CEREDIGION COUNTY COUNCIL

Report to:	**Governance and Audit Committee**
Date of meeting:	**3 June 2021**
Title:	**Internal Audit Progress Report 1/1/21 – 31/3/21**
Purpose of the report:	**To provide Members with an update on the work undertaken by internal audit during the above period**
Cabinet Portfolio and Cabinet Member:	**Cllr Ray Quant MBE, Deputy Leader of the Council and Cabinet Member for Legal and Governance, People and Organisation, and Democratic Services**

The Committee considered the annual Internal Audit Plan 2020/21 at its meeting in November 2020 (delayed due to pandemic). The Plan provided an outline of the work required to be undertaken by the Internal Audit Section during the year in order to form its assurance opinion.

This progress report notes the steps made to date toward delivery of the audit plan, by providing a summary of the work undertaken. It also documents the current resource position, and the Section's improvement plan.

Recommendation(s):	**To consider the work undertaken and current position of the Internal Audit Section**
Reasons for decision:	**That the Committee is satisfied that the Internal Audit Section is undertaking sufficient and appropriate work in order to provide a realistic assurance at year-end, whilst adding value and assisting the Council in achieving its objectives.**
Appendices:	Internal Audit Progress Plan 1/1/21-31/3/21
Corporate Lead Officer:	Elin Prysor CLO-Legal and Governance / Monitoring Officer
Reporting Officer:	Amanda Roberts Corporate Manager – Internal Audit
Date:	29 April 2021

Mae'r adroddiad yma ar gael yn Gymraeg.
This report is available in Welsh.

GWASANAETHAU CYFREITHIOL A LLYWODRAETHU

LEGAL & GOVERNANCE SERVICES

GWASANAETH ARCHWILIO MEWNOL

INTERNAL AUDIT SERVICE

Cyngor Sir
CEREDIGION
County Council

ADRODDIAD CYNNYDD ARCHWILIO MEWNOL
INTERNAL AUDIT PROGRESS REPORT
1 January 2021 – 31 March 2021

ADRODDIAD CYNNYDD ARCHWILIO MEWNOL
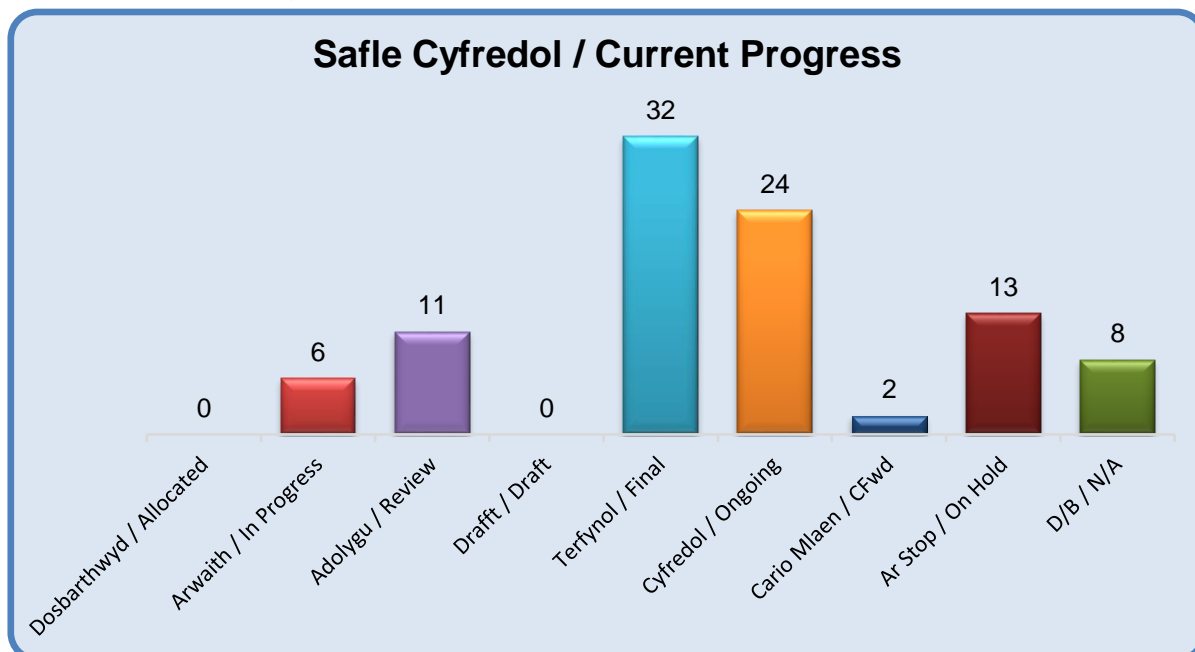# INTERNAL AUDIT PROGRESS REPORT
01/01/2021 – 31/03/2021

