



Report of the Chief Auditor

Governance & Audit Committee – 13 September 2023

Internal Audit Monitoring Report Quarter 1 – 2023/24

Purpose:	This report shows the audits finalised and any other work undertaken by the Internal Audit Section during the period 1 April 2023 to 30 June 2023.
Policy Framework:	None.
Consultation:	Legal, Finance, Access to Services.
Report Author:	Simon Cockings
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Legal Officer:	Debbie Smith
Access to Services Officer:	Rhian Millar
For Information	

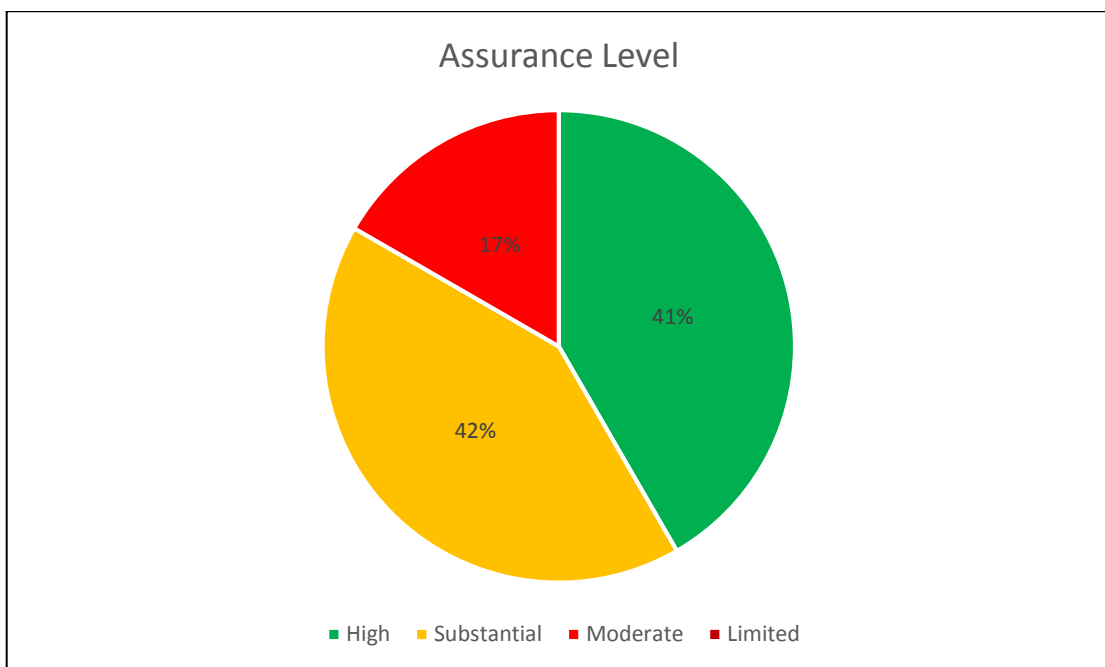
1. Introduction

- 1.1 The Internal Audit Annual Plan 2023/24 was approved by the Governance & Audit Committee on 12 April 2023. This is the first 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 April 2023 to 30 June 2023.

2. Audits Finalised 1 April 2023 to 30 June 2023

- 2.1 A total of 12 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	5	5	2	0	12



- 2.3 A total of 120 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	0	25	79	16	120



- 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 2023 and identifies the position of each audit on 30 June 2023.
- 2.7 As previously reported, staff sickness in the Internal Audit Team has continued to be significant during the first quarter, with a total of 43 days absence recorded. At the time of compiling this report, one member of staff continues to be absent due to long-term sickness. They continue to be supported by Human Resources.
- 2.8 One of the Senior Auditors also left the team during the quarter. The post was ringfenced to the existing Auditors and was successfully filled. The vacant Auditor post was advertised, and interviews were held on the 29 June. The successful applicant is due to join the team in early September. However, this has resulted in 10 days being lost due to the post being vacant in quarter one and additional days have also been lost in quarter two.
- 2.9 The Internal Audit Annual Plan for 2023/24 contains 116 separate audit activities. As at 30 June 2023, 16 audit activities (14%) had been completed, with two additional activities (2%) substantially complete with

the audit reports issued as draft. As a result, 18 audit activities have been completed to at least draft report stage (16%). An additional 20 activities were in progress at the end of the quarter (17%). As a result, approximately 33% of the audit activities included in the 2023/24 Audit Plan had either completed or were in progress. A copy of the plan showing the status of the activities as at the 30 June 2023 can be found in Appendix 3.

