CEREDIGION COUNTY COUNCIL

Report to:	**Governance and Audit Committee**
Date of meeting:	**21 June 2023**
Title:	**Internal Audit Progress Report 1/1/23 – 31/3/23**
Purpose of the report:	**To provide Members with an update on the work undertaken by internal audit during the above period**

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.

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 Report 1/1/23-31/3/23
Corporate Lead Officer:	Elin Prysor CLO-Legal and Governance / Monitoring Officer
Reporting Officer:	Alex Jenkins Corporate Manager – Internal Audit
Date:	27April 2023

Gwasanaethau Cyfreithiol a Llywodraethu

Legal and Governance Services

Gwasanaeth Archwilio Mewnol

Internal Audit Service

Cyngor Sir
CEREDIGION
County Council

Adroddiad Cynnydd Archwilio Mewnol

Internal Audit Progress Report

1 January – 31 March 2023

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

ADRODDIAD CYNNYDD ARCHWILIO MEWNOL
INTERNAL AUDIT PROGRESS REPORT
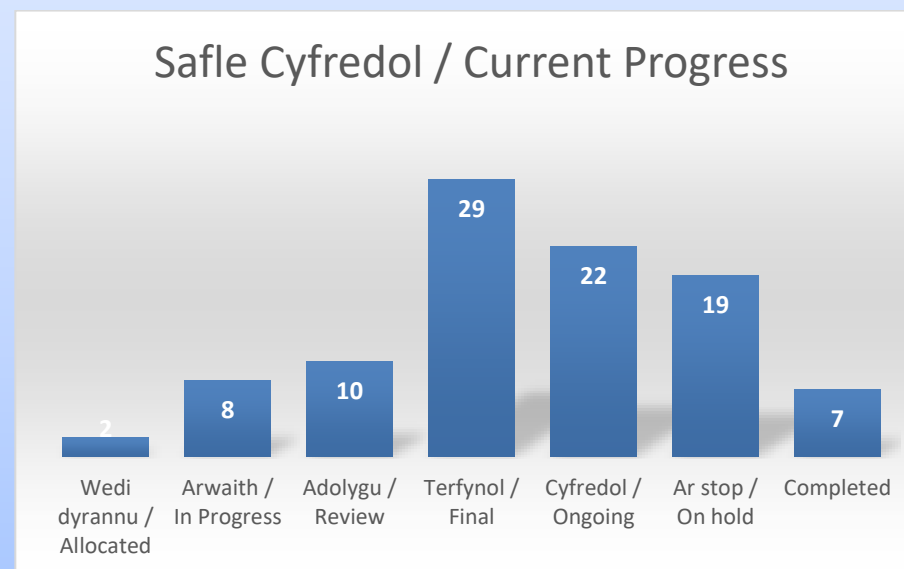## 01/1/2023 – 31/3/2023

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 fourth 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 97 items appear in the operational Interim Audit Plan. These are made-up of 69 'planned' pieces of work consisting of audits from the Annual Strategy & Plan. The remaining 28 items have been added during the first three quarters, ie reactive work. Further detail on these can be found in Section 3.

2 AUDIT WORK UNDERTAKEN

2.1 Audit Plan Progress:

Safle Cyfredol / Current Progress

Category	Value
Wedi dyrannu / Allocated	2
Arwaith / In Progress	8
Adolygu / Review	10
Terfynol / Final	29
Cyfredol / Ongoing	22
Ar stop / On hold	19
Completed	7

2.2 Ten 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
Non-Domestic Rates (NNDR) – Key Control Scope: Review considers arrangements for processing NNDR payments and amendments including separation of duties; reconciliations and monitoring.	Key Control	Substantial
Creditors - Key Control Scope: Review considers arrangements for authorising and paying costs incurred by the Council and the controls over the payment process. The scope does NOT include consideration of the nature of the expenditure or whether VFM was achieved.	Key Control	Substantial
Sundry Debtors – Key Control Scope: Review considers arrangements for raising invoices and recovering debt owed to the Council; monitoring of collection and arrears recovery and reconciliation.	Key Control	Substantial
AGS Framework Review 2022/23 Scope: Governance review which considers the effectiveness of the Governance Framework, especially in the areas specifically addressed in the AGS action plan.	Governance	High
GDPR in Schools Scope: Review consists of a periodic registration check, to ensure all CSC schools hold a valid and up to date registration with the ICO. The review does NOT include a review of the data provided to the ICO.	GDPR	Substantial
Ceredigion Sports Council Scope: Historically, IA prepares and audits the body's annual accounts in time for its AGM. Following a pause due to the pandemic IA audited the accounts from the previous audit to the point of the previous account closure in preparation for new account.	Honorary / Accounts	Honorary / Accounts
Corporate Safeguarding Procedures Review of the overarching governance of safeguarding to include policies, procedures and guidance. Some testing not undertaken due to pandemic.	Safeguarding	Moderate
Data Matching - Ethics Scope: Review provides assurance against reputational damage and financial losses due to fraudulent activity. Checks staff members correctly report Declaration and Registration of Interests.	Ethics	Advisory

