



## Report of the Chief Auditor

Governance & Audit Committee – 9 November 2022

### Internal Audit Monitoring Report Quarter 2 – 2022/23

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 July 2022 to 30 September 2022.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
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<b>Access to Services Officer:</b>	Tracey Meredith
<b>For Information</b>	

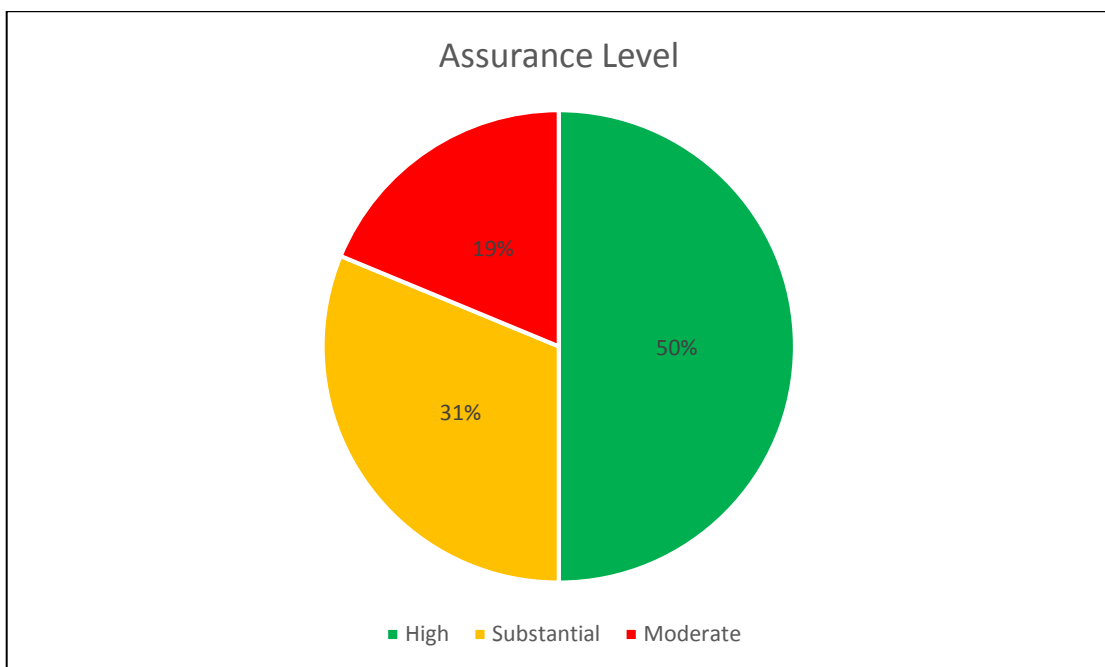
#### 1. Introduction

- 1.1 The Internal Audit Annual Plan 2022/23 was approved by the Governance & Audit Committee on 12 April 2022. 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 1 July 2022 to 30 September 2022.

## 2. Audits Finalised 1 July 2022 to 30 September 2022

- 2.1 A total of 16 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	Total
Number	8	5	3	0	16



- 2.3 A total of 84 audit recommendations were made and management agreed to implement 84 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:

Risk Level	High Risk	Medium Risk	Low Risk	Good Practice	Total
Number	3	15	52	14	84



- 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 the Committee via the Fundamental Audit Recommendation Tracker Report.
- 2.6 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 12 April 2022 and identifies the position of each audit as at 30 September 2022.
- 2.7 An analysis of the details in Appendix 3 shows that as at 30/09/22, 25 audit activities from the 2022/23 audit plan had been completed to at least draft report stage (19%), with an additional 30 activities noted as being in progress (23%). As a result approximately 42% of the audit activities included in the 2022/23 Audit Plan had either completed or were in progress. In addition, 4 audits from the 2021/22 audit plan were finalised in the quarter (marked with \* in Appendix 1).
- 2.8 Staff sickness within the Internal Audit Team has continue to be significant during the quarter, with a total of 87 days absence recorded. At the time of compiling this report, two members of staff continue to be absent due to long-term sickness. Cumulative sickness in the year to date totals 119 days.
- 2.9 In addition to the sickness absence noted above, two auditors left the team in quarter one. We acted promptly to fill the vacant posts and a successful

recruitment campaign was completed in quarter two. The two successful candidates are due to join the internal audit team in mid-November.

2.10 The possible use of agency staff to support the existing resources of the internal audit team was considered by the Chief Auditor and the Director of Finance at the end of the first quarter and throughout quarter two. However, given the current budgetary concerns and Cabinet’s decision to seek containment of in year spending by all Directors, the Director of Finance advises against the use of agency staff at this stage. We will continue to review this decision throughout the rest of the financial year.

2.11 Three audit reports with a “Moderate” assurance level were issued in the quarter. The following tables provide brief details of the significant issues which led to the moderate ratings.