2.10 Two 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.

2.11 In late Q2 2022/23 Internal Audit were approached by the Stakeholder and School Support Manager requesting that a comprehensive audit be undertaken to review operation and financial controls of Clydach Primary Schools. This followed provisional findings from the School Improvement Team which suggested that procedures were significantly failing as to give cause for concern as to operation of the controls within the school. The Education Directorate required the expert knowledge and experience of Internal Audit to undertake this review. In the event, due to several outside factors in relation to the school, Internal Audit were unable to undertake the audit until Q1 2023/24. The audit resulted in a Moderate Assurance rating and as a consequence a detailed update report from the School will be presented to Governance and Audit Committee on the 25th October 2023. A summary of the main findings of the review can be found below:

2.12

Audit	Clydach Primary School 2023/24
Objectives	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place were 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: Governance, Management of Delegated Resources, Budget Monitoring, Banking Procedures, Unofficial Funds, School Meals Income, Bank Reconciliations, Expenditure, Employees, Health & Safety, Inventory, Computer Security
Assurance Level	Moderate
Summary of Key Points	
<p>1. <u>Management of Delegated Resources</u></p> <p>i) It was noted at the time of the audit that the school did not have a member of staff in place with administrative and financial responsibilities for overseeing the operations of the School. We were advised that the post was vacant due to financial constraints and that this would be reviewed by the Finance and Staffing committee at the end of the summer term. (MR recommendation)</p>	

2. Unofficial Funds

- i) It was found that the signatories for the School Fund and School Uniform Account are not currently working in the school. At the time of the audit visit, invoices totalling £3,420 dating back to October 2022 were unpaid from the School Fund account and invoices totalling £1,772 dating back to November 2021 were unpaid from the School Uniform account. (MR recommendation)
- ii) Testing revealed that a grant from Arts Council Wales of £900 was paid into the School Fund account on 3 October 2022 but has not been spent. (MR recommendation).
- iii) Monthly reconciliations had not been undertaken on any of the unofficial fund the accounts since April 2022. (MR recommendation)

3. Bank Reconciliations

It was confirmed that bank reconciliations were being carried out by the Primary Support Officer (PSO) but there was no evidence of review by the Headteacher. (MR recommendation)

4. Expenditure

- i) The Non-order facility on the SIMS financial system had been used for items other than utilities and supply teaching. Purchase orders should be produced for all goods & services, including internal supplies from within the Council. This is required for effective budget monitoring and proper certification procedures. It is also a record of what has been ordered and helps to reduce the risk of duplicate payments being made, and to facilitate matching to the invoice in terms of both price and quantity. (MR recommendation)
- ii) The Cheque Stock Record form had not been used prior to December 2022 and this was not being reviewed by the Headteacher as required. (MR recommendation)

5. Inventory

- i) The Inventory records were reviewed for compliance with Accounting Instruction No. 9. It was found that the IT Inventory had not been updated since 2020 and the equipment Inventory could not be located. (MR recommendation)
- ii) The Inventory Certificate had not been completed for 2022/23 and a physical check of the inventory had not taken place. (MR recommendation)

