



## Report of the Chief Auditor

Governance & Audit Committee – 15 June 2022

### Internal Audit Annual Plan 2021/22 Monitoring Report for the Period 1 January 2022 to 31 March 2022

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2022 to 31 March 2022.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
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<b>For Information</b>	

#### 1. Introduction

- 1.1 The Internal Audit Annual Plan 2021/22 was approved by the Governance & Audit Committee on 9<sup>th</sup> March 2021. 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 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022.
- 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 fourth quarter.

**2. Audits Finalised 1 January 2022 to 31 March 2022**

- 2.1 A total of 30 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	17	2	0

- 2.3 A total of 188 audit recommendations were made and management agreed to implement 184 of the recommendations, i.e. 98% of the recommendations made were accepted against a target of 95%. Details of the 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	39	104	40	184

- 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 2020/21	£14,054,356

- 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 9<sup>th</sup> March 2021 and identifies the position of each audit as at 31<sup>st</sup> March 2022.
- 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 continue 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 4 shows that as at 31/03/22, 96 audit activities from the 2021/22 audit plan had been completed to at least draft report stage (73%), with an additional 11 audits noted as being in progress (8%). As a result approximately 82% of the audit activities included in the 2021/22 Audit Plan had either completed or were in progress. In addition, due to changes in certification requirements for a number of grants and other changes in client departments in year, 4 audits included on the original audit plan were deemed to no longer be required and a further 16 reviews had to be deferred to 2022/23.
- 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	Accounts Receivable 2021/22
<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: 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.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Disputes</u></p> <p>i) A sample of invoices in the “Dispute” category was reviewed. It was found that none of the invoices in the sample had been progressed satisfactorily. It was evident from the results of our testing that insufficient effort is being made by a number of services to address invoices that are disputed by the debtor. It was also found that there was often no follow-up process by the AR team to ensure that the dispute is resolved or the invoice cancelled.</p> <p>Income is received by a service as soon as an invoice is created on the AR system, regardless of whether it is paid or not. It has been recommended (and agreed) in previous audit reports that income should be clawed back from services if a Dispute has not been resolved after 180 days has elapsed.</p> <p>At the time of the audit it was found that income had not been reversed for any unresolved disputed invoices since May 2020. (MR)</p> <p>1. <u>Debt Recovery</u></p> <p>ii) If an invoice remains unpaid after 90 days it should be forwarded to Legal for recovery action to commence. A check on a sample of 30 unpaid invoices was undertaken to establish whether the expected debt escalation process was being followed. It was found that in 26 cases, the debt collection process had not been escalated as required. (HR repeated recommendation)</p> <p>iii) On reviewing a listing of all unpaid invoices, it was found that there was a total of 4,470, with a value of approximately £3.5m, which were unpaid after 90 days and eligible to be sent to Legal to pursue. Many of these invoices are several years old and approaching their limitation period. (MR repeated recommendation)</p>	

iv) While reviewing our sample of unpaid invoices it was evident that contact with debtors was not being followed-up, and also diarising future reviews of each invoice on the AR system was not being carried out by officers in the AR team. (MR)

