



Report of the Chief Auditor

Audit Committee – 12 February 2019

Internal Audit Annual Plan 2018/19 Monitoring Report for the Period 1 October 2018 to 31 December 2018

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 October 2018 to 31 December 2018.
Policy Framework:	None.
Reason for Decision:	To allow the Audit Committee to discuss and monitor progress against the Internal Audit Annual Plan 2018/19.
Consultation:	Legal, Finance, Access to Services.
Recommendation(s):	It is recommended that Committee review and discuss the work of the Internal Audit Section and note the contents of the report.
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Finance Officer:	Simon Cockings
Legal Officer:	Tracey Meredith
Access to Services Officer:	Rhian Millar

1. Introduction

- 1.1 The Internal Audit Annual Plan 2018/19 was approved by the Audit Committee on 10th April 2018. This is the third quarterly monitoring report to be presented to Committee. Further reports will be presented

throughout the year to allow 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 which were finalised in the period 1st October 2018 to 31st December 2018.

2. Audits Finalised 1 October 2018 to 31 December 2018

- 2.1 A total of 36 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.

- 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	11	22	3	0

- 2.3 A total of 324 audit recommendations were made and management agreed to implement 322, i.e. 99% 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
0	22	140	41	203

- 2.5 In addition, 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 £
Education Improvement Grant 2017/18	9,771,837.00
Pupil Deprivation Grant 2017/18	7,300,230.00
School Uniform Grant 2018/19	52,832.00

- 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 Audit Committee can monitor progress against the Plan approved at the start of the year. To achieve this, Appendix 2 shows each audit included in the Plan approved by Committee in April 2018 and identifies the position of each audit as at 31st December 2018.

- 2.7 An analysis of the details in Appendix 2 shows that by the end of December 2018, 63% of the planned reviews had been completed to at least draft report stage, with an additional 26% of the planned audits in progress. As a result approximately 89% of the Audit Plan was either completed or in progress.
- 2.8 The Internal Audit Section has seen a significant increase in the levels of sickness absence in quarter 2 and quarter 3 of 2018/19 with a cumulative total of 135 days sickness against an annual budget of 66 days. It should be noted that the vast majority of this absence was in relation to three members of staff being off work long term as a result of non-work related issues/illness during the period.
- 2.9 The Internal Audit Section was also involved in the following work during quarter 2:
- Preparation work for the National Fraud Initiative 2018/19.
 - Annual Consultation Exercise to inform the 2019/20 Plan.
- 2.10 Three moderate reports were issued in the quarter. The following tables provide brief details of the significant issues which led to the moderate rating that were issued during the period.

2.11

Audit	Bishop Gore Comprehensive School
Objectives	Standard Comprehensive School Audit Programme. 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 risks and are operating in practice.
Assurance Level	Moderate
Summary of Key Points	
<ul style="list-style-type: none"> • Purchasing of goods and services – Official orders were not being raised on the Schools FMS System (SIMS) in advance of purchases being made. Orders were being entered on the system retrospectively after the receipt of the invoice. (Repeated recommendation) • Cheque Stock Records – the record had not been signed by an authorised signatory and no record was kept of a spoiled cheque that was selected in our sample. • Lloyds Bank Multi Pay Card – monthly reconciliations are required between the card transactions as stated on the statement and the supporting receipts. Evidence of the review of the statements and the reconciliation by the Headteacher is recorded on a monthly pro forma to ensure adequate segregation of duties are in place. Sample testing revealed that some pro forma records had not been completed, and one had been signed by the card holder only with no evidence of review by the Headteacher. 	

- Bank Reconciliations – it was noted that the Finance Manager was responsible for the collection and banking of income, cheque runs, and the completion of the bank reconciliations. There was no evidence of the bank statements being reviewed by anyone independent to the process, and there was no evidence of any segregation of duties between the collection and banking of income and the completion and review of the bank reconciliations. (Repeated recommendation).
- Inventory – No inventory records were being maintained for non-IT items and Annual Inventory Check Certificates were not being completed. (Repeated recommendation)
- School Fund – regular reconciliations of the school fund were being undertaken but there was no evidence of the reconciliations being reviewed independently.
- Three additional recommendations made (2 Low Risk, 1 Good Practice) were also repeated from the previous review in 2015/16.

