



## Report of the Chief Auditor

Governance & Audit Committee – 5 June 2024

### Internal Audit Monitoring Report Quarter 4 – 2023/24

<b>Purpose:</b>	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 January 2024 to 31 March 2024.
<b>Policy Framework:</b>	None.
<b>Consultation:</b>	Legal, Finance, Access to Services.
<b>Recommendation(s):</b>	It is recommended that the contents of the report be noted.
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#### 1. Introduction

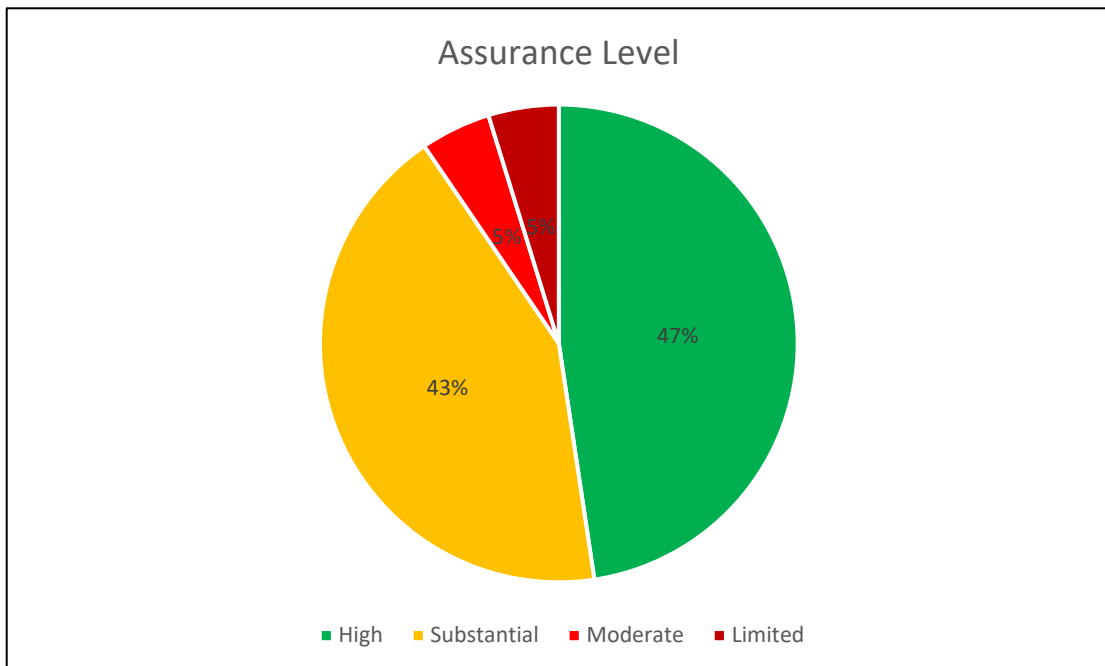
- 1.1 The Internal Audit Annual Plan 2023/24 was approved by the Governance & Audit Committee on 12 April 2023. This is the fourth quarterly monitoring report to be presented to allow the Committee to review and comment upon the progress of the Internal Audit Section in achieving the Annual Plan.
- 1.2 This report shows the audits finalised in the period 1 January to 31 March 2024.

**2. Audits Finalised 1 January to 31 March 2024**

2.1 A total of 21 audits were finalised during the quarter. The audits finalised are listed in Appendix 1 which also shows the level of assurance awarded 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	10	9	1	1	21



2.3 A total of 153 audit recommendations were made and management agreed to implement all of the recommendations made. 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 and chart:

Risk Level	High Risk	Medium Risk	Low Risk	Good Practice	Total
Number	4	20	103	26	153



- 2.5 The Audit Plan is a 'living' document which is likely to change during the year due to 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 2023 and identifies the position of each audit as at the 31 March 2024.
- 2.6 Staff sickness in the Internal Audit Team has continued to be significant during the fourth quarter, with a total of 87 days sickness absence recorded. Cumulative sickness absence to the end of quarter four totalled 235 days. At the time of compiling this report, one member of staff that had been absent due to long-term sickness has submitted their notice of resignation and the vacant posts are due to be advertised shortly.
- 2.7 As noted in the previous monitoring report, one further part-time member of staff that had been absent due to long-term sickness for over a year left the council in late September. The part-time post was advertised in October but unfortunately the recruitment campaign was unsuccessful. As a result of the vacancies noted above, 33 days were lost in quarter four, with a cumulative total of 125 days being lost in the year to date due to vacant posts. As noted above, the vacant posts are due to be advertised shortly.
- 2.8 The Internal Audit Annual Plan for 2023/24 contains 116 separate audit activities. As at 31 March 2024, 89 audit activities (77%) had been completed, with three additional activities (2%) substantially complete with the audit report issued as draft. As a result, 92 audit activities have been completed to at least draft report stage (79%). An additional 12 activities were in progress at the end of the quarter (10%). As a result, approximately 89% of the audit activities included in the 2023/24 Audit Plan had either been completed or were in progress. A total of 13 audits

