



Report of the Chief Auditor

Governance & Audit Committee – 9 June 2021

Internal Audit Annual Plan 2020/21 Monitoring Report for the Period 1 January 2021 to 31 March 2021

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2021 to 31 March 2021.
Recommendation:	That the Governance & Audit Committee Members note the information contained in this report.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services.
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Finance Officer:	Ben Smith
Legal Officer:	Tracey Meredith
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 fourth quarterly monitoring report to be presented to allow the 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 finalised in the period 1st January 2021 to 31st March 2021.

- 1.3 Committee should be made aware that throughout this period the Internal Audit Function and the wider Authority have continued to adapt to the unprecedented challenges as a result of the Covid-19 pandemic, which has impacted every aspect of Council business and operations.
- 1.4 As reported in previous monitoring reports, due to the Covid-19 pandemic access to all council sites has been restricted for the majority of the year. This had a significant impact on the Audit Team's ability to complete on-site testing.

2. Audits Finalised 1 January 2021 to 31 March 2021

- 2.1 A total of 25 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	10	12	3	0

- 2.3 A total of 209 audit recommendations were made and management agreed to implement all but one of the recommendations, i.e. 99.5% 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
3	33	121	51	208

- 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
Regional Consortia School Improvement Grant (RCSIG) EIG Element Q1-Q3 2020/21	£6,759,186.75
Pupil Development Grant Q1-Q3 2020/21	£5,736,741.92
ENABLE – Support for Independent Living Grant 2019/20	£303,600.00
Regional Consortia School Improvement Grant (RCSIG) – Professional Learning Grant Element	£504,590.00

2.7 Additional work also undertaken by the team in the quarter included:

- i) Completion of the audit of Delegated Decision Making, which included the review and evaluation of the alternative emergency arrangements put in place to deal with the Covid-19 pandemic. The audit was given a High Assurance rating.
- ii) Continuation of checks and support in relation to the various Covid-19 support grants across the Council.
- iii) Advisory work in relation to the update of Accounting Instruction No. 5 for Schools (Creditor Payments).
- iv) Review of the progress of the Swansea Central Phase 1 scheme.

2.8 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 31st March 2021.

2.9 As reported previously, 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. This continued to be the case throughout the quarter.

2.10 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.

2.11 This continues to have 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 has been able to complete in the quarter. However, the team has continued to work hard to undertake as much audit work as possible remotely in these unprecedented circumstances.

- 2.12 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 remotely and due to the fact that the majority of the workforce across the Council has been working from home.
- 2.13 In addition, it should be noted that we have only completed audits where we have determined that there has been no or very minor limitations to the scope of the review. For example, given the current circumstances, in some instances we have been unable to complete on-site inventory verification or physically test petty cash balances and accounts. On initial review of the audit programme, if we have concluded that a significant majority of the material risk areas can be tested as part of the review we have progressed with the audit. Similarly, if we felt that there were significant areas of testing that could not be completed, we have deferred the review as we would not be able to provide adequate assurance over key material risks. Thankfully, with the fundamental audits in particular but also with other audits, the increasing shift to paperless/online working in recent years has meant the scope of most of the reviews completed has not been impacted by remote working.
- 2.14 The team has also been heavily involved in assisting with the Councils Covid-19 response. Earlier in the year one of the team was seconded full time to the Food Bank initiative. The team has also been assisting with the checking of various support grant payments that have been managed by the Council. To the end of March, a total of 59.5 days has been spent on Covid-19 related support work, in addition to the 111 days attributable to the member of staff seconded to the food bank initiative. The team has also experienced some inevitable downtime due to delayed responses from client department in relation to certain audits and the inability to effectively progress with audits as business as usual due to restricted access to council sites.
- 2.15 Cumulative sickness equated to 157 days as at the end of March. Note that the majority of this absence related to one member of staff off work due to a period of long term sickness.
- 2.16 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.
- 2.17 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. As reported in previous reports it was hoped that as restrictions may have been lifted so as to allow the team to resume Covid-safe site visits to complete outstanding testing for

the ongoing reviews. However, as a result of the lockdown restrictions being re-introduced across Wales, throughout the quarter staff have continued to work remotely and no site visits have take place. Erring on the side of caution for planning purposes we have assumed that restrictions are likely to continue to be in place for the first part of the new financial year.

