



## Report of the Chief Auditor

Governance & Audit Committee – 14 June 2023

### Internal Audit Monitoring Report Quarter 4 – 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 January 2023 to 31 March 2023.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Report Author:</b>	Simon Cockings
<b>Finance Officer:</b>	Ben Smith
<b>Legal Officer:</b>	Tracey Meredith
<b>Access to Services Officer:</b>	Rhian Millar
<b>For Information</b>	

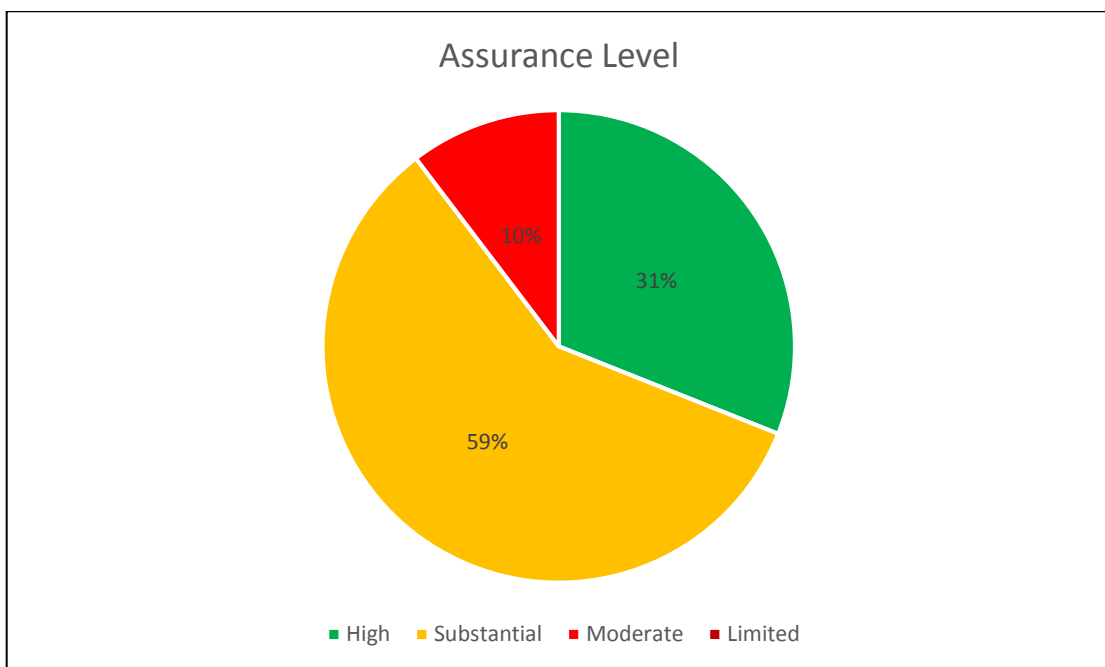
#### 1. Introduction

- 1.1 The Internal Audit Annual Plan 2022/23 was approved by the Governance & Audit Committee on 12 April 2022. This is the 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 January 2023 to 31 March 2023.

## 2. Audits Finalised 1 January 2023 to 31 March 2023

- 2.1 A total of 29 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 and chart:

Assurance Level	High	Substantial	Moderate	Limited	Total
Number	9	17	3	0	29



- 2.3 A total of 196 audit recommendations were made and management agreed to implement 194 recommendations, i.e. 99% of the recommendations made were accepted against a target of 95%. Details of the recommendations 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 and chart:

Risk Level	High Risk	Medium Risk	Low Risk	Good Practice	Total
Number	4	37	120	33	194



- 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 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 31 March 2023.
- 2.7 The team continues to work both from home and in the new office space in the Guildhall. The Office is shared with one other section, but to ensure confidentiality the Audit and Fraud Team has sole occupancy on set days. All audit paper files are also kept secure in locked cabinets with only Audit staff having access.
- 2.8 As previously reported in previous reports, staff sickness in the Internal Audit Team has continued to be significant during the quarter, with a total of 54 days absence recorded. The cumulative number of days lost due to sickness in the year to date is approximately 234 days. At the time of compiling this report, one members of staff continues to be absent due to long-term sickness. They continue to be supported by Human Resources. As noted previously, an additional 272 days have been lost in year as a result of vacant posts.
- 2.9 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 throughout the year. However, given the current budgetary concerns and Cabinet's decision to seek containment of in year spending by all Directors, the Director of Finance continues to advise against the use of agency staff at this stage.

- 2.10 In light of the ongoing sickness noted above and the 506 total days lost to date, the Chief Auditor had no option other than to review the 2022/23 audit plan and defer several planned audits to 2023/24. The deferred activities were included in the 2023/24 audit plan that was presented to the Governance & Audit Committee on the 12<sup>th</sup> April 2023.
- 2.11 As at the end of March, all Fundamental Systems Audits had been completed. The original Internal Audit Annual Plan for 2022/23 contained 131 separate audit activities. As at 31/03/23, 80 audit activities (61%) from the 2022/23 audit plan had been completed, with one additional activity (1%) substantially complete with the audit reports issued as draft. As a result, 81 audit activities have been completed to at least draft report stage (62%). An additional 4 activities were in progress at year end (3%). As a result, approximately 65% of the audit activities included in the 2022/23 Audit Plan had either completed or were in progress. A copy of the plan showing the status of the activities as at the 31/03/23 can be found in Appendix 4.
- 2.12 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.

