



Report of the Chief Auditor

Governance & Audit Committee – 9 November 2021

Internal Audit Annual Plan 2021/22 Monitoring Report for the Period 1 July 2021 to 30 September 2021

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| Purpose: | This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2021 to 30 September 2021. |
| Policy Framework: | None. |
| Consultation: | Legal, Finance, Access to Services. |
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| Finance Officer: | Ben Smith |
| Legal Officer: | Debbie Smith |
| Access to Services Officer: | Rhian Millar |
| For Information | |

1. Introduction

- 1.1 The Internal Audit Annual Plan 2021/22 was approved by the Governance & Audit Committee on 9th March 2021. This is the second 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 July 2021 to 30th September 2021.
- 1.3 The 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 continues to impact every aspect of Council business and operations.

- 1.4 As reported in previous monitoring reports, due to the Covid-19 pandemic access to most council sites continues to be restricted. This has continued to have an impact on the Audit Team’s ability to complete some on-site testing throughout the second quarter.

2. Audits Finalised 1 July 2021 to 30 September 2021

- 2.1 A total of 19 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 | 6 | 11 | 2 | 0 |

- 2.3 A total of 141 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 |
|------------------|--------------------|-----------------|----------------------|--------------|
| 3 | 23 | 82 | 33 | 141 |

- 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 |
|--|---------------|
| Live Kilometre Support Grant 2019/20 | £31k |
| Suresprung Transitional Employer Support Grant 2020/21 | £78,748 |
| ENABLE – Support for Independent Living Grant 2020/21 | £301,646 |

- 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 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 9th March 2021 and identifies the position of each audit as at 30th September 2021.
- 2.8 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.
- 2.9 It must continue to be acknowledged that the measures introduced across the Council in response to the pandemic continues to have an impact on the team's ability to initiate and progress with some audits, due to the effect such measures have had across client departments.
- 2.10 However, with the success of the Covid-19 vaccination programme and the easing of some restrictions over the quarter, the audit team have been able to successfully undertake a number of site visits to complete on site testing where this has been deemed essential to the completion of the audit. Ongoing conditions continue to have an impact on the team's ability to progress with business as usual in some instances and the team has continued to work hard to undertake audit work remotely in the first instance.
- 2.11 An analysis of the details in Appendix 3 shows that as at 30/09/21, 39 audit activities from the 2021/22 audit plan had been completed to at least draft report stage (30%), with an additional 31 audits in progress (24%). As a result approximately 53% of the Audit Plan had either been completed or was in progress.
- 2.12 Two moderate reports were issued in the quarter. The following tables provide brief details of the significant issues which led to the moderate ratings.

2.13

| Audit | Community Alarms Service 2021/22 |
|--|---|
| Objectives | <p>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.</p> <p>The audit reviewed the procedures in place and included detailed testing on the following areas:</p> <ul style="list-style-type: none"> • Expenditure • Purchase Cards • Income Collection & Recharges • Refunds and Cancellations • Stock • Service User Databases • Repairs, Maintenance & Service Resilience • GDPR & Data Retention |
| Assurance Level | Moderate |
| Summary of Key Points | |
| <p><u>Stock</u></p> <p>1. A review of stock reports revealed that items recorded in the 'To Be Investigated' category included 2,129 items with a total recorded value of £126,213. In addition, a total of 1,871 items with a value of £115,232 were recorded as being 'Missing in Action'. It was also noted that there were several hundred items in each report without a value assigned to them. (HR)</p> <p><u>Repairs, Maintenance and Service Resilience</u></p> <p>2. Due to the critical nature of the service, enquiries were made to determine whether knowledge of the hardware, software and administration of the service is held by more than one senior employee. It was found that this knowledge is only held by the Assistive Technology and Customer Services Operational Lead. We were advised that the service is undergoing a Commissioning Review and that changes relating to the management of the service are being considered as part of this review.(HR)</p> <p><u>GDPR & Data Retention</u></p> <p>3. Employees mandatory GDPR training, completion of the Manager's GDPR Checklist, and the retention of physical/electronic records were discussed with the Service Manager and the following was found:</p> <ul style="list-style-type: none"> a) Not all staff had completed the required training. (MR) b) A GDPR Manager's Checklist had not been completed for the service. (MR) | |