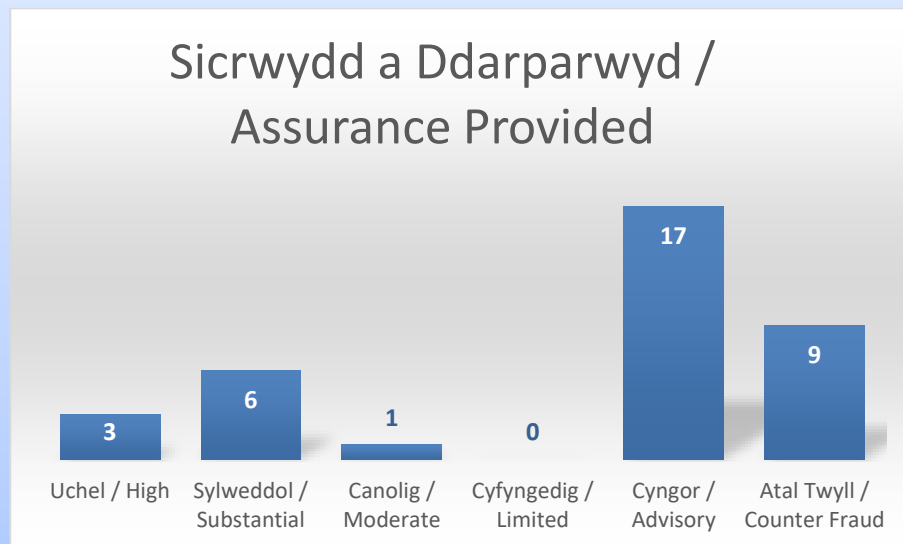| Audit Area	Type of Audit	Assurance
Childcare Scheme – Capital Grant Scope: Service request to review grant return submissions for accuracy and completeness.	SI	Grant
Management Response Form – NFI in Wales 20/21 Scope: Complete, monitor & update AW Management Response Form re NFI	MRF	N/A

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

- **Non-Domestic Rates**
  - ✓ **Collection rates monitored and overdue payments followed-up promptly**
- **Creditors**
  - ✓ **Clear procedures in place for dealing with new creditors & amendments**
- **Sundry Debtors**
  - ✓ **Regular monitoring of debt**
  - ✓ **Separation of duty between raising an invoice and collection of debt**
- **Corporate Safeguarding Procedures**
  - ✓ **Council has a clear and effective incident response & referral process for safeguarding**
  - ✓ **Council has established Local Operating Groups**
  - ✓ **Mandatory eLearning for all staff**

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:
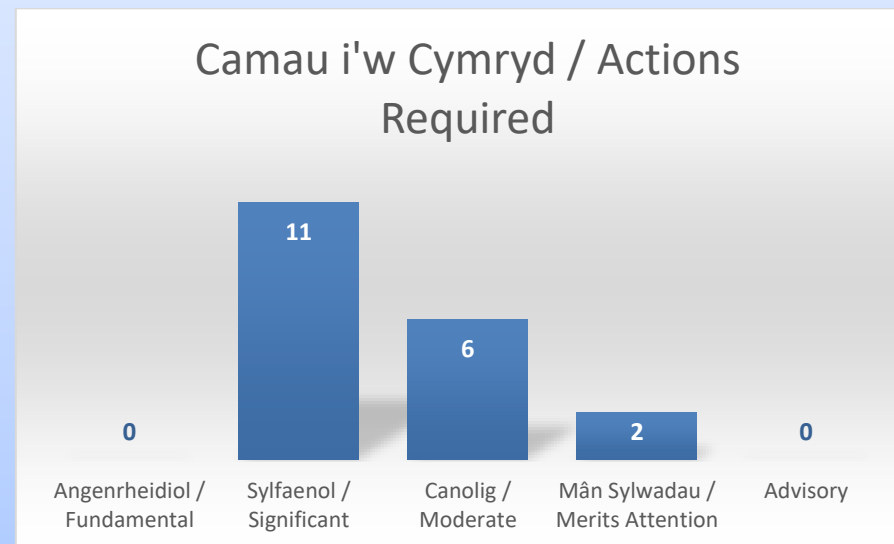
- **Emergency Planning & Business Continuity** – Corporate Business Continuity Plans being reviewed and updated by services & Civil Contingencies staff. Training was given to CMs in order to develop plans to respond to ransomware attacks.
- **Corporate Project Management Panel** – new project proposals 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 - 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 so far this year are as follows:

Sicrwydd a Ddarparwyd / Assurance Provided

Category	Value
Uchel / High	3
Sylweddol / Substantial	6
Canolig / Moderate	1
Cyfyngedig / Limited	0
Cyngor / Advisory	17
Atal Twyll / Counter Fraud	9

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

2.7 A total of 19 'actions required' have been issued in the finalised reports during the quarter of which 11 were significant, 6 moderate and 2 merits attention:

Camau i'w Cymryd / Actions Required

Category	Value
Angenrheidiol / Fundamental	0
Sylfaenol / Significant	11
Canolig / Moderate	6
Mân Sylwadau / Merits Attention	2
Advisory	0

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

2.9 The 11 significant actions issued during the third quarter are detailed below:

NNDR Key Control

R1

Where Local Taxation staff both create and collect payments, an independent verification should be undertaken of payments made. Ideally, any officer with permission to create debit on Academy should not be able to collect payment on the same record.

R2

Ideally, a member of staff should not verify their own error/warning reports.

An independent verification officer should be nominated to verify a routine sample of staff transactions on the Paye.net system. These should be undertaken on a regular basis and fully documented.

This is especially important where there is an insufficient level of separation of duty within the systems.

Creditors Key Control

R1

Reconciliations should be signed off promptly after month end.

Sundry Debtors Key Control

R1

Reconciliations should be signed off promptly after month end.

GDPR in Schools

R1

One school has not registered with ICO for a number of years. Consideration should be given to a joint email from Data Protection Officer and Chief Internal Auditor.

Corporate Safeguarding Procedures

R1

The Safeguarding Policy should be reviewed and updated in line with the guidelines set out within the policy itself. The policy should:

- include reference to the new All Wales Safeguarding Procedures,
- update the terms of reference, positions and memberships of various boards and groups,
- clarify lines of accountability across the Council (e.g. the flow chart in the current version).
- Clarify the required report distribution for safeguarding matters.

R2

Overview and Scrutiny Coordinating Committee is responsible for scrutinising safeguarding matters. Responsible Officers must ensure that safeguarding reports/plans and any other relevant information are presented to the Overview and Scrutiny Coordinating Committee *before* it is presented to Cabinet or Council in order to provide effective challenge over safeguarding issues.

R3

Due to the importance and sensitivity of safeguarding, consideration should be given to fully integrate safeguarding into the risk management process.

Starting with the Risk Management Framework, this would ensure that the welfare of children and vulnerable adults is taken into account throughout all services when considering risks and processes.

R4

The Safe Recruitment / DBS Policy should be reviewed and updated to take into account any changes to regulations and procedures since its approval.

R5

Performance indicators should be used consistently in safeguarding reports for both Adults & Children.

Adult safeguarding reports should contain sufficient detail to ensure that key issues are identified promptly and priorities and standards are met.

R6

AW recommendations should be added to the Corporate Risk Register mitigating actions section in order to prioritise areas for improvement and track progress.

