Powys County Council
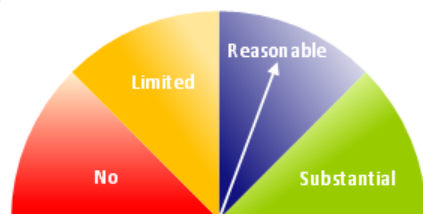
Internal Audit Progress Report
Quarter 1 2022/23

Governance and Audit Committee – 29th July 2022

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Internal Audit Update – 2022/23: 'At a Glance' Quarter 1 – July 2022

Rolling Opinion

There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines (April – June 2022)

A suite of audits was undertaken in the Highways Operations area following concerns raised as part of an independent investigation. The audits covered commissioning, procurement, overtime, stocks and materials, delivery and reporting, vehicles, and fuel. These reports were released without agreed actions as the Service was in the process of appointing a change Manager. There has been subsequent engagement around the content of the reports in Q1 2022/23 and the Internal audit team are supporting Highways in producing a consolidated response. The Audits and the action plan will be presented in detail to a Highways G&A Sub-Committee.

19 Completed reviews delivered as part of the 22/23 Internal Audit Plan. The internal audit work programme is on track to be delivered. Whilst io is still early in the year, the profile of audits with positive assurance is indicative of an annual opinion of reasonable assurance.

Internal Audit activity is supporting the Council in its duty to prevent and detect fraud.

Action tracking is on-going, and the Council have access to the results of those activities on the data dashboard. There has been an increase in overdue actions, but generally the Council are implementing internal audit recommendations in accordance with plans.

Adding Value by spreading awareness and learning
SWAP delivered training to members of the Governance and Audit Committee to help understand and fulfil their obligations.

Internal Audit Assurance Opinions 2022/23

	YTD
Substantial	1
Reasonable/ Certified	10
Limited	3
No Assurance	0
Advisory / Support	5
Total	19

Internal Audit Agreed Actions 2022/23

	YTD
Priority 1	5
Priority 2	28
Priority 3	23
Total	56

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

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Added Value

Rolling Opinion and Summary of Significant Risks

Introduction

This is the first quarterly update for the 2022/23 financial year and reports against the quarterly plans endorsed by this Committee in June 2022. Our planning process involves half yearly reviews with senior managers to ensure internal audit activity remains appropriate in scope and timing with the opportunity for risk-based flex.

Rolling Opinion

The Rolling Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. These sources include:

- Completed reviews (for 2022/23) which evaluate risk exposures relating to the organisation's governance, operations, risk and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations;
- Observations from consultancy/advisory support;
- Follow up of previous audit activity, including agreed actions;
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure; and
- Other assurances (1st and 2nd line) and from other providers, including third parties, regulators etc.

Based upon our completed work to date, which covers various assurance and advisory pieces and a range of grant certifications, our rolling opinion is 'Reasonable'. Appendix A summarises internal activity completed, in progress and due to commence for the period covered by this report. This, along with the cumulative summary position is provided above in the 'At a Glance' section.

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

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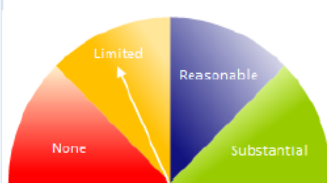
Significant Issues (Up to June 2022)

A series of audits were undertaken on Highway activities following concerns arising from an investigation. Below is the summary of the key findings of each report.

Highways Fleet.

Assurance Opinion		Number of Actions	
	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	**Priority**	**Number**
		Priority 1	1
		Priority 2	3
		Priority 3	0
		Total	4

Risks Reviewed	Assessment
Resources are not utilised to obtain good value for money to deliver a service

Individuals fraudulently claim their non-standard hours for personal financial gain. | Medium |

Key Findings

Driver Behaviour – There is evidence that of a wide-spread culture of poor driver behaviour. Speeding increases the risk of an incident which could result in damage to council property or an injury to the employee or member of the public.
The council do not monitor or take corrective action to control excess speed which can lead to unlawful driving. In addition, speeding is an inefficient way of driving that wastes Council resources.

Fuel Usage – Fuel usage is not recorded in a uniform way, resulting in anomalies and inconsistencies in the usage statistics for vehicles. Therefore, missing data means it is not possible to ensure that vehicles and fuel are being used for official work purposes only, and not for personal gain.
A review of data found that:
- Vehicles were fuelled 2212 times outside of the standard work hours, at a cost of £137,717
- The master key was used for dispensing £64,484 worth of fuel over 1427 occasions.
- Significant occasions when fuel obtained out of hours
- Fuel consumption for like for like vehicles varied depending on its location

Management in the Service are not actively monitoring the position to improve workforce behaviour and to protect against misuse.
Weak systems and poor compliance have resulted in less visibility and control of the use of Fuel at Council Depots.

Vehicle Usage- Most Council vehicles have GPS trackers fitted. Management do not use this information to actively monitor vehicle usage in terms of activity and location.
A review of tracker data over 18 months found that there were:
- Nearly 9000 instances where vehicles were away from the depot overnight
- Over 4000 cases where the vehicle duration exceeded 3 hrs
- Vehicles spent significant time with the engine idling

Tracking data does not appear to be part of the management of the workforce to ensure effective and legitimate use of Council vehicles.