- 2.18 The team has successfully completed all of the fundamental audits by year end, with the exception of the Business Rates which has not been completed this year as previously reported. However, the team have been heavily involved in checking the grant payment activities of the NDR team throughout the pandemic and thus the committee can take assurance from the checks that have been completed on the alternative work undertaken by the department.
- 2.19 In order to ensure the team remain productive over the challenging period to the end of the financial year, a list of audits that would ordinarily be subject to an internal audit in 2021/22 as per the audit rolling schedule of reviews has been prepared, so as to allow the team to bring forward audits from next year's plan where possible.
- 2.20 An analysis of the details in Appendix 3 shows that as at 31/03/21, 79 audit activities from the 2020/21 audit plan had been completed to at least draft report stage (52%), with an additional 13 audits in progress (8%). As a result approximately 60% of the Audit Plan was either completed or in progress. In addition, due to changes in certification requirements for a number of grants and other changes in year, 7 audits included on the original audit plan were not required (please see Appendix 3 for further details).
- 2.21 In addition, whilst we were unable to complete the majority of the primary and comprehensive school audits, we were able to undertake audits to provide assurance over the key risks across this population. As previously reported, we successfully completed three thematic audits covering procurement activities across both the primary and comprehensive schools that were due to be audited in the year. We also completed an audit of the unofficial funds managed by the primary schools.
- 2.22 As has also been previously reported, as agreed by the Head of Revenues and Benefits and the Chief Finance and Section 151 Officer, we opted to defer the fundamental audit of Business Rates / NNDR this year. Ordinarily the Business Rates team would be responsible for the collection of a significant amount of income in the form of Business Rates. However, as a result of the pandemic and following Welsh Government direction, recovery action was suspended and several sectors were granted 100% rate relief hence income due was significantly reduced, thus making the routine audit less feasible.

- 2.23 However, the Audit and Fraud Team have been heavily involved in providing assurance over the revised activities of the Business Rates Team by the way of checking the various grant payments and the payment processes that were put in place to facilitate the roll out of the various business support grant schemes. This involved consultation on the grant payment process, in addition to the checking of grant payment records prior to final payment. As a result, whilst we have not undertaken a specific Business Rates audit in year, we have completed a significant amount of testing to provide assurance over the reactive work undertaken by the Business Rates Team in year in place of their business as usual processes.
- 2.24 It should also be noted that the Audit and Fraud Teams also provided consultation, advice and completed additional testing in relation to the roll out of a number of additional Covid-19 support schemes, including school meal payments to parents, freelance worker grants, outdoor business adaptation grants and isolation / SSP enhancement grants.
- 2.25 As noted in Appendix 4 we have also had to defer four of the tier one cross cutting reviews. This is primarily due to the fact that these reviews would require a significant amount of input and commitment from senior managers and possibly members of the Corporate Management Team. Understandably, these key members of staff have had to prioritise the management of the Covid-19 response and the additional workload that has arisen due to the pandemic. Therefore it was not possible to progress with these audits during the year.
- 2.26 Therefore, if we take into account the assurance coverage provided by the thematic school audits and the additional assurance work undertaken in relation to the revised activities of the Business Rates Team in response to the Covid-19 pandemic, the overall work completed by internal audit in year covers 68% of the original planned activities and key risks included in the 2020/21 audit plan.
- 2.27 As previously reported, unfortunately the completion rate of 68% for 2020/21 is lower than the completion rate achieved over recent years which has seen completion rates rising to 87% in 2018/19 and 84% in 2019/20. Unfortunately this has been unavoidable given the difficult circumstances both the Audit Team and the wider Council have encountered throughout the year due to the Covid-19 pandemic. I would like to recognise the hard work and dedication of the Audit Team throughout the year and the fact that we have been able to complete a significant amount of audit work is testament to the Team's dedication and commitment through a very challenging period.
- 2.28 Three moderate reports were issued in the quarter. The following tables provide brief details of the significant issues which led to the moderate ratings.