Audit	Catering and Cleaning Team 2023/24												
Objectives	The objectives of the audit were to ensure that material business risks have been identified and that the controls in place were adequate for the purpose of minimising business risk and are operating in practice. The scope of the review covered the following: Expenditure, Contracts, Purchase Cards, Cash and Credit Income, Vending Machine Income, Grants, Inventory, Stock Records, Petty Cash, Travel Expenses, Personnel Records (including Absence Management), Vehicles, Transportation of Meals Contracts, GDPR and Data Retention												
Assurance Level	Moderate												
Summary of Key Points													
<p>1. <u>Expenditure</u></p> <p>i) A sample of individual purchases over £10k, and annual cumulative spend with suppliers of over £10k, was checked to ensure compliance with the Contract Procedure Rules. The following was found:</p> <ul style="list-style-type: none"> In Catering, one supplier was found where there was no contract or waiver was in place with the cumulative spend stated below: <table border="1" data-bbox="359 1010 1402 1095"> <thead> <tr> <th>Supplier</th> <th>Expenditure</th> </tr> </thead> <tbody> <tr> <td>WM Wholesale Bakery Ltd</td> <td>£140,136.63</td> </tr> </tbody> </table> <ul style="list-style-type: none"> In Cleaning, three suppliers were found where there was no contract or waiver was in place with the cumulative spend stated below: <table border="1" data-bbox="359 1211 1402 1359"> <thead> <tr> <th>Supplier</th> <th>Expenditure</th> </tr> </thead> <tbody> <tr> <td>Regimental Cleaning Services Ltd</td> <td>£28,657.50</td> </tr> <tr> <td>Caterclean Supplies</td> <td>£26,683.44</td> </tr> <tr> <td>OS1 Limited</td> <td>£18,112.50</td> </tr> </tbody> </table> <p>(MR Recommendation – repeated recommendation)</p> <p>2. <u>Income – Cleaning Service SLA with Schools</u></p> <p>In addition to the income received for cleaning services via the Service Level Agreement with Schools, income was also received in relation to Variation Orders. Testing was undertaken on a sample of five Variation Orders in 2022/23 where additional cleaning work was requested by schools. This test was to ensure invoices had been raised for the work in a timely manner, the charge was correct, and they had been authorised appropriately. For one invoice sampled (invoice number 60389701) we were unable to obtain supporting documentation to substantiate the charge that was invoiced to the school. (MR recommendation)</p> <p>3. <u>Petty Cash</u></p> <p>One Petty Cash voucher (No. 278) did not have a receipt; therefore, no evidence was available to support the voucher amount claimed (£38.45). (MR recommendation)</p>		Supplier	Expenditure	WM Wholesale Bakery Ltd	£140,136.63	Supplier	Expenditure	Regimental Cleaning Services Ltd	£28,657.50	Caterclean Supplies	£26,683.44	OS1 Limited	£18,112.50
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4. Travel Expenses

A sample of ten travel claims for Catering and ten from Cleaning was tested to ensure compliance with Accounting Instruction No. 3 and the Travel and Subsistence Personnel Policy. The following was found:

- i) The review of five claims submitted revealed that the description of journeys made was not satisfactory, as a result we were unable to confirm that the mileage claimed was accurate. (MR recommendation – repeated recommendation)
- ii) One Catering employees claim was submitted over three months after the date the travel journey took place. (MR recommendation – repeated recommendation)

5. Personnel Records – Timesheets

A sample of ten Cleaning additional hours payments, ten Catering additional hours payments and one Catering overtime payment was selected for testing to ensure that the timesheets had been signed by the employee, certified by a manager, hours worked were reasonable and overtime was paid at the correct rate. The following was found:

- i) Two Cleaning employed weekly time sheets for June and September 2022 had not been signed but were processed for payment. (MR recommendation – repeated recommendation)
- ii) The review of one timesheet submitted by an employee in Cleaning revealed that the incorrect number of additional hours had been input onto the Universal Timesheet and submitted to Payroll. This resulted in an overpayment of £100. (MR recommendation – repeated recommendation)

6. Vehicles

Enquiries revealed that the two vehicles held by Catering and Cleaning are taken home and stored by staff overnight, however the approval for this has not been formalised and is not in line with the Home to Work Vehicle Policy. (MR recommendation – repeated recommendation)

3 Additional work undertaken by Internal Audit in the Quarter

3.1 The Internal Audit Team 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 – Regional Development Coordinator 2022/23	£18,507
Pupil Development Grant 2021/22	£9,277,260

4. Follow-Up's completed 1 April to 30 June 2023

- 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 One audit with a Moderate assurance level was followed-up in the quarter. The Destination Lettings audit was completed in September 2022 and the Governance and Audit Committee received an update from the managers in the service in May 2023. The follow-up audit was completed in June 2023. The follow-up review established that good progress had been made in addressing the issues identified with five of the six recommendations verified as fully implemented. However, our testing of licence renewals confirmed that one licence (plot 14) had been renewed for 2023/24 despite the fact that none of the plot fees for 2022/23 had been paid. We were advised that the 2022/23 debt had been referred to legal. As such the 2023/24 licence should not have been renewed. We were advised that this was due to staff error. Staff have been reminded of the correct process to be followed to reduce the risk of repeated error going forward. The significant outstanding debts in relation to plot 15 as noted in the update from the client department have been referred to the Legal Department and the recovery process is ongoing. Plot 15 has also been vacated and is due to be re-let imminently.
- 4.4 Two follow-up reviews are due to be completed in quarter two of 2023/24 in relation to the Western Bay Adoption Service & Adoption Allowance audit and the Rechargeable Works audit.

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 2023/24

Appendices: Appendix 1 - Audits Finalised Q1 2023/24

Appendix 2 - Summary of Scope of Audits Finalised Q1 2023/24

Appendix 3 - Internal Audit Plan 2023/24 - Progress to 30/06/23

Appendix 4 - Integrated Impact Assessment