(11%) on the 23/24 audit plan had to be deferred. A copy of the plan showing the status of the activities as at the 31 March 2024 can be found in Appendix 3.

2.9 One audit report issued with ‘Moderate’ assurance level and one audit report with a ‘Limited’ assurance level were issued in the quarter as summarised in the tables below:

2.10

<b>Audit</b>	<b>Contract Waivers 2023/24</b>
<b>Objectives</b>	<p>A review of Contract Waivers requested by Services in the Council. The granting of a Waiver by Commercial Services enables a Service to partly suspended compliance with the Council’s Contract Procedure Rules (CPRs) including approval to seek a quotation or tender from a single supplier. However, where a Waiver is approved all other CPRs remain in effect. For a sample of Waivers, compliance with the CPRs was reviewed in order to confirm whether:</p> <ul style="list-style-type: none"> <li>• The Waiver had been requested in advance of the supply of goods or services.</li> <li>• A Supplier Suitability Questionnaire had been completed.</li> <li>• Insurances held by the supplier had been checked.</li> <li>• A formal contract had been completed and signed by both parties.</li> </ul> <p>This is the first time this audit has been undertaken and was carried out at the request of the Head of Commercial Services during the 23/24 consultation process.</p>
<b>Assurance Level</b>	<b>Moderate</b>
<b>Summary of Key Points</b>	
<p>1. <u>Waiver Submissions</u></p> <p>A sample of 15 Waivers from the records held by Commercial Services was selected for testing. These Waivers were for a range of goods or services procured across the Council and were for varying values.</p> <p>The CPRs stipulate that Waivers can be applied for retrospectively in exceptional circumstances. These include:</p> <ul style="list-style-type: none"> <li>• The protection of life or property.</li> <li>• The protection of the interests of the council.</li> <li>• Compliance with statutory obligations of the council for which there is no provision in an existing contract.</li> </ul> <p>Of the sample of Waivers reviewed, it was found that 8 had been submitted to Commercial Services retrospectively that did not meet the exceptional circumstances criteria noted above. (MR)</p>	

<p>2. <u>Insurance Checks</u>  Section 12.2 of the CPRs states that prior to awarding a Contract to a Supplier, officers shall ensure that the Supplier has adequate insurance cover in place for the performance of the Contract, and that the supplier remains adequately insured for the duration of the Contract.</p> <p>Our sample testing revealed that for 6 of the 15 Waivers reviewed, there was no evidence of the supplier’s insurance being checked.</p>
<p>3. <u>Contracts</u>  Section 20.1 of the CPRs states that works, or the supply of goods shall not commence until a contract has been signed by all parties (and sealed if over £140k).</p> <p>Our sample testing revealed that for 5 of the 15 Waivers reviewed, a contract could not be provided by the relevant service. It was also noted that for a further 2 Waivers, a contract had been prepared, but had not been signed by both parties.</p> <p>It was also noted that 3 contracts with expenditure exceeding £140k had not been forwarded to officers in Legal for signing/sealing. (HR)</p>

2.11

Audit	Accounts Receivable 2023/24
<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>	<b>Limited</b>
Summary of Key Points	
<p>1) <u>Disputes</u>  A sample of invoices in the Dispute category was reviewed and nine cases had not been progressed to remove the Dispute hold. (MR)</p> <p>2) <u>Invoice Numbering</u>  Invoice numbering is an automated process and all invoices created are allocated a sequential invoice number by the AR system. Testing was undertaken to ensure that all invoices were sequentially numbered and that there were no gaps in the sequence.</p>	

This test revealed that nine invoice numbers created during 2023 were not recorded on the AR system, the daily Transaction Register or the spreadsheet of all invoices maintained by the AR team. The AR team were unable to explain the reasons for the missing invoices as there is no audit trail on the Fusion system. This matter was reported to the Fusion team for investigation on the 17th January 2024. (MR)