1   INTRODUCTION

1.1   Due to changes as a result of the pandemic, the Annual Internal Audit Plan 2020/21 was presented for approval to the Committee on 12 November 2020.

1.2   The purpose of this report is to update the Governance and Audit Committee (GAC) on the progress of that 2020/21 Audit Plan for the period to 31 March 2021 and highlight any areas of concern that may have arisen during the completed audits. It takes account of the uncompleted audits brought forward from the 2019/20 Audit Plan, and includes any other unplanned pieces of work added to the Audit Plan.

1.3   A greater number of audits were brought forward from the previous year, as noted in the 2019/20 Annual Report, due to the decision to focus audit time on the Business Rate Grants processed and paid by the Council during the pandemic, due to the risk associated with these grant payments.

2   AUDIT WORK UNDERTAKEN

2.1   Audit Plan Progress:

Safle Cyfredol / Current Progress

Category	Value
Dosbarthwyd / Allocated	0
Arwaith / In Progress	6
Adolygu / Review	11
Drafft / Draft	0
Terfynol / Final	32
Cyfredol / Ongoing	24
Cario Mlaen / CFwd	2
Ar Stop / On Hold	13
D/B / N/A	8

2.2   As at 31/03/2021 a total of 96 audits were in the plan (59 planned and 37 unplanned), of which 24% were no longer required, on hold or to be carried forward. The majority of the remaining 76% have either been finalised or are on-going projects.
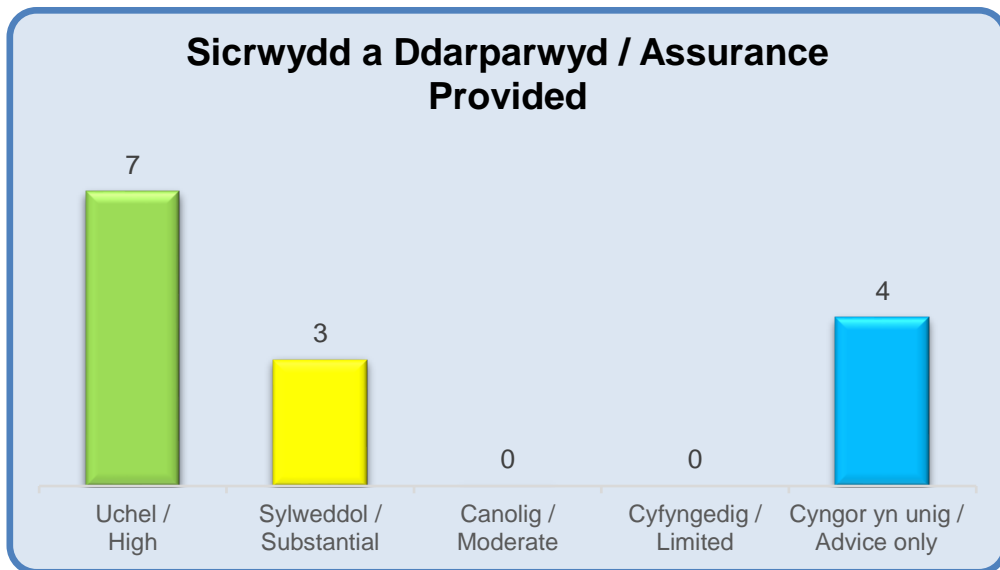
2.3 Internal Audit work finalised during quarter 4:

Audit Area	Type of Audit	Assurance
Evaluation of Annual Governance Statement Scope: Evaluate the AGS format and content against CIPFA criteria.	Governance	High
Post-16 Funding Scope: Grant funding for 2019/20. Provide audit information regarding school audits to finance for forwarding to WG to support grant declaration (no audit required).	Advisory	N/A
Education Improvement Grant (EIG) – 2020/21 Q3 Scope: Grant audit. Certify ERW's EIG/RCSIG Quarter 3 Claim Form to confirm the funding provided by the grantor in the third quarter of 2020/21 is duly allocated respectively to the purposes of the grant, in line with grantors' terms and conditions of funding and in line with the existing grantee's compliance and audit requirements. Also complete supporting Audit Checklist and Testing Schedule to enable ERW to place assurance on the arrangements in place within the Council for the management of EIG/RCSIG.	Grant	High
Pupil Development Grant (PDG) – 2020/21 Q3 Scope: Grant audit. Certify ERW's PDG Quarter 3 Claim Form to confirm the funding provided by the grantor in the third quarter of 2020/21 is duly allocated respectively to the purposes of the grant, in line with grantors' terms and conditions of funding and in line with the existing grantee's compliance and audit requirements. Also complete supporting Audit Checklist and Testing Schedule to enable ERW to place assurance on the arrangements in place within the Council for the management of PDG.	Grant	High
Income Signatory Scope: Provide advice regarding separation of duties and independent verification in signatures evidencing system, whilst working from home.	Advisory	N/A

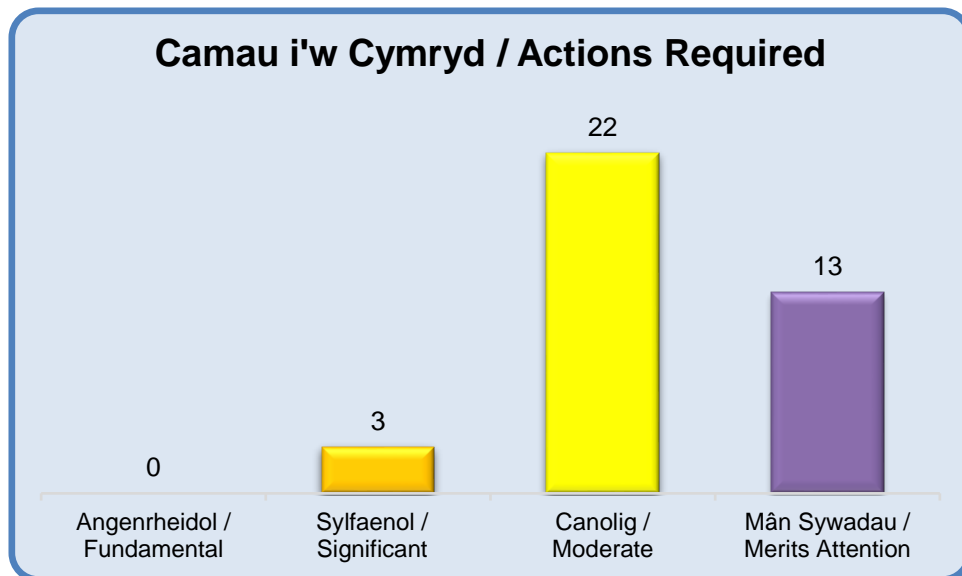| Audit Area	Type of Audit	Assurance
Risk Management Scope: Consider the governance arrangements re the Council's corporate risk management approach, to include the systems and procedures in place for delivering the corporate risk framework and reporting arrangements.	System	High
Capital Scope: Ensure procedures in place to ensure Council has planned, prepared & has arrangements in place to comply with capital accounting requirements.	System	High
Human Resources – Value For Money Scope: Evaluate the HR service following its corporatisation, using CIPFA's benchmarking primary and secondary indicators. The evaluation was based on the 2018/19 financial year as a 'base-year' for future benchmarking.	System	Substantial
Council Credit Cards Scope: System audit. To concentrate on new system in place, and the issue of credit cards to staff. Document and assess governance, risks & controls.	Further Testing Required	N/A
Disclosure & Barring Service – Corporate Arrangements Scope: Review a sample of Council policies and procedures to assess their compliance with the recently introduced corporate DBS Code of Practice.	System	Substantial
Mandate Fraud Scope: Two incidents of attempted mandate fraud received via Payments & Procurement Service. Advice provided regarding reporting to National Cyber Security Centre.	Advisory	High

