CEREDIGION COUNTY COUNCIL

Report to:	**Governance and Audit Committee**
Date of meeting:	**14 March 2024**
Title:	**Internal Audit Progress Report 1/10/23 – 31/12/23**
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 1/10/23-31/12/23
Corporate Lead Officer:	Elin Prysor CLO-Legal and Governance / Monitoring Officer
Reporting Officer:	Alex Jenkins Corporate Manager – Internal Audit
Date:	11 January 2024

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 October – 31 December 2023

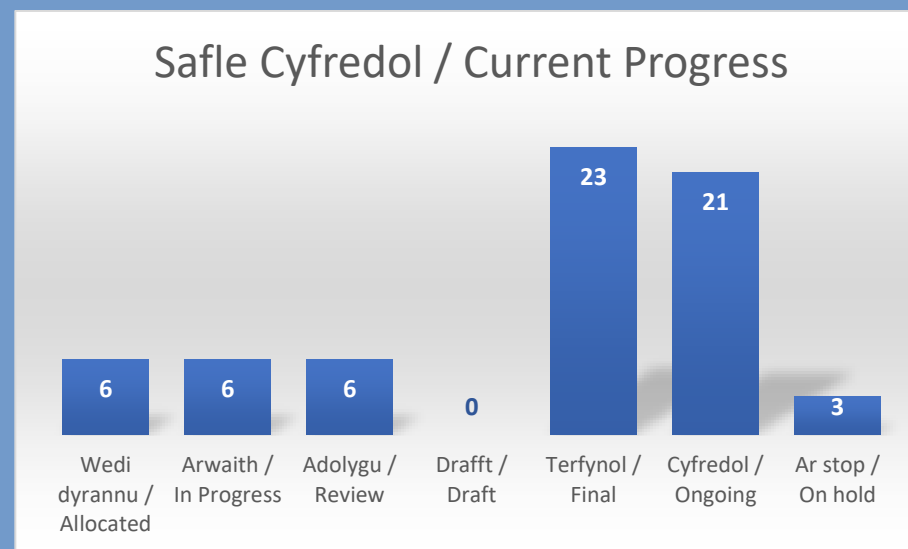# ADRODDIAD CYNNYDD ARCHWILIO MEWNOL
INTERNAL AUDIT PROGRESS REPORT
1/10/2023 – 31/12/2023

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 third 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 31/12/2023 a total of 80 'live' items appear in the operational Interim Audit Plan. These are made-up of 61 'planned' pieces of work consisting of audits from the Annual Strategy & Plan. The remaining 19 items have been risk assessed and 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 (YTD):

Safle Cyfredol / Current Progress

Wedi dyrannu / Allocated	6
Arwaith / In Progress	6
Adolygu / Review	6
Drafft / Draft	0
Terfynol / Final	23
Cyfredol / Ongoing	21
Ar stop / On hold	3

2.2 Up to 31/12/2023 78% of the Internal Audit Operation Plan has been covered. With 55% Completed.

2.3 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
HR Amendments – Customer Contact 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.	System	Substantial
HR Amendments – Economy & Regeneration 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.	System	Substantial
Counter Fraud Risk Assessment Organisation-wide Fraud Risk Assessment to identify areas of assurance and areas for further investigation / improvement.	Assurance	N/A
Payroll Key Control Key financial risk area. Completed every 3-years. The review considers the arrangements for processing payroll: separation between creating and amending job roles and staff details and processing payroll; security of system. It does NOT include the ICT system.	System	High
Ceredigion Sports Council Honorary audit. Historically, IA prepares and audits the body's annual accounts in time for its AGM.	Account	N/A
Governance Framework As requested by the Governance & Audit Committee, Internal Audit assisted and advised the Governance Officer and CLO L&G on a consultancy basis with the creation of Ceredigion County Council's Governance Document.	Consultancy	Advice
SI – Aberaeron Leisure Centre Cash IA were requested to investigate the income received at Aberaeron Leisure Centre from 2020-2023 to identify a sum of cash found locked in the safe.	SI	SI
Cash Management Software IA were requested to provide advice on the adequacy of controls within the Council's new Cash Receipting System.	Advisory	Advice
Housing Benefit - Suspected Fraud IA were contacted by Revenues & Benefits to provide advice on a suspected fraud.	Consultancy / Counter Fraud	Advice

2.4　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.
  - ✓ Change of Hour contracts all processed through Dodl.
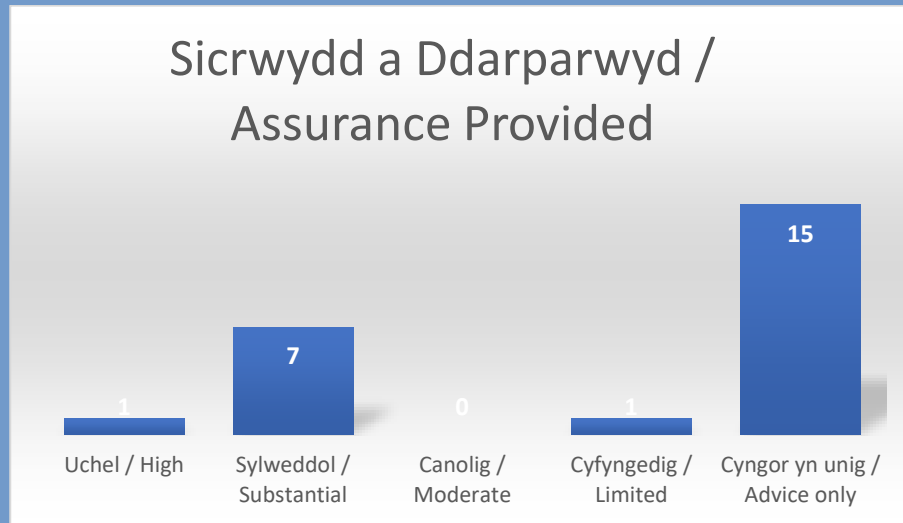 - ✓ All contracts sampled were found to be correct on Ceri.