Audit	Accounts Receivable 2020/21
Objectives	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: 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 and Performance monitoring.
Assurance Level	Moderate
Summary of Key Points	
<p>1. <u>Financial Procedure Rules & Accounting Instructions</u> The Council's Financial Procedure Rules and Accounting Instructions provide a framework for the creation of invoices, amending invoices, receipt of income, and recovery of outstanding debt. Accounting Instructions No. 7 relates to the collection of credit income. In recent years there has been an expectation that services which create invoices will contact customers who have not paid their invoice and request payment. However, this activity is not included in role assigned to officers across the Council in Accounting Instruction No. 7. (MR recommendation)</p> <p>2. <u>Debt Recovery</u></p> <p>i) We were advised during 2020/21 that staff in the AR team have focused on addressing very old invoices (close to 6 year limitation period), and very high value invoices (>£10,000). It was also noted that three experienced members of staff had been seconded to the Oracle Cloud project, and although these posts were filled, the new officers required training in all aspects of debt recovery from the remaining members of the team. We were advised that this had an adverse impact on the ability of the team to pursue unpaid invoices. The performance of the Accounts Receivable team has been affected by the Covid-19 pandemic. All invoicing and debt recovery was suspended for the period April to July 2020.</p> <p>ii) 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 17 out of the 20 invoices in the sample, the debts were not being progressed as would be expected. (HR recommendation – repeated)</p> <p>iii) It was also noted that there is backlog of approximately 5,900 invoices which are unpaid after 90 days that have not been addressed. These are eligible to be sent to Legal to pursue. The value of these invoices is approximately £2.9m. Before forwarding these invoices to Legal, officers in AR would have to confirm with officers in the relevant service that there is evidence available to</p>	

substantiate the debt. We were advised that this process is a very time consuming and requires a substantial input of staff resources from the AR team. (MR recommendation – repeated)

2.30

Audit	Grand Theatre 2020/21
Objectives	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: Expenditure – including P-Card Administration and Transactions, Income, Ticket Sales and Issue of Complimentary Tickets, Agreements with Ticket Agents, Contractual Arrangements (Agreements with visiting artists and shows), Room Hire Income, Inventory, Stock and Stock Takes, Catering Contract, Petty Cash, Health and Safety, Employee Records, Restoration Fund, Vehicles and GDPR.
Assurance Level	Moderate
Summary of Key Points	
<p>1. <u>Expenditure</u> It was identified that one payment selected for testing required an Employment Status Indicator (ESI) check. Evidence that this check had been completed was not available during the audit. The ESI check along with the Employment Status form had not been submitted to the Payable Control Unit. (MR recommendation).</p> <p>2. <u>Income</u> A report of outstanding invoices was obtained from the discoverer database and it was noted that twenty invoices were unpaid at the time of the audit. The total balance due from those invoices amounted to £52,626.62. A sample of 12 invoices was reviewed and the following was noted:</p> <ul style="list-style-type: none"> i) The oldest invoice due (60243251) with a balance of £1,200 was dated 17/03/2016. ii) The largest invoice (60275072) with a balance of £23,676.26 had been referred to Legal in March 2019. iii) No evidence of follow up of these invoices, by Grand Theatre staff, was available during the audit. (MR recommendation) <p>3. <u>Ticket sales and issue of complimentary tickets</u> A sample of ten complimentary tickets issued was reviewed to establish the controls in place. Enquiries revealed that the guidance regarding the issue of complimentary tickets has not been updated since 1996. The existing guidance is outdated and does not cover the matter of complimentary tickets to staff members or compliance with the Gifts & Hospitality Policy. (MR recommendation)</p>	

<p>4. <u>Contractual Agreements</u></p> <p>i) Our enquiries revealed that currently, it is standard procedure for all fees for visiting shows and artists to be negotiated solely by the Theatre Manager. (HR recommendation)</p> <p>ii) A sample of contracts for five shows was tested. Signed contracts were available for all five shows requested, however, it was noted that the Showstoppers contract had written amendments added, which had not been dated or initialled. Further investigations revealed that these amendments had been made after the contract had been signed. (MR recommendation)</p> <p>iii) Evidence of insurance was requested for the same five shows, however, this was only available for two of the shows. (MR recommendation)</p> <p>5. <u>Room Hire Income</u></p> <p>A sample of five lettings was selected for review. Testing revealed that booking forms were only available for two of the sample. Forms had not been completed for TPF, the Autistic Society or the Blood Donor session. These were confirmed to be regular bookings. (MR recommendation)</p>

2.31

Audit	Management of Absence 2020/21
Objectives	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: Policy, Direction & Training, Initial Capture of Sickness Events, Return To Work Procedure, Identification of Breaches, Informal Stage Procedure, Stage 1 Interview Procedure, Stage 2 Interview Procedure, Stage 3 Interview / Final Hearing Procedure, Appeal Procedure, Long Term Absence – Management & Administration of Pay, Management of Long Term Absence and Reporting
Assurance Level	Moderate
Summary of Key Points	
<p>1. <u>Policy, Direction and Training</u></p> <p>i) Mandatory online training (e-learning) is provided for managers on the Learning Pool. It is a requirement that this training be repeated every three years. Enquiries were made to determine the number of managers who have undertaken this training and the following statistics were confirmed:</p> <ul style="list-style-type: none"> • 1004 managers with an ‘S’ Graded post have access to the Management of Absence e-learning module. Of these: • 62 (6.2%) have completed the course within the last 3 years; • 24 (2.4%) have partially completed the course within the last 3 years; • 54 (5.4%) have completed the course at some point, but not within the last 3 years; <ul style="list-style-type: none"> • 31 (3.1%) have partially completed the course at some point, but not within the last 3 years • 832 (83.2%) have never attempted the mandatory training module. 	

