



Report of the Chief Auditor

Audit Committee – 11 June 2019

Internal Audit Annual Plan 2018/19 - Monitoring Report for the Period 1 January 2019 to 31 March 2019

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2019 to 31 March 2019.
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.
Report Author:	Simon Cockings
Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Internal Audit Annual Plan 2018/19 was approved by the Audit Committee on 10th April 2018. This is the third quarterly monitoring report to be presented to Committee. Further 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 January 2019 to 31st March 2019.

2. Audits Finalised 1 January 2019 to 31 March 2019

- 2.1 A total of 27 audits were finalised during the quarter. 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.
- 2.2 An analysis of the assurance levels of the audits finalised is shown in the following table.

Assurance Level	High	Substantial	Moderate	Limited
Number	15	11	1	0

- 2.3 A total of 213 audit recommendations were made and management agreed to implement 209, i.e. 98% of the recommendations made were accepted against a target of 95%.
- 2.4 All recommendations made are classified as high risk, medium risk, low risk or good practice. An analysis of the recommendations agreed during the quarter is shown in the following table

High Risk	Medium Risk	Low Risk	Good Practice	Total
2	20	134	53	209

- 2.5 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 £
Regional Consortia School Improvement Grant (Q3 Checklist)	n/a
Work Choice Programme Grant 2018/19 (Claim Process)	n/a

- 2.6 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 2018 and identifies the position of each audit as at 31st March 2019.
- 2.7 An analysis of the details in Appendix 2 shows that by the end of March 2019, 87% of the planned reviews had been completed to at least draft report stage, with an additional 3% of the planned audits in progress. As a result approximately 90% of the Audit Plan was either completed or in

progress. Note that the remaining 10% of the planned jobs have been carried forward to the 2019/20 plan.

2.8 The Internal Audit Section has seen a significant increase in the levels of sickness absence in quarter 2 and quarter 3 of 2018/19 with a cumulative total of 142 days sickness as at the 31/03/19, against an annual budget of 66 days. As noted previously, the vast majority of this absence was in relation to three members of staff being off work long term as a result of non-work related issues/illness during the year.

2.9 The Internal Audit Section was also involved in the following work during quarter 4:

- National Fraud Initiative 2018/19 match investigations.
- Completing the Annual Consultation Exercise.
- Compiling the Audit Strategy & Plan for 2019/20.
- Compiling the Audit Charter for 2019/20.
- Swansea Bay City Deal Internal Review led by Pembrokeshire Council in collaboration with Carmarthen Council and Neath Port Talbot County Borough Council.

2.10 One moderate report was issued in the quarter. The following table provides brief details of the significant issues which led to the moderate rating.

2.11

Audit	Accounts Receivable 2018/19 (Fundamental)
Objectives	The objectives of the review were to ensure that adequate financial controls are in place for minimising business risk, and the controls are operating in practice. The scope included the testing of controls regarding the following: Financial regulations and procedure notes, user access, invoice creation, collection of income, recovery of arrears, system reconciliations, invoice cancellations, write-offs, refunds, disaster recovery and business continuity, system back-ups and performance monitoring.
Assurance Level	Moderate
Summary of Key Points	
<ul style="list-style-type: none"> • Between January 2017 and December 2017 (most recent figures available) 25,996 invoices had been raised. Of these, 85% were collected within 12 months. This is a reduction from 95% for the same period in the previous year. • Disputed Invoices - Sample testing of disputed invoices revealed that Service Departments were not resolving disputes within the 14 day target period and income for such invoices was not being clawed back from the service department. It was previously agreed in the 2015/16 and 2016/17 audits that income should be clawed back from Service Departments if disputes relating to invoices that 	

have been raised have not been resolved within 90 days. (MR)

- Debt Recovery – From a sample of 20 unpaid invoices selected for testing, it was noted that in every case the debts were not being progressed as would be expected. The Accounts Receivable Team and/or Service Departments were not escalating the debt and recovery was not being progressed as expected. (HR)
- Sample testing of unpaid invoices revealed that a number of those in the sample were approaching the limitation period where the debt could no longer be enforced. (MR)
- A sample of invoices that were recorded by Accounts Receivable as being referred to Legal for recovery action revealed that some debts were not being pursued by Legal as expected, whilst others had been closed by Legal but Accounts Receivable had not been informed. (MR)

3. Follow Ups Completed 1 January 2019 to 31 March 2019

- 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 Officer (Section 151 Officer).
- 3.3 Three follow-up reviews were completed during the quarter relating to the Bishop Gore Comprehensive School, Portmead Primary School and Cleaning Services audits.
- 3.4 In all cases, the follow up review confirmed that significant progress had been made in implementing the recommendations made, with all of the High and Medium Risk recommendations being fully implemented.

4 Equality and Engagement Implications

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

4.2 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 2018/19

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 4 2018/19
Appendix 2 Internal Audit Plan 2018/19 – Progress to 31/03/19