3) Debt Recovery

- i) If an invoice remains unpaid after 90 days, it should be forwarded to Legal for recovery action to commence. Sample testing of 30 invoices outstanding in excess of 90 days was undertaken to establish whether the expected debt escalation process had been followed. It was found that in 29 cases the correct process had not been followed.
- ii) On reviewing all invoices recorded as unpaid on the AR system for over 90 days in January 2024, it was found that there was a total of 9,111 invoices, with a value of approximately £4.5m to be dealt with under the recovery process. At the time of the 2022/23 audit there were 5,574 unpaid invoices with a value of £2.9m. This represents an increase of 63% in number and 55% (£1.6m) in value. (HR Repeated Recommendation)
- iii) As was the case in the 2022/23 audit, it was noted that many of the outstanding invoices were several years old, and some were approaching their limitation period. We were informed that the increase in the number of invoices not being actively pursued was the result of the time the AR Team was having to spend managing the new Fusion processes which are more manual and time consuming than the previous system, combined with the limited staff resource within the AR Team. It was noted that in February 2024 the Director of Corporate Services established an Aged Debt project to tackle the backlog in outstanding invoices.
- iv) We were advised that before forwarding eligible invoices to Legal for legal action to commence, officers in the AR Team are required under the Pre-Action Protocol to confirm with the relevant service that there is evidence available to substantiate the debt. This process can be very time consuming for the AR team. It was noted that the AR Team had only managed to forward 139 invoices to Legal in 2023, compared to 256 in 2022, a reduction of 46%. (HR)
- v) While reviewing a sample of unpaid invoices in the “Awaiting evidence for legal action” category, it was noted these were not being routinely monitored by the AR Team. (MR)  
In addition, the following issues were also noted:
  - a) Initial contact made with debtors, either by the service which created the invoice, or officers in the AR team, had not been followed-up by the AR Team.
  - b) The dispute reason had not been changed to the correct status for five invoices.
  - c) One invoice was outside of its limitation period.
  - d) The service creating the invoices had not always responded to requests for evidence from the AR team. This was found for five invoices. (MR)

4) Invoices Referred to Legal

- i) A sample of ten invoices recorded on the AR system as being “Referred to Legal” was checked with the records held by officers in Legal to ensure that the recovery status on both records agreed and that recovery was ongoing. Nine out the ten in our sample were found to be not progressing satisfactorily. (HR Repeated Recommendation)
  
- ii) As at December 2023, 362 invoices were recorded as being “Referred to Legal” on the AR system. However, officers in Legal advised that they were currently dealing with 152 cases, and there were approximately 50 new referrals from the AR Team awaiting attention in the Legal Inbox. We were informed had not been examined due to a lack of staff resources within Legal. Therefore, this test revealed a variance of 160 invoices which the AR Team explained was partly due to different recording processes by Legal that records cases based on supplier name and the AR Team that records cases based on individual invoice numbers. (MR Repeated Recommendation)

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

- 3.1 The Internal Audit Team also certified the following grants as required by the terms and conditions of the grant issued by the Welsh Government.

Grant	Amount
ENABLE – Support for Independent Living Grant 2022/23	£379,500

3.2 Accounts Payable – Fundamental Audit Mid-Cycle Review

The mid-cycle review concluded that the one Medium Risk recommendation had been implemented. Of the nine Low Risk recommendations, six had been implemented, one had been partly implemented and two had not been implemented. Of the four Good Practice recommendations reported, two had been implemented and two had not been implemented. Any recommendations that have not been implemented will be re-tested in the next full audit.

3.3 Business Rates (NNDR) – Fundamental Audit Mid-Cycle Review

The mid-cycle review concluded that six of the eight recommendations had been implemented or partly implemented, albeit the recruitment of staff had been delayed, which had impacted on the delivery of the works identified. We were informed that work will be undertaken over the coming months to fully address the issues identified. The development of software to enable the review of Mandatory Charity Relief and Discretionary Relief cases is due to be scheduled for later this year. Any recommendations that have not been implemented will be re-tested in next full audit.