Audit Scope and Limitations

Scope
Using the data that has been provided by the Fleet Section, and along with available user guides and procedural notes, ensure that:

- Are vehicles being driven safely?
- Fuel – does fuel consumption appear consistent throughout the fleet, are there any signs of fuel theft?
- Reporting- is there any management oversight?
- Data – identifying patterns and trends

Data was analysed for the period of 1st January 2020 to 30th June 2021.

Limitations
The depth of testing, and subsequent assurance of this audit, was limited by the quality of data presented for review. Therefore, we <u>cannot</u> offer any assurance that vehicles or fuel have been obtained for personal use as we were unable to perform all the testing within the scope.

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SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Management Oversight – Detailed or meaningful routine reports were not easy to obtain. This may have contributed to the inconsistency of the data.
Management information reporting on the use of vehicles and fuel does not provide the necessary oversight to identify inefficient, excessive, or potential misuse of Council resources.

Highways Non-Standard Payments

Assurance Opinion

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	2
Priority 3	2
Total	4

Risks Reviewed

Resources are not utilised to obtain good value for money to deliver a service

Individuals fraudulently claim their non-standard hours for personal financial gain.

Assessment

Medium

Key Findings

There are several documents that relate to the claiming of Non-Standard Working time, section 6 of the Terms and Conditions of Service – June 2021 document contains a comprehensive account of where, what and when these additional hours can be claimed.
The Council have appropriate rules and frameworks in place.

Operational based staff submit their claims to the depot administration team who enter the details on bulk into Trent via a spreadsheet, there are limited checks performed on these before being submitted. Office-based staff enter their own details via Trent. There is no authorisation required for office-based staff claims.
The lack of checking could result in fraudulent claims being paid.

Financial data is held within one system whilst the job costing data is held in another system. These systems do not talk to each other, so requires more manual intervention for inputting claims. The more manual interaction that is required, the greater the chance of error of fraud occurring.
Additional resource is being used to transfer data from one system to another, an integrated system would reduce this.

Reports are available in Trent that show what has been claimed, but it is not easy to drill down into the detail that makes up the claim. This may result in reports not being utilised.
Poor management reporting of claims and costs result in a lack of visibility on activity in their service in relation to non-standard time costs.

An analytical review of overtime data identified the following patterns:
- During the calendar year of 2020, £837,317.46 was paid out in additional payments to Highways employees. This equates 15% of the overall total of highways operational employee costs (not including NI and Sup).
- The costs seem to be evenly spread between overtime, callout and standby payments.
- The split between management and operatives varies as the North spending slightly more on management as opposed to operatives and the South the opposite way around.

Audit Scope and Limitations

Scope
Using data that has been provided by the Trent team for the period of 1 Jan 2020 to 31 Dec 2020, and along with available user guides and procedural notes, ensure that:

- Policies and user guides are comprehensive and updated on a regular basis
- System – set up and control around updating and authorisation
- Data – identifying patterns and trends
- Reporting- mechanisms, visibility, and management oversight

Limitations
The depth of testing, and subsequent assurance of this audit, was limited by the quality of data presented for review. Therefore, we <u>cannot</u> offer any assurance that no fraudulent claims have been made and subsequently paid as we were unable to perform all the testing within the scope.

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Unrestricted

- The number of individuals that claim non-standard payments also varies from area to area, on average an individual in the South would claim £1000 more a year than their counterparts in the North and mid of the County.
- 19 Individuals received over £10k in payments for non-standard hours over a year.

It is difficult to assess the performance of the current resourcing model, but the use of additional non-standard payments may be inefficient, excessive, or potentially subject to abuse.

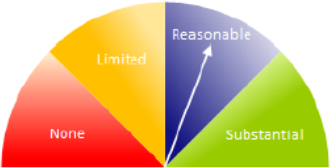**It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.**

Highways Time Recording

Assurance Opinion		Number of Actions	
		Priority	Number
	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Priority 1	0
		Priority 2	0
		Priority 3	4
		Total	4

Risks Reviewed	Assessment
Individuals fraudulently manipulate their clocking's for personal gain, both in terms of flexi time gained and the timing of entries to ensure the defined threshold of + or – 10 hours at the end of the flexi period are not exceeded.	Medium

Key Findings

Deadlines – there are no forced time deadlines to enter missing times, this has meant in some cases it has taken nearly a year to enter the relevant details. The Council should consider enforcing a deadline to ensure that working hours are entered on a timely basis.

Timesheet Entry – the time taken to enter missing details can be excessive which could lead to inaccurate data being held and reported on. There is no requirement for manual entries to be authorised by a line manager.

User Manuals – the main user guide was last updated in 2013 and is now out of date since the switch to manual online entries. There are two new guides for the online system, but these do not contain any reference to the flexi time rules and procedures.

Management Reports – these are available online via the system when required, there are also monthly exception reports sent to managers. Therefore, the ability to gain oversight is available, but this control is dependent on managers undertaking this task routinely.

