



## Report of the Chief Auditor

Special Audit Committee – 10 March 2020

# Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 October 2019 to 31 December 2019

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2019 to 31 December 2019.
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar

## 1. Introduction

- 1.1 The Internal Audit Annual Plan 2019/20 was approved by the Audit Committee on 9<sup>th</sup> April 2019. 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 1<sup>st</sup> October 2019 to 31<sup>th</sup> December 2019.

## 2. Audits Finalised 1 October 2019 to 31 December 2019

- 2.1 A total of 39 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. Appendix 2 provides a summary of the scope of the reviews finalised during the period.

2.2 An analysis of the assurance levels of the audits finalised is shown in the following table.

<b>Assurance Level</b>	<b>High</b>	<b>Substantial</b>	<b>Moderate</b>	<b>Limited</b>
Number	10	24	5	0

2.3 A total of 482 audit recommendations were made and management agreed to implement 480 recommendations, i.e. 99% of the recommendations made were accepted against a target of 95%. Details of those recommendations that were not accepted can be found in Appendix 3.

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

<b>High Risk</b>	<b>Medium Risk</b>	<b>Low Risk</b>	<b>Good Practice</b>	<b>Total</b>
3	79	248	150	480

2.5 The implementation status for those audits that have been subject to a standard follow-up in the quarter is reported separately in the Recommendation Follow-up Report. This includes all follow-ups completed, except for the fundamental audits as the outcome of these follow-up reviews is reported to committee via the Fundamental Audit Recommendation Tracker Report.

2.6 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.

<b>Grant</b>	<b>Amount</b>
Pupil Deprivation Grant (PDG) 2018/19	£7,469,677

2.7 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 4 shows each audit included in the Plan approved by Committee in April 2019 and identifies the position of each audit as at 31 December 2019.

2.8 An analysis of the details in Appendix 3 shows that by the end of December 2019, 59% of the planned reviews had been completed to at least draft report stage, with an additional 33% of the planned audits in progress. As a result approximately 92% of the Audit Plan was either completed or in progress.

2.9 Committee should be made aware that sickness absence in quarter three was significantly higher than in the previous two quarters. The cumulative total of sickness absence to the end of quarter two was 9.5 days. However this total had reached 41.5 days by the end of quarter three. This primarily related to extended periods of absence of two staff members. Note that both members of staff had returned to work at the time of compiling this report and it is not envisaged that the absence will have a significant detrimental impact to the delivery of the audit plan.

2.10 Five moderate reports were issued in the quarter. The following tables provide brief details of the significant issues which led to the moderate ratings.

2.11

<b>Audit</b>	<b>Gwrosydd Primary School 2019/20</b>												
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The audit included the review and testing of the controls established by management over the following areas: Governance, Management of Delegated Resources, Budget Monitoring, Banking Procedures, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory and Computer Security.												
<b>Assurance Level</b>	Moderate												
<b>Summary of Key Points</b>													
<u>Unofficial Fund</u>													
1. Whilst it was noted that a monthly reconciliation of the School Fund was being completed, there was no evidence of an independent review of the reconciliation being undertaken. (MR)													
<u>Expenditure</u>													
2. The non-order facility was being used repeatedly for items where an official order should have been raised in advance on the SIMS system. (MR - Repeated from previous audit)													
3. Some payments from the delegated budget selected as part of our testing were deemed not to be for the direct benefit of the pupils. (MR)													
4. Testing revealed that a senior member of staff had made a significant number of purchases on behalf of the school, which had been reimbursed from the delegated account. The total amount of reimbursements made over the past few years is detailed in the following table:													
<table border="1"> <thead> <tr> <th><b>Financial Year</b></th> <th><b>Amount</b></th> </tr> </thead> <tbody> <tr> <td>2019/20 to 9.10.19</td> <td>£6,547.17</td> </tr> <tr> <td>2018/19</td> <td>£11,335.94</td> </tr> <tr> <td>2017/18</td> <td>£9,109.85</td> </tr> <tr> <td>2016/17</td> <td>£20,851.10</td> </tr> <tr> <td>2015/16</td> <td>£14,062.47</td> </tr> </tbody> </table>		<b>Financial Year</b>	<b>Amount</b>	2019/20 to 9.10.19	£6,547.17	2018/19	£11,335.94	2017/18	£9,109.85	2016/17	£20,851.10	2015/16	£14,062.47
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Reimbursements for purchases made by staff should only take place in exceptional circumstances, as purchases should be made via the ordering process on SIMS. (HR)

5. It was also noted that a number of the purchases outlined above had been delivered to the member of staff's home address rather than directly to the school. (MR)