## 2.13

<b>Audit</b>	<b>Accounts Receivable 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 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>Debt Recovery</u></p> <p>i) 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 29 cases, the debt collection process had not been escalated as required. (HR repeated recommendation)</p> <p>ii) On reviewing all invoices unpaid after 90 days, it was found that there was a total of 5,574 (with a value of approximately £2.9m) which had not yet been sent to Legal Services to pursue. Many of these invoices are several years old and some are approaching their limitation period. (MR repeated recommendation)</p> <p>iii) While reviewing a sample of unpaid invoices in the “Awaiting Evidence” category, it was noted that contact made with debtors, or the service which created the invoice, was not being followed-up, and that diarising future reviews or milestones for the invoice were not being carried out by officers in the AR team. (MR repeated recommendation)</p> <p>It was also noted that two Good Practice and three Low Risk recommendations had been repeated from the 2021/22 audit.</p>	

<b>Audit</b>	<b>Disclosure &amp; Barring Service (DBS) 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 scope of the review covered the following: Internal Procedures, Processing of DBS Applications, Review of Posts, Reports and Monitoring, DBS Checks – New Starters, DBS Checks - Existing Employees, DBS Renewals, Payments to Powys County Council, Re-charging of Departments, System Access / Confidentiality, GDPR and Data Retention.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<p>1. <u>Risk Assessments</u></p> <p>Sample testing of ten DBS checks for new starters revealed three cases where no risk assessment form (RA1) had been completed pending the return of the DBS results. Sample testing of 15 existing staff DBS renewals revealed for five employees with a status of 'waiting for applicant to fill in details', and four employees with a status of 'awaiting ID verification' no risk assessment form had been completed.</p> <p>A sample of five schools was examined and it was found that nine employee DBS's had been expired and had not been renewed. These employees would have appeared on the EBulk reports four months before their DBS expiry date in order to allow sufficient time for the renewal process. In seven of the eight cases, risk assessments were required but there was no record to show that they had been undertaken. It was recommended that A robust process should be established to ensure that all employee(s) have a risk assessment (RA1) conducted and sent to the Service Centre in the interim period whilst awaiting receipt of the DBS (HR Repeated Recommendation).</p> <p>It was also recommended that a robust system should be put in place to ensure that DBS renewals are completed for all staff prior to expiry and that a full review of all school employees should be undertaken to ensure that all DBS' are current/renewed as soon as possible (HR Recommendation)</p> <p>2. <u>Oracle Updates</u></p> <p>Sample testing of DBS renewals revealed one instance where the employee commenced a new assignment on 1<sup>st</sup> October 2022 with the DBS being returned on the 4<sup>th</sup> November. However at the 12<sup>th</sup> December Oracle had not been updated. It was also found that a risk assessment for had been completed and provided on the 3<sup>rd</sup> September 2022 but this had not been uploaded to Oracle until 11<sup>th</sup> November 2022.</p>	

It was recommended that DBS returns should be updated on Oracle in a timely manner to ensure the correct status is held and to avoid employee details being listed on the renewal spreadsheet (MR Repeated Recommendation)

2.15

<b>Audit</b>	<b>Fleet Maintenance 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 scope of the review covered the following: Internal Procedures, Processing of DBS Applications, Review of Posts, Reports and Monitoring, DBS Checks – New Starters, DBS Checks - Existing Employees, DBS Renewals, Payments to Powys County Council, Re-charging of Departments, System Access / Confidentiality, GDPR and Data Retention.
<b>Assurance Level</b>	Moderate
<b>Summary of Key Points</b>	
<ol style="list-style-type: none"> <li>1. <u>Purchase Cards (P-Cards)</u> It was established that there are four P-cards held by staff in the Section and we were advised that the cards and PIN numbers are kept secure. However, during discussions, it was highlighted that one Officer's P-card had been used by a second Officer (who was the approver of her P-card transactions) on a trip to collect a vehicle to use to purchase fuel. P-Cards and PIN's should not be shared amongst other members of staff. This is a condition of the P-Card User Agreement. (MR Repeated Recommendation)</li>   <li>2. <u>Procurement</u> All 17 suppliers with a cumulative spend over £10k in 2022/23 were reviewed to ensure compliance with the Council's Contract Procedure Rules. It was found that for all suppliers no current Contract was in place or relevant CPR20 Waiver had been completed. (HR Recommendation repeated over the last 4 audits)</li>   <li>3. <u>Stores</u> A review of the procedures of the Stores with regards to the issuing of stores and direct materials was undertaken to assess the adequacy of controls. It was highlighted that Vehicle Fitters do not signing the stores 'Requisition Notes' or 'Job Cards' to evidence that the parts being used have been formally requested by them. (MR Recommendation)</li> </ol>	

### **3 Additional work undertaken by Internal Audit in the Quarter**

- 3.1 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.

<b>Grant</b>	<b>Amount</b>
Regional Consortia School Improvement Grant (EIG Element) 2021/22 End of Year	£8,874,439

- 3.2 At the request of the Director of Education during the 22/23 Consultation Process, the Headteachers Remuneration Review was also completed in the quarter. The annual reconciliation of the Cashiers Office Chief Cashiers Imprest Account was also completed.

### **4. Follow Up's completed 1 January to 31 March 2023**

- 4.1 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.
- 4.2 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.
- 4.3 No audits with a moderate assurance rating were followed up in the quarter. However, three follow up reviews are due in quarter one 2023/24 covering Western Bay Adoption Service & Adoption Allowances, Rechargeable Works and Destination Lettings.

### **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 2022/23

**Appendices:** Appendix 1 - Audits Finalised Q4 2022/23

Appendix 2 - Summary of Scope of Audits Finalised Q4 2022/23

Appendix 3 – Recommendations Not Accepted

Appendix 4 - Internal Audit Plan 2022/23 - Progress to 31/03/23

Appendix 5 - Integrated Impact Assessment