



Report of the Chief Auditor

Audit Committee – 8 March 2018

Internal Audit Annual Plan 2017/18 Monitoring Report for the Period 1 October 2017 to 31 December 2017

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2017 to 31 December 2017.
Policy Framework:	None.
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2017/18.
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 October 2017 to 31st December 2017.

2. Audits Finalised 1 October 2017 to 31 December 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 seen a significant reduction in the levels of sickness in the 3rd quarter of 2017/18 compared with previous quarters, with a total of 8 days sickness absence. However, cumulative sickness absence to date stands at 117 days against a projected annual budget of 80 days.

- 2.3 A total of 34 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	10	18	6	0

- 2.5 A total of 275 audit recommendations were made and management agreed to implement all of the recommendations i.e. 100% against a target of 95%.

- 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
1	50	174	50	275

- 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.

Grant	Amount £
Pupil Deprivation Grant	6,926,454
Supporting People Programme Grant 2016/17	13,817,121

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 31 December 2017.

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

Audit	Assurance Level	Reasons
Concessionary Fares	Moderate	<ul style="list-style-type: none"> • Data from contracted bus operator – sample testing of data from the Pontardawe Depot (closed April 2015) revealed that the number of tickets claimed from the Council consistently exceeded the numbers evidenced on reports run from the company's computer system. • Extrapolating the over-claim over the whole of 2014/15 resulted in the calculation of an estimated overpayment of £65,000. • Senior staff within the contracted bus operator were advised of our findings in August 2016 and were asked to re-examine the data and give an explanation for the variance found. At the time of finalising the audit, no satisfactory response had been received. • As a result, we requested that £65,000 should be withheld from

		<p>monthly payments made to the contracted bus operator.</p> <ul style="list-style-type: none"> • (Note that since finalising the report, revised data has been received to substantiate the variance and the withheld amount has since been paid).
Specialist Park Services	Moderate	<ul style="list-style-type: none"> • Cheque Income – Receipts were not being issued or recorded for cheque income, making it impossible to verify if all cheques received had been banked. • VAT on Income – the incorrect VAT code was being used when banking income from online sales. It transpires that the incorrect code had been used for a number of years, which has resulted in an underpayment of VAT. • (Note that action had been taken by the department to address the issues identified at the time of finalising the report).
Independent Agency Placements	Moderate	<ul style="list-style-type: none"> • Placement Contracts – sample testing of placement contracts revealed that there were variable periods ranging from two months to three and a half years between the placement start date and the date the contract was signed by the provider. • Placement Invoices – sample testing comparing invoice amounts to the Placement Contract and Permanency Unit data showed variances in 8 out of 20 cases. Placement agreement prices were also found to be incorrect on a number of occasions. • Extended sample testing of placement invoices revealed two underpayments and one overpayment. • Placement Internal Notifications

		<p>(IN's) – one instance was noted where an additional charge was incorrectly included on one of the IN's reviewed.</p> <ul style="list-style-type: none"> • Continuation Orders – continuation orders were not being closed down on Oracle after a placement had ended to prevent any additional invoices being receipted in error.
Fleet Maintenance	Moderate	<ul style="list-style-type: none"> • Routine Safety Inspections/ Services – a review of the Stores issuing procedures revealed that vehicle fitters can sign stores requisition notes but there is no review to ensure the parts requisitioned have been fitted to vehicles. It was also noted that there was no monitoring of the oil used by fitters. It was agreed following the previous audit that a system of spot checks would be introduced, but this had not been implemented. (Repeated from previous audit). • Fitting of Tyres – it was agreed following the previous audit that tyres fitted off site by the external contractor would be inspected by CTU staff. However, this control was not introduced. (Repeated from previous audit). • Purchase of Goods/Services – testing revealed that apart from tyre purchases, the majority of expenditure tested did not comply with the Councils Contract Procedure Rules as there was no evidence of quotations or tenders being obtained for the suppliers selected. (Repeated from previous audit).
Penlan Leisure Centre	Moderate	<ul style="list-style-type: none"> • DBS – it was noted that a number of staff had worked on site with lapsed DBS's (repeated from previous audit). • Event Bookings – sample testing

		<p>of event bookings showed that on occasion, when bookings are made via e-mail copies of the e-mail are not kept to support unsigned booking forms.</p> <ul style="list-style-type: none"> • Club Bookings - sample testing of club bookings showed that none of the clubs in the sample tested had provided proof of public liability insurance (repeated from previous audit). • Personnel – verification of those staff listed on Oracle as working on site revealed that a number of relief staff were still listed. In addition, the previous Leisure Centre Manager was still listed as being employed on site, despite moving to a different role in March 2017. • Cashing-up procedure – of the thirty-one cashing up records tested: <ul style="list-style-type: none"> ○ Seven cashier till reconciliations had not been retained. ○ One paying in books stub did not record the correct amount banked. ○ Eleven control sheets had not been signed by an authorised signatory. ○ Three had not been signed by the cashier. ○ On a number of occasions the G4S bank bag serial number had not been recorded on the control sheets.
Taxi Framework Contracts	Moderate	<ul style="list-style-type: none"> • Ten of the paid invoices selected as part of the expenditure testing were related to contracts that had expired and had not been retendered. Of the ten: <ul style="list-style-type: none"> ○ Six had been agreed with the contractor at the end of the contract period. ○ Two were for specialist vehicles which were outside

		<p>of the scope of the Framework.</p> <ul style="list-style-type: none"> ○ Two had no evidence available on file to explain why payments were still being paid. • There are no procedures in place to offer extensions to expired contracts on the terms stipulated in the Taxi Framework Contract. • Two instances were noted where continuity orders set up on Oracle were not 'closed' following the end of the contract.
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2.11 An analysis of the details in Appendix 2 shows that by the end of December 2017, approximately 65% of the Audit Plan was either completed or in progress.

2.12 The Internal Audit Section was also involved in the following work during Quarter 3:

- Continuation of work on the National Fraud Initiative 2016.
- Completion of the Recommendation Tracker Exercise for the 2016/17 Fundamental Audits.
- One off review of compliance with the Pay Policy and staff on Grade 10-12 at the request of the Section 151 Officer.
- Ad-hoc reviews of Petty Cash Account discrepancies at the request of the Cashiers Section.

3. Follow Ups Completed 1 October 2017 to 31 December 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 A Follow-up audit was completed for the Western Bay Youth Justice & Early Intervention Service. It was found that substantial progress had been made in implementing the recommendations made, with all of the recommendations being fully implemented.

3.4 A follow-up audit was also completed of the Service User Assessments of Care audit within Adult Services. The results of the follow up showed that two low risk and one medium risk recommendation had not been implemented. The issues identified were escalated to the Chief Social Services Officer and the recommendations were discussed at the PFM meeting in November. Internal Audit met with the Head of Adult Services to discuss the implementation of the outstanding recommendations on the 23/01/18. As explained by the Head of Adult Services and the Chief Social Services Officer, there has been a change of Principal Officers in the Service since the action plan had been agreed. As a result the previously agreed action plan was no longer fit for purpose as the approach the department was taking to address the issues identified had changed. Service Users Assessment of Care is due to be audited in full in early 2018/19 and the issues identified during the previous audit will be revisited at that time.

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 3 2017/18
Appendix 2 Internal Audit Plan 2017/18 – Progress to 31/12/17