- 3.4 Council Tax – Fundamental Audit Mid-Cycle Review  
The mid-cycle review concluded that one of the four Medium Risk recommendations had been implemented, along with one Low Risk recommendation. The remaining three Medium Risk recommendations had been partly implemented. Any recommendations that have not been implemented will be re-tested in next full audit.
- 3.5 Cashiers Office – CCI Reconciliation  
The Chief Cashiers Imprest (CCI) account is administered by the Cash Management Team. The account is used to facilitate payments such as Temporary Receipts, Petty Cash account reimbursements, and weekly allowances paid by the Social Services Client Property & Finance Team. Internal Audit undertook a review of the account on the 21 February 2024, and it was reconciled satisfactorily and agreed with the records maintained by officers within the Cash Management Team.
- 3.6 Achieving Better Together – Transformation Programme Progress Update (Audit Briefing Note)  
In October 2023, Audit Wales conducted a review of the new Corporate Transformation Plan. Seven suggestions were made as a result of the review, as reported to the Governance and Audit Committee on 6 December 2023 by the Director of Corporate Services.
- 3.7 Internal Audit completed a review of the progress that has been made in implementing the suggestions arising from the Audit Wales review. The review concluded that suitable action has been taken to address the suggestions made by Audit Wales. Actions will continue as part of the ongoing Transformation Programme and progress will be routinely reviewed and reported by the Director of Corporate Services.
- 3.8 Welsh Quality Housing Standards 2 & Decarbonisation Programme Update (Audit Briefing Note)  
A review was undertaken to evaluate the progress made to date in delivering the above programme. The review concluded that there are a significant number of barriers to the delivery of the programme, and the Council continues to lobby Welsh Government to consider extending the deadlines and provide increased funding.
- 3.9 Net Zero 2030 Programme Update (Audit Briefing Note)  
The governance arrangements in place for the Council’s objective of becoming a “Net Zero” Council by 2030 were reviewed. The review concluded that that the Council’s progress in achieving its objective of being Net Zero by 2030 was being monitored at or by the following forums:
- Climate Change Steering Group
  - Climate Change & Nature Recovery Programme Board
  - Transformation Delivery Board
  - Scrutiny Performance Panel
  - CMT/Cabinet Awayday.



As a result, it was concluded that adequate governance arrangements are in place.

#### **4. Follow-Up of Audits with Moderate Assurance Levels Completed 1 January to 31 March 2024**

4.1 The follow-up procedures operated by the Internal Audit Team include revisiting any routine audits which received a Moderate or Limited level of assurance to confirm and test that action has been taken by management to implement the recommendations made in the original audit.

4.2 The follow-up audit is usually within six 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 Clydach Primary School

The initial review of the school was undertaken in May 2023, with the final report being issued in June 2023 with a Moderate Assurance rating. The follow-up confirmed that reasonable progress had been made, with 21 of the 27 recommendations being confirmed as fully implemented. However, testing identified that 6 recommendations remained outstanding as not fully implemented (3 x Medium Risk & 3 x Low Risk). As a result of the findings, we will be required to undertake a second follow up audit later in the year to confirm that these outstanding recommendations have been fully implemented.

#### 4.4 Disclosure & Barring Service

The initial review of the service was undertaken in December 2022, with the final report being issued in February 2023 with a Moderate Assurance rating. The follow-up confirmed that some progress had been made, however none of the six recommendations reported had been fully implemented (2 x High Risk, 1 x Medium Risk, & 1 x Low Risk – Partly Implemented, 2 x Good Practice Not Implemented). As a result of the findings, we will be required to undertake a second follow up audit later in the year to confirm that these outstanding recommendations have been fully implemented.

#### 4.5 Rechargeable Works (Second Follow-up)

The initial review of the Service was undertaken in August 2022, with the final report being issued in September 2022 with a Moderate Assurance rating. The first follow up review was undertaken and completed in September 2023 and the process confirmed that progress had been made, with 3 of the 4 recommendations (1 x Medium Risk, 1 x Low Risk & 1 x Good Practice) being confirmed as fully implemented. However, testing identified that 1 x High Risk recommendation remained outstanding as not implemented. This related to the monitoring and reviewing of the 60-day unpaid invoices report and the non-pursual of outstanding payments. The

second follow-up has confirmed that the one high risk recommendation had still not been fully implemented. This has been reported to the Head of Service, Director and the Chief Executive for escalation. A further follow-up will be undertaken later in the year to confirm whether this recommendation has been implemented.