2.12

<b>Audit</b>	<b>Ysgol Pen-y-Bryn 2019/20</b>
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The audit included the review and testing of the controls established by management over the following areas: Governance, Management of Delegated Resources, Budget Monitoring, Banking Procedures, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory and Computer Security.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<u>Unofficial Fund</u>	
<ol style="list-style-type: none"> <li>1. Enquiries revealed that there were two School Fund accounts. The main account had been audited and the Audit Certificate had been presented to the Governing Body. However, the Flexible Saver Account had not been audited. (MR – Repeated from previous audit)</li> <li>2. The passbook for the Flexible Saver Account could not be located at the time of the audit. A replacement had been ordered. (MR)</li> <li>3. It was noted that a quarterly reconciliation of the School Fund is carried out by the Business Manager, who is a signatory on the account and is also responsible for the day to day administration of the fund. There was no evidence of any independent review of the reconciliation of the Fund. (MR)</li> </ol>	
<u>Expenditure</u>	
<ol style="list-style-type: none"> <li>4. The non-order facility was being used repeatedly for items where an official order should have been raised in advance on the SIMS system. (MR - Repeated from previous audit)</li> <li>5. Some payments from the delegated budget selected as part of our testing were deemed not to be for the direct benefit of the pupils. This included two payment for Senior Leadership Conferences at the Village Hotel (£800.90) which included an overnight stay for four people, meals and beverages, and to the Marriott Hotel Swansea (£815.00). (MR)</li> <li>6. A sample of transactions on the Lloyds Bank Multi Pay card was reviewed. It was noted that only the cardholder reviews the expenditure and no authorising pro forma is completed. At least two people should be involved in the processing of the statements and the associated cashbook journals. (MR)</li> </ol>	

## 2.13

Audit	Fleet Maintenance 2019/20
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The audit included the review and testing of controls established by management over the following areas: Purchase card (P-Card), Routine safety inspections/ services/ Stores of oil, tools & tyres, Operator's Licence, Direct purchases of parts, Expenditure, Overtime/Flexi records, Third Party recharges/income , Inventory, Petty Cash.
<b>Assurance Level</b>	Moderate

**Summary of Key Points**Stores – Oil, Tools & Tyres

1. A review of the procedures for the Stores confirmed that (as highlighted in the previous audit) vehicle technicians can obtain parts from the Stores and there is no review by a supervisor to ensure that the parts have been fitted to a vehicle. A recommendation has been made in previous audits that a monitoring process is to be established but this has been rejected by the Fleet Manager due to a lack of staff resources. As the risk remains, this recommendation is repeated. (MR)

Expenditure

2. A sample of suppliers with a cumulative spend over £10k, was checked to ensure compliance with the Council's Contract Procedure Rules. It was found that nine suppliers had not been subject to a Contract Award Report or CPR20 Waiver (HR). These were:

Supplier	Amount
Fleetwheel PPS	£204,500
RND Motor Services	£103,900
Neath Coachbuilders	£54,600
Fleetwheel (Swansea Ltd)	£48,700
Dennis Eagle Ltd	£24,000
Enterprise Flex-E-Rent	£23,000
Swansea Bay Commercials Ltd	£12,000
Gulliver's Truck Hire	£12,000
AJF Electro Mech Services	£11,000

## 2.14

<b>Audit</b>	<b>Building Services Plant (Heol y Gors) 2019/20</b>
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The scope of the review covered the following: Plant Records, Movements of Plant, Orders & Payment of Invoices, Recharges, Security and Red Diesel.
<b>Assurance Level</b>	Moderate

**Summary of Key Points**Plant Records

1. A sample of ten items was selected from the Plant Register that were recorded as being 'off-hire'. Only four of the ten items could be located. Six items could not be located. (MR)
2. It was noted that there was no system in place to ensure that the stock records were being accurately maintained. (MR)
3. One of the items that could not be located was a 2kw Heater. A review of the records for this item showed that it had never been recorded as being 'on-hire' since it was purchased. We were advised that heaters are often taken from the Stores out of office hours in emergency situations and the employee taking the item should record the removal in a book kept at the front desk. There was no entry in the book for the item in question. (MR)

Movement of Plant

4. A sample of ten items recorded as being booked out by supervisors was selected for testing. The location of seven items was confirmed. However, three items could not be located and the following was noted (MR):

Item	Comments
5725 Dehumidifier	During the course of the audit this item had been updated to "off-hire" in the Plant Register but an off-hire receipt could not be located and it could not be found in the Stores.
7116 Bosch 36v drill	Advised by Supervisor (MC) that this item had been reported as stolen but no record of such a report could be found.
7615 Makita disc cutter	Could not be located by Supervisor (DA).