Fraud - Based on the data that was provided for analyses, there was no clear evidence of manipulation of clocking's for personal gain by members of the Highways Team

Audit Scope

Using the flexi time data that has been provided for the period of 1 Jan 2021 to 28 Jun 2021, and along with available user guides and procedural notes, ensure that:

- Policies and user guides are comprehensive and updated on a regular basis?
- System – how it is set up what the controls around updating and authorisation?
- Data-analyse data from system
- Reporting- is there any management oversight?

Data was analysed for the period of 1st January 2021 to 28th June 2021. Data for all Highways office-based employees was requested (workmen and women are not on the flexi system) and analysed to provide the results quoted throughout the report.

members on the Internal Audit Action Tracker.

It is proposed that the Highways reports will be considered in detail by a Governance & Audit Sub Committee.

Highways Resurfacing – Monitoring and Delivery

Assurance Opinion		Number of Actions	
		Priority	Number
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited	Priority 1	2
		Priority 2	0
		Priority 3	2
		Total	4

Risks	Assessment
Lack of visibility and control increasing the likelihood of service delivery failure

Loss of financial and reputation damage due to fraudulent activities | Medium |

Background and Scope

The key findings detail the processes used for monitoring and delivery in relation to the resurfacing work that is undertaken by the Highway's Service. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.

The scope of this audit is to undertake a root to branch within in the Highways Resurfacing, focusing on the delivery of the work, the review process and the monitoring and reporting of progress.

Key Findings

Delivery of Work

After the works have been commissioned and assigned to a team, the foreman is responsible for monitoring the work and reporting any issues to the Depot Supervisors. This is an informal process of monitor the work programme that may work locally but has no visibility corporately.

Spot inspections can take place by the Depot Supervisors, subject to capacity, to ensure that staff are complying with regulations, and health and safety practises. Whilst not formally recorded, these visits provide some management oversight locally, but not corporately.

Towards the end of the last year, the Depot Managers started to implement a review process where supervisors would fill in a form to assess the level of completion. Before this, there was no such process in place. This process stands alone and doesn't integrate with the defects system and service procedures. Checking quality at a local level is beneficial but does not give the oversight corporately on the completion and standard of the work carried out on the road network.

Recent improvements allow the Depots to informally oversee delivery of work at a local level from a completion/ quality perspective. Unfortunately, the oversight is not recorded in a format that can be used by Management. Therefore, the Highways Function does not have the processes and information in place to give assurance corporately that work is scheduled and delivered on time and to an acceptable standard.

There are records of defects within the AMX system. However, the detail of the information needs to be improved:
- The HAMP lists up 4 types of hierarchy defects: critical defect, maintenance defect, safety defect, programme repairs alongside several different timeframes for each one. None of these are clearly reflected or aligned within the AMX system, therefore making it hard to determine the time in which the jobs need to be completed by, and the priority of the jobs.

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- The information within the AMX only records the date of inspection, not the required completion date. This makes it is hard to determine deadline and whether these targets have been met.
- There are blank fields within the status and work areas within the defect lists.

The Highways Function cannot give assurance that the road network is being maintained in accordance with the HAMP because of poorly integrated systems and information. Delivery and workload information is gathered locally but does not manifest itself into oversight arrangements for corporate reporting. There is a lack of visibility and transparency on the activity of the workforce for responsive repairs.

An analysis of scheduled and unscheduled jobs that were outstanding over 30 days was undertaken. The majority of the major defects (Category 1's) had been completed (85%), however there were 97 that were still outstanding after 30 days. The vast majority are within HGSS Areas 1 and 2(see appendix 2). These jobs are considered the most urgent works and should have been completed to comply with the HAMP.

Some areas of critical work on the road network remain outstanding on the system well after the prescribed deadlines. There is a risk that critical defects are not being promptly and effectively repaired.

45% of the major defects (Category 1's) were within Area 1, and 25% were located in Area 2. The number of Category 1 defects within these areas were significantly higher than within the other areas. The Split between the Category 2.1's is more even; 23% were located in Area 7, 18% in Area 2, 17% within Area 1, and 15% within Area 3. 64% of all jobs were registered as a Category 2.1.

The table below displays the total number of jobs listed within each of the areas and their competition status. Areas 1, 2 and 7 have a higher workload than other areas, with each registering over 1000 jobs. However out of the three, Area 7 is better at managing their workload, with 81% completion. There are issues within Work Area 2, which has the highest number of jobs but the lowest completion level (33%). A detailed analysis of the workload can be found in Appendix 2.

Work Areas	Total No. of Jobs	Complete	Scheduled	Superseded	Unscheduled
HGSS Work Area 1	1208	53.56%	13.66%	0.00%	32.78%
HGSS Work Area 2	1466	33.56%	41.06%	0.00%	25.38%
HGSS Work Area 3	922	76.90%	23.10%	0.00%	0.00%
HGSS Work Area 4	362	62.43%	37.57%	0.00%	0.00%
HGSS Work Area 5	825	74.67%	25.21%	0.12%	0.00%
HGSS Work Area 6	645	92.40%	0.31%	0.00%	7.29%
HGSS Work Area 7	1386	81.31%	15.08%	0.00%	3.61%
(blank)	15	73.33%	26.67%	0.00%	0.00%

The data indicates some areas have much higher workload and some of these, Areas 1 and 2 also have problems with delivery. There is a risk that the workforce is not effectively balanced to meet demand or that performance is not as expected.

