

Report of the Chief Auditor

Audit Committee – 14 March 2017

INTERNAL AUDIT ANNUAL PLAN 2016/17 MONITORING REPORT FOR THE PERIOD 1 OCTOBER 2016 TO 31 DECEMBER 2016

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2016 to 31 December 2016.
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2016/17
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
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Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2016/17 was approved by the Audit Committee on 19 April 2016 and quarterly monitoring reports have been 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 2016 to 31 December 2016.

2. Audits Finalised 1 October 2016 to 31 December 2016

- 2.1 An Auditor post which had previously been covered by an agency auditor was filled on a permanent basis in October 2016 which means that all posts within the Section are now filled by a permanent member of staff.
- 2.2 The Internal Audit Section has continued to experience unusually high levels of sickness in the 3rd Quarter of 2016/17 with a total of 63 days. The total number of sick days taken in the since 1 April 2016 is 199 days against an annual budget of 80 days. Most of the sick in Quarter 3 was due to a member of staff with a serious knee problem which severely restricted mobility. However the member of staff returned to work on a phased return basis during December 2016.
- 2.3 A total of 21 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. It is pleasing to note that once again, no audits received a moderate or limited level of assurance in the quarter.

Assurance Level	High	Substantial	Moderate	Limited
Number	5	16	0	0

- 2.5 A total of 142 audit recommendations were made and management agreed to implement 138 recommendations i.e. 97.2% against a target of 95%. The recommendations which were not agreed were either low risk or good practice or it was shown by management that compensating controls were in place.
- 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
0	29	79	30	138

- 2.7 In addition, the Internal Audit Section also certified the following grants in the quarter as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount £
Supporting People Programme Grant 2015/16	13,817,121
Pupil Deprivation Grant 2015/16	6,375,365

- 2.8 It was found that the grants had been spent in accordance with the agreed purpose and that only eligible expenditure was included.
- 2.9 The Audit Plan is a 'living' document which is likely to change during the course of the year due to e.g. emerging risks or new priorities. However it is important that the Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in April and identifies the position of each audit as at 31 December 2016.
- 2.10 An analysis of the details in Appendix 2 shows that by the end of December 2016, approximately 69% of the Audit Plan was either completed or in progress which is excellent progress, particularly in view of the levels of risk mentioned above. It is expected that by the end of the year, the Performance Indicator for the percentage of the Audit Plan completed will be significantly higher than the result for 2015/16.
- 2.11 As reported previously, the way primary schools audits are undertaken has been changed to use a self-assessment questionnaire and a much shorter audit visit. It is hoped that using this basis for primary school audits will have benefits both for the Internal Audit Section by reducing the amount of time for each audit and also for schools by reducing the Service Level Agreement recharge for audits and causing less disruption at school during the audit visit.
- 2.12 The self-assessment questionnaire was completed during Quarter 1 and the opportunity was also taken to review the scope of primary school audits to ensure that it remained relevant and fit for purpose.
- 2.13 The questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the December, 22 completed questionnaires had been returned. Work is ongoing to chase the return of the outstanding questionnaires. Committee may wish to consider a letter being sent by the Chair to those schools who have not returned their questionnaires.
- 2.14 The returned questionnaires have been analysed and a short visit to schools commenced during Quarter 3 to confirm that controls are in place. A draft report will then be sent to the Headteacher before being finalised and reported to the School's Governing Body. School visits will continue during Quarter 4.
- 2.15 The Internal Audit Section was also involved in the following work during Quarter 3
- Continued sample testing of Equal Pay calculations prior to offers being made to staff

- Continued sample testing of Back Pay calculations prior to payments being made to staff.
- The data for the National Fraud Initiative 2016 exercise was uploaded to the NFI website by the due date
- A review of the system for providing Homefix loans was undertaken following a whistleblowing complaint.
- Staff provided input into the creation of online starter and leaver forms by Employee Services
- The Annual report of school Audits 2015/16 was presented to the Schools Scrutiny Performance Panel in November 2016.
- Advice was provided regarding proposed changes to the Civic Centre Cash Office

3. Follow Ups Completed 1 October 2016 to 31 December 2016

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 and test 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 Chief Finance and Deputy Section 151 Officer.

3.3 During the 3rd Quarter, follow up visits made to the following services to confirm that the agreed recommendations had been implemented showed that substantial progress had been made and no further follow up visits were required

- Portmead Primary School
- Seaview Primary School
- Grand Theatre
- Swansea Children's Centre/Mayhill Family Centre

3.4 Follow up visits were also made to the following services during Quarter 3 where it was found that satisfactory progress had not been made with a number of agreed recommendations still to be implemented

- Suresprung
- Community Equipment Store
- Community Alarms
- Car Parks

- 3.5 A second follow up visit has been scheduled for later in the year to the services highlighted above to confirm that the outstanding recommendations have been implemented.
- 3.6 The Recommendations Tracker exercise for 2015/16 which confirms that the recommendations arising from the fundamental audits have been implemented was completed during Quarter 3.
- 3.7 The results of the Recommendations Tracker exercise for 2015/16 was presented to the Audit Committee at its meeting on 3 January 2017 where it was reported that the number of recommendations arising from fundamental audits continues to decline and that good progress had been made with 37 of the 46 agreed recommendations being implemented by the end of November 2016 with the rest being on line for implementation by the end of the financial year.

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 2016/17

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 3 2016/17
Appendix 2 Internal Audit Plan 2016/17 – Progress to 31/12/16