4.6 Western Bay Adoption Service & Adoption Allowances (Second Follow-Up)

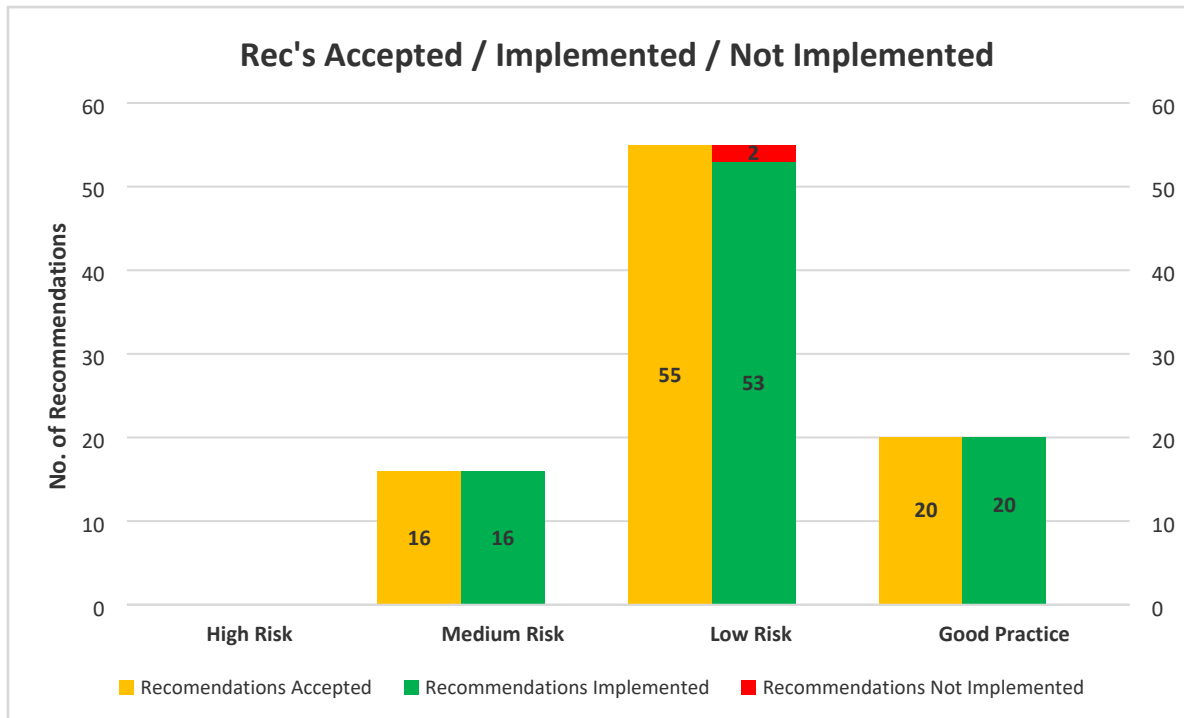
The initial review of the Service was undertaken in July 2022, with the final report being issued in September 2022 with a Moderate Assurance rating. The first follow-up review was completed in August 2023 and the process confirmed that good progress had been made, however testing identified 4 recommendations that still had not been actioned, and as a result we were required to undertake a second follow-up. The second follow-up found that there was still one remaining ‘Medium Risk’ recommendation (A purchase order must be created prior to goods and / or services being procured) that had still not been fully implemented. This has been reported to the Head of Service, Director and the Chief Executive for escalation. A further follow-up will be undertaken later in the year to confirm whether this recommendation has been implemented.

**5 Follow-Up of Audits with High and Substantial Assurance Levels Completed 1 January to 31 March 2024**

5.1 Where an audit has been awarded a ‘High’ or ‘Substantial’ level of assurance, the relevant Service is asked to confirm the implementation of the recommendations.

5.2 The results of the follow-ups for audits with ‘High’ or ‘Substantial’ assurance levels undertaken in quarter two can be found in Appendix 4. Further detail on the recommendations that have not been implemented can be found in Appendix 5. A summary of the results can be found in the table and corresponding chart below.

Recommendation Status	Recommendation Risk Rating			
	High Risk	Medium Risk	Low Risk	Good Practice
Accepted	0	16	55	20
Implemented	0	16	53	20
Not Implemented	0	0	2	0



## 6 Integrated Assessment Implications

6.1 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.

6.2 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'.

- 6.3 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.
- 6.4 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 Director of 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.

## **7. Financial Implications**

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

## **8. Legal Implications**

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

**Background Papers:** Internal Audit Plan 2023/24

**Appendices:** Appendix 1 - Audits Finalised Q4 2023/24

Appendix 2 - Summary of Scope of Audits Finalised Q4 2023/24

Appendix 3 - Internal Audit Plan 2023/24 - Progress to 31/03/24

Appendix 4 - High/Substantial Audit Follow-Up Results Q4

Appendix 5 – High/Substantial Audit Rec's not implemented Q4

Appendix 6 - Integrated Impact Assessment