Financial Monitoring

Budget holders have easy access to financial reports for the work that they are undertaking. The reports display a greater breakdown on the Capital, Trunk and Private costs than the Revenue costs due to the breakdown of the coding structure. Spreadsheets produced by the Finance team, are discussed with managers within Highways. Reports are produced by the Finance Team that detail the spending in each area and potential issues e.g., where the budget may be short and overspends in particular areas. The Highways budget is reported to cabinet alongside the other services to ensure that there is appropriate governance of the budget.

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There is visibility of Capital and Trunk Road spending at level allowing Managers to confirm or challenge the financial position. However, the is a lack of visibility on a granular level to allow scrutiny of revenue cost

The projected budgets of capital jobs are stored on a spreadsheet, these are not embedded to the EFinancials system. Having them within the system would allow management to clearly see whether there are overspends.

There is a need for a proper costing structure to be embedded including projected costs within the EFinancials system, to ensure visibility increases and to prevent inappropriate or fraudulent activity because of poor cost reporting.

The budget for Environment, Safety & Routine and Highways Operations displayed that there was good control over the costs for these areas. In 20/21 there was a significant decrease within the budget however the accounts displayed that the costs were controlled by the service.

Account Code	Accounting Year	Budget	Actual Costs	Difference
Highways Operations	2019/20	£9,088,847.65	£9,111,474.13	£22,626.48
	2020/21	£5,171,460.00	£5,321,479.92	£150,019.92
	2021/22	£5,504,410.00	£4,694,197.92	-£810,212.08
Environment, Safety and Routine	2019/20	£6,381,061.48	£6,350,558.87	-£30,502.61
	2020/21	£3,594,220.00	£3,540,153.27	-£54,066.73
	2021/22	£3,680,750.00	£3,683,436.29	£2,686.29

However, a review of the Level 9 account codes displays that the lower-level budget costs did not align within the actuals (see appendix 2). During the last year, within capital Scheme the cost for private contractors was 3.5 times higher than the budgeted costs. The overall actual costs were double the budget.

There is control over the top-level budgets, however detailed budget setting and virements should be made within the service to ensure that there are cost controls on a lower level.

Performance Reporting

Depot meetings occur on a regular basis to keep a track of the work progress. Management teams have formalised meetings to discuss both the finance and workload of the depots. The reporting of progress is informal and is not backed up by a statistical analysis. This lack of information does not provide clear direction for the service.

The Capital progress is reported to the HAMP board and discussed with its members, however there no formalised documents of how in depth these discussions. Whilst there is informal oversight, stronger formalised governance will ensure that there is a transparent direction for the Capital program.

Updates on workloads are verbally reported. There is a lack of statistical data provided to the management teams to display those jobs are completed within the required timeframes. There needs to be greater visibility of the service and to prevent jobs being missed.

Systems

Currently the AMX system displays the status of the works (completed, scheduled, unscheduled, superseded), when these were identified and completed. The Laying of the Asphalt has numerous steps in its process alongside multiple work forms (spreadsheets)that are required. Integrating all of this into one system would provide greater visibility to managers, through ease of access.

There is a disconnect between activity, financial and performance reporting. The current processes rely too heavily on spreadsheet and paper-based systems. Consolidated reporting would give improved assurance on management control.

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Highways Stock and Materials

Assurance Opinion		Number of Actions		Risks	Assessment
	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited	**Priority**	**Number**	Lack of visibility and control increasing the likelihood of service delivery failure	**Medium**
		Priority 1	0		
		Priority 2	1		
		Priority 3	2	Loss of financial and reputation damage due to fraudulent activities	
		Total	3		

Background and Scope

The key findings detail the processes used for materials and stock in relation to the resurfacing work that is undertaken by the Highway's Service. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.

The scope of this audit is to undertake a root to branch review within in the Highways Resurfacing, focusing on the use of materials, the stock process, and recording of these items.

Key Findings

Stock Recordings

Stock items are signed out by the workmen on the timesheets that record their daily hours. This is transferred into the financial system by the administrators. An analysis displayed that this system did not always work. The stock reports at the end of the financial year displayed differences from the stock takes alongside negative stock figures. From the Analysis (details appendix 2) it displayed that in March 2021 the biggest loss was -£2,678.22. This was from stock being taken from the depots without being signed to a job.

There are issues with the stock recording system, stock is being used without being costed to the jobs within the financial system. This could potentially loose income for the council if these were for capital or trunk road jobs. Also, this could be an indicator that stock items are missing.

Stock taken out for revenue jobs are coded to the generic cost codes, there is less breakdown within the codes which therefore makes it harder to determine where the stock items have been used. In 20/21, £18,519.66 was costed to one specific revenue code. Although it is easy to see which depot used this stock, it is hard to locate which job these were used on a granular level without going back through the timesheets. There is also no clear link connecting which job within programme of works (AMX system) they were used for.

A review of level 9 account codes displayed that there was no budget for stock items within the financial system (see appendix 2).