3. A total of 28 'unplanned' items appear in the Operational Internal Audit Plan as shown in table (below).

Audit Area	Type of Audit	Status
Tenancy Hardship Grant Scope; 2021 Grants – checking a sample of applications prior to payment; validating information and documentation.	Grant	Completed
Cost of Living Payments 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
Unpaid Carers Payments Scope: Grants – checking a sample of applications prior to payment; validating information and documentation.	Grant	Completed
Housing Support Grant - Steering Group Scope: Assurance assessed re procedures in place to ensure the Group is adequately supported and achieves its objectives.	Assurance	Ongoing
Welsh Standards Scope: Wellbeing of Future Generations Act review which considers arrangements in place for compliance with the Welsh Standards requirements.	WFGA	In Review
Information Governance Health Check Scope: Independent review of the adequacy of current information governance arrangements and information risk maturity levels	Risk / Assurance	Completed
Change Floats & Petty Cash - Year end reconciliations to ledger Scope: Check end of year procedures re reconciliation of imprests to ledger, supported by service declaration returns.	System	Allocated
Harbours Income Scope: Testing undertaken to support Harbours account.	Support Account	Completed
Lampeter Wellbeing Centre Scope: Provide advice on cash security at Wellbeing Centres.	System	Ongoing
Ceredigion Sports Council - IA were requested to audit the accounts to the point of the previous account closure in preparation for new account.	Honorary	In Review
Coroners - Comparison - Revised Report Scope: Requested to undertake a further comparison of CCC Funeral Director fees compared to other Welsh LA's.	Advisory	Completed
Coroners – Tender Scope: requested to provide advice on scenarios within tender.	Advisory	Ongoing
Coroners – Additional Scope: Requested to undertake a further comparison of CCC FD fees against FD fees of other Welsh LA's	Advisory	Completed
Climate Change, Coastal Erosion & Flooding Scope: Assurance on effectiveness of CCC's work carried out in this area. Review carried out by Zurich Municipal.	Risk / Assurance	Allocated
Childcare Scheme Scope: Assess provider compliance to T&C's of Childcare Offer scheme.	SI	In Progress

Audit Area	Type of Audit	Status
Emergency Welcome Centre Scope: Advise on risk, governance & controls on cash security.	Advisory	Completed
Emergency Welcome Centre - Cash Fund Scope: Provide an independent verification of cash issued from Emergency Cash Fund.	Assurance	Completed
Effectiveness of Gold Command Scope to be determined	Governance	Unallocated
Lampeter Wellbeing Centre 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
LDO Provision Scope: Provide advice on cash security at temporary LDO locations.	Advisory	Completed
LUF - Risk Assessment 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
LUF - Declarations of Interest & Hospitality Register 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
LUF - Declarations of Interest & Hospitality Register 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
SI – Governance – Project Scope: Review of internal governance processes within a project after concerns were raised by Leadership Group	SI	Completed
SI - Missing Purchase Scope: Investigation into location of missing items.	SI	Completed
SI - Missing Purchases - Additional report Scope: Review of processes involved in purchasing items via procurement team and investigations into location of additional missing item	SI	In Review
SI - Vehicle Purchase Scope: Investigation into authorisation procedures.	SI	In Progress
Childcare Capital Grant Scope: Review grant returns are in accordance with terms & conditions.	Grant	Completed

4 RESOURCES

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

4.2 A total of 199 days have been dedicated to audit work during the period 1 January 2023 to 31 March 2023, representing 108% of the assessed days estimated as required to complete the audit plan to year-end.

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 year:

- 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 along with other IA staff where relevant, have 'attended' regular webinars hosted by the Institute of Internal Auditors (IIA), CIPFA, Data Cymru.

- Three members of staff are pursuing their Institute of Internal Auditors' qualification.

- The Senior Auditor has completed her qualification as an Accredited Counter Fraud Technician.

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.

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 Q4 (YTD).

Indicator	Measure	Target	Q4 (YTD)
Number of audits completed	Number	-	36
Percent of planned time spent on audits	%	80	108
Percentage of Quality Control Questionnaire's (QCQ) returned	%	50	89
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
Av no of days from exit meeting to final report	Days	5	0.5

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	Completed. 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 was approved by GAC 10 March 2023.

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	Does the [Annual Internal Audit Opinion] communication identify the following: a) The scope of the opinion, including the time period to which the opinion relates? b) Any scope limitations? c) The consideration of all related projects including the reliance on other assurance providers? d) The risk or control framework or other criteria used as a basis for the overall opinion?	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)	Completed. The Annual Report containing the Internal Audit Annual Opinion has been created in line with PSIAS ref 2450 and is due to be presented to GAC 21 June 2023.
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?	Re-instate the follow up process. The Pentana system has action tracking functionality, so once implemented, can be utilised for this purpose.	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
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.