



INTERNAL AUDIT SERVICE

INTERNAL AUDIT ACTIVITIES – QUARTERLY UPDATE

1. Summary of Progress against the 2020/21 plan.

Audit Review	Stage of Audit	Date Assurance Reported to A&G Committee
Assurance		
Section 106/ CiL Monies		
Playground Development		
Key Control - Vehicle and Plant	Draft report	
Fuel Management	Final Report Issued	January 2021
Waste Transfer Site – Admin & Storage		
Parks and Playgrounds Inspection Regime		
Property Services – Asbestos		
Service Charges - Leaseholders	Draft Report	
Disabled Facilities Grants	Final Report Issued	January 2021
Estates - Rent Accounts & Utilities		
Tawd Valley Developments	Ongoing work	
C-19 Business Grants – Post Event Assurance		
Main Financial Systems		
Housing Benefits and CTRS		
Creditors	Draft Report	
Debtors	Draft Report	
Council Tax	Final Report Issued	January 2021
Business Rates	Draft Report	
Rents		
Payroll	Fieldwork	
Treasury Management		
Main Accounting		
Cross Cutting		
Corporate Governance	Fieldwork complete	
ICT Audit		
GDPR	Ongoing support	
Use of Images – Corporate cross cutting	To be moved into 2021/22	
Total	21	

- 1.1 For the period 1st July to 24th December 2020 progress against the plan for the financial year 2020/21 has been satisfactory with 57% of planned audit work either completed or in progress. Since the last report to the Audit and Governance Committee in July 2020, four audits relating to financial year 2019/20 and three audits relating to 2020/21 have been completed to final report issued stage.
- 1.2 All audit work relating to 2019/20 has been completed with the exception of Tawd Valley Developments, which has been carried forward into the 2020/21 audit plan. An additional audit review, C-19 Business Grants - Post Event Assurance, has been added to the 2020/21 audit plan and to accommodate this review the Use of Images Audit Review, Property Services – Asbestos and Playground Development have been suspended for this year.
- 1.3 The first few weeks of July 2020 saw all Internal Audit staff seconded to Covid-19 roles. The service returned back to full capacity during October 2020 as Covid-19 related work ended in that one Internal Auditor who provided cover in Home Care

Link on a part time basis returned to full time audit duties and the Internal Audit Manager's secondment as the Covid-19 Test and Trace Lead for the Council ended.

- 1.4 One member of the internal audit team has historically been involved in non-audit work relating to parishes and payroll finance. From November 2020 the payroll element has transferred to Finance Business Partners thus increasing available audit resources.
- 1.5 Additional unplanned work continued to be undertaken during the period following individual requests from management:
 - Work to advise on new systems and procedures within the Council.
 - Advice was sought from a variety of service areas regarding the Covid-19 response as processes and procedures had to change in line with Government advice.
 - Continued support on a number of Council projects acting as a critical friend and providing advice on internal controls and risk where required.
- 1.6 An annual review of the teams continued compliance with the Public Sector Internal Audit Standards has been completed and a Quality Assurance Improvement Plan (QAIP) will be produced and presented to this committee in due course.
- 1.7 A review of the Councils compliance with "CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016" has also been completed and a comprehensive audit report is currently in production. The work undertaken as part of this review will help to inform the Annual Governance Statement for 2021/22.

2. Audit Opinions and Priorities for Recommendations

2.1 Assurance rating system

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following levels of assurance are provided following Internal Audit's work.

Substantial	<p>Level of Assurance = High</p> <p>The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.</p> <p>There is a low risk of fraud, negligence, loss or damage to reputation.</p>
Moderate	<p>Level of Assurance = Medium</p> <p>The controls evaluated are generally well designed, appropriate in scope and applied in the main consistently and effectively, but some weaknesses have been identified that require management attention. These issues increase the risk that some objectives may not be fully achieved.</p> <p>There is a medium/low risk of fraud, negligence, loss or damage to reputation.</p>
Limited	<p>Level of Assurance = Low</p> <p>Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues if unresolved, mean that objectives may not be achieved.</p> <p>There is a medium risk of fraud, negligence, loss or damage to</p>

	reputation.
No	<p>Level of Assurance = None</p> <p>Expected controls are absent, or where evaluated are flawed in design, scope or application leaving the system open to error or abuse. The auditor is unable to form a view as to whether objectives will be achieved.</p> <p>There is a high risk of fraud, negligence, loss or damage to reputation.</p>

2.2 Recommendation Priority Levels

In order to assist management in using our reports all recommendations made in all internal audit reports are given a priority level as set out in the table below:

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact of frequency presents risk to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

- 2.3 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.4 Internal Audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.5 It is important to recognise that the scope of the work in each area examined defines the limits of the assurance which can be provided and to give context to the assurance provided work is summarised in Section 3 below.

