

## CEREDIGION COUNTY COUNCIL

<b>Report to:</b>	<b>Governance and Audit Committee</b>
<b>Date of meeting:</b>	<b>17 January 2023</b>
<b>Title:</b>	<b>Internal Audit Progress Report 1/7/22 – 30/9/22</b>
<b>Purpose of the report:</b>	<b>To provide Members with an update on the work undertaken by internal audit during the above period</b>

The Committee considered the annual Internal Audit Strategy 2022/23 at its meeting in March 2022 which also identified the main areas of work for the 2022/23 interim operational audit plan. The Plan included reviews carried forward from the previous year's audit plan, routine audits eg grant certifications and work prioritised dependant on risk, on which the Internal Audit Section can form its assurance opinion.

For 2022/23, a risk assessment was undertaken in addition to information from the Council's Corporate Risk Register as new risks to the Council continue to emerge, which are constantly changing. IA will therefore assess its work on an on-going basis, considering the Council's changing needs and priorities regularly.

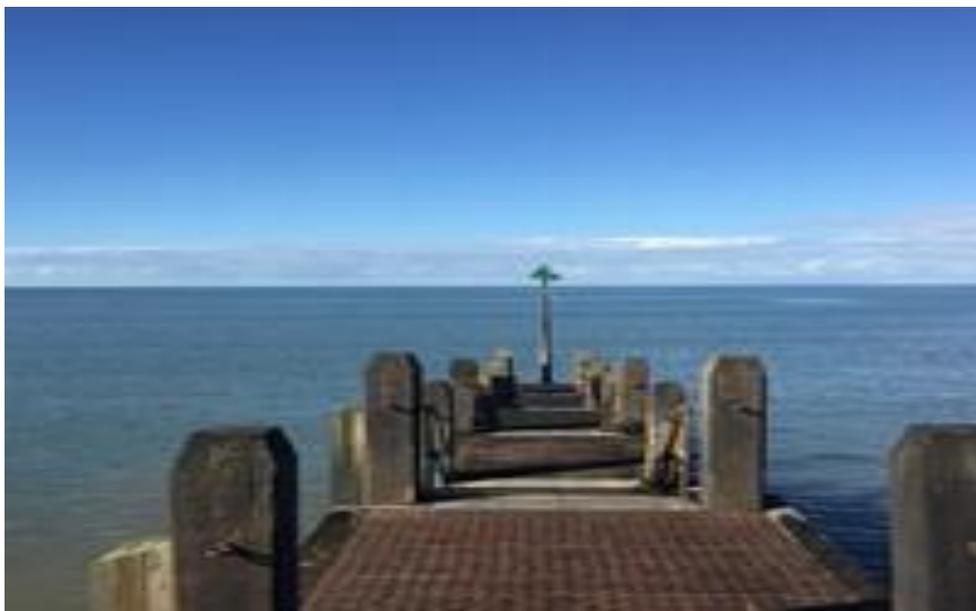
This progress report notes the steps made to date toward delivery of the audit strategy, by providing a summary of the work undertaken. It also documents the current resource position, and the Section's improvement plan.

<b>Recommendation(s):</b>	<b>To consider the work undertaken and current position of the Internal Audit Section</b>
<b>Reasons for decision:</b>	<b>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.</b>
<b>Appendices:</b>	Internal Audit Progress Report 1/7/22-30/9/22
<b>Corporate Lead Officer:</b>	Elin Prysor CLO-Legal and Governance / Monitoring Officer
<b>Reporting Officer:</b>	Alex Jenkins Corporate Manager – Internal Audit
<b>Date:</b>	18 November 2022

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

## Gwasanaethau Cyfreithiol a Llywodraethu Legal and Governance Services

Gwasanaeth Archwilio Mewnol  
Internal Audit Service



Adroddiad Cynnydd Archwilio Mewnol  
Internal Audit Progress Report  
1 July 2022 – 30 September 2022