There is a lack of visibility on a granular level to allow scrutiny of stock within revenue costs. Virements should be made throughout the year for stock items to ensure that the budgets are accurate.

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Materials

There are procedures in place for purchasing, disposing of materials and the selling of plannings. These procedures seem fit for purpose.

Resurfacing materials are primarily purchased through the procurement card system. The quantity of materials purchases should be calculated as per the information within the initial inspection. The Council are charged for any excess material that is sent back to the plant. Workmen are instructed to use the excess materials close to the work site area. If there is a large number of excess materials the Depot Managers are consulted about the location, before the excess is laid.

Where excess materials are purchased, and the decision to offload these excess materials is described as "anywhere needed", there is an opportunity for misuse to occur. Although there are purchasing forms in place there is nothing stopping someone from over ordering and resurfacing a driveway close by. The possible locations for excess tarmac should be identified by priority using previously identified defect data from the inspection process.

Abnormal tarmac purchases may be difficult to spot due to the current revenue costing structures. The structure uses generic codes for revenue jobs but has a greater breakdown for capital and private works. Within the last year over 59% of tarmac was coded to one revenue code. The lack of visibility within the generic coding makes it hard to link the materials used to specific revenue jobs within the programme of works (AMX system).

There needs to be greater visibility over the materials within the revenue costing structure to ensure that there no abnormal transactions. Linking the purchases to the original specifications within the program or works would help to ensure that no excess tarmac has been ordered.

An analysis displayed the number of materials that the disposed relating to patching works within Environment, Safety and Routine throughout the depots was minimal (£4,702.11). It was also identified that the only Welshpool Depot had sold plannings (£8,776) within the last year.
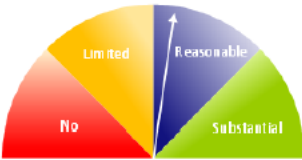
Systems

The cost of the materials and stock are recorded using the EFinancial system. However, the majority of the materials for resurfacing are purchased within the procurement card system. These transactions would take up to a month to reach the jobs within the finance system. Stock purchases can also be made through the procurement card and transferred into the stock recording system. It was seen that on some occasions the amount of stock recorded within the system was in negative figures.

The amount of stock or materials used is not linked to the programme of works within the AMX system.

There are inconsistencies with the update of stock information within the financial system, it is not possible to have negative stock figures within the deports. There is a disconnect between activity, purchases of stock/ materials, use of stock/materials and the programme or works recording system.

Highways Resurfacing Commissioning

Assurance Opinion

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	1
Priority 2	2
Priority 3	2
Total	5

Risks

Risks	Assessment
Loss of financial and reputation damage due to fraudulent activities	Medium

Background and Scope

The key findings detail the processes used for commissioning in relation to the resurfacing work that is undertaken by the Highways Services. Further pieces of work are concurrently being undertaken in the other parts of the process and will be reported using a similar reporting arrangement.

The scope of this audit is to undertake a root to branch review of commissioning in the Highways Resurfacing, focusing on frameworks, inspections, work programmes, financial control, systems and governance.

Key Findings

Safety Inspections:
The quality and quantity of the information recorded for safety inspections of the highway can vary between inspectors in various depots. This information is required to ensure that the Council have a consistent and reliable view of the road network so that they can plan and undertake repairs.

A pre-work site may then be undertaken by a Works Supervisor to obtain Health and Safety information. This cannot be seen within the AMX system, which reduces the transparency of the work that has been undertaken by the Service and does not aid monitoring of performance or financial control.

Duplicated site visits are sometimes taking place by different teams for the same location to facilitate the delivery of the work. A single thorough inspection would be a much more efficient process. The cause of this may be the varying quality of information that is received from the Highway Inspectors and the possible uneasiness of Depot Supervisors to place reliance on the information. The inspectors may need additional training so that reliance can be placed on their work.

A post work inspection is not undertaken in a formal manner. Therefore, there is no independent quality control of the work undertaken in place. An inspection could be carried out as part of the normal highway inspection programme of work and would give assurance that work has been completed to an appropriate standard. In addition, a separation of duties between the pre inspection, delivery and post inspection would be good governance and avoid and potential or perceived conflict of interest.

Unrestricted

Frameworks, Systems and Performance:
A formalised framework is in place (HAMP) and inspections of the road network take place in line with the Council's Policy. Although, the categories used for the setup of the HAMP do not align with those used in the AMX which makes it more makes it more difficult to report performance against the control framework.

The lack of completion dates within the AMX data reduces the ability to produce performance information Therefore, it is unclear whether the Service is meeting its targets to complete the urgent works. Furthermore, the council could be unsighted on incomplete highways work which could impact on liability.

Financial Control:
Capital costs are monitored and controlled using the Council's financial system with unique cost codes, whereas revenue work is posted to generic cost codes.
Generic coding of revenue expenditure makes it hard to determine the costs spent on the individual revenue jobs. As a result, the Council cannot measure how much it spends on each job in terms of workforce, vehicles, equipment, and contractors. This lack of visibility increases the potential for misuse and error as it is impossible for Managers to properly scrutinise the costs incurred in a meaningful manner.