5. All items of plant should be serviced regularly in accordance with designated service intervals. However, it was noted that every item we selected for testing was beyond its scheduled service date. It was noted that Officers have attempted to address this issue by sending fortnightly reminders to supervisors informing them of the overdue services. However, at the time of the audit there were 518 items on hire which had overdue service dates. (HR)

### Orders & Payment of Invoices

6. It was noted that the corporate contract for the provision of hire of small tools and plant had expired in May 2019. Managers are aware that the contract has expired and we were advised that a tender process is due to be undertaken. (MR)

#### 2.15

<b>Audit</b>	<b>Employment of Agency Staff</b>
<b>Objectives</b>	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice. The scope of the review covered the following areas: Completion of business cases, budgetary provision, Head of Service approval, DBS Checks/Social Services Registration, purchase orders, agency workers conditions after 12 weeks.
<b>Assurance Level</b>	Moderate

#### **Summary of Key Points**

##### Completion of business case, budgetary provision and Head of Service approval

A report was run on invoices paid between 1st April and 30th November 2018 and 20 payments in respect of agency staff were selected for testing. Our findings are contained in the following table:

<b>Findings</b>	<b>Business Case Completed</b>	<b>Budgetary Provision Confirmed</b>	<b>HoS Request Submitted</b>	<b>HoS Approval Received</b>
Application completed	6	9	10	10
Approval contained in annual budgets to maintain service	3	3	0	0
Information not available/not provided	6	6	8	8
Engagement in 2013 so pre-dates requirement.	1	1	1	1
Post externally funded so not required.	1	1	1	1
Not completed	1	0	0	0
Only limited information available	2	0	0	0
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>

1. Evidence of budgetary provision having been confirmed was not available for a number of agency appointments selected (MR).
2. Evidence of Head of Service approval of the appointments was not available for a number of appointments selected (MR).  
Note that recommendations made in relation to all these points have been repeated from the previous audit completed in 2015/16.

### DBS Checks/ Social Services Registration

Testing was undertaken to verify whether confirmation of DBS checks had been received from the Agency for our sample of twenty. Testing was also undertaken to confirm whether Social Services registration was required, and if the Agency had confirmed the same. The following was noted:

<b>Finding</b>	<b>DBS Check</b>	<b>Social Services Registration</b>
Check not required	13	16
Confirmation received	3	1
No check carried out	1	0
Information not available/Not provided	2	2
No response received from Service	1	1
<b>Total</b>	<b>20</b>	<b>20</b>

3. Confirmation that appropriate pre-employment checks had been completed was not available for a number of the appointments selected (MR).

### Agency Worker Extensions

Within our sample of 20 agency staff, 13 had been re-engaged. A test was carried out to check whether further budgetary provision and HoS approval had been obtained. It was also checked that HoS approval had been obtained in advance of the re-engagement. The following was found:

<b>Finding</b>	<b>Further Budgetary Provision</b>	<b>HoS Re-approval</b>	<b>HoS Re-approval in advance</b>
Approval obtained	1	3	2
Information not available / Not provided	11	7	9
No response to audit query	1	1	1
Not known	0	2	1
<b>Total</b>	<b>13</b>	<b>13</b>	<b>13</b>

4. Evidence of further budgetary provision having been confirmed was not available for a number of the extensions (MR)
5. A number of instances were noted where no approval had been submitted to HoS for contract extensions (MR).

In our sample of 20 agency employees, 17 had been engaged for more than 12 weeks and their line managers were contacted and asked whether the workers had been informed of their rights. The following was found:

<b>Informed of employment rights after 12 weeks</b>	
Employee informed of their rights	12
Could not confirm if had been informed of their rights	5
<b>Total</b>	<b>17</b>

6. Five instances were noted where agency employees had not been informed of their rights (MR).



### **3. Follow Ups Completed 1 October 2019 to 31 December 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 One moderate audit report was followed up in quarter three. The second follow up of the Young Peoples Services audit was completed in November 2019. The first follow up of the service was undertaken in quarter two which revealed that a number of recommendations had not been implemented. Committee were made aware of the reasons for the lack of implementation when the Youth Support Services Manager provided a verbal update to the committee at the September meeting.
- 3.4 The second follow up of the service has now been completed which concluded that significant progress had been made in implementing the outstanding recommendations.
- 3.5 Follow up work was also undertaken in relation to the Swansea Bay City Deal (SBCD). The Committee has previously been advised that the Internal Audit Team were involved in an internal review of the governance arrangements in place for the SBCD, as commissioned by the Joint Committee with the review being led by Pembrokeshire County Council. The Welsh Government also commissioned an external review of the SBCD by consultancy firm ACTICA.
- 3.6 Whilst at the time of undertaking the work it was confirmed that no official follow up of the internal review had been completed by Pembrokeshire Council, regular update reports are presented to the SBCD Programme Board and Joint Committee outlining the progress that has been made in implementing the recommendations from both the internal and external reviews. Further details may be found at <https://www.swanseabaycitydeal.wales/governance-and-meetings/>.
- 3.7 It has also been recently confirmed that following a request from the Joint Committee in May, Pembrokeshire County Council have agreed to undertake a follow up of the internal review in quarter four 2019/20.

### **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 2019/20

**Appendices:** Appendix 1 Audits Finalised Q3 2019/20  
Appendix 2 Summary of Scope of Audits Finalised Q3 2019/20  
Appendix 3 Recommendations not Accepted Q3 2019/20  
Appendix 4 Internal Audit Plan 2019/20 - Progress to 31/12/19