



Report of the Chief Auditor

Audit Committee – 21 July 2020

Internal Audit Annual Plan 2020/21 Monitoring Report for the Period 1 April 2020 to 30 June 2020

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2020 to 30 June 2020.
Recommendation:	That the Audit Committee Members note the information contained in this report.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services.
Report Author:	Simon Cockings
Finance Officer:	Ben Smith
Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Internal Audit Annual Plan 2020/21 was approved by the Audit Committee on 1st June 2020. This is the first 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 April 2020 to 30th June 2020.

1.3 Committee should be made aware that throughout this period the Internal Audit Function and the wider Authority have been adapting to unprecedented challenges as a result of the Covid-19 pandemic, which has impacted every aspect of Council business and operations.

2. Audits Finalised 1 April 2020 to 30 June 2020

2.1 A total of 18 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.

Assurance Level	High	Substantial	Moderate	Limited
Number	12	5	1	0

2.3 A total of 105 audit recommendations were made and management agreed to implement all of the recommendations, i.e. 100% 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
1	10	67	27	105

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.

Grant	Amount
Housing Support Grant Regional Development Co-Ordinator (previously called SPPG Regional Co-ordinator Grant)	£42,683.00

- 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 3 shows each audit included in the Plan approved by Committee on the 1st June 2020 and identifies the position of each audit as at 30 June 2020.
- 2.8 Due to the Covid-19 pandemic and as a result of the Council wide response to the advice issued by Central and Welsh Government, all Internal Audit staff have been working remotely from home since the end of March 2020. The team was one of the first within the Finance Department to be issued with agile equipment when we relocated to the Guildhall and as such the transition to working from home was relatively straightforward.
- 2.9 However, it must be acknowledged that the measures introduced across the Council in response to the pandemic have inevitably had an impact on the team's ability to initiate and progress with audits, due to the effect such measures have had across client departments. For example, some sites have been closed completely, the majority of staff across the council have been working from home and client departments have been prioritising emergency responses to the pandemic to ensure key operations and services continue to be delivered.
- 2.10 This has had an impact on the team's ability to progress with business as usual and hence has had an impact on the amount of audit work that the team have been able to complete in the quarter. However, the team has worked hard to undertake as much audit work as possible in these unprecedented circumstances. In addition, where we have been able to progress with audits we have found that it has taken longer than usual to complete some reviews due to the complexities of obtaining the information required, given the fact that the majority of the workforce have been working from home.
- 2.11 The team has also been heavily involved in assisting with the Councils Covid-19 response. One of the team has been seconded full time to the Food Bank initiative and we have also been assisting with the checking of various support grant payments that have been coordinated by the Business Rates Team. To the end of June, a total of 37 days has been spent on Covid-19 related support work, in addition to the 59 days attributable to the member of staff seconded to the food bank initiative. The team has also experienced some inevitable downtime due delayed responses from client department in relation to certain audits and the inability to effectively progress with audits as business as usual.
- 2.12 Due to the unprecedented circumstances that have arisen due to the Covid-19 pandemic and the resulting difficulties the team have experienced in progressing some of the planned audits, a larger number of audit reviews have been allocated to the team so as to allow greater flexibility. The team have been able to successfully complete a number of

reviews that were ongoing at the end of March 2020. 18 final reports have been issued in the quarter, 10 of which were audits completed from the 2019/20 audit plan.

