



## Report of the Chief Auditor

Audit Committee – 30 June 2020

# Internal Audit Annual Plan 2019/20 Monitoring Report for the Period 1 January 2020 to 31 March 2020

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2020 to 31 March 2020.
<b>Recommendation:</b>	That the Audit Committee Members note the information contained in this report.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
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<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Debbie Smith
<b>Access to Services Officer:</b>	Rhian Miller

## 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> January 2020 to 31<sup>st</sup> March 2020.

**2. Audits Finalised 1 January 2020 to 31 March 2020**

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. 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	11	14	2	0

2.3 A total of 165 audit recommendations were made and management agreed to implement 163 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>
1	34	70	58	163

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>
Regional Consortia School Improvement Grant 19/20	£8,855,920
Pupil Development Grant 19/20 (Q1-Q3)	£1,003,832
Suresprung – Transitional Employer Support Grant	n/a - compliance with the Shaw Trust requirements

- 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 March 2020.
- 2.8 An analysis of the details in Appendix 3 shows that by the end of March 2020, 84% of the planned reviews had been completed to at least draft report stage, with an additional 4% of the planned audits in progress. As a result approximately 88% of the Audit Plan was either completed or in progress. Note that as at year end, 8 audits (5% of the plan) were found to be no longer required during the year due to in-year service changes. A further 11 audits (7% of the plan) have been deferred to the 2020/21 audit plan.
- 2.9 Committee should be made aware that sickness absence in quarter four was significantly higher than in the previous two quarters. The cumulative total of sickness absence to the end of quarter three was 51 days. However this total had reached 80 days by the end of quarter four. This primarily related to extended periods of absence of two staff members. Note that all three members of staff had returned to work at the time of compiling this report.
- 2.10 Two moderate reports were issued in the quarter. The following table provide brief details of the significant issues which led to the moderate rating.

2.11

<b>Audit</b>		<b>Concessionary Fares 2019/20</b>	
<b>Objectives</b>		The audit is carried out at the request of the Council's Integrated Transport Unit and checks the number of journeys claimed by bus operators to the number of journeys recorded by the ticket machines on their buses. The objectives of the audit were to confirm that the internal controls and financial management and procedures are adequately controlled, operating effectively, and comply with the requirements of the scheme.	
<b>Assurance Level</b>		Moderate	
<b>Summary of Key Points</b>			
<u>First Cymru</u>			
1. First Cymru is the biggest operator serving Swansea and accounts for over 90% of the Council's fare expenditure (£7.4m in 2018/2019). A sample of twenty dates in 2018/19 was selected for testing and a variance in the amounts claimed was found for 19 of the dates representing an error rate of 95%. These errors comprised of the following:			

- a) On 14 dates, the number of journeys claimed was less than the ticket records held by First Cymru. The total number of concessionary fares under claimed in our sample was 382.
  - b) On 5 dates, the number of journeys claimed exceeded the ticket records held by First Cymru. The total number of concessionary fares over claimed in our sample was 34.
2. It should be noted that First Cymru has already re-calculated its 2018/2019 claims for each depot and these suggest a total over-claim in the region of £24.2k. Claims for each depot for 2019/2020 to date have also been re-calculated, and these suggest an over-claim in the region of £6.6k.

2.12

<b>Audit</b>	<b>Cwm Glas Primary School</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>	
<p>1. <u>Bank Reconciliations</u> It was confirmed that bank reconciliations were being carried out, however there was no evidence of them being reviewed by an independent person. (MR)</p> <p>2. <u>Unofficial Funds</u></p> <ul style="list-style-type: none"> <li>a) There are three unofficial fund accounts at the school. There were no Fund Constitutions in place for any of the funds. Advice was provided and staff were directed to the Councils Accounting Instruction No. 11 (MR)</li> <li>b) As the School Uniform and Day Nursery Accounts have been dormant for some time, only the records for the School Fund were reviewed. It was confirmed that adequate income and expenditure records were maintained and reconciliations to the bank statements were regularly being undertaken. However, there was no evidence of an independent review. (MR)</li> </ul> <p>3. <u>Expenditure</u></p> <ul style="list-style-type: none"> <li>a) An examination of a sample of purchases revealed that orders had only been raised for one of the eight sampled. It is acknowledged that the school had a period where they did not have a full time Admin Officer; however, an Admin Officer has now been appointed and been in post since September 2019.</li> <li>b) Non-order facility had been used for items other than utilities and supply teaching. Orders should be produced for all goods and services including</li> </ul>	

CCS orders. This is required for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered, and helps to reduce the risk of duplicate payments being made, and to facilitate matching to the invoice in terms of both price and quantity.  
(MR – repeated recommendation)

4. Inventory

An Inventory record was not available at the school. Discussions were held over the requirements to maintain an Inventory and advice given to follow Accounting Instruction No. 9 of the Councils Accounting Instructions. As there were no records maintained no further testing could be undertaken in this area.  
(MR – repeated recommendation)

**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 Six moderate audit reports were followed up in quarter four as detailed below:

a) Foreshores & Lettings 2019/20

The follow up concluded that significant progress had been made, with 10 of the 11 recommendations being fully implemented. The only outstanding action related to the issuing of licences on an annual basis. At the time of the follow up this was 'part implemented' with site visits due imminently and agreements to be updated by April 2020.

b) Cleansing Services 2019/20

The follow up concluded that good progress had been made, and 11 of the 12 recommendations had been fully implemented. The only outstanding action related to the checking of vehicle insurance cover for an employee who was still off work at the time of the follow up.

c) Disclosure & Barring Service 2019/20

The follow up confirmed that whilst good progress had been made, it was noted that out of the 12 recommendations agreed, there were still 6 recommendations that had not been fully implemented (3 x

High Risk, 2 x Medium Risk and 2 x Good Practice). As a result, we will be required to undertake a further follow up audit later in the year.

d) Gwyrosydd Primary School 2019/20

The follow up confirmed that significant progress had been made, and only 3 of the 23 recommendations had not been fully implemented. All three recommendations were classed as low risk and these areas will be re-tested when the next full school audit is due.

e) Pen y Bryn Special School 2019/20

The follow up confirmed that whilst good progress had been made, it was noted that out of the 25 recommendations agreed, there were still 8 recommendations that had not been fully implemented (3 x Medium Risk, 4 x Low Risk and 1 x Good Practice). As a result, we will be required to undertake a further follow up audit later in the year.

f) Building Services (Heol-y-Gors) Plant 2019/20

The follow up confirmed that good progress had been made and 12 of the 14 recommendations had been fully implemented. The implementation of one High Risk recommendation was ongoing, however, committee can take assurance that the service is taking swift action to get this completed as per the verbal update that was presented at the last meeting. One further recommendation (Medium Risk) is not due to be implemented until year end. These areas will be re-tested when the next full audit is due.

- 3.4 As Committee had previously been advised, following a request from the Joint Committee in May, Pembrokeshire County Council agreed to undertake a follow up of the internal review of the City Deal in quarter four 2019/20. We can confirm that the follow up was completed prior to the Covid-19 crisis and the report is due to be presented to the Programme Board and Joint Committee when normal business resumes.

## **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 Q4 2019/20

Appendix 2 Summary of Scope of Audits Finalised Q4 2019/20

Appendix 3 Recommendations not Accepted Q4 2019/20

Appendix 4 Internal Audit Plan 2019/20 - Progress to 31/03/20