

## CEREDIGION COUNTY COUNCIL

<b>Report to:</b>	<b>Governance and Audit Committee</b>
<b>Date of meeting:</b>	<b>27 September 2023</b>
<b>Title:</b>	<b>Internal Audit Progress Report 1/4/23 – 30/6/23</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 2023/24 at its meeting in March 2023 which also identified the main areas of work for the 2023/24 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 2023/24, 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. Any reactive work added to the Operational Plan is reported within this report.

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 1/4/23-30/6/23
<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 July 2023

# Gwasanaethau Cyfreithiol a Llywodraethu

## Legal and Governance Services

Gwasanaeth Archwilio Mewnol

Internal Audit Service

Mae'r adroddiad yma ar gael yn Gymraeg.

This report is available in Welsh.



Cyngor Sir  
**CEREDIGION**  
County Council

## Adroddiad Cynnydd Archwilio Mewnol

### Internal Audit Progress Report

1 April – 30 June 2023

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

Date of Issue: 18 July 2023

Presented to Governance & Audit  
Committee 27 September 2023

# ADRODDIAD CYNNYDD ARCHWILIO MEWNOL

## INTERNAL AUDIT PROGRESS REPORT

01/4/2023 – 30/6/2023

### 1 INTRODUCTION

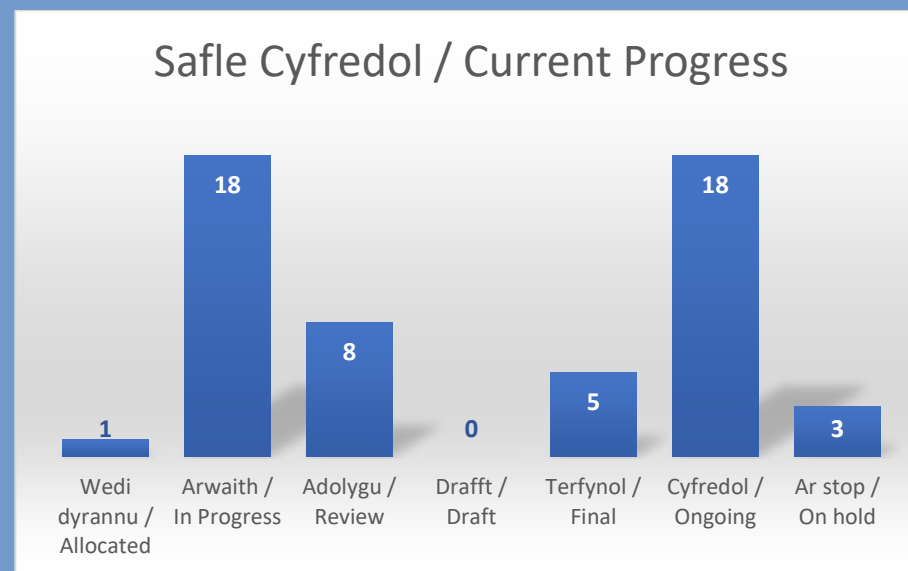
1.1 The Internal Audit Strategy and Annual Plan for 2023/24 was approved by the Committee (GAC) on 9 March 2023.

1.2 The purpose of this report is to update the GAC on the work undertaken by the Internal Audit (IA) service during the first quarter of the 2023/24 financial year and highlight any areas of concern that may have arisen during the completed audits.

1.3 As at 30/06/2023 a total of 85 items appear in the operational Interim Audit Plan. These are made-up of 77 'planned' pieces of work consisting of audits from the Annual Strategy & Plan. The remaining 8 items have been risk assessed and added during the first quarter, ie reactive work. Further detail on these can be found 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
<b>Sustainable Drainage Systems</b> Scope: Assess and obtain assurance that the Council has a system in place that is compliant with regulatory requirements.	System	Substantial
<b>Museum Stock</b> Scope: Independent Verification of stock due to discrepancies found in year-end stock take to the Cash Receiving System.	SI	Limited
<b>Special Investigation</b> Scope: Independent investigation requested by Human Resources, follow-on audit to 'Missing Purchase – SI'	SI	SI
<b>Direct Payment Respite Break Protocol</b> Scope: To review and provide advice on respite break protocol for Direct Payments.	Consultancy	N/A
<b>Face to Face Provision</b> Scope: To provide advice on procedures and planned controls on the reintroduced face to face customer service provision including: cash handling procedures, banking and security.	Advisory	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:

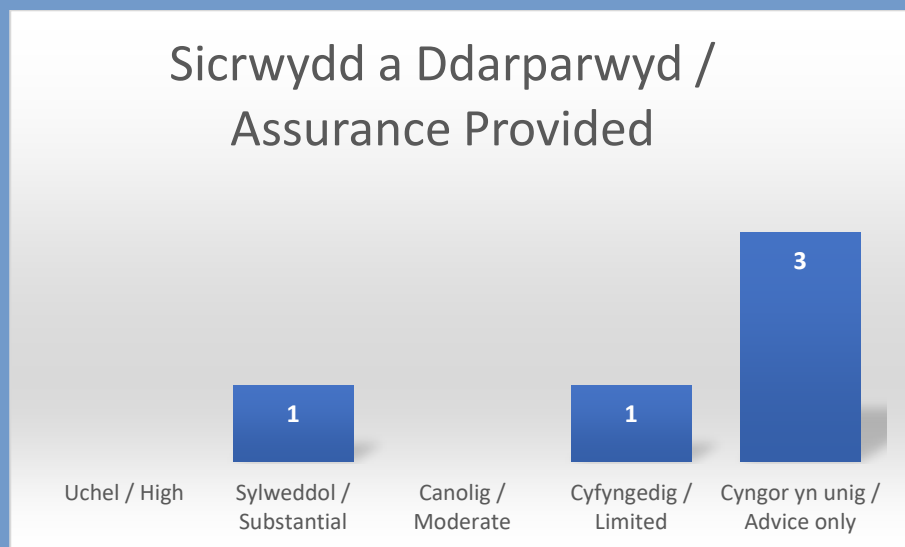
- **Sustainable Drainage Systems (SuDS)**
  - ✓ The Council has adequate documents and guidance that help to support the implementation of SuDS
  - ✓ The application form contains all relevant information as set out in the standards
  - ✓ The Council has published guidance for developers & applicants and provided links to relevant legislation, frameworks & external guidance
  - ✓ Flood risks included on Corporate Risk Register (SuDS previously included, mitigating actions completed)
- **Ceredigion Museum – Stocktake**
  - ✓ Annual Stocktakes undertaken
  - ✓ Interim stocktakes of individual suppliers are carried out periodically
- The advisory and consultancy work completed during the quarter were included on the plan following a request from the services. It is pleasing that Internal Audit advice is sought by services at an early stage in the development of policies and procedures.

2.4 A total of 18 items included in the plan 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.

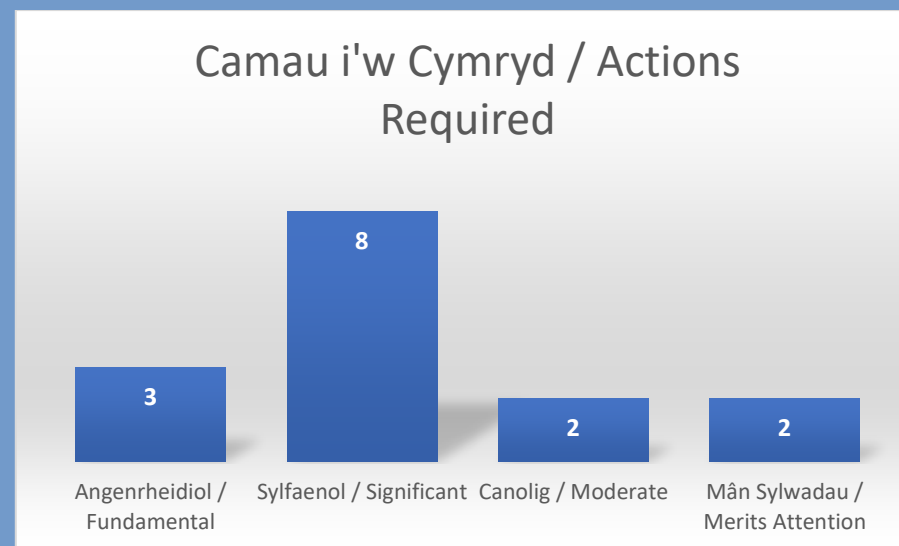


2.5 The levels of assurance provided for the audits completed so far this year are as follows:



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

2.7 A total of 15 'actions required' have been issued in the finalised reports during the quarter of which 3 were fundamental, 8 significant, 2 moderate and 2 merits attention:



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

2.9 The 3 fundamental and 8 significant actions issued during the first quarter are detailed below:

#### Sustainable Drainage Systems

##### R1

As Lead Local Flood Authority, the Council must ensure that an asset register of structures that may affect flood risk is created and maintained.  
As the register must be available for inspection by the public, consideration should be given to including guidance on how to view the register or a link to the register of the Council's website.