## 2.14

<b>Audit</b>	<b>Freedom of Information (FOI)/Subject Access Requests (SAR)/Environmental Information Regulation Requests (EIR) 2021/22</b>
<b>Objectives</b>	The audit reviewed the procedures in place and included detailed testing on the following areas: Completion of Records, Decisions made on whether or not to Release Data, Adherence to Legislative Timescales, Quality of Responses, Reporting and Monitoring of Timescale Performance, Requests for Reviews, and Appeals to the ICO.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Freedom of Information Requests</u></p> <p>i) A sample of ten requests for information under FOI received in 2021 was selected for testing and it was noted that two of the ten responses were sent outside the 20 day statutory deadline and no extension was sought. (MR)</p> <p>ii) A listing of all requests received in October 2021 was reviewed to establish how many of the requests were responded to within the 20 day deadline. It was found that of the 109 requests received during that period, 39 were not dealt with in the stipulated time. Furthermore, as at January 2022, 16 requests from that period still remained unanswered. (MR)</p> <p>iii) A sample of five FOI Review Requests received during 2021 was selected for testing and it was noted that one of the cases should have been dealt with as an EIR rather than FOI and the reply to the original FOI had been sent outside the 20 day response period. (MR)</p> <p>iv) It was noted from the list of all FOI Review Requests received in 2021 that three review requests remain unanswered and are outside the 20 day response period. (MR)</p> <p>v) Three Review Requests sampled concluded that additional information was held and should have been released. The Service was asked to supply further information for two of the reviews, and for one review the supplementary information was attached to the review reply. It was noted however that the data had only been partially redacted and the reply contained personal details which should have been fully redacted. (MR)</p> <p>vi) The reply letter for Review Requests noted above was incomplete, with missing data (date, reference number, date of original response) where the template had not been completed. In addition, sections of the template which were not relevant had not been removed. (MR)</p>	

## 2. Subject Access Requests

- i) A sample of five SAR's was tested and it was found that only one of the five requests had been replied to within the prescribed one month timescale and there was no evidence that an extension had been sought for the other four. (MR)
- i) Six applications were received for a formal review of the responses given to SAR requests issued in 2021 and all were tested to ensure the correct procedures had been followed. It was found that replies had only been sent for two of the six reviews. One reply was sent outside the one month deadline. (MR)
- ii) Four of the six requests for review had not been dealt with as there is currently no officer identified to carry out Social Service SAR reviews. (MR)

## 3. Environmental Information Regulation Requests

- i) A sample of five requests for information covering environmental issues was selected for testing and it was found that the reply to one request was outside of the 20 day deadline. (MR)
- ii) Three requests were dealt with incorrectly as FOI requests rather than EIR requests. (MR)

## 3. **Follow Ups Completed 1 January 2022 to 31 March 2022**

- 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 Director of Finance & Section 151 Officer.
- 3.3 Four moderate audit reports were followed up in the quarter as detailed below:
  - a) Grand Theatre  
The initial review of the Service was undertaken in January 2021 with the final report being issued in February 2021 with a moderate overall assurance level. The follow-up review was completed in March 2022. Note that the follow-up was delayed until operations resumed at the Theatre following its closure due to the pandemic. The follow-up concluded that significant progress had been made by the service to implement the recommendations. In line with the updates that have been

provided to the Committee by the Head of Service, our testing revealed that all of the recommendations made had been fully implemented.

b) Management of Absence

i) The review of the Service was undertaken in December 2020 with the final report being issued in January 2021 with a moderate overall assurance level. The follow-up review was completed in March 2022. The follow-up concluded that good progress had been made in addressing the issues raised in the report, with only 4 of the 19 recommendations not being implemented. One of the recommendations that had not been implemented was classed as Medium Risk, the remaining three were classed as Good Practice. The outstanding recommendations had not been implemented as they are linked to the implementation of Oracle Fusion and these will be re-tested during the next full audit.

ii) In addition to the follow-up review, the Chair of the Governance and Audit Committee also requested that details be provided of the respective positions before and after the interventions had been put in place to reduce absence. As part of the follow-up, we were provided with some of this data. However, we were unable to determine what effect the interventions have had in relation to staff absence over the period. Therefore, as agreed in the Committee meeting in March, the relevant officers from the department were reminded that they should attend a future meeting to present and interpret the requested data.

c) Community Equipment Service & Community Alarm Service

Both of these services are managed by the same team. The initial reviews of both of these services were undertaken in July/August 2021 with the final reports being issued in September 2021. Both reports received a moderate level of assurance level. The follow-up reviews were completed in March 2022. The results of the follow-up reviews are noted below:

i) Community Equipment Service

The follow-up confirmed that significant progress had been made in addressing the issues identified as part of the audit. Our testing confirmed that 10 of the 17 recommendations had been fully implemented. However, 6 of the 17 recommendations were noted as being partly implemented with one of these recommendations being classed as High Risk and three classed as Medium Risk. One further Low Risk recommendation was noted as being not implemented. We acknowledge the effort that has been made to date to address the issues identified, and that the outstanding recommendations are likely to take a significant amount of time to be fully implemented as they are reliant on recruitment of new staff, staff training and ongoing work to address historical issues. As a result, we plan to re-test these areas when the next full audit is due which is likely to be in early 2023/24.