Audit Area	Type of Audit	Assurance
Fraud & Ethics Training Scope: Counter Fraud. Collaborate with Zurich (Council's insurer) re training module on fraud & ethics. Module now complete & due to be presented at corporate managers' workshop on 28 May 2021, to raise awareness.	Advisory	N/A
Disclosure & Barring Service – Taxi Licences Scope: Gain assurance that procedures are in place to ensure that taxi licenses are only issued to those with satisfactory DBS checks. This did not include the taxis used for Council transport; and excluded any 'spot-checks' as none were scheduled by the service at the time of the audit and police presence is required.	System	Substantial
Annual Governance Statement 2020/21 – Framework Review Scope: Governance. Review the procedure and self-assessment arrangements of the governance framework, the scoring methodology used and the evidence available to support actions.	Governance	High

2.4 The levels of assurance provided for the audits completed were seven high, and three substantial:

Sicrwydd a Ddarparwyd / Assurance Provided

7	3	0	0	4
Uchel / High	Sylweddol / Substantial	Canolig / Moderate	Cyfyngedig / Limited	Cyngor yn unig / Advice only

2.5 A guide to the criteria used to determine the overall assurance is shown in Appendix I.

2.6 A total of 38 'actions required' were recommended in the finalised reports issued of which three were deemed to be significant:

Camau i'w Cymryd / Actions Required

0	3	22	13
Angenrheidol / Fundamental	Sylfaenol / Significant	Canolig / Moderate	Mân Sywadau / Merits Attention

2.7 The criteria used to determine the 'actions required' is outlined in Appendix II.

2.8   The significant actions were:

DBS Taxi Licences:

R1
Information regarding data handling should be included in policies.

R2
The required DBS information should be recorded on the system for every application.

R3
Any retained DBS certificates must be filed and locked away securely in non-removable storage facility for the appropriate retention period only.

2.9   No audits were at the Draft Report stage at 31/03/2021.

2.10 The eleven audits at the Review stage were:

Key Controls Treasury Management	Scope: Ensure compliance with the CIPFA Code of Practice for Treasury Management, focusing on the monitoring and reporting arrangements in place.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Key Controls Main Accing System	Scope: Ensure compliance with the set accounting standards, focusing on the monitoring and reporting arrangements and control measures in place.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Environmental Audit	Scope: Evaluate the attainment of specific standards as set out in the Environment Act 2016 and the Council's Carbon Management Plan.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Well-being of Future Gen	Scope: Review the Council's implementation of the Well-being of Future Generations Act 2015 requirements in its policies & procedures.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

General Data Protection Reg	Scope: Review Council's compliance with with GDPR and the Data Protection Act 2018.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Safeguarding	Scope: Evaluate the Council's safeguarding procedures, focussing on governance arrangements in place.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

HR – Just Giving Collection	Scope: HR organised a charity event over Christmas period to collect donations for food banks & children in care. IA requested to provide an independent review of the income collected & distributed.
Notes:	Testing completed. Currently in review. Advisory only.

Museum	Scope: This was a system audit of the Museum, concentrating on 'cash' & 'stock' services ie café, shop & bar. It was therefore necessary to initially document the systems in place. Risks, governance and controls were then assessed and tested.
Notes:	System documented & tested. Report not finalised due to closure of Museum during pandemic. Assurance not yet assessed.

