embed risk appetite into the day to day running of the Council.

The Risk Management Officer had started to provide training for the new JCAD software and is providing it at the same time they upload the risk registers into the system. The timely roll-out of this software across officers and members is essential to provide a real-time accurate picture.

SWAP Performance - Summary of Partial Opinions (Cont'd)

- **These are areas that we have identified as being high priority and that we believe should be brought to the attention of the Audit Committee.**

These Partial Opinion audits will be referred to the next Internal Audit Sub Committee where officers will be in attendance to outline their plans to improve performance in these areas.

The Council had made progress on the recommendations for implementing horizon scanning. The Risk Manager is discussing this with the Heads of Service, however there is currently no formal process in place.

In summary, the absence of these measures could potentially increase the risk of the Council not effectively managing, monitoring or controlling its risks.

Software Licensing

As part of the 2018/19 audit plan, a review was undertaken to assess the adequacy of the controls and procedures in place for software licensing.

A Partial audit opinion has been provided as the management of software licensing was not control in some areas in a structured and effective manner.

- Two Priority 1 recommendations have been made, these both relate to reconciliation process that does not appear to occur.
- Two priority 2 recommendations have been made which relate to ICT staff installing software without prior approval, and the fact that web-based software cannot be monitored for usage, and subsequent licensing.
- Two further Priority 3 recommendations have also been made. They relate to the way the procedural documents are not formalised and easily accessible by Powys County Council Officers, and the fact certain add-ons can be installed without an 'A' account.

This is the third report in succession that has highlighted the potential issues surrounding software licensing and its management. Despite several recommendations in previous reports, the process has not significantly improved and remains a cause for concern.

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Changes to the Plan

The plan needs to be flexible to be able to respond to such requests, to ensure that areas of high priority and risk can be accommodated. This means that some unplanned high risk reactive work has replaced some audit jobs. School Audits was the areas mostly affected by staff illness with these assignments being carried forward to Quarter 2.



Conclusion

The delivery of the Audit Plan is behind schedule due to staff sickness and Client engagement issues. Additional resources have been earmarked to bridge the shortfall.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
*Adult care services	Operational	Safer Recruitment 19/20	April 2019	Work in Progress	-	0	0	0	0
* Healthy Organisation	Healthy Organisation	Healthy Organisation	April 2019	Work in Progress	-	0	0	0	0
*Adult care services	Operational	D.O.L.S	May 2019	Work in Progress	-	2	0	1	1
*Children and families services	Operational / Investigation	Standby Payments	May 2019	Work in Progress	Advisory	0	0	0	0
*Community safety and emergencies	Operational	Crisis Management 19/20	April 2019	Final	Substantial	2	0	0	2
*Education and skills	Operational	Ysgol Bro Tawe 19/20	June 2019	Deferred	-	0	0	0	0
*Information and communication technology	Operational	Patch Management 19/20	June 2019	Discussion Document	-	6	0	3	3
*Education and skills	Operational	Ysgol Golwg y Cwm 19/20	May 2019	Deferred	-	0	0	0	0
*Education and skills	Operational	Ysgol Gymraeg Dyffryn 19/20	May 2019	Deferred	-	0	0	0	0
*Education and skills	Follow-up Audit	Crickhowell High School 19/20	May 2019	Deferred	-	0	0	0	0
*Finance	Grant	NTSB Grant Certification 19/20	May 2019	Final	Certified	0	0	0	0

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
Finance	Grant	EIG Grant 17/18	May 2019	Final	Certified	0	0	0	0
*Finance	Operational	Budgeting 19/20	April 2019	Discussion Document	Reasonable	5	0	4	1
*Finance	Operational	Capital	April 2019	Draft	Partial	3	1	2	0
*Finance	Fraud	National Fraud Initiative 19/20	April 2019	Work in Progress	-	0	0	0	0
*Finance	Operational	Council Tax / NNDR Refunds	May 2019	Work in Progress	-	0	0	0	0
*Housing	Special Investigation	ECO2t	April 2019	Final	Advisory	9	8	1	0
*Health and safety	Operational	Health and Safety 19/20	June 2019	Discussion Document	Reasonable	4	0	2	2
*Housing	Operational	HOWPS 19/20	April 2019	Discussion Document	-	0	0	0	0
*Finance	Operational	Debt Management	June 2019	Work in Progress	-	1	0	0	1
*Finance	Operational	Benefit Realisation (transformation)	April 2019	Draft	Partial	6	3	2	1
*Public Health	Special Investigation	Missing Cash for Taxi Licence	May 2019	Final	Advisory	0	0	0	0

Directorate/Service	Audit Type	Audit Name	Quarter	Status	Opinion	No. of recs	Recommendations		
							1	2	3
*Democracy	Operational	Members Expenses 19/20	May 2019	Discussion Document	Advisory	0	0	0	0
*Education and skills	Cross Cutting	School Theme - Financial Review Presentations to Schools	April 2019	Final	Advisory	0	0	0	0
*Housing	External Client	Smoke Alarm Compliance (External)	June 2019	Work in Progress	-	0	0	0	0
*Education and skills	Non Opinion	Information for Estyn Inspection	July 2019	Final	Advisory	0	0	0	0