- ii) In addition to the follow up review, the Chair of the Governance and Audit Committee also requested that details be provided of the performance management arrangements for the Community Equipment Service.
- iii) We were informed that the Community Equipment Service is overseen by a Joint Partnership Group which is chaired by the Directors of Social Services for Swansea and Neath Port Talbot, and also the Chief Executive of the Health Board. The Equipment Service Manager has attended two meetings since April 2020, one in August 2020 and the other in February 2022. The meeting is held to monitor and evaluate Section 33 agreements across the region. The service is subject to a Section 33 agreement and the Pool Fund Manager compiles a monitoring report on a bi-monthly basis. There is also an Executive Board which meets bi-monthly and an Operational Advisory Group which meets monthly consisting of Clinicians.
- iv) Community Alarm Service  
The follow-up confirmed that significant progress had been made with 4 of the 9 recommendations being fully implemented. However, 4 of the 9 recommendations were noted as being partly implemented with two of these recommendations being classed as High Risk and one classed as Medium Risk. One further Low Risk recommendation was noted as being not implemented. As noted in the points above for the Community Equipment Service, the outstanding recommendations are likely to take a significant amount of time to be fully implemented as they are reliant on recruitment of new staff, staff training and ongoing work to address historical issues. As a result, we plan to re-test these areas when the next full audit is due which is also likely to be in early 2023/24.

#### 3.4 Update on Social Care Contracts

The Committee may recall the summary report presented in June 2018 outlining the key issues that resulted in the Social Care Contracts audit in 2017/18 receiving a Moderate level of assurance. At that time, it was noted that as at December 2017, 94 contracts were shown as being non-compliant with the Council's Contract Procedure Rules or the Public Contracts Regulations 2015. Further issues were identified in relation to the varying versions of the terms and conditions within existing social care contracts and the different forms of contracts in existence at the time. A major commissioning exercise involving officers from across the Council was underway at the time of the review and as a result, we were advised that it would be at least a year before new framework agreements could be established. The Committee has received a number of progress updates following the completion of the audit from the Principal Officer for Prevention, Wellbeing & Commissioning.

- 3.5 A further audit of the Service was completed in February 2022, with a Substantial level of assurance being awarded. At the time the audit was

being carried out, a Scrutiny Inquiry Panel was being held, examining procurement across the Council. It was noted that the Inquiry Panel had been advised on 20 October 2021 that there were only 11 eligible arrangements with social care providers that were not compliant with the Council's CPRs at that time.

- 3.6 Following on from the Social Care Contract audit and the scrutiny inquiry the department has programmed work on the 11 non-complaint contracts for the next 12 months to ensure these are addressed going forward. Checks have been carried out by the department and the 11 contracts have been extended through the waiver process to ensure compliance. A tracking mechanism has been put in place with a RAG status to monitor progress at the People Commissioning Group, which includes the Director of Social Services, Heads of Services within the directorate and Head of Commercial Services and Procurement. Meetings of this group take place bi-monthly and all associated risks are noted with mitigation in place.

#### **4 Integrated Assessment Implications**

- 4.1 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.

- 4.2 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'.

- 4.3 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.

4.4 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.

## **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 2021/22

**Appendices:** Appendix 1 - Audits Finalised Q4 2021/22

Appendix 2 - Summary of Scope of Audits Finalised Q4 2021/22

Appendix 3 – Recommendations Not Accepted in Q4 21/22

Appendix 4 - Internal Audit Plan 2021/22 - Progress to 31/03/22

Appendix 5 – Integrated Impact Assessment