- 2.13 As may be seen in Appendix 3, a number of audits are noted as being 'in progress' as the team has been encouraged to proactively complete as much of each review as possible remotely, minimising the impact on client departments over this difficult period whilst they are dealing with and adapting to Covid-19 related issues. It is hoped that when restrictions are eased and business returns to a new normal, we will be able to complete the outstanding testing across a number of the ongoing reviews as necessary.
- 2.14 An analysis of the details in Appendix 3 shows that by the end of June 2020, 9 audits from the 2020/21 audit plan had been finalised (6%), with an additional 37 audits in progress (23%). As a result approximately 29% of the Audit Plan was either completed or in progress. As explained above, a significant number of audits are noted as being 'in progress', as present restrictions are impeding our ability to complete some areas of the audit programmes. We hope to be able to complete these areas once restrictions are lifted. For comparison purposes, the same figures as at the end of quarter 1 2019/20 showed that 20% of the planned audits had been completed to at least draft stage and a further 34% were in progress as at 30 June 2019.
- 2.15 Inevitably the Covid-19 pandemic is likely to have a detrimental impact on our ability to deliver the full audit plan for 2020/21. However, priority will be given to the completion of the fundamental audits to ensure key systems are reviewed to provide appropriate assurance to the Section 151 Officer and the Audit Committee in these areas. The team remain committed to completing as much of the plan as possible and I would like to thank the team for their endeavours and hard work over this very challenging and difficult period.
- 2.16 It should also be noted that whilst we will aim to complete the audits of key systems as a priority, we will also target resources to ensure the highest risk audits are completed wherever possible. However, the team may be required to assist with reactive work as directed by the Chief Executive or the Corporate Management Team due to the unpredictable and unprecedented environment the Authority is currently operating in.
- 2.17 One moderate report was issued in the quarter. The following table provides brief details of the significant issues which led to the moderate rating.

2.18

Audit	Accounts Receivable 2019/20
Objectives	The objectives of the review were to ensure that adequate financial controls are in place for minimising business risk, and that the controls are operating in practice. The scope of the review included: Financial regulations and procedure notes, User access, Creation of invoices, Collection of income, Recovery of arrears, System reconciliations, Invoice cancellations, Write-offs, Refunds, Disaster Recovery and Business Continuity, System back-ups, Performance monitoring.
Assurance Level	Moderate
Summary of Key Points	
<p data-bbox="240 719 456 752"><u>Debt Recovery</u></p> <ol data-bbox="240 757 1442 1597" style="list-style-type: none"> <li data-bbox="240 757 1442 1149">1. A check on a sample of 20 unpaid invoices was undertaken to confirm that the debt escalation process was being carried out. It was found that for all of the 20 invoices in the sample the debts were not being progressed as would be expected. It was stated that unpaid invoices with large values are prioritised for recovery by officers in AR. However, it was noted that there was large backlog of approximately 3,700 overdue invoices with a value exceeding £3m that are likely to be eligible to be sent to officers in Legal. Before these invoices can be forwarded to Legal, officers in AR must confirm with officers in the Service that raised the invoice that there is evidence available to substantiate the debt. This is a time consuming process and we were advised that this was unable to be addressed due to a lack of staff resources in the AR team. (HR) <li data-bbox="240 1153 1442 1332">2. A further sample of invoices was examined, and the following was found that two unpaid invoices - 60188155 (£200) and 60198061 (£606.19) were approaching the six year limitation period when the debt could no longer be enforced. Diary entries were not being used to follow-up contact with the debtor in all instances (MR). <li data-bbox="240 1337 1442 1597">3. A sample of ten invoices that were recorded on AR as being “Referred to Legal” was selected. These were checked to ensure that recovery action was ongoing by referring to the Timebase case management system used by Legal. Seven of the ten debts selected for testing had been notes as ‘case closed’ on the Timebase system with no further recovery action to be taken. However, in a number of cases there was no evidence of Legal informing the AR team that the cases had been closed. (MR) 	

3. Follow Ups Completed 1 April 2020 to 30 June 2020

- 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 No moderate audit reports were followed up in quarter. However, we have arranged to undertake the second follow up of the Disclosure & Barring Service 2019/20 audit, due to the fact that a number of recommendations had not been implemented when the first follow up was completed. We have also arranged to undertake the follow up review of the Concessionary Fares audit that was issued with a moderate assurance rating in quarter four 2019/20.
- 3.4 Note that the audit report for Cwm Glas Primary School was also issued with a moderate assurance rating in quarter four. However, the report was issued in late March 2010 shortly before the schools in Swansea were forced to close due to the Covid-19 pandemic. Therefore, the school has not had an opportunity to address the issues identified in the report. As a result, the follow up review will be undertaken in the new school term. Similarly, the second follow up of the Pen y Bryn Special School will also be undertaken in the new school year. The results of the first follow up of this audit were reported to committee in the quarter four monitoring report.

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 2020/21

Appendices: Appendix 1 Audits Finalised Q1 2019/20

Appendix 2 Summary of Scope of Audits Finalised Q1 2020/21

Appendix 3 Internal Audit Plan 2020/21 - Progress to 30/06/20