2.12

<b>Audit</b>	<b>Rechargeable Works 2022/23</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 reviewed the procedures in place and included detailed testing on the following areas: Authorisations, Recharges to Property Owners/Tenants, Monitoring of Arrears, Write-Off of Unpaid Invoices, GDPR & Data Retention
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Recharges to Property Owners/Tenants</u></p> <p>Our sample of 15 RWs was checked to ensure that the AR invoice had been raised promptly once all costs were complete. The date of signing the WID form was compared to the date of the AR invoice and anything over two months was classed as not being promptly raised.</p> <p>a) Two RW’s were incomplete works therefore invoices could not be raised, RW2685 is dated 24 February 2022 and RW2651 dated 17 August 2021.</p> <p>b) In 7 of the remaining 13 cases there was a delay of two months or more. These were RW2511, RW2519, RW2621, RW2624, RW2639, RW2655 and RW2688.</p> <p>We were advised that all ongoing jobs are regularly monitored to ensure they are completed and recharged. A review of the Rechargeable Works spreadsheet used for monitoring revealed that at the time of the audit (11 July 2022) there were 8 RWs where invoices had not yet been raised. Details of the RW No. and date issued is recorded below:</p>	

<b>RW No.</b>	<b>Date</b>	<b>Finding</b>
RW2670	07/12/2021	Long outstanding due to the complexity of the case
RW2679	24/01/2022	Needs to be invoiced
RW2685	24/02/2022	Costs still outstanding hence no invoice raised.
RW2687	18/03/2022	Needs to be invoiced
RW2689	19/04/2022	Needs to be invoiced
RW2691	28/04/2022	Needs to be invoiced
RW2695	11/05/2022	Needs to be invoiced
RW2696	11/05/2022	Needs to be invoiced

*(Medium Risk)*

## 2. Monitoring Arrears

We were advised that the reports of “Disputed invoices” are reviewed and the disputes resolved, but that there is no review or action undertaken in regard to invoices appearing on the “Invoices unpaid over 60 days” report. It was stated that this was due to lack of staff resources.

A report was requested from Accounts Receivable of unpaid invoices as at 19 July 2022 and this recorded 386 invoices totalling £194,484.21. It was evident that three invoices had direct debits in being, and there were also some that had payment plans in place. A breakdown of the unpaid invoices by financial year is shown below:

<b>Financial Year</b>	<b>No. of Invoices</b>	<b>Value (£)</b>
2008-09	1	2,625.64
2012-13	4	1,576.85
2013-14	17	9,210.81
2014-15	23	14,996.18
2015-16	52	20,389.57
2016-17	36	12,105.42
2017-18	29	13,111.27
2018-19	46	37,169.64
2019-20	54	23,109.09
2020-21	51	23,538.20
2021-22	33	14,755.55
2022-23	37	20,075.18
<b>TOTAL</b>	<b>383</b>	<b>192,663.40</b>
Direct Debits in being	3	2,184.81
<b>OVERALL TOTAL</b>	<b>386</b>	<b>194,848.21</b>

*(High Risk)*

## 2.13

Audit	Destination Lettings 2022/23	
<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 reviewed the procedures in place and included detailed testing on the following: Mumbles Hill Caravan Park, Langland Beach Huts, Expenditure, GDPR & Data Retention.	
<b>Assurance Level</b>	Moderate	
Summary of Key Points		
<u>Mumbles Hill Caravan Park</u>		
A check was carried out to confirm that all plot holders had been Invoiced for 2022/23 and the following was revealed:		
No.	Plot No.	Finding
2.1.4 a)	16	Invoice 60371886 had been issued in the wrong name and a new invoice (60372663) issued. However, cancelation of invoice 60371886 had not yet been actioned.
2.1.4 b)	32	An invoice for 2022/23 had not been issued due to an oversight.
<i>(Medium Risk)</i>		
A check was carried out to confirm that all licensees were up to date with their licence payments on renewal in April 2022. The following was found		
Plot No.	Finding	Arrears on Renewal
15	Unpaid invoices for 2018/19, 2019/20, 2020/21, and 2021/22.	£8,908
14	Unpaid invoice for 2021/22.	£1,969
62	Unpaid invoice for 2021/22.	£1,969
<i>(High Risk – previous recommendation)</i>		

<b>Audit</b>	<b>Western Bay Adoption Service &amp; Adoption Allowances 2022/23</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 reviewed the procedures in place and included detailed testing on the following areas: Expenditure, Purchase Card Expenditure, Travel & Subsistence Expenses, Personnel Records, Grants, GDPR, Adoption Allowances
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Expenditure</u></p> <p>A sample of fifteen payments for the supply of goods or services was selected and checked for compliance with the Council's Spending Restrictions, Contract Procedure Rules and Accounting Instructions. The following was found that all purchase orders had been raised through the Oracle system and had been approved and receipted by authorised employees at the time. However, thirteen of the orders had been placed after the date of the invoice. <i>(Medium Risk)</i></p> <p>Seven suppliers with cumulative expenditure of over £10,000 during the 2021/22 financial year were noted. Our enquiries revealed that quotations had not been obtained for any of the purchases and that Waiver requests or Contract Award Reports had not been completed. <i>(Medium Risk)</i></p> <p>2. <u>Travel &amp; Subsistence Expenses</u></p> <p>A sample of claims for travel and subsistence during the period April 2021 to June 2022 were reviewed and checked for compliance with the Council's Policy on Travel &amp; Subsistence. The following was found:</p> <p>a) A number of instances were found where the mileage claimed was higher than expected for the description of the journey recorded on Oracle. This was for three employees and further investigation is being undertaken into the claims. <i>(High Risk based on value/volume and lack of evidence of checks)</i></p> <p>b) Home to work mileage had not been deducted by one member of staff. <i>(Medium Risk)</i></p>	

### **3. Follow Up's completed 1 July 2022 to 30 September 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 There were no audit reports with a Moderate assurance level followed up in the quarter.

### **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 2022/23

**Appendices:** Appendix 1 - Audits Finalised Q2 2022/23

Appendix 2 - Summary of Scope of Audits Finalised Q2 2022/23

Appendix 3 - Internal Audit Plan 2022/23 - Progress to 30/09/22

Appendix 4 - Integrated Impact Assessment