#### Ceredigion Museum - Stock

##### R1

Procedures must be documented to ensure that stocktakes are carried out and recorded correctly, information is retained in accordance with the Corporate Retention Schedule and for business continuity purposes.

##### R2

An independent verification of an annual stocktake must be carried out to ensure accuracy of records. Where there are staff resource limitations, a sample of items from annual stocktakes should be verified by an independent officer.

##### R3

A complete record of the annual stocktake should be retained for the current year, plus one year (2 years) in accordance with the Council's Corporate Retention Schedule.

##### R4

Care should be taken to ensure that the retail price on the items in the museum shop are consistent to those listed on the EPOS system.

A sample of products should be checked periodically to ensure that price marks correspond to the EPOS system.

Price points of all items should be checked annually, this could be done as part of the annual stocktake.

##### R5

All discrepancies must be investigated. As a Public Authority, the Council has a duty to protect public funds and investigate any instances of potential loss.

Where stock quantities require amending on the EPOS system, these must be independently verified.

##### R6

Care must be taken to ensure that any recorded 'deadstock' is removed from the stock record on the EPOS system to ensure that stock records are accurate and up to date for stock control purposes.

All write-offs of 'dead-stock' must be authorised by a manager.

Recurring instances of damage/loss should be investigated by management to reduce the risk of loss of income.

##### R7

Consideration must be given to the performance and efficiencies of the current EPOS system and its ability to perform as required to provide effective and robust internal controls to mitigate identified risks.

Where reliance cannot be placed on the EPOS system to maintain accurate records, alternative stock records must be maintained to ensure accurate stock control, to reduce errors and loss and to protect public funds.

## Special Investigation

### R1

The service must document and share with staff agreed protocol on the acceptable process to be followed for securely storing service users' personal belongings.

### R2

If the service decides to accept that, on occasions, service users' personal belongings may be stored at officers' private property; documented procedures must be created and communicated to all relevant officers to ensure that sufficient controls are in place to mitigate risks e.g. Corporate Manager approval, inventory list, service user/advocate declaration and authorisation.

### R3

Officers should be reminded of the Council's key policies and procedures to include the Employee Code of Conduct and the expected minimum standards on officer behaviour and the Council's Financial Regulations as a minimum.

3. A total of 8 'reactive' items have been risk assessed and included in the Operational Internal Audit Plan as shown in table (below).

Audit Area	Type of Audit	Status
<b>Ceredigion Museum – Independent Verification of Stock</b>	SI	Completed
<b>Special Investigation - CM</b>	SI	Completed
<b>Special Investigation - SS Motability</b>	SI	In Progress
<b>Special Investigation – Housing Grant</b>	SI	In Progress
<b>Special Investigation – Carers Fund Administration</b>	SI	In Progress
<b>Special Investigation - Aberaeron Leisure Centre Cash</b>	SI	In Progress
<b>Direct Payment Respite Protocol</b>	Consultancy	Completed
<b>Face to Face Provision</b>	Advice	Completed



## 4 RESOURCES

4.1 Internal Audit has been fully resourced during the first quarter of 2023/24.

4.2 A total of 186 days have been dedicated to audit work during the period 1 April 2023 to 30 June 2023, representing 101% 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 updates to the 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 and Audit Manager attended the Council's Ceredigion Manager Update training.
- 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.

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 Q1 (YTD).

Indicator	Measure	Target	Q4 (YTD)
Number of audits completed	Number	-	5
Percent of planned time spent on audits	%	80	101
Percentage of Quality Control Questionnaire's (QCQ) returned	%	50	75
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	1.3
Av no of days from exit meeting to final report	Days	5	0

## 6 IMPROVEMENT PLAN 2023/24

6.1 The Internal Audit Self-Assessment has been completed by the CMIA and is presented to Governance & Audit Committee as a separate agenda item along with the resulting improvement plan for 2023/24.

6.2 Progress made on the areas identified as requiring improvement in the Self-Assessment improvement plan will be presented to GAC as part of the CMIA Quarterly Internal Audit Progress Reports.

## 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.