3. Assurance reports:

Audit Year 2019/20

Details of the final reports relating to 2019/20, issued during the period 16th July 2020 – 30th October 2020 are as follows:

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Works after sale of Council houses	Limited	4	0	0
Vehicle Maintenance Contract	Limited	5	14	10
Creditors	Moderate	1	7	2
Debtors	Moderate	0	11	6

3.1 Works After Sale of Council Houses (Limited Assurance)

- 3.1.1 The scope of this audit review was restricted to the provision of checking that works are not completed on Council properties we no longer own or are in the Right to Buy (RTB) process, namely:

- Processes and procedures are in place to ensure that the Council is not undertaking maintenance on properties that it no longer owns.
- Processes and procedures are in place for the management of programmed works and in particular the identification of properties that are flagged under RTB or are no longer owned by the Council.

3.1.2 Systems and procedures reviewed by Internal Audit were found to be weak, the following key findings were identified:

- A small number of instances were noted where works had been carried out following the sale of a property.
- Property details are not updated in the Council's housing system in a timely manner.
- Tighter controls were required to ensure that orders for work are not raised for properties no longer owned by the Council and also that the Council's contractors are informed when a property is sold so as to facilitate the removal from the maintenance programme.
- Policies and procedures required updating in terms of ensuring that capital works are put on hold while a property goes through the right to buy process.

3.2 Vehicle Maintenance Contract (*Limited Assurance*)

3.2.1 The scope of this audit review was restricted to the provision of fleet management namely:

- The current position in relation to the action plan from the operator compliance review by the Freight Transport Association (FTA).
- Current Risks recorded on the Council's risk management system.
- Current spend against budget for vehicle maintenance and fuel.
- Contract arrangements for vehicle hire and maintenance.

3.2.2 Systems and procedures in place were found to be weak, however, it was noted that the Fleet Services Manager has implemented most of the recommendations in the FTA audit and was keen to update processes within the department.

3.2.3 The following key findings were identified:

- Financial Regulations and Contract Procedure Rules were not always followed.
- Contract Procedure Rules had not been followed in respect of extra vehicle hire.
- Service risks are not reviewed regularly.

3.3 Creditors (*Moderate Assurance*)

3.3.1 The scope of this audit review was restricted to:

- Transactional sampling where the order was raised after the invoice.
- Departments have effective controls in place from order through to invoice processing.
- Explanations for instances where the order had not been invoiced.

3.3.2 Systems and procedures in place were found to be generally satisfactory and it was noted that Revenues staff are experienced and able to give advice when requested. However, the following key findings were identified:

- A Commitment is not always entered in the Civica procurement system to budget when a procurement is made, therefore, inaccurate budget monitoring information could result in budgets being overspent or poor decision making.
- Financial regulations are not always followed by staff;
- Financial regulations require reviewing and updating before dissemination to all staff.

- Financial system capabilities require further exploration to ensure efficient and effective working practices which would also minimise the circumvention of controls.
- Corporate end to end procedures require updating.

3.4 Debtors (Moderate Assurance)

3.4.1 The scope of this audit review was restricted to:

- Transactional sampling to confirm Debtors are raised and paid timely
- Training is available and has been taken up for new systems on boarded
- Corporate Bad Debts are managed in line with policy
- Wider visibility of outstanding debt recovery performance across the Service Areas and Wider Authority
- Items placed to Debtors Suspense are applied / cleared timely

3.4.2 Whilst systems and procedures in place were found to be generally satisfactory and the BTLS team have been proactive when asked to support WLBC staff with Civica system understanding by sharing procedures and best practices on how to navigate the new system, A number of key findings were identified:

- Processes are currently paper orientated and would benefit from a review to move to an efficient and effective electronic means of sharing information between teams.
- Impact on operational effectiveness and proficiency as a result of staff not understanding how to use the new financial systems effectively.
- Corporate Aged Debt is not managed effectively in line with Policy.

