



Report of the Chief Auditor

Audit Committee – 12 December 2017

Internal Audit Annual Monitoring Report Quarter 2 2017/18

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2017 to 30 September 2017.
Policy Framework:	None.
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:	Simon Cockings
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 The Internal Audit Annual Plan 2017/18 was approved by the Audit Committee on 28th March 2017 and quarterly monitoring reports will be 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 1st July 2017 to 30th September 2017.

2. Audits Finalised 1 July 2017 to 30 September 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 2017. 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 high levels of sickness in the 2nd Quarter of 2017/18 with a total of 63 days absence. Cumulative sickness absence to date stands at 109 days against a projected annual budget of 80 days. As previously reported, most of the sickness in the second quarter has been caused by two members of staff being off for extended periods of time.
- 2.3 A total of 21 audits were finalised during Quarter 2. 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 2nd Quarter is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	7	12	2	0

- 2.5 A total of 249 audit recommendations were made and management agreed to implement 248 recommendations i.e. 99% against a target of 95%. The one recommendation that was not agreed, for practical operational reasons, was classed as low risk, and is agreed with the S151 Officer.
- 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 2 is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
0	24	158	66	248

- 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 £
Education Improvement Grant 2016/17	9,937,118

Live Kilometre Grant 2016/17	n/a
Supporting People Programme Grant 2016/17 – Outcomes	n/a
Supporting People Programme Grant 2016/17 – Regional Development Coordinator	42,374
School Uniform Grant 2014/15, 2015/16, 2016/17	51,392 45,976 61,037

2.8 It was found that in all cases, 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 March and identifies the position of each audit as at 30 September 2017.

2.10 The following table shows brief details of the significant issues which led to the two moderate ratings issued in the quarter.

Audit	Assurance Level	Reasons
Penyrheol Leisure Centre & Elba Sports Complex	Moderate	<ul style="list-style-type: none"> • No evidence recorded on the Pool Fire Risk Assessment Action Plan to confirm required actions had been implemented. • DBS database was incomplete. • A number of club bookings sampled showed no evidence of public liability insurance being checked. • The staff listing for the site showed two members of staff that were no longer employed on site were still being paid. • Till cashing up records were not being signed by the cashier on duty.
Catering Services Headquarters	Moderate	<ul style="list-style-type: none"> • The Purchase Card on site was being used by a number of members of staff. • Mileage stated on mileage

		<p>claims was not being adequately checked prior to claims being approved and claims did not include enough information.</p> <ul style="list-style-type: none"> • VAT was not being reclaimed on petty cash purchases. • Written confirmations of function bookings were not available for review. • Instances of non-compliance with Contract Procedure Rules were noted for supplier purchases. • Inventory records were not being kept up to date and no Annual Inventory Certificate had been prepared as per AI9. • A number of these recommendations were repeated from the previous audit in 2013/14.
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2.11 An analysis of the details in Appendix 2 shows that by the end of September 2017, approximately 50% of the Audit Plan was either completed or in progress which is as expected at the end of the second quarter in the year.

2.12 The Internal Audit Section was also involved in the following work during Quarter 2:

- Bishop Vaughan Comprehensive School investigation in relation to administrative practices.
- Continuation of work on the National Fraud Initiative 2016.
- Production of the Annual Report of School Audits 2016/17.
- Sample testing of back pay calculations which resulted in a total reduction of £3,300 in the payments due.

3. Follow Ups Completed 1 July 2017 to 30 September 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 Head of Financial Services and Service Centre (Section 151 Officer).
- 3.3 Follow-up audits were completed for Suresprung, Community Equipment Store and the Community Alarm Service all of which are based in Adult Services. The follow up visits confirmed that whilst progress had been made, some recommendations had not been implemented or were in the process of being completed. Due to the departure of the previous manager covering all three areas, and due to other resource issues within the service the implementation of some of the recommendations has been delayed. All three audits are due to be completed again in full as part of the three-yearly programme in 2018/19.
- 3.4 A follow-up audit was also completed of the Flexi Time System. Similarly, the follow-up confirmed that whilst some progress had been made in implementing the recommendations, some had not been completed. Again, the manager of the service has since retired, and a number of the recommendations are due to be implemented in conjunction with the introduction of amended policies and processes that are due to be completed by March 2018. This audit is also due to be undertaken in full in 2018/19.

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 2017/18

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 2 2017/18
Appendix 2 Internal Audit Plan 2017/18 – Progress to 30/09/17