

## Report of the Chief Auditor

Audit Committee – 20 June 2017

### INTERNAL AUDIT ANNUAL PLAN 2016/17 MONITORING REPORT FOR THE PERIOD 1 JANUARY 2017 TO 31 MARCH 2017

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2017 to 31 March 2017.
<b>Policy Framework:</b>	None
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2016/17
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	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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#### 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 January 2017 to 31 March 2017.

## 2. Audits Finalised 1 January 2017 to 31 March 2017

- 2.1 Due to the Chief Auditor's retirement at the end of March, plans were put in place to allow the implementation of the Audit Section's restructure from April 17. Competitive interviews took place resulting in the appointment of one of the Senior Auditors as the new Principal Auditor. This has resulted in the loss of one full time equivalent post from 2017/18 onwards.
- 2.2 The Internal Audit Section has continued to experience moderate levels of sickness in the 4<sup>th</sup> Quarter of 2016/17 with a total of 21 days. The total number of sick days taken in the since 1 April 2016 is 220 days against an annual budget of 80 days. As previously reported, most of the sickness in the year was due to a condition experienced by one member of staff.
- 2.3 A total of 27 audits were finalised during Quarter 4. 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 4<sup>th</sup> Quarter is shown in the following table.

<b>Assurance Level</b>	High	Substantial	Moderate	Limited
Number	7	18	2	0

- 2.5 A total of 230 audit recommendations were made and management agreed to implement 229 recommendations i.e. 99.6% against a target of 95%. The one recommendation that was not agreed was classed as low risk.
- 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 4 is shown in the following table

<b>High Risk</b>	<b>Medium Risk</b>	<b>Low Risk</b>	<b>Good Practice</b>	<b>Total</b>
2	32	129	66	229

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

<b>Grant</b>	<b>Amount £</b>
Education Improvement Grant Q3 2016/17	1,987,423

- 2.8 It was found that the grant 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 March 2017.
- 2.10 The following table shows brief details of the significant issues which led to the two moderate ratings issued in the quarter.

<b>Audit</b>	<b>Assurance Level</b>	<b>Reasons</b>
Youth Offending Service	Moderate	<ul style="list-style-type: none"> <li>• Contract procedure rules were not being complied with for purchases in excess of £5k</li> <li>• Purchase Card transactions were not being approved within department</li> <li>• Appropriate records were not being kept detailing annual leave/flexi balances and approvals</li> <li>• Out of County mileage was being claimed incorrectly</li> <li>• One instance of mileage being claimed whilst using a pool car was identified</li> </ul>
Employment of Agency Staff	Moderate	<ul style="list-style-type: none"> <li>• Lack of budgetary permission being sought prior to employment</li> <li>• Instances were no evidence of approval from Head of Service was available</li> <li>• Lack of evidence to confirm that DBS Checks/Social Services registration had been completed on occasion</li> <li>• No evidence of budgetary permission/ Head of Service approval prior to contracts being extended</li> <li>• Lack of notice being provided to agency staff of their entitlement to equal treatment after twelve</li> </ul>

		weeks of employment as per the Agency Worker Regulations 2010.
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- 2.11 An analysis of the details in Appendix 2 shows that by the end of March 2017, approximately 72% of the Audit Plan was either completed or in progress which is excellent progress, particularly in view of the levels of sickness experienced in year.
- 2.12 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.
- 2.13 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.
- 2.14 The questionnaire was sent to 28 primary schools due for audit in 2016/17 during Quarter 1 and by the end of the March, 26 completed questionnaires had been returned. Work is ongoing to chase the return of the outstanding questionnaires. Some of the schools that responded late are due to be audited in Q1 2017/18.
- 2.15 The school questionnaire is due to be reviewed again early in Quarter 1 to ensure any lessons learnt from the initial introduction of the programme have been taken into account. Any amendments will be reflected in the version that will be sent to those schools due to be audited in 2017/18 as part of the three year rolling programme.
- 2.16 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 have continued during Quarter 4 and the findings of the audits will be reported separately in the Annual Report of School Audits.
- 2.17 The Internal Audit Section was also involved in the following work during Quarter 4:
- 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.

- Review of the accounts submitted for National Assembly for Wales, Police and Crime Commissioner Elections and the Referendum.
- Data upload for the National Fraud Initiative 2016 exercise.

### **3. Follow Ups Completed 1 January 2017 to 31 March 2017**

- 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. No follow up visits were required in Q4.

### **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 4 2016/17  
Appendix 2 Internal Audit Plan 2016/17 – Progress to 31/03/17