- **Payroll Key Control**
  - ✓ There is an adequate separation of duty between preparation and payment.
  - ✓ Staff assigned with payroll roles are unable to access HR functions and vice versa.
  - ✓ An automatic warning report is produced when authorisation limits are exceeded.
  - ✓ All CLOs are sent a monthly report of their structure.
  - ✓ A thorough structure check has been completed on during the review of the Through Age and Well Being service.

2.5　A total of 21 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:
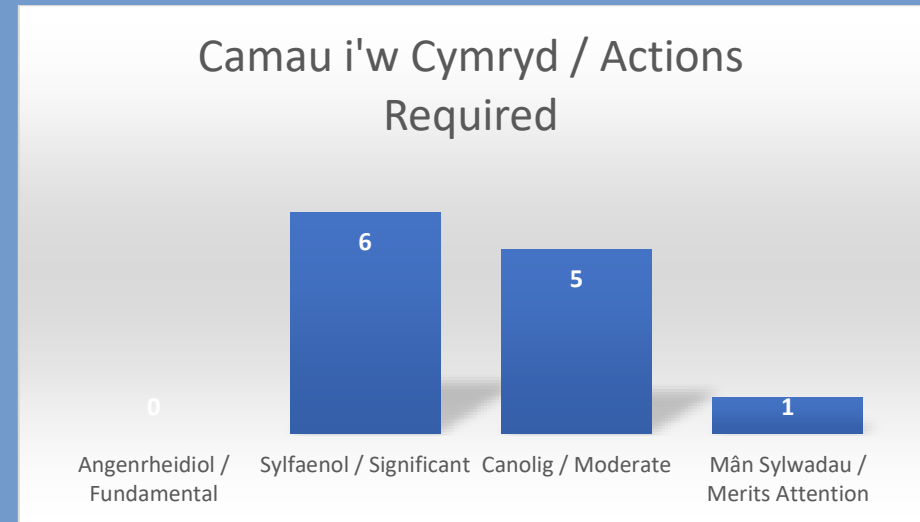
- **Emergency Planning & Business Continuity** – Corporate Business Continuity Plans being reviewed and updated by services & Civil Contingencies staff. Training was given to CMs in order to develop plans to respond to ransomware attacks.
- **Corporate Project Management Panel** – new project proposals 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.

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

Sicrwydd a Ddarparwyd / Assurance Provided

Uchel / High	Sylweddol / Substantial	Canolig / Moderate	Cyfyngedig / Limited	Cyngor yn unig / Advice only
1	7	0	1	15

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

2.8 A total of 12 'actions required' have been issued in the finalised reports during the quarter of which 6 were significant, 5 moderate and 1 merits attention:

Camau i'w Cymryd / Actions Required

Angenrheidiol / Fundamental	Sylfaenol / Significant	Canolig / Moderate	Mân Sylwadau / Merits Attention
0	6	5	1

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

2.10 The 5 significant actions issued during the third quarter are detailed below:

HR Amendments (Customer Contact)

R1

Managers must ensure all forms submitted to HR are accurate and are completed in full.

HR Amendments (Economy & Regeneration)

R1

Termination forms must be provided to HR promptly for all departing employees and should be accompanied by a signed/otherwise authorised resignation letter from the employee.

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.

Special Investigation - Aberaeron Leisure Centre Cash

R1

Centre managers must check and monitor daily & weekly reconciliations of income received at the centre. All income received must also be reconciled to the General Ledger.

All financial records must be retained in line with the Council's Retention Schedule to include system end of day reports, Collection & Deposit (C&D) returns, card machine end of day printouts.

All staff must receive adequate training and be made aware of these procedures and retention schedules.

R2

Leisure services must document accepted protocol for officers when dealing with variances, including an acceptable variance limit. This will ensure that officers are aware of what procedures must be followed when identifying a large variance at the end of the day.

Officers must provide an explanation of till variances. Where the error cannot be found, note the checks undertaken.

Management must investigate all variances exceeding the acceptable limit, regular or unusual till variances.

R3

Refunds must be adequately controlled. Only appointed members of staff should have the functionality to undertake a refund.

All refunds must be authorised by a manager and recorded as such.

3. A total of 19 '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	Completed
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	Completed
Museum – Income	Assurance	In Progress
Recruitment & Retention	Assurance	In Creation
Complaints & FOI Review	Assurance	In Creation
Service Risk Register	Risk	Ongoing
Harbours Report 2022/23	Systems	Completed
Cash Management Software	Advice	Completed
HB Suspected Fraud	Advice	Completed

4 RESOURCES

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

4.2 A total of 199 days have been dedicated to audit work during the period 1 October 2023 to 31 December 2023, representing 77% of the assessed days estimated as required to complete the audit plan to year-end (or 103% 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 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.
- The CMIA is CIA qualified and a further 2 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 Q3.

Indicator	Measure	Target	Q3 (YTD)
Number of audits completed	Number	-	23
Percent of planned time spent on audits	%	80	103
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	9.5
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? She would like to	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 has completed the CIA qualification. CMIA will enroll on CMIIA qualification after completing the ILM Level 4.

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.