- ii) Although it has to be recognised that some of these 'S' Grade managers may have had Management of Absence training in other formats in the past (due to the nature of their jobs), the figures nonetheless show a poor uptake of the online training. It has been confirmed by the training team that the online training module can now be accessed via the internet, using a tablet / home laptop / PC for officers without access to a work computer.
(HR recommendation)

2. Return to Work Procedure

A report was obtained of all RTW interviews required for the period 01/04/2019 to 31/03/2020. In total, 2,327 unique RTW instances were returned in the report and the following findings were highlighted:

- i) At the time of writing, interview details had been recorded on Oracle by line managers for 1,880 of the above 2,327 RTW events (80.8%);
- ii) Of the 1,880 cases recorded on oracle, 1568 (83.4%) had been recorded within the required timescales;
- iii) Therefore, in total, only 1568 / 2,327 (67.4%) had been dealt with in accordance with required protocols.

(MR recommendation)

3. Identification of Breaches

- i) A report was obtained of all breaches for the period 01/04/2019 to 31/03/2020. The Service Centre ARC Manager confirmed that the breach parameters embedded in Oracle matched those stipulated in Paragraph 7 of The Policy. In total, 3,653 unique breach instances were returned in the report. This led to the Auditor querying the validity of the RTW report that had also been provided. It was found that only 2,311 of the 3,653 breach cases identified in the report (63.3%) have details of breach interviews recorded on Oracle.

- ii) Where no outcome has been recorded in Oracle, it is impossible to ascertain at what level the breach should have been actioned for the missing 1,342 cases. It is also impossible to determine whether or not interviews have taken place and it is highly unlikely that interviews have been undertaken in all 1,342 cases and simply not been recorded.

(MR recommendation)

4. Management of Long Term Absence

- i) A sample check of long term absences was conducted to determine whether all cases had been referred to Occupational Health. One in five of the cases sampled had not been referred.

- ii) There were 882 instances of Long Term sickness during the period in question. Of these cases, 268 had recorded no details on Oracle of an interview taking place, whether that be a welfare or breach interview. It was therefore not possible to ascertain what actions had been taken in these cases.

(MR recommendation)

5. Initial Capture of Sickness Events

- i) As there is no reminder mechanism to assist managers in ensuring all 'Unauthorised Absences' are dealt with, enquiries were made to determine the number of 'Unauthorised Absences' that remained unaddressed on the flexi system. It was confirmed that no exception reports are available on Interflex to easily identify such cases.
- ii) It is the responsibility of managers to ensure that breaches are properly managed; no reminders are sent from the Service Centre to ensure this is done. A recommendation has been made to assist managers in this task. (MR recommendation)

3. **Follow Ups Completed 1 January 2021 to 31 March 2021**

- 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 the quarter as detailed below:
 - a) Employment of Agency Workers Follow-up

The initial review of the Service was undertaken in July 2019 with the final report being issued in December 2019 with a moderate overall assurance level. The follow-up review was finalised in January 2021 which concluded that significant progress had been made by the service to implement the recommendations. Our testing revealed that whilst five of the nine recommendations had not been fully implemented our testing showed that the number of instances of non-compliance had been significantly reduced. In addition, further evidence was provided by the Strategic HR and OD Manager to demonstrate that action was ongoing to address the issues highlighted by the audit going forward.

4 **Integrated Assessment 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.
- Deliver better outcomes for those people who experience socio-economic disadvantage

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

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

4.2 The completion of the Integrated Impact Assessment Screening revealed that:

- The Quarterly Internal Audit Monitoring Report has a low positive impact across all groups.
- It has been subject to consultation with the Chief Finance & S151 Officer, Legal, Access to Services, Corporate Management Team and Heads of Service.
- All Well-being of Future Generations Act considerations are positive and any risks identified are low.
- The overall impact of the Quarterly Internal Audit Report is positive as it will support the Authority in its requirement to protect public funds.

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 Q4 2020/21

Appendix 2 - Summary of Scope of Audits Finalised Q4 2020/21

Appendix 3 - Recommendations Not Accepted

Appendix 4 - Internal Audit Plan 2020/21 - Progress to 31/03/21