Key Controls Housing Benefits	Scope: Testing only undertaken of assessment and payments system (due to pandemic).
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Travelling	Scope: Annual spot-check of a sample of travelling claims.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

Harbours Income	Scope: Review and sample test of income collection re harbour fees, since introduction of new system.
Notes:	Testing completed. Audit currently in review. Assurance not yet assessed.

2.11 The six audits in progress were:

Key Controls Council Tax	Scope: Testing undertaken to ensure controls evident in system whilst staff working from home.
Notes:	Majority of testing undertaken.

Key Controls NNDR	Scope: Testing undertaken to ensure controls evident in system whilst staff working from home.
Notes:	Audit currently in progress.

Direct Payments (overpayment)	Scope: Report from neighbouring authority highlighted that some overpayments had been discovered in their system. IA requested to check a sample of records to check whether same occurred in CSC.
Notes:	Review in progress.

Direct Payments (AW)	Scope: AW to undertake a value for money review of Direct Payments. IA review to ensure all documentation available.
Notes:	Review in progress.

Direct Payments (system)	Scope: Payment of DPs moving in-house from 1 April 2021. Review in place to facilitate the system transfer & ensure controls, risk & governance considered in systems & procedures.
Notes:	Review in progress.

Ethics Audit	Scope: Follow-up of the audit of ethics undertaken by Carmarthenshire CC.
Notes:	Audit currently in progress.

2.12 There is also on-going work in the following areas:

- Business Rates Grants – some records still awaiting valuations, therefore checks may still be required

- 'Firebreaker' Grants – some applications / appeals still on-going

- Third tranche / Discretionary Grants – some applications / appeals on-going

- Annual Governance Statement – evaluate and contribute as required throughout the year

- Risk Register – check mitigating controls in place

- Coroners – support & evaluate new system in its development

- National Fraud Initiative – co-ordinate the exercise, which matches electronic data within and between public and private sector bodies to prevent and detect fraud

- ActiveData – use to detect duplicate / anomalies in grant payments; check against counter-fraud information received eg NAFN bulletins

- Procurement – sample test of new creditors set up on system to ensure they are 'genuine' and that purchases are appropriate

- Payroll – sample test new employees to ensure in post

- Governance & Audit Committee support

- Input to reviews undertaken by Governance Officer:

  - LG & Elections (Wales) Act 2021

  - Code of Conduct

  - Constitution

  - General Power of Competence Regs

- Audit Wales Protocol – support arrangements to ensure AW recommendations are acted upon

- Counter-Fraud Strategy – increase awareness and ensure strategy is up-to-date and relevant

- Attend Group meetings to raise IA awareness of any major changes in systems & procedures, to re-assess any associated risks & re-prioritise IA work if appropriate, eg:

  - Corporate Management Workshop

  - Corporate Project Management Panel

  - Emergency Planning & Business Continuity Management Group

  - Economic Adjustment (Silver Command)

  - Development Group

  - Brexit Team

  - Corporate Joint Committee group

3   RESOURCES

3.1   The current IA structure is attached in Appendix III. The Governance Officer (who will only dedicate part of her time to audit) and the Apprentice Assistant Auditor commenced on 1 November 2020, followed by the second Auditor on 1 December 2020.

3.2   A total of 748 days have been dedicated to audit work during the period 1 April 2020 to 31 March 2021, representing 139% of the assessed days estimated as required to complete the audit plan to year-end. This is mainly due to the recruitment position.

3.3   The CMIA continues to support the Welsh Chief Auditors Group (WCAG) which ensures best practice and consistency between all authorities; and the North & Mid Wales Chief Auditors Group (NMWCAG) to compare practices and share generic documentation. These meeting are now held using 'Teams'.

3.4   All members of staff ensure they meet any continuous professional development conditions, and complete the Council's mandatory training requirements. During this period:

- The new members of staff have been provided with corporate induction;
- The new Auditor attended CIPFA's 'Introduction to Audit' course;
- All staff have undertaken the required Council's webinars and e-learning training modules;
- The CMIA has 'attended' CIPFA's recent Audit updates, Risk and Governance webinars; and
- Three members of staff are continuing the Institute of Internal Auditors' qualification.

