

## CEREDIGION COUNTY COUNCIL

<b>Report to:</b>	<b>Governance and Audit Committee</b>
<b>Date of meeting:</b>	<b>9 March 2023</b>
<b>Title:</b>	<b>Internal Audit Progress Report 1/10/22 – 31/12/22</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 1/10/22-31/12/22
<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>	16 January 2023

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 October 2022 – 31 December 2022



Cyngor Sir  
**CEREDIGION**  
County Council

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

Date of Issue: 16 January 2023

Presented to Governance & Audit  
Committee 9 March 2023

# ADRODDIAD CYNNYDD ARCHWILIO MEWNOL

## INTERNAL AUDIT PROGRESS REPORT

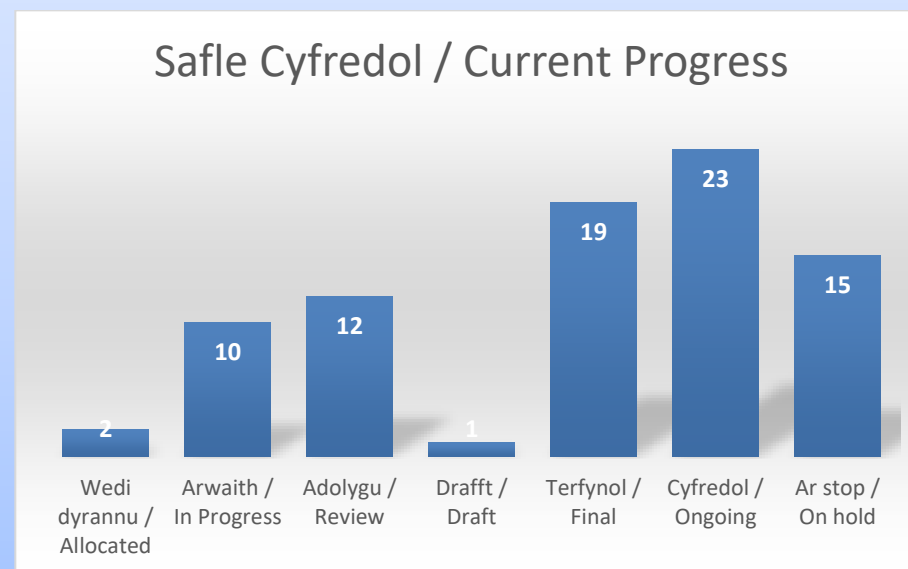
01/10/2022 – 31/12/2022

### 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 third 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 31/12/2022 a total of 98 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 26 items have been added during the first three quarters, ie unplanned work. Unplanned items or 'reactive work' are detailed in Section 3.

### 2 AUDIT WORK UNDERTAKEN

#### 2.1 Audit Plan Progress:



2.2 Eight 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
<b>Business Continuity</b> Scope: Risk review which considers the arrangements in place re Business Continuity. Assurance assessed re procedures in place in Corporate and Service Business Continuity Plans.	Governance	Substantial
<b>Information Governance Health Check</b> Scope: independent review of the adequacy of the Council's current information governance arrangements and information risk maturity levels.	Risk	Advisory
<b>Coroners - 'Additional'</b> Scope: Requested to undertake a further comparison of CCC FD fees against FD fees of other Welsh LA's	Advisory	Advisory
<b>LUF - Risk Assessment</b> To provide assurance for the UK Gov deep-dive audit on the policies and procedures in place surrounding Employee Declarations of Interest and Hospitality	Governance	Advisory
<b>LUF - Declarations of Interest &amp; Hospitality Register</b> To provide assurance to the Monitoring Officer on the Declarations of Interest checked for the UK Gov deep-dive audit surrounding Employee Declarations of Interest and Hospitality	Governance	Advisory
<b>LUF - Declarations of Interest &amp; Hospitality Register – UK Gov</b> To provide assurance to the UK Gov on the policies and procedures in place surrounding Governance of the LUF Project Board to include Code of Conduct, employee Declarations of Interest and Register of Hospitality submissions	Governance	Advisory
<b>Governance – Projects – Special Investigation</b> Review of internal governance processes within a project after concerns were raised by Leadership Group	SI	Advisory
<b>Missing Purchase – Special Investigation</b> Review of processes involved in purchasing items via procurement team and investigation into location of missing items.	SI	Advisory