2.12

Audit	Portmead Primary School
Objectives	Standard Primary School Audit Programme. 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 risks and are operating in practice.
Assurance Level	Moderate
Summary of Key Points	
<ul style="list-style-type: none"> • School Fund – Enquiries revealed that the School Fund had not been audited since May 2015. (Repeated recommendation) • School Fund – Monthly reconciliations were being completed but the reconciliations were not being reviewed by an independent person. • Official orders were not being raised on the Schools FMS System (SIMS) in advance of purchased being made. Orders were being entered on the system retrospectively after the receipt of the invoice. (Repeated recommendation) • Lloyds Bank Multi Pay Card – One transaction was noted that related to a staff training event that should not have been paid from the School Budget. • Inventory – No inventory records were being maintained for non-IT items and Annual Inventory Check Certificates were not being completed. (Repeated recommendation) • Two additional recommendations made (both Low Risk) were also repeated from the previous review in 2015/16. 	

2.13

Audit	Cleaning Services
Objectives	The audit programme aimed to ensure that controls in place are adequate for the purpose of minimising business risk and are operating in practice. The audit covered the following areas: Income, Inventory/Stock, Vehicle Journey Logs, Expenditure, P-Cards, Travel Expenses, Timesheets and DBS.
Assurance Level	Moderate
Summary of Key Points	
<ul style="list-style-type: none"> • Income – Comprehensive schools are invoiced for services provided by the Cleaning Service. At the time of the audit, £168k relating to unpaid invoices was noted, made up of 5 invoices which were over 6 months old. • Vehicle Journeys – the service has one minibus used to transport staff. As per the ‘entitlement to drive a minibus policy’ all drivers must undertake MIDAS training. At the time of the review, the minibus driver had not completed this training. • Travel Expenses – One instance was noted where an Officer submitted a claim covering several months. For claims being made in excess of 3 months, Head of Service approval must be obtained, but this had not been sought. • Timesheets – one instance was noted where an Officer had signed off their own timesheet which had been processed, with no other countersignature. • DBS – At the time of the review, it was noted that 23 employees had expired DBS’s (repeated recommendation) and one member of staff had started with the Service while waiting for the DBS check to clear. (Note that during the audit, arrangements were put in place to ensure all DBS records would be brought up to date). • Four additional recommendations made (3 Low Risk, 1 Good Practice) were also repeated from the previous review in 2014/15. 	

3. Follow Ups Completed 1 October 2018 to 31 December 2018

- 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 Two follow-up reviews were completed during the quarter relating to the Fleet Maintenance and ICT Disaster Recovery audits.
- 3.4 The follow up review of the Fleet Maintenance audit confirmed that significant progress had been made in implementing the recommendations made, with all but one of the accepted recommendations being fully implemented. One recommendation in relation to procurement was noted as being partly implemented as the implementation of this recommendation is ongoing and compliance in this area will be checked at the time of the next audit.
- 3.5 As per the verbal update provided at the last committee meeting, the follow up review of ICT Disaster Recovery audit also confirmed that significant progress had been made in implementing the recommendations made, with all of the recommendations being fully implemented.

4 Equality and Engagement Implications

- 4.1 The Council is subject to the Public Sector Equality Duty (Wales) 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 Act.
 - 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.

Our Equality Impact Assessment process ensures that we have paid due regard to the above.

- 4.2 There are no equality and engagement implications associated with this report.

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 2017/18

Appendices: Appendix 1 Internal Audit – Monitoring Report Quarter 3 2018/19
Appendix 2 Internal Audit Plan 2018/19 – Progress to 31/12/18