Audit Year 2020/21

Details of the final reports relating to 2020/21, issued during the period 1st July 2020 24th December 2020 are as follows:

Audit Title	Assurance Opinion	Recommendations		
		P1	P2	P3
Fuel Management	Limited	3	11	4
Disabled Facilities Grants	Moderate	1	4	1
Council Tax	Moderate	2	1	3

3.5 Fuel Management (Limited Assurance)

3.5.1 The scope of this audit review was restricted to the provision of Fuel Management namely:

- Fuel management policy and procedures in place
- Procurement, monitoring and payment of fuel suppliers
- Fuel consumption monitoring and reporting
- Fueltek tag allocation, monitoring and return
- Management of fuel for non-diesel use vehicles/machinery
- Use of Council fuel cards

3.5.2 Systems and procedures reviewed by Internal Audit were found to be weak, and the following key findings were identified:

- There is no fuel management policy and there is a lack of relevant procedures to support fuel management processes in place.

- There is no evidence that there is a valid contract in place for the supply of fuel to the Council
- There is no monitoring of fuel use.

3.6 Disabled Facilities Grant (*Moderate Assurance*)

3.6.1 The scope of this audit review was restricted to the provision of Disabled Facilities Grants (DFG) and sign off of the grant claim namely:

- Disabled Facilities Grants Policy in place,
- Process in place for cases paid within the year.
- Risk Management processes in place.

3.6.2 Systems and procedures reviewed by Internal Audit were found to be satisfactory and it was noted that staff are experienced in the field and are very customer focused, wanting to ensure the customer is able to access grants to support them to live in their own homes.

3.6.3 The following key findings were identified:

- The policy document had not been updated to record approved changes.
- Agency fees are not always calculated in line with the policy.
- Procurement methods, although documented in the policy, are not those documented in the Contract Procedure Rules.

3.7 Council Tax (*Moderate Assurance*)

3.7.1 The scope of this audit review was restricted to the provision of Council Tax namely:

- Review of Single Person Discount (SPD)
- Direct Debit Process
- Parameters recorded in the system
- Review of a sample of current Council Tax accounts

3.7.3 Whilst the systems and procedures in place were found to be satisfactory the following key findings were identified:

- National Fraud Initiative (NFI) matches are not being investigated
- Regular review of Council Tax discounts awarded are not undertaken.

4. **Follow-Up Reviews**

4.1 The Internal Audit Team will continue to undertake follow up audit reviews and report summary outcomes to this committee. Two follow up audits are currently in progress and further details will be reported at the next committee meeting in March 2021.

5. **Fraud**

5.1 The Council is taking part in the National Fraud Initiative (NFI) and required data sets have been provided to the Cabinet Office for data matching purposes. We expect to receive reports of data matches in the coming months and once received we will be undertaking work to investigate any high risk matches.

5.2 The annual review of the Council's compliance with CIPFA Managing the Risk of Fraud has been hold while the Internal Audit Manager was undertaking Covid-19 work. This review is now underway and the outcome, in the form of an action plan, will be reported to this committee in due course.

6. Project Support

- 6.1 The Internal Audit Team continue to provide support on a number of Council projects the main projects being:
- Income Management
 - Procurement
 - Business Support
 - Information Governance (GDPR)

7. Performance Indicators

- 7.1 The Internal Audit Service introduced a suite of Performance Indicators (PI's) for 2020/21. However, due to the impact of Covid-19 three out of the five have been suspended until further notice. The following PI's were retained:

Performance Indicator	Target	As at 24 th December 2020
1. Completion of the audit plan	90% of the audit plan completed by the end of plan review period	57%
2. Customer satisfaction	Through key question customer satisfaction surveys – target 90% satisfaction of Very Good, Good or Average rating.	100%