Governance:
The selection process for capital work uses scoring criteria to determine which projects should be commissioned. Whilst this offers good governance, there are inconsistencies between the three areas (South, Mid, North), with the scores being subjective to each area. There is information within the scoring system that has a strong influence from complaints and Member input that will significantly impact inclusion in the work program. Whilst these areas need to be considered, improved commissioning should mainly be based on the need to undertake the work for specific structural and safety needs and not on subjective external factors that can't be particularly quantified or corroborated.

There is no formalised approval of the decisions made by the HAMP Board, and which jobs are to be undertaken within the Capital Work Program. Whilst there is informal oversight, stronger formalised governance will ensure that there is a transparent direction in commissioning the Capital program.

The focus of the governance process is around the capital programme given its value. However, consideration should be given to the governance and commissioning of the revenue work.

Delivery Decision:
The route of delivery i.e., internally or externally, is chosen based on the choices of the Highways teams. The Council has a responsibility to demonstrate value for money in protecting the public purse, but there is no evidence that the financial implications are considered when the delivery route is chosen for capital works. The cost control mechanisms are much more formalised and visible when commissioning external work. However, it is acknowledged that internal delivery is vital in retaining an internal workforce that offers responsive resilience across other Highways functions.

Potential Misuse:
The was no evidence that the commissioning system had been manipulated or misused in any shape or form for personal gain.

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Our audit plan coverage assessment is designed to indicate whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.

The table below provides a visual representation of how our completed audits and work in progress for 2021/22 and 2022/23 financial year to date provides assurance over key strategic risks areas (Risk Universe) in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas increases. 'Adequate' coverage reflects delivery of planned assurance levels.

Risk Rank	Powys Risk Reference	Powys Risk Area	SWAP Risk Review	Coverage Level
1	ASC0064	Social Care Management systems	Housing- homeless and vulnerable, safeguarding, Adults -caseloads, workforce, partnerships, multiagency, Inspections Children – safeguarding, caseloads, LAC, foster care	
2	PPPP007	HOWPS Performance and Delivery	Contract, procurement, and partnerships- social value, insourcing, modern slavery, supplier resilience, nth Party risk, outsourcing risk	
3	WO0021	Workforce Planning. Recruitment and Retention	Workforce – covid, recruitment and selection, exit payments, talent management, training, sickness	
4	PCC0005	Impact of the Covid pandemic on the residents of Powys	Covid- Delivering Services	
5	FIN0001	Inability to Setting a balance Budget heightened by pandemic	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit, Capital	
6	ICT0029	Cyber Security Threat	Information Management – Access, cyber security, business continuity, information governance, digitalisation, Comms, Mobile Devices	
7	PCC0002	Impact of Brexit	Change- Brexit, transformation, project failure, emergency planning	
8	PROC0008	Increasing costs of supply and materials in current market		
9	ICT0010	GDPR and DPA Non-Compliance		

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Overall the internal audit programme of work has adequate coverage of key risks.

It should be noted that forms of assurance are sometimes given by other providers.

10	CS0081	Children Services Budget Management	Financial resilience- spending review, funding gaps, commercialisation, financial crime, Brexit	
11	ED0022	Schools Financial Management / Distribution formula	Educational Delivery – absence, asset management, budgets, workforce, transport,	
12	PCC0003	Negative Inspection Reports		
13	COVID0058 (Withdrawn)	Non delivery of PIAP due to Covid, Schools Transformation	Educational Delivery – absence, asset management, budgets, workforce, transport,	
14	HO0024	Statutory Compliance in Housing stock	Strategic asset management- land and property management Health, Safety and Wellbeing – homeworking, public spaces, building cladding, housing maintenance	
15			Governance- decision making and scrutiny, culture, ethics and regulatory compliance	
16			Planning-affordable Housing Local Economy -unemployment, decline of High Street, transport Environment – sustainability, climate change, carbon reduction, recycling	

Coverage Key	
Good	Good coverage complete
Adequate	Adequate coverage complete
Some	Coverage Completed
In progress	Some Areas of Coverage planned or in Progress
None	No coverage to date

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Follow up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

Powys County Council Insight Dashboard

← to Detailed Summary

Drill down to Agreed Actions

Powys

Agreed Actions made by Internal Audit

Total	Overdue	In Progress	Completed	Not Agreed
152	**31**	**45**	**76**	**0**
Agreed Actions	Agreed Actions	Agreed Actions	Agreed Actions	Agreed Actions

Priority 1&2 requiring immediate attention

Priority 1&2	Long Standing P1&2
19	**5**
Overdue Actions	Overdue Actions

Total No of Agreed Actions by Status

31 (20.39%)
45 (29.61%)
76 (50%)

Status
● Complete
● Ongoing
● Outstanding

Agreed Actions by Priority

73 (48.03%)
12 (7.89%)
67 (44.08%)

Priority
● 1
● 2
● 3

Outstanding Agreed Actions by Directorate

Directorate/ Service	Overdue 30 to 60 Days	Overdue 60+ Days	Overdue up to 30 Days	Total
Adult Care Services	1			1
Democracy		2		2
Finance	2	1	11	14
ICT		2		2
Total	**3**	**5**	**11**	**19**

