

CEREDIGION COUNTY COUNCIL

Report to:	Governance and Audit Committee
Date of meeting:	24 January 2024
Title:	Internal Audit Progress Report 1/7/23 – 30/9/23
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 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.

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 1/7/23-30/9/23
Corporate Lead Officer:	Elin Prysor CLO-Legal and Governance / Monitoring Officer
Reporting Officer:	Alex Jenkins Corporate Manager – Internal Audit
Date:	9 November 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 July – 30 September 2023

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

Date of Issue: 09 November 2023

Presented to Governance & Audit
Committee 24 January 2024

ADRODDIAD CYNNYDD ARCHWILIO MEWNOL

INTERNAL AUDIT PROGRESS REPORT

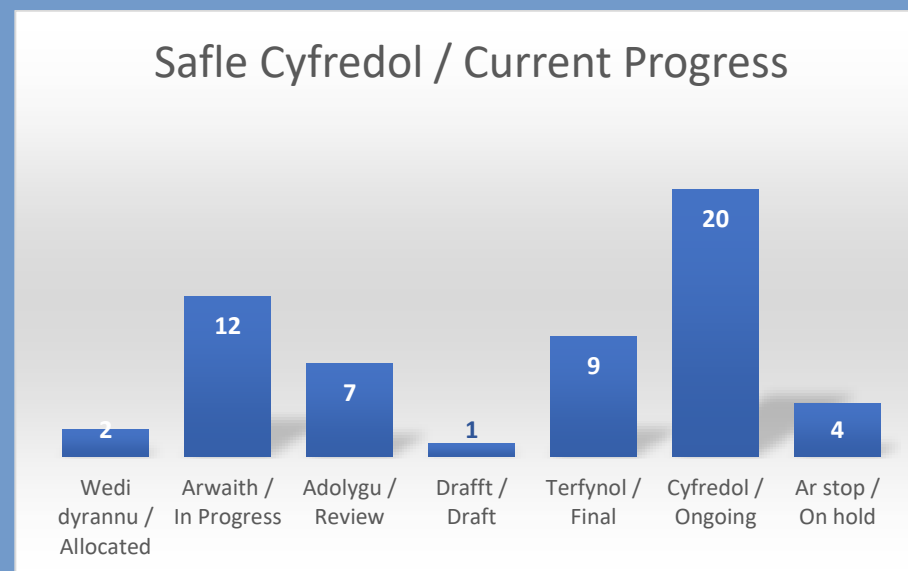
1/7/2023 – 30/9/2023

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 Internal Audit (IA) and the progress made and position of the service in progress made towards the completion on the Internal Audit annual plan.
- 1.3 This report also provides an update of work undertaken by the service during the second quarter of the 2023/24 financial year and highlight any areas of concern that may have arisen during the completed audits.
- 1.4 As at 30/09/2023 a total of 95 items appear in the operational Interim Audit Plan. These are made-up of 82 'planned' pieces of work consisting of audits from the Annual Strategy & Plan. The remaining 13 items have been risk assessed and added during the first two quarters, ie reactive work. Further detail on these can be found in Section 3.

2 AUDIT WORK UNDERTAKEN

2.1 Audit Plan Progress:



2.2 Nine 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>HR/Payroll Amendments - F&P Assessment of processes in place for new starters, leavers and other contract amendments (including honoraria), and to evaluate the controls, risk management and governance processes audited.</p>	System	Substantial
<p>HR/Payroll Amendments - Legal & Gov Assessment of processes in place for new starters, leavers and other contract amendments (including honoraria), and to evaluate the controls, risk management and governance processes audited.</p>	System	Substantial
<p>Harbours account 2022/23 Account audit. The Council must prepare annual accounts as set out in the One Voice Wales/SLCC publication Governance and accountability for local councils in Wales – A Practitioners’ Guide. The ‘Practitioners’ Guide’ states that bodies may prepare their accounts in the form of an annual return prepared by Audit Wales, which includes internal audit input regarding account preparation.</p>	Account	N/A
<p>Harbours Report 2022/23 A review of items that support the Harbour Annual Return an evaluation of the controls, risk management and governance processes audited.</p>	System	Substantial
<p>Annual Members Declaration of Interest Review to obtain assurance on the elected members’ submitting declarations in line with Ceredigion County Council’s Members’ Code of Conduct.</p>	Consultancy	N/A
<p>SI – Housing Grant Internal Audit were requested to assist with investigation into internal processes surrounding work undertaken on a property.</p>	SI	Advisory
<p>SI – Carers Fund Administration Review into governance and administrative processes of the Carers Fund.</p>	Assurance / Counter Fraud	Substantial
<p>Ethics & Fraud eLearning Module IA input into mandatory eLearning module for all Council staff.</p>	N/A	N/A
<p>Direct Payments Policy Request for advice on newly developed Direct Payments policy.</p>	Consultancy	N/A