Cyngor Sir  
**CEREDIGION**  
County Council

Report Prepared by: Alex Jenkins,  
Corporate Manager – Internal Audit

Date of Issue: 18 November 2022

Presented to Governance & Audit  
Committee 17 January 2023

**ADRODDIAD CYNNYDD ARCHWILIO MEWNOL**  
**INTERNAL AUDIT PROGRESS REPORT**  
01/07/2022 – 30/09/2022

**1 INTRODUCTION**

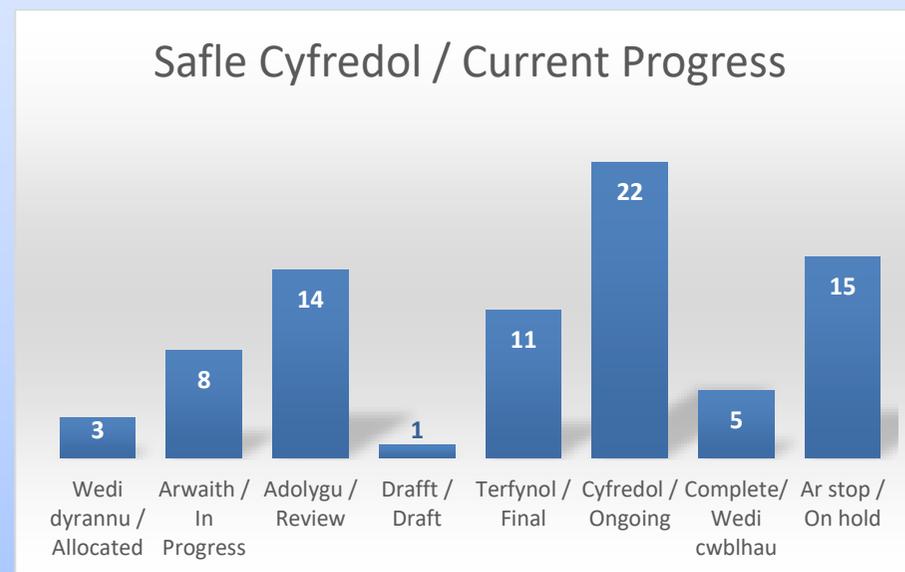
1.1 The Internal Audit Strategy and Annual Plan for 2022/23 was approved by the Committee (GAC) on 10 March 2022.

1.2 The purpose of this report is to update the GAC on the work undertaken by the Internal Audit (IA) service during the second quarter of the 2022/23 financial year and highlight any areas of concern that may have arisen during the completed audits.

1.3 As at 30/9/2022 a total of 91 items appear in the operational Interim Audit Plan. These are made-up of 72 'planned' pieces of work consisting of audits from the Annual Strategy & Plan. The remaining 19 items have been added during the first two quarters, ie unplanned work. Unplanned items are detailed in Section 3.

**2 AUDIT WORK UNDERTAKEN**

2.1 Audit Plan Progress:



2.2 Five pieces of work were finalised during the quarter, as per table below, which will be considered in determining the IA annual opinion:

Audit Area	Type of Audit	Assurance
<p><b>Harbours Income</b>            Scope: Testing undertaken to support Harbours account, as stipulated by AW form: appropriate books of account maintained, financial regulations met, risks assessed, adequate budgetary process, expected income fully received, salaries and deductions properly applied, asset and investment registers maintained, accounting statements properly prepared.</p>	Support Account	Substantial
<p><b>AW MRF - Tackling Fraud</b>            Scope: Update of Audit Wales' Management Response Form re Fraud</p>	Counter Fraud	Advisory
<p><b>Emergency Welcome Centre</b>            Scope: Provide and independent verification of cash support payments issued from Emergency Cash Fund.</p>	Advisory / Governance	Advisory
<p><b>Wellbeing Centres – new systems.</b>            Scope: Provide advice on the transfer of software from Gladstone to Legend. Provide recommendations for additional controls required during possible gap between the provision of systems.</p>	Advisory / Governance	Advisory
<p><b>LDO Provision</b>            Scope: Provide advice on cash security at temporary LDO locations.</p>	Advisory / Governance	Advisory

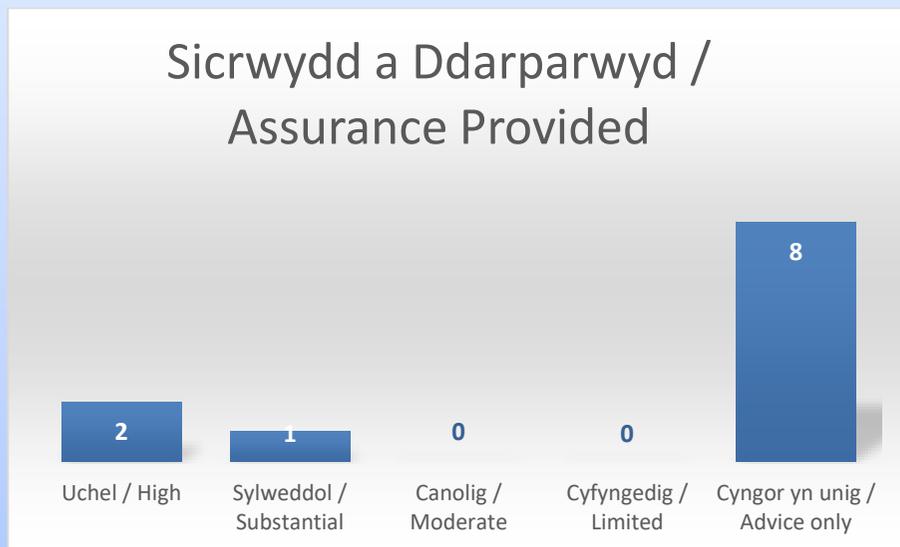
2.3 Examples of good practice noted from the finalised audits have been listed below, which also form part of the annual assurance process:

- **Harbours Income** – since the last review, the majority of recommended actions had been addressed. Expected income was fully received, properly recorded and accounted for.
- **Emergency Welcome Centre** – staff worked collaboratively in order to create bespoke documents and monitoring records at short notice. Advice was sought from Internal Audit on procedures in order to ensure sufficient cash security.
- **Wellbeing Centres – new systems** – the service sought advice from Internal Audit on required procedures should there be a gap in provision between end of the previous IT software and the roll-out of the new IT software system. Advice was given based on the service using a manual process. Decisions were made by the service based on recommendations.
- **Local District Office Provision (Cash Office)** – the service requested advice from Internal Audit on whether there were sufficient controls in place for the re-introduction of LDO provision after the pandemic, mainly surrounding staff and cash security.

2.4 A total of 22 items are on-going pieces of work, from which IA have extracted examples of good practice achieved during the quarter, which again will be considered in forming the IA annual opinion:

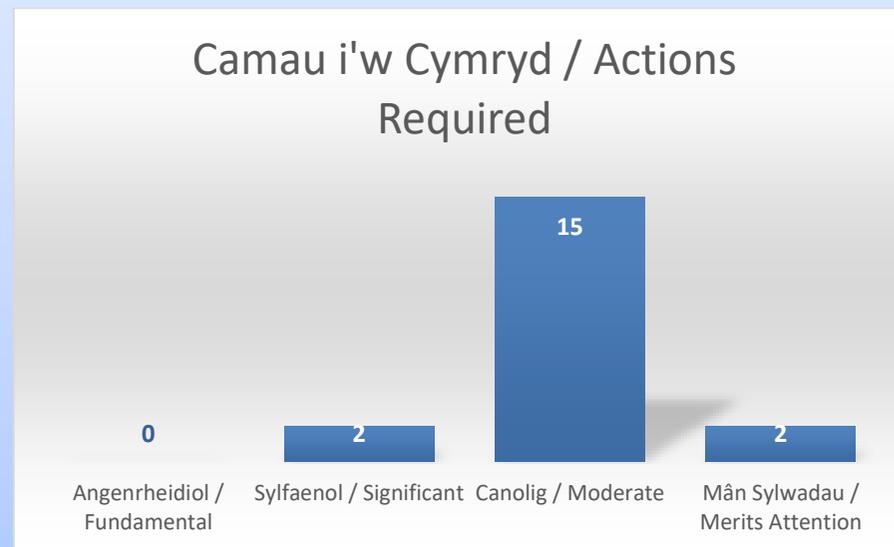
- **Annual Governance Statement** – framework in place; annual improvement plan standard item on GAC agenda for progress monitoring
- **Emergency Planning & Business Continuity** – Corporate Business Continuity Plans being reviewed and updated by services & Civil Contingencies staff. Training was given to CMs in order to develop plans to respond to ransomware attacks.
- **Code of Conduct** – Internal Audit and Governance Officer input provided to assist Learning & Development in the production of a training e-module on Code, Ethics & Fraud.
- **Corporate Project Management Panel** – new project proposals put forward & actions requested by panel where appropriate.
- **Corporate Management Workshop** – updates to managers re ways of working, policies & procedures for information and role development.
- **Cyber Resilience & Information Governance Group** – the Group provides operational support, preparedness and direction to address and reduce cyber risks and improve the Council's cyber security, information security and governance.
- **NMWAG** - North & Mid Wales Auditor Group - Fraud aims to share knowledge & skills re countering fraud to build resilience throughout LAs. Fraud responses to Audit Wales shared to determine future direction of group.