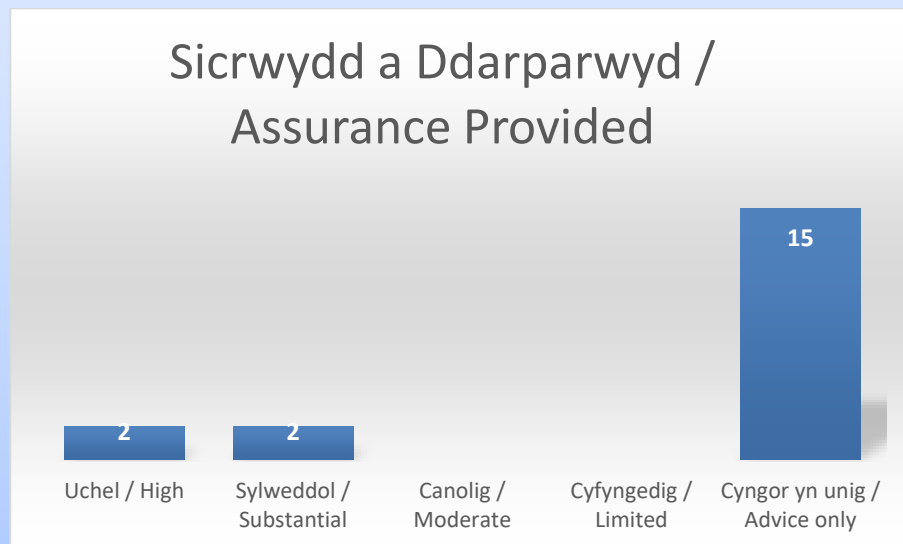
2.3 Examples of good practice noted from the finalised audits have been listed below, which also form part of the annual assurance process:

- **Business Continuity –**
  - ✓ There are designated, adequately trained officers at an appropriate management level responsible for Business Continuity at both service and corporate level and responsibilities are identified in service and corporate BC Plans
  - ✓ Plans contain a Business Impact Analysis and identify critical services and functions, along with their Recovery Time Objectives (RTOs)
  - ✓ Business Continuity and Emergency Response procedures are tested regularly with results and debriefs held in EBCMG meetings
  - ✓ The Council states statutory obligations in documents where necessary
  - ✓ The Council has published a Business Continuity Management Page on the CSC website
- **Information Governance Health Check –**
  - ✓ Ceredigion showed a strong commitment to protect the information and the Council's reputation through the controlled management of data and a desire to further enhance the Council's abilities in this key area

2.4 A total of 23 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:

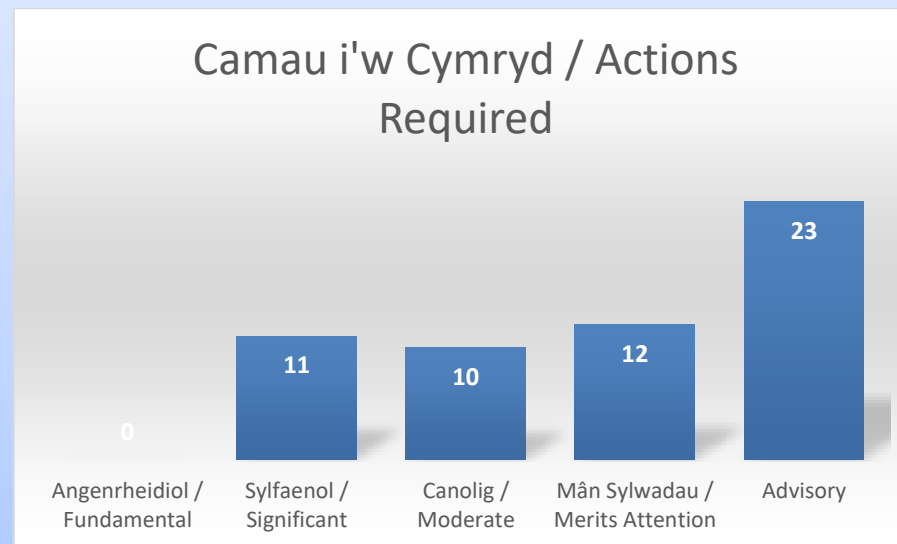
- **Annual Governance Statement** – framework in place; annual improvement plan standard item on GAC agenda for progress monitoring
- **Emergency Planning & Business Continuity** – Corporate Business Continuity Plans being reviewed and updated by services & Civil Contingencies staff. Training was given to CMs in order to develop plans to respond to ransomware attacks.
- **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 37 'actions required' are recommended in the finalised reports issued during the quarter of which none were deemed fundamental, 9 were deemed significant:



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

2.9 The 9 significant actions issued during the third quarter are detailed below:

<b>Business Continuity</b>
<b>R1</b> Consider amending BCPs to include reference for services to consider timing and duration of potential events and the differing impacts on Council Services and the required responses to them.
<b>SI – Governance - Project</b>
<b>R1</b> Procedures should be documented and communicated to officers (CeriNet) on process to be followed to include governance process and authorisation to proceed.
<b>R2</b> Consideration should be given to the required authorisation to proceed.
<b>R3</b> Minutes for Steering Group meetings must clearly record decisions made and actions required.
<b>R4</b> Substantial changes and/or project updates should be presented to CPMP for input and advice.
<b>R5</b> Substantial changes and/or project updates should be approved by the relevant Corporate Lead Officer.
<b>SI – Missing Purchase</b>
<b>R1</b> Internal Audit should be informed of issues at the earliest opportunity to be able to obtain as much evidence as possible
<b>R2</b> Consideration needs to be given to documenting credit card commitments on the Council's financial systems at the earliest opportunity
<b>R3</b> Care must be taken by officers to ensure that correct contact details are entered on all orders placed.

3. A total of 26 'unplanned' items appear in the Operational 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>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	Completed
<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	Allocated
<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>Ceredigion Sports Council</b> - IA were requested to audit the accounts to the point of the previous account closure in preparation for new account.	Honorary	In Review
<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	Ongoing
<b>Coroners – Additional</b> Scope: Requested to undertake a further comparison of CCC FD fees against FD fees of other Welsh LA's	Advisory	Completed



Audit Area	Type of Audit	Status
<b>Climate Change, Coastal Errosion &amp; Flooding</b> Scope: Assurance on effectiveness of CCC's work carried out in this area. Review carried out by Zurich Municipal.	Risk / Assurance	Allocated
<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
<b>LUF - Risk Assessment</b> Scope: To provide advice on the completion of the LUF Deep Dive Audit Risk Assessment surrounding the Council's policies & procedures surrounding governance & ethics.	Advisory	Completed
<b>LUF - Declarations of Interest &amp; Hospitality Register</b> Scope: To provide assurance to the Monitoring Officer on the Declarations of Interest checked for the UK Gov deep-dive audit surrounding Employee Declarations of Interest and Hospitality	Advisory	Completed
<b>LUF - Declarations of Interest &amp; Hospitality Register</b> Scope: Provide assurance for the UK Gov deep-dive audit on the policies and procedures in place surrounding Employee Declarations of Interest and Hospitality	Advisory	Completed
<b>SI – Governance – Project</b> Scope: Review of internal governance processes within a project after concerns were raised by Leadership Group	SI	Completed
<b>SI - Missing Purchase</b> Scope: Investigation into location of missing items.	SI	Completed
<b>SI - Missing Purchases - Additional report</b> Scope: Review of processes involved in purchasing items via procurement team and investigations into location of additional missing item	SI	In Progress

## 4 RESOURCES

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

4.2 A total of 215 days have been dedicated to audit work during the period 1 October 2022 to 31 December 2022, representing 74% of the assessed days estimated as required to complete the audit plan to year-end (or 100% of days required to complete the audit plan for the first three 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 PERFORMANCE INDICATORS

5.1 The current Performance Indicator's (PI's) used by the Internal Audit service are set out below along with performance figures for Q3 (YTD).

Indicator	Measure	Target	Q3 (YTD)
Number of audits completed	Number	-	16
Percent of planned time spent on audits	%	80	117
Percentage of Quality Ccontrol Questionnaire's (QCQ) returned	%	50	100
Percentage of clients responses at least 'satisfied'	%	95	100
Percentage of actions accepted versus made	%	95	100
Av no of days from end of audit to issue of draft report	Days	10	1.5
Av no of days from exit meeting to final report	Days	5	1

## 6 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	Completed. IA Charter has been updated and was approved by GAC 17.1.23.
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 has developed the risk assessment process to incorporate the Council's Corporate Risk Register into the IA Plan. The 2023/24 IA Strategy & Plan has been completed and is awaiting approval by GAC.

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?	Continue to develop the process of mapping and categorising sources of assurance for the Council, using the 'Three Lines' model.  Once complete, integrate the assurance map into the annual audit planning process in respect of PSIAS standard '2050 Coordination'.	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	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: a) Objectives? b) Scope? c) The respective responsibilities of the internal auditors and the client and other client expectations?	Introduce a process of documenting, issuing and agreeing formal audit scopes with management in advance of the audit work commencing.  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.	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>	Include a section within the Annual Report to include any limitations of scope for the work undertaken by Internal Audit for the relevant year.	Next Annual Report (2022/23)	<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	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>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>	Within 6 months	Completed. The follow-up process of recommended actions has been reinstated, these will be reported to GAC.

## Guide to the assurance criteria used:

Level:	High	Substantial	Moderate	Limited
<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.