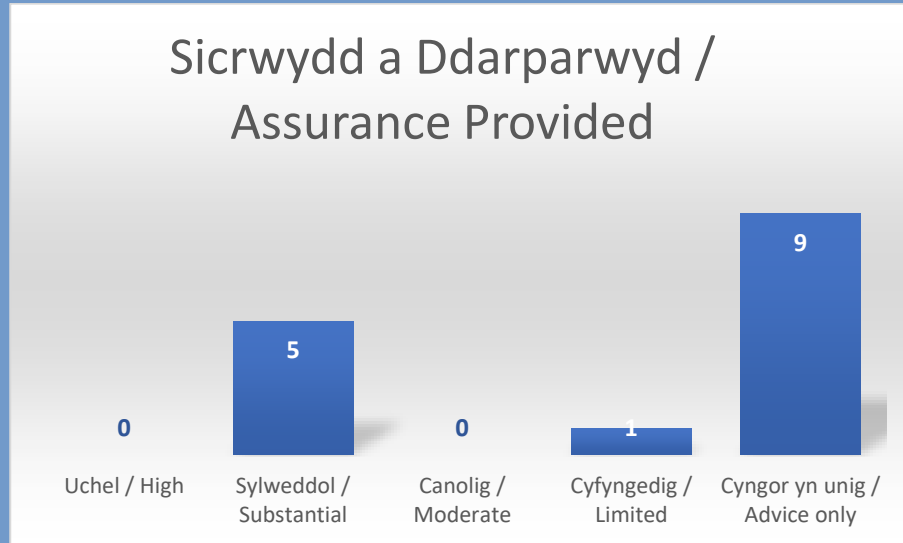
2.3 Examples of good practice noted from the finalised audits have been listed below, which also form part of the annual assurance process:

- **HR Amendments**
 - ✓ Notification of Appointment forms completed for all new employees.
 - ✓ Statements of Particulars issued to new employees before commencing employment with the Council.
 - ✓ Terminations forms completed for all leavers.
- **Harbours Report 2022/23**
 - ✓ Detailed working papers are compiled to support the account, which reconcile to the ledger figures.
 - ✓ The Risk Register is reviewed quarterly by Leadership Group & is a standard item on the Governance and Audit committee agenda.
- **Ethics & Fraud eLearning Module**
 - ✓ All CCC employees will be required to complete the new eLearning module.
 - ✓ This will ensure that all staff are aware of key corporate policies such as Employees Code of Conduct, Strategy on Countering Fraud, Corruption & Bribery and the Whistleblowing Policy and what is expected of themselves as employees of the Council.