2.14

| Audit | Community Equipment Service 2021/22 |
|--|---|
| Objectives | <p>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.</p> <p>The audit reviewed the procedures in place and included detailed testing on the following areas:</p> <ul style="list-style-type: none"> • Joint Working Arrangements • Expenditure • Purchase Cards • Stock of Equipment • Testing of Lifting Equipment • Vehicles • Inventory • Employees • Income (Vending Machine) • Petty Cash • Trustee Meetings / Charity Returns • GDPR / Data Retention |
| Assurance Level | Moderate |
| Summary of Key Points | |
| <p><u>Expenditure</u></p> <p>1. A sample of 20 payments made for the supply of goods or services was chosen and checked for compliance with the Council's Spending Restrictions, Contract Procedure Rules and Accounting Instructions. In 10 cases in our sample, cumulative purchases with the supplier exceeded £10,000, which is the threshold at which the Council's Contract Procedure Rules apply. In four of those cases contract award reports / waivers could not be located. (MR)</p> <p><u>Purchase Cards (P-Cards)</u></p> <p>2. Purchases made using a P-Card during the period April 2020 to March 2021 were reviewed and checked for compliance with the Council's Policy on the Use of Purchase Cards. It was noted that 22 P-Card transactions were not approved by a line manager within the Service, but by officers in the Service Centre in Finance.</p> <p><u>Stock of Equipment</u></p> <p>3. A report of the stock recorded on the Pro-Cloud system was provided. The Pro-Cloud stock control system has been introduced since the last audit of the service and a report on the category "Missing in Action" (MIA) was provided. It is thought that most of these items have not been returned by service users who no longer need them, or from service users who have passed away. The report for MIA included over 6,700 items with a total value of £2,035,000. It was also noted that over 800 of the 6,700 items were recorded in the report without a value assigned to them. (HR)</p> | |

Testing of Lifting Equipment

4. Slings & hoists supplied by the service are legally required to be inspected on a six monthly basis under the Lifting Operations and Lifting Equipment Regulations 1998 (LOLER). A list of overdue inspections was provided, and we were advised that at one point during the Covid-19 pandemic there were over 400 overdue inspections. This figure had been reduced to 140 since the Covid restrictions had been relaxed. (MR)

GDPR & Data Retention

5. Employees mandatory GDPR training, completion of the Manager's GDPR Checklist, and the retention of physical/electronic records were discussed with the Service Manager and the following was found:
 - a) Not all staff had completed the required training. (MR)
 - b) A GDPR Manager's Checklist had not been completed for the service. (MR)

3. Follow Ups Completed 1 July 2021 to 30 September 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 No moderate audit follow-ups were undertaken in the quarter. The follow-up of the Management of Absence audit had been scheduled to be completed in quarter two. However, following the update from the Head of Service Centre at the September Committee meeting and due to ongoing staffing pressures within the department, we have rescheduled the follow up to be completed in quarter four. This will also tie in with the further update to the committee from the Service Centre Manager in February 2022.
- 3.4 It should also be highlighted that as shown in Appendix 1, the fundamental audit of Employee Services Payroll was finalised in the quarter with a substantial level of assurance. This audit had previously been on a two-yearly audit cycle as a result of receiving a consistent high assurance rating. As a result of the latest audit, from 2021/22 this audit will return to an annual audit cycle.

4 Corporate Fraud Function Update

- 4.1 Audit Wales published a report in June 2019 giving an overview of the scale of fraud in the Welsh Public Sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. A further report was published in July 2020, which was based on a more extensive programme of field work, and identified a range of opportunities to improve on the current national position.
- 4.2 In response to the latest report, an action plan was compiled to address the areas of improvement that had been suggested by Audit Wales. The actions are currently being implemented as shown in the updated action plan that can be found in Appendix 4. Please note that the action plan has been updated as requested at the September committee meeting.

5 Integrated Assessment Implications

- 5.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, 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 Acts.
 - 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
 - Consider opportunities for people to use the Welsh language
 - Treat the Welsh language no less favourably than English.
 - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 5.2 The Well-being of Future Generations (Wales) Act 2015 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'.
- 5.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

- 5.4 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 and Access to Services.
 - 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.

6. Financial Implications

- 6.1 There are no financial implications associated with this report.

7. Legal Implications

- 7.1 There are no legal implications associated with this report.

Background Papers: Internal Audit Plan 2021/22

Appendices: Appendix 1 - Audits Finalised Q2 2021/22

Appendix 2 - Summary of Scope of Audits Finalised Q2 2021/22

Appendix 3 - Internal Audit Plan 2020/21 - Progress to 30/09/21

Appendix 4 - Fraud Function Action Plan Update – Progress to 30/09/21