8. Internal Audit Recommendation Summary Information

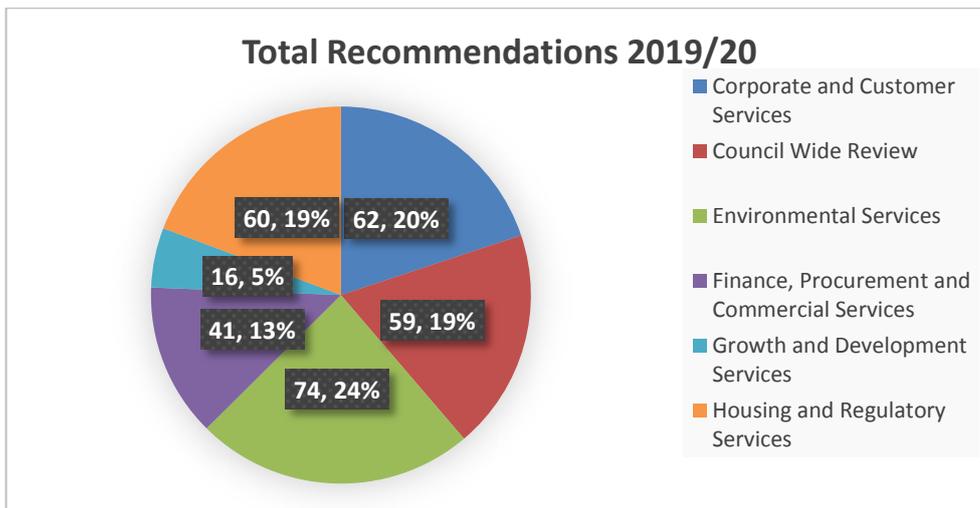
- 8.1 As part of ongoing internal audit reporting improvements, the reporting of recommendation implementation progress will be provided to this committee at each subsequent meeting. Recommendation implementation progress is also reported to the Corporate Management Team on a quarterly basis. The following information represents the current status of 2019/20 and 2020/21 recommendations made. All recommendations are recorded on an internal spreadsheet and Internal Auditors regularly track progress of implementation.

2020/21

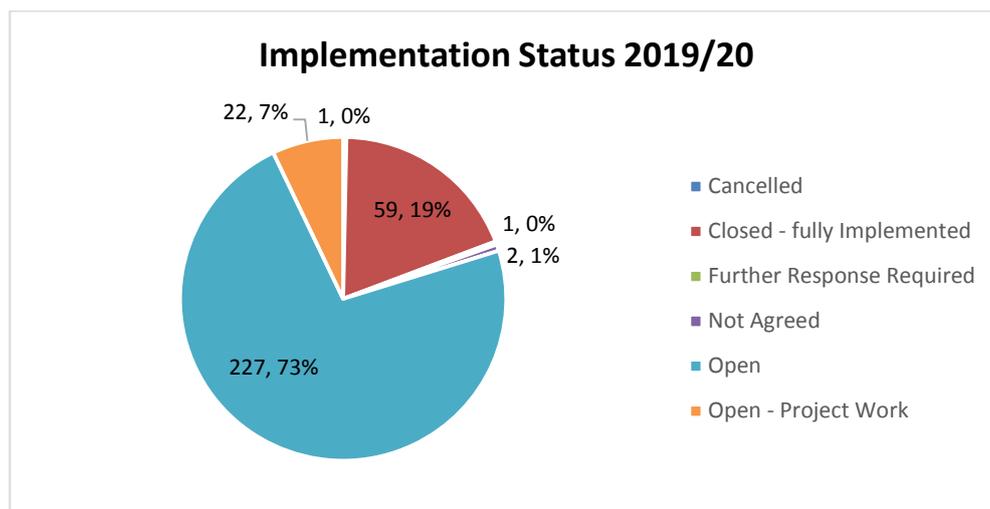
- 8.2 From the Final Audit Reports issued to date for 2020/21 Internal Audit have made 24 recommendations all of which have future implementation dates. Follow up of these recommendations will be within six months of the issue of the final report in accordance with Internal Audit protocols.

2019/20

- 8.3 From the 19 Final Audit Reports issued during 2019/20 Internal Audit made 312 audit recommendations. The breakdown of recommendations across service areas as at 24th December 2020 are as follows:



8.4 Of the 312 audit recommendations made these can be broken down further to show their current status, it should be noted that of the 249 current open/open-project work, 111 (45%) are overdue, the remainder are within their implementation date. There have been instances where recommendations overdue or about to become overdue have had their implementation dates renegotiated due to implications out of the control of the service area e.g. Covid-19, staff vacancies.



9. Other matters of note

9.1 Covid-19 has had an impact on the Internal Audit Team and will continue to do so until at least the end of the financial year 2020/21. The Internal Audit Annual Plan 2020/21 will be under regular review to ensure that it meets any changes to the Council's risks and any changes will be notified to this committee at the next available meeting.

9.2. The remaining Audit reports that are currently at Draft Issued stage will be reported to this committee in March 2021.

10. Conclusion

10.1 The 2020/21 Internal Audit Plan is designed to fulfil the Council's duty under the Accounts and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards. Despite the

impact of Covid-19 on the Internal Audit Service good progress is being made in delivering the 2020/21 plan.