

Report of the Chief Auditor

Audit Committee – 16 February 2016

INTERNAL AUDIT ANNUAL PLAN 2015/16 MONITORING REPORT FOR THE PERIOD 1 OCTOBER 2015 TO 31 DECEMBER 2015

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2015 to 31 December 2015.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2015/16
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2015/16 was approved by the Audit Committee on 9 April 2015 and quarterly monitoring reports are presented throughout the year to allow Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits which were finalised in the period 1 October 2015 to 31 December 2015.

2. Audits Finalised 1 October 2015 to 31 December 2015

2.1 The only vacant post currently within the Internal Audit Section is 0.5 of an Auditor post which was highlighted in the Annual Plan report and was initially being kept vacant until 30th September 2015 but will now continue for the rest of the year.

2.2 The Internal Audit Section has continued to experience unusually high levels of sickness with a total of 35 days sick leave being recorded in the 3rd Quarter. This gives a total of 138 days sick leave for the year against an annual budget of 49 days.

2.3 A total of 22 audits were finalised during Quarter 3. The audits finalised are listed in Appendix 1 which also shows the level of assurance given at the end of the audit and the number of recommendations made and agreed.

2.4 An analysis of the audits finalised during the 3rd Quarter is shown in the following table

Assurance Level	High	Substantial	Moderate	Limited
Number	5	12	5	0

2.5 A total of 217 audit recommendations were made and management agreed to implement 215 recommendations i.e. 99.1% against a target of 98%.

2.6 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during Quarter 3 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
5	54	115	41	215

2.7 To allow the Audit Committee to more closely monitor the progress being made during the year by the Internal Audit Section to achieve its Annual Plan, Appendix 2 shows each audit included in the Plan approved by Committee in April and identifies the position as at 31 December for each audit.

2.8 A number of audits are shown in Appendix 2 as being deferred, the total number of days for the deferred audits is 177. The audits have been deferred partly due to the increased level of sickness mentioned above but also due to increased time spent on grant audits and clients being unable to accommodate an audit due to service pressures.

2.9 A number of audits which were originally deferred until 2016/17 have now been brought forward to the current year to replace some of the

audits deferred. The audits brought forward are highlighted in bold in Appendix 2. The number of days for the audits brought forward is 94 which then leaves audits with a total of 83 days being deferred.

- 2.10 In 2014/15 almost 500 days were deferred and in 2013/14 just under 350 days were deferred due to the level of vacancies experienced in both years. The likely outcome in the current year of less than 100 days being deferred shows that the Internal Audit Section has been far more successful in delivering the Audit Plan for 2015/16.
- 2.11 Appendix 3 shows brief details of the significant issues which led to the 5 audits being considered to be moderate. There were other less significant findings also included in the final audit reports issued to management
- 2.12 A Management Action Plan which includes a series of recommendations to address the issues arising from each audit receiving a negative level of assurance has been agreed with management. A follow up audit will be arranged within 6 months of the final report being issued to confirm that the agreed recommendations have been implemented.
- 2.13 Any audit which receives a moderate or limited level of assurance is also reported to the relevant Directorate PFM meeting so that the action taken to implement the agreed recommendations can be monitored by the Director and Head of Service
- 2.14 The Internal Audit Section was also involved in the following work during Quarter 3 which was not included in the Audit Plan for 2015/16
- Continued sample testing of Equal Pay calculations prior to offers being made to staff
 - A review of the process for calculating Back Pay due to staff who gained following the implementation of Single Status. Sample testing of back pay will continue for the remainder of this year.
 - The ERW Regional Consortium has required an Internal Audit review of the following grants prior to the grant claims being signed off by the ERW Section 151 Officer. This work was unplanned and has taken up a great deal of Internal Audit resource
 - School Effectiveness Grant 2014/15
 - Welsh in Education Grant 2014/15
 - 14 – 19 Learning Pathways Grant 2014/15
 - Pupil Deprivation Grant 2014/15
 - Education Improvement Grant 2015/16
 - Review of financial controls in place at a Pupil Referral Unit at the request of management

- Financial appraisal of prospective partner to develop an integrated purpose built Primary Care and Family Centre in Mayhill
- Review of issues regarding salary payments at the request of Head of Finance and Delivery

3. Follow Ups Completed 1 October 2015 to 31 December 2015

- 3.1 The follow up procedures operated by the Internal Audit Section include visits to any non fundamental audits which received a moderate or limited level of assurance to confirm that action has been taken by management to address the concerns raised during the original audit.
- 3.2 The follow up visit is usually within 6 months of the final report being issued and includes testing to ensure that any high or medium risk recommendations have been implemented. Where agreed recommendations have not been implemented, this will be reported to the appropriate Head of Service (or Chair of the Governing Body in the case of schools) and the Head of Finance and Delivery.
- 3.3 During the 3rd Quarter, a follow up visit was made to confirm the implementation of the recommendations arising from the Music Service audit which had received a moderate level of assurance in April 2015.
- 3.4 The follow up visit to the Music Service found that substantial progress had been made with all but one of the agreed recommendations being fully implemented. The outstanding recommendation had been subject to the preparation of a business case to purchase a bespoke system to administer recharges which at the time of the follow up was awaiting management approval.
- 3.5 The Recommendations Tracker exercise for 2014/15, which reviews the implementation of recommendations made during the fundamental audits was completed in Quarter 3 and is subject to a separate report on the agenda for this meeting.

4 Equality and Engagement Implications

- 4.1 There are no equality and engagement implications associated with this report

5. Financial Implications

- 5.1 There are no financial implications associated with this report.

6. Legal Implications

- 6.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2014/15

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 3 2014/15
Appendix 2 Internal Audit Plan 2015/16 – Progress to 31/12/15
Appendix 3 Moderate Level of Assurance – Significant Issues