2.4 A total of 20 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:

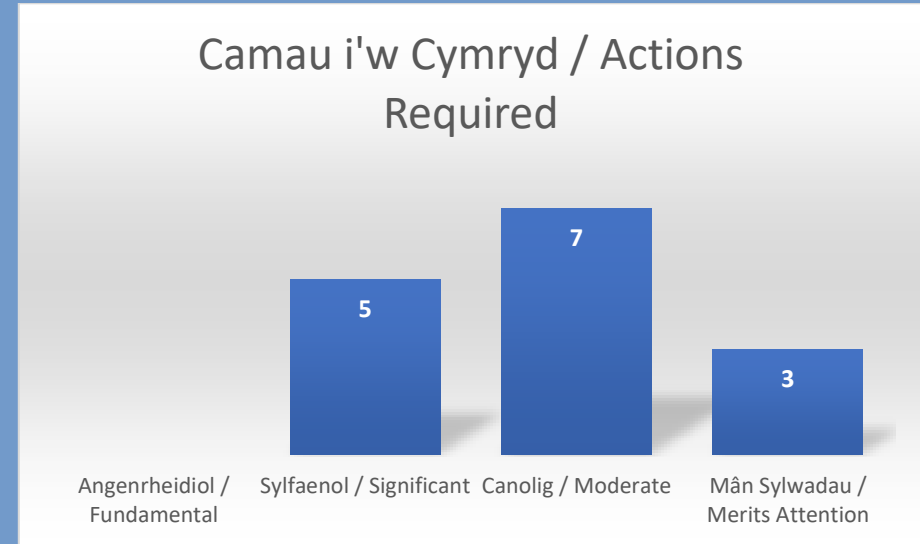
- **Emergency Planning & Business Continuity** – Corporate Business Continuity Plans being reviewed and updated by services & Civil Contingencies staff. Training was given to CMs in order to develop plans to respond to ransomware attacks.
- **Corporate Project Management Panel** – new project proposals 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.
- **Service Risk Register** - Risk management review which assesses the effectiveness of controls in place for ALL risks identified in the service risk registers.
- **Annual Governance Statement** - CMIA to contribute to finalising 2023/24 AGS & 2024/25 procedures, to include the Governance Framework, as necessary throughout the year.

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 5 were significant, 7 moderate and 3 merits attention:



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

2.9 The 5 significant actions issued during the second quarter are detailed below:

HR Amendments (Finance & Procurement)

R1

Managers must ensure that all NOAs are accurate before sending to HR to include correct pay grades, ALTE levels, start dates and personal information required by HR/Payroll.

HR Amendments (Legal & Governance)

R1

Managers must ensure that all NOAs are accurate before sending to HR to include correct pay grades and spinal column points.

R2

Honoraria payments must be closely monitored, especially when approaching agreed end dates. Where an employees' honoraria is expected to exceed 12 months, posts should be updated to include the member of staff's higher duties and job evaluated in accordance with the Council's Honorarium Policy.

Harbours Report 2022/23

R1

As per the Council's Financial Regulations, 'effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked promptly and properly'.

Where possible, fees should be paid in the financial year they are charged to. Consideration should be given to documenting accepted procedures for dealing with outstanding debtors to ensure that mooring requests are not approved in error.

R2

Care should be taken to ensure that all documents are accurate, particularly when requesting legal contracts such as the awarding of leases.

To reduce the risk of errors, procedures should be documented to include an independent verification of bids and documents prior to issuing contracts.

3. A total of 13 '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
Ceredigion Museum Shop – Independent Verification of Stock	SI	Completed
Special Investigation - CM	SI	Completed
Special Investigation - SS Motability	SI	In Progress
Special Investigation – Housing Grant	SI	Completed
Special Investigation – Carers Fund Administration	SI	Completed
Special Investigation - Aberaeron Leisure Centre Cash	SI	In Review
Direct Payment Respite Protocol	Consultancy	Completed
Face to Face Provision	Advice	Completed
Direct Payment Policy	Advice	Completed
Coroners Software	Advice	Completed
Safekeeping Review	Advice / Governance	In Progress
Governance Framework	Governance	In Progress
Museum – Income	Assurance	In Progress

4 RESOURCES

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

4.2 A total of 182 days have been dedicated to audit work during the period 1 July 2023 to 30 September 2023, representing 50% 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 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 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 online resources.

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 Q2 (YTD).

Indicator	Measure	Target	Q2 (YTD)
Number of audits completed	Number	-	15
Percent of planned time spent on audits	%	80	100
Percentage of Quality Control Questionnaire's (QCQ) returned	%	50	83.33
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	2.8
Av no of days from exit meeting to final report	Days	5	0

6 IMPROVEMENT PLAN 2023/24

PSIAS Ref.	Conformance with Standard	Action Required	Target Date	Progress
1210	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	The Council should 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. Final Exam due to be sat.

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.