2.5 The levels of assurance provided for the audits completed are as follows:



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

2.7 A total of 14 'actions required' are recommended in the finalised reports issued during the quarter of which none were deemed fundamental, two were deemed significant:



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

2.9 The two significant actions issued during the second quarter were in respect of findings within the record keeping of the Emergency Welcome Centre fund, found during Internal Audit's independent review of the fund.

3. A total of 19 'unplanned' items appear in the Operational Interim Internal Audit Plan as shown in table (below).

Audit Area	Type of Audit	Status
<b>Tenancy Hardship Grant</b> Scope; 2021 Grants – checking a sample of applications prior to payment; validating information and documentation.	Grant	Completed
<b>Cost of Living Payments</b> Scope: Assurance assessed re procedures to ensure payments are made effectively and accurately and controls are in place to reduce the risk of fraud.	Grant	Completed
<b>Unpaid Carers Payments</b> Scope: Grants – checking a sample of applications prior to payment; validating information and documentation.	Grant	Completed
<b>Housing Support Grant - Steering Group</b> Scope: Assurance assessed re procedures in place to ensure the Group is adequately supported and achieves its objectives.	Assurance	Ongoing
<b>Brexit</b> Scope: Risk review to consider arrangements in place for the changes due to Brexit.	Risk	In Review
<b>Welsh Standards</b> Scope: Wellbeing of Future Generations Act review which considers arrangements in place for compliance with the Welsh Standards requirements.	WFGA	In Review
<b>Information Governance Health Check</b> Scope: Independent review of the adequacy of current information governance arrangements and information risk maturity levels	Risk / Assurance	In Progress
<b>Change Floats &amp; Petty Cash - Year end reconciliations to ledger</b> Scope: Check end of year procedures re reconciliation of imprests to ledger, supported by service declaration returns.	System	In Progress
<b>Harbours Income</b> Scope: Testing undertaken to support Harbours account.	Support Account	Completed
<b>Lampeter Wellbeing Centre</b> Scope: Provide advice on cash security at Wellbeing Centres.	System	Ongoing
<b>Coroners - Comparison - Revised Report</b> Scope: Requested to undertake a further comparison of CCC Funeral Director fees compared to other Welsh LA's.	Advisory	Completed
<b>Coroners – Tender</b> Scope: requested to provide advice on scenarios within tender.	Advisory	Completed
<b>Climate Change, Coastal Erosion &amp; Flooding</b> Scope: Assurance on effectiveness of CCC's work carried out in this area. Review carried out by Zurich Municipal.	Risk / Assurance	On-hold
<b>Childcare Scheme</b> Scope: Assess provider compliance to T&C's of Childcare Offer scheme.	SI	In Progress
<b>Emergency Welcome Centre</b> Scope: Advise on risk, governance & controls on cash security.	Advisory	Completed
<b>Emergency Welcome Centre - Cash Fund</b> Scope: Provide an independent verification of cash issued from Emergency Cash Fund.	Assurance	Completed
<b>Effectiveness of Gold Command</b> Scope to be determined	Governance	Unallocated
<b>Lampeter Wellbeing Centre</b> Scope: Provide advice on risks and controls required in the event of a gap between the provision of systems due to the transfer of IT software providers.	Advisory	Completed
<b>LDO Provision</b> Scope: Provide advice on cash security at temporary LDO locations.	Advisory	Completed

## 4 RESOURCES

4.1 Internal Audit has been fully resourced during the second quarter of 2022/23.

4.2 A total of 194 days have been dedicated to audit work during the period 1 July 2022 to 30 September 2022, representing 49% of the assessed days estimated as required to complete the audit plan to year-end (or 98% of days required to complete the audit plan for the first two quarters).

4.3 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 meetings continue to be held using 'Teams'.

4.4 The NMWCAG run a Counter Fraud Sub-Group, which dedicates more time to the subject. This Sub-Group is attended by the Audit Manager (via Teams).

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

All members of audit staff have undertaken the required Council's webinars and e-learning training modules, the e-learning system has been redeveloped and several members of audit staff have completed refresher e-learning modules.

- The CMIA has completed all training on the Council's Ceredigion Manager's Programme.
- The CMIA has 'attended' regular webinars hosted by the Institute of Internal Auditors (IIA), CIPFA, Data Cymru.
- Two members of staff are continuing their Institute of Internal Auditors' qualification.
- All auditors attended a virtual training session on 'Critical Thinking' and;
- All members of staff have 'attended' Pentana's Super User training.

4.6 Arrangements are also in place to develop IA staff's awareness of counter fraud and ICT/Digital risks and controls via training and subscribing to information sources such as CIPFA's Better Governance Forum.