3.5   Arrangements are also in hand to continuously develop IA staff's audit / digital / ICT and counter fraud skills via training and subscribing to information sources such as CIPFA's Better Governance Forum.

3.6   All IA staff have been working from home during this year; initially, without access to usual IT resources, which has hindered the work to a certain extent. However, the team has now been able to collect all required IT items in order to progress more efficiently.

4   IMPROVEMENT PLAN

4.1   IA improvement plan 2020/21:

Ref	Standard, Action Proposed & Timescale	Action to Date (Q4)
Std 2050	6.1.15 The CAE may also carry out an assurance mapping exercise, or make use of assurance mapping carried out by other assurance providers. **The current assurance map will be updated during 2020/21.** **31 March 2021**	Assurance map in place. **Updated and co-ordinated by the Apprentice Assistant Auditor. Summary of assurances included in CMIA Annual Report 2020/21.**
Std 2420	6.5.8 Are internal audit communications generally accurate, objective, clear, concise, constructive, complete and **timely**? **It is aimed to issue reports within 10 days of the end of the audit field work in respect of ALL audits.** **PI will continue to be monitored.** **31 March 2021**	This hasn't been applicable to all work / possible during the pandemic; although IA have been timely in reacting to risks introduced during this period. **PI was monitored throughout the year. Some reports have exceeded the 10 days, mainly due to the CMIA & AM spending more time on staff development.**
Std 2500	6.6.1 Where issues have arisen during the follow-up process has the CAE considered revising the internal audit opinion? **The follow-up audits due will be carried forward to 2020/21.** **31 March 2021**	Follow-ups included in 2020/21 Audit Plan. **Some progress made – but majority will be carried-forward due to pandemic. These have been recorded in a spreadsheet and addressed once staff have started returning to offices, etc.**
AR	The Pentana Audit (MKI) audit management software was used for all planned audits during 2019/20. **Pentana Audit (MKI) will be developed to export electronic Audit Reports direct from IA working papers.** **31 March 2021**	Audit Report Template now working. **Developments in hand, but system not as useful when working reactively. The system will be evaluated once IA resumes usual duties. In meantime, Pentana (MKI) will be used where possible, but reactive work will continue to be conducted & recorded using shared electronic folders.**

Guide to the assurance criteria used:

Level:	High	Substantial	Moderate	Limited
Adequacy of Controls:	Controls in place to ensure achievement of service objectives and to protect Council against significant foreseeable risks. No fundamental weaknesses found.	Controls in place to ensure achievement of service objectives and to mitigate significant foreseeable risks. Some areas of improvement identified.	Controls in place to varying degrees. Gaps identified which leaves service exposed to certain risks. Improvement required.	Controls considered insufficient. Need to strengthen procedures significantly and ensure compliance.
Risks:	Minor risks only.	Opportunity exists to improve on risk exposure.	Need to introduce additional controls and/or improve compliance.	Failure to improve controls leaves Council exposed to significant risk (major financial loss, reputation, failure to achieve service's key objectives).
Guide:	No fundamental or significant actions required.	No fundamental actions required. Limited significant actions.	Number of significant actions.	Number of fundamental / significant actions.
Follow-up required:	Initial audit only.	Follow-up of any significant actions only / self-assessment with samples to evidence compliance.	IA follow-up with sample tests undertaken to ensure all actions implemented, and to re-assess assurance.	IA follow-up with full testing undertaken to ensure all actions implemented, and to re-assess assurance.

Guide to the classification of actions used:

Classification of Actions			
Fundamental	Significant	Moderate	Merit Attention
Weakness that is crucial to the management of risk within the service. Needs to be notified and requires the attention of the CLO.	Important findings that identify non-compliance with established procedures that could lead to a risk of financial / reputational loss to Service.	Findings that identify non-compliance with established procedures but do not represent any major risk of financial / reputational loss to Service.	Items requiring little or no action. Included as may be of interest to service or best practice advice.

Appendix III

Internal Audit Structure wef 1 November 2020