Outstanding Agreed Actions by Priority

17
2
Priority
2   1
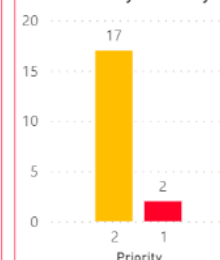
Priority 1&2 Agreed Actions on the Horizon (due in 30 days or less)

Priority 1	Priority 2
1	**2**
In Progress	In Progress

Agreed Actions by Due Date

3 — Due in 0-30 days
3 — Due in 60-90 days
22 — Due in 90+ days
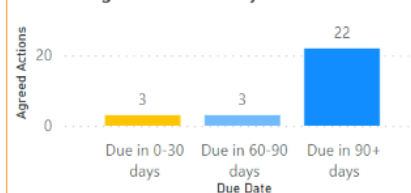
Priority 3 Agreed Actions that would add value (if implemented)

Priority 3	Priority 3
12	**17**
Overdue	In Progress

These outstanding issues have been

Key Oustanding Issues

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stagnated and are long overdue.

The failure to implement agreed actions increases the risk of unwanted events occurring.

All Internal Audit issues have been accepted by management.

The are no significant actions on the horizon that may become outstanding

Management is successfully implementing

The list below is those priority 1 and Priority 2 recommendations that have not been implemented within the agreed timescale.

Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
Finance	Baseline Assessment of Fraud Maturity	458 03	Align counter-fraud resources to the results of the risk assessment and establish responsibility for assurance between SWAP and the Powys Counter Fraud Team.	2	David Morris	01/07/2022	18	Outstanding
Finance	Baseline Assessment of Fraud Maturity	457 97	Complete risk assessment process in liaison with SWAP and assign responsibility for ongoing management of process.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 02	Create and approve a training plan for Council Officers and Members in relation to anti-fraud and corruption and agree on awareness protocol.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 00	Create and publicise a direct anti-fraud phoneline to stakeholders.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 11	Ensure relevant strategies and policies are subject to required ongoing scrutiny and review.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 08	Implement a process for vetting candidates in respect of fraud and financial fraud risk.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	457 98	Make anti-fraud and corruption training mandatory for all staff.	2	David Morris	30/06/2022	19	Outstanding
Finance	Creditors Control Risk Self Assessment	464 15	Payments made without purchase orders – schools that do not use e-procurment: project is being started to investigate the procure to pay process in schools. Covid Business Grants, Free school meals payments and School uniform grants are processed without orders	2	Sarah Quibell	30/04/2022	80	Outstanding

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internal audit agreed actions.

Imprest claims do not have orders
School transport contract payments do not have orders.

There are very few payments outside of these categories that are made without orders.

Of greater concern are the orders that are created after the invoice date – these are being reported to Heads of Service and will be scrutinised. Training will be provided where there are persistent offenders who continue to raise orders after the invoice has been raised.

Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
Finance	Baseline Assessment of Fraud Maturity	458 10	Re-perform baseline assessment for fraud maturity.	2	David Morris	30/06/2022	19	Outstanding
Finance	Baseline Assessment of Fraud Maturity	458 06	Review Whistleblowing Policy and ensure ut has the correct contact details and is then made available to key stakeholders as appropriate.	2	David Morris	30/06/2022	19	Outstanding
Adult Care Services	D.O.L.S	420 73	Staffing Resources - Assessors We recommend reviewing staffing/contractor arrangements to ensure that the DoLS team is adequately resourced with appropriate procedures in place to ensure the availability of Best Interest Assessor to enable assessments to be carried out on a timely basis.	1	Senior Manager Contact & Adult Safeguarding	31/03/2020	80	Outstanding
Finance	Commissioning & Partnerships	470 35	The contracts register and contracts exemption protocols have been updated to ensure full and proper authorisation and compliance.	2	Vince Hanly &	01/07/2022	18	Outstanding
Finance	National Fraud Initiative	469 13	The team undertake proactive anti-fraud and error exercises regularly outside of NFI including Single Person Discount reviews and Business Grant checks. This is helpful to prevent and detect fraud before the NFI exercises every two years. Despite the recent pressures on Local Government by ways of grant support for	1	Jane Thomas	01/06/2022	48	Outstanding

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residents and business, the anti-fraud review work has continued but the teams have found it difficult to also find time for updating the NFI exercises on what has been done already along with reviewing those NFI matches that are new. I can confirm that teams have now completed the NFI matches providing updates on all cases and have only 7 cases that have been opened to investigate and complete as of today's date.