4.7 All new audits are now undertaken on Pentana Audit Management Software.

## 5 IMPROVEMENT PLAN 2022/23

PSIAS Ref.	Conformance with Standard	Action Required	Target Date	Progress
1000	Does the internal audit charter:  d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	Update and seek approval of Internal Audit Charter to include responsibilities of the Governance and Audit Committee and Statutory Officers in respect of Internal Audit.	Next annual IA Charter review	This will be incorporated into the Charter at the next annual IA Charter review for 2023/24.
1210	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	The Council should significantly support the CMIA in achieving, at the earliest opportunity, the Chartered Institute of Internal Auditors professional qualification (CMIIA).	As soon as possible, within 3 years of appointment	CMIA's qualification is in progress.
1311	Does ongoing performance monitoring include obtaining stakeholder feedback?	QCQs to be issued to auditees. Upcoming audits will have QCQ's issued to auditees via Pentana.	During 2022/23	Completed. QCQ's issued for all audit reports issued.
2010	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?  Does the risk-based plan set out the: a) Audit work to be carried out? b) Respective priorities of those pieces of audit work?  Estimated resources needed for the work?	The new CMIA should continue to develop the risk assessment process to inform the annual plan of internal audit activity, and outline the priority of works to be undertaken in the plan.  This is an ideal opportunity to ensure the annual audit plan is fully aligned with the Council's risk management framework and focused on the key risks to its strategic objectives.	Within 12 months	CMIA is in the process of developing the risk assessment process to incorporate the Council's Corporate Risk Register.

PSIAS Ref.	Conformance with Standard	Action Required	Target Date	Progress
2050	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	<p>Continue to develop the process of mapping and categorising sources of assurance for the Council, using the 'Three Lines' model.</p> <p>Once complete, integrate the assurance map into the annual audit planning process in respect of PSIAS standard '2050 Coordination'.</p>	Within 12 months	Completed. Assurance Map uses the 'Three Lines Model' and includes a broad coverage of assurances from other sources, both on the Corporate Risk Register and other risks IA are aware of.
2220	<p>For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:</p> <p>a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?</p>	<p>Introduce a process of documenting, issuing and agreeing formal audit scopes with management in advance of the audit work commencing.</p> <p>The IA team are in the process of implementing a new internal audit software system (Pentana), which has audit scoping functionality and can therefore be utilised for this purpose.</p>	Within 12 months	Completed. A Scoping Document has been created that will be issued to auditees as a formal engagement prior to the audit commencing to outline the scope and objectives of each audit.
2421	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Update Audit Manual to include provision that in the event of a final audit report containing a significant error or omission, the relevant auditor / CMIA etc. will re-issue the corrected information to all parties who received the original communication.	Within 3 months	Completed.

PSIAS Ref.	Conformance with Standard	Action Required	Target Date	Progress
2450	<p>Does the [Annual Internal Audit Opinion] communication identify the following:</p> <ul style="list-style-type: none"> <li>a) The scope of the opinion, including the time period to which the opinion relates?</li> <li>b) Any scope limitations?</li> <li>c) The consideration of all related projects including the reliance on other assurance providers?</li> <li>d) The risk or control framework or other criteria used as a basis for the overall opinion?</li> </ul>	<p>Include a section within the Annual Report to include any limitations of scope for the work undertaken by Internal Audit for the relevant year.</p>	<p>Next Annual Report (2022/23)</p>	<p>Limitations in scope have previously been reported by exception.</p> <p>A section will be included in the next Annual Report (2022/23) to include any limitations of scope for the year.</p>
2500	<p>Has the CAE established a process to monitor and follow up management actions to ensure that agreed actions have been effectively implemented or that senior management have accepted the risk of not taking action?</p>	<p>Re-instate the follow up process.</p> <p>The Pentana system has action tracking functionality, so once implemented, can be utilised for this purpose.</p>	<p>Within 6 months</p>	<p>The follow-up process of recommended actions has been reinstated.</p>

## Guide to the assurance criteria used:

<b>Level:</b>	<b>High</b>	<b>Substantial</b>	<b>Moderate</b>	<b>Limited</b>
<b>Adequacy of Controls:</b>	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.
<b>Risks:</b>	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).
<b>Guide:</b>	No fundamental or significant actions required.	No fundamental actions required. Limited significant actions.	Number of significant actions.	Number of fundamental / significant actions.
<b>Follow-up required:</b>	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.