Directorate /Service	Audit Name	Ref	Agreed Action	Priority	Responsible Officer	Implementation Date	Implementation Days	Status
Finance	Baseline Assessment of Fraud Maturity	458 07	Update staff and Member codes of conduct to include direct fraud reference.	2	David Morris	30/06/2022	19	Outstanding
Democracy	Conflict of Interest	429 29	We recommend all staff should receive appropriate training as new employees and periodic refreshers in relation to the code of conduct.	2	Head of Legal and Democratic Services.	01/01/2021	384	Outstanding
			We also recommend that the Authority needs to issue guidelines for all Officers of the Authority as to how to declare and record any Conflicts of Interests. This guidance should be linked to the Code of Conduct and should form part of a structured training and refresher programme.					
Finance	Debt Management	423 15	We recommend that all debt is pursued in line with the Authorities approved guidance.	2	Dave Thomas	01/04/2020	839	Outstanding
ICT	GDPR-Information Asset Registers	451 19	We recommend that going forward the Professional Lead Data Protection officer undertakes monitoring of the information that the services enter into the asset registers to determine that the information is accurate and timely.	2	Helen Dolman/ Clive Pinney	31/03/2022	110	Outstanding
Democracy	Conflict of Interest	429 28	We recommend that the Authority needs to ensure that all staff are made aware of their declaration responsibilities and methods to record any conflict of interests.	2	Head of Legal and Democratic Services.	01/12/2020	475	Outstanding
ICT	GDPR-Information	439 65	We recommend that the Council reviews its current information asset registers to ensure that	2	Helen Dolman/	31/03/2022	110	Outstanding

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Asset Registers	all information has been included, and the quality of information is consistent throughout.	Clive Pinney	

Not Agreed Actions

All actions were agreed by the Service at the time of the audit.

Agreed Action Implementation

The chart below shows the number of agreed actions from audit work compared to those actions that are not implemented after exceeding the agreed deadline.

Implementation of Actions (2 year rolling)

A line chart titled "Implementation of Actions (2 year rolling)" with a y-axis ranging from 0 to 350 in increments of 50. The x-axis shows quarters from Q3 2020/21 to Q1 2022/23. Two lines are shown: "Agreed Actions" (blue) and "Implemented Actions" (orange).

Quarter	Agreed Actions	Implemented Actions
Q3 2020/21	~188	~153
Q4 2020/21	~203	~190
Q1 2021/22	~228	~220
Q2 2021/22	~260	~250
Q3 2021/22	~288	~280
Q4 2021/22	~328	~310
Q1 2022/23	~153	~122

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Summary of Internal Audit Work 2022/23 - Q1

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	⟷	3 = Medium
					Action		
					1	2	3
Completed							
Adults & Childrens	Continuing Heath Care	Complete	Limited	4	-	4	-
Finance	Contract Exemptions	Complete	Reasonable	2	-	2	-
Finance	National Fraud Initiate Administration (Qrt 1)	Complete	Advisory	-	-	-	-
Finance	National Fraud Initiative Interim Report Q1	Complete	Advisory	-	-	-	-
Finance	Risk Appetite Benchmarking	Complete	Advisory	-	-	-	-
Highways, Transport & Recycling	Highways – Delivery, Reporting and Monitoring	Complete	Limited	4	2		2
Highways, Transport & Recycling	Highways - Flexi- time Payments	Complete	Reasonable	3	-	-	3
Highways, Transport & Recycling	Highways – Non-Standard Payments	Complete	Reasonable	4	-	2	2
Highways, Transport & Recycling	Highways -Fuel Security and Usage	Complete	Limited	4	1	3	-
Highways, Transport & Recycling	Highways -Stocks and Materials	Complete	Reasonable	3	-	1	2
Highways, Transport & Recycling	HTR Resurfacing – Commissioning	Complete	Reasonable	5	1	2	2
Highways, Transport & Recycling	HTR Resurfacing – Procurement	Complete	Reasonable	6	1	2	3
Public Protection	Estate Agent Grant	Complete	Reasonable	-	-	-	-

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major		3 = Medium
					Action		
					1	2	3
Schools	Brynhafren CP	Complete	Reasonable	4	-	1	3
3Schools	Gwernyfed High School	Complete	Substantial	3	-	2	1
Schools	Penygloddfa Primary School	Complete	Reasonable	10	-	8	2
Schools	Ysgol Maesydderwen High School	Complete	Reasonable	4	-	1	3
Transformation and Communication	Action Tracking and Follow-up Q1 (Apr/May/Jun)	Complete	Advisory	-	-	-	-
Corporate	Archiving Powys IA records	Complete	Support	-	-	-	-

		Reporting					
Schools	Berriew Primary School	Draft with Client					
Schools	Guilsfield Primary School	Draft with Client					
Schools	Llanidloes Primary School	Draft with Client					
Schools	St Marys Primary School	Draft with Client					

		In Progress Q1					
Finance	Ordering Goods and Services	Draft					
Finance	Purchase Cards Qtr1	WIP					
Schools	Ysgol Bro Hyddgen High School	Draft					

Service Area	Audit Area	Status	Opinion	No of Actions	1 = Major	⟷	3 = Medium
					Action		
					1	2	3
Not Started – Q2							
Childrens	Managing Financial Commitments	Not Started					
Corporate	Complaints	Not Started					
Corporate	Fraud Maturity Base Line Assessment follow up	Not Started					
Corporate	Integrated Business Planning	Not Started					
Corporate	Risk Management	Not Started					
Corporate	Whistle Blowing	Not Started					
Finance	Business Rates – Liability and Billing	Not Started					
Finance	Capital Accounting	Not Started					
Finance	Debt Administration	Not Started					
Finance	Pensions	Not Started					
Finance	Suspense Account Income	Not Started					
Housing & Community	Statutory Compliance Housing	Not Started					

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