

CEREDIGION COUNTY COUNCIL

Report to:	Audit Committee
Date of meeting:	10 March 2022
Title:	Internal Audit Strategy and Plan 2022/23
Purpose of the report:	To present a proposed Internal Audit plan of work areas to be reviewed during 2022/23 to Members of the Audit Committee
Cabinet Portfolio and Cabinet Member:	Cllr Ray Quant MBE, Deputy Leader of the Council and Cabinet Member for Legal and Governance, People and Organisation, and Democratic Services

The Public Sector Internal Audit Standards (PSIAS), along with CIPFA's accompanying Local Government Application Note require Councils to have an Internal Audit Charter with an accompanying Annual Audit Strategy and Plans.

The Plan is designed to ensure a sufficient area of coverage is undertaken to support the annual opinion on the effectiveness of the systems of governance, risk management and internal control across the Council.

This proposed Internal Audit Strategy and Plan supports the IA Charter by summarising the work areas the Internal Audit Section will concentrate its time on during 2022/23 and takes account of the current situation due to the pandemic.

Recommendation(s):	To APPROVE the Report
Reasons for decision:	That the Audit Committee is satisfied that the Internal Audit Section will undertake 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 Strategy and Plan 2022/23
Head of Service:	Elin Prysor CLO – Legal and Governance / Monitoring Officer
Reporting Officer:	Alex Jenkins, Corporate Manager – Internal Audit
Date:	10 March 2022

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LEGAL AND GOVERNANCE
SERVICES



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INTERNAL AUDIT STRATEGY AND ANNUAL PLAN
2022/23

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

Date of Issue: 8 February 2022

Presented to Audit Committee: 10th March 2022

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INTERNAL AUDIT STRATEGY AND ANNUAL PLAN

2022/23

INTRODUCTION

- 1.1 In compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013, the Corporate Manager - Internal Audit (CMIA) is required to develop and maintain a strategy for delivering the Internal Audit (IA) service in accordance with the Internal Audit Charter, an update of which is being presented for approved by Audit Committee in March 2022. The IA Strategy states how the IA service will be delivered and is supported by an Annual Audit Plan.
- 1.2 The mission of IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. It is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.3 Council plans, policies, strategies, and other various minutes, reports and correspondence are referred to during the compilation of the plan, to ensure the IA activities are consistent with the Council's current corporate goals and objectives.

ASSURANCE

- 2.1 A lead auditor is appointed for each audit review to assist in developing the scope of each audit. The scope of an audit may be discussed with managers at the commencement of a review to ensure key risks are addresses, to provide meaningful assurance to the service and maximising added value; or, in current circumstances the review will be based on the control, risk or governance matter that brought the system / service to the attention of IA.
- 2.2 Draft internal audit reports are issued at the end of a review for discussion with managers. The final audit reports are issued after the agreement of the draft reports and contain completed action plans addressing any weaknesses discovered, identifying those responsible for implementation and timescales. They will also note the IA assurance provided. If managers are unable to attend an exit meeting, draft reports will be issued stating this and required actions will be followed-up, as appropriate, at a future date.

- 2.3 Due to the pandemic, the Council (like other LAs) has an urgent obligation to award various grants to eligible businesses in the County. It is in situations such as these (ie working to get as many applications as possible processed over a short time period) that errors can easily occur, and that fraudsters can easily infiltrate.
- 2.4 IA will therefore continue to review a sample of applications with queries PRIOR to payment (as it is easier to stop a payment than to recover any wrongly-paid monies after payment); any suspected fraudulent applications will be reviewed by IA; also, the payment schedules will be scrutinised by IA using data analytics software to check for any anomalies.
- 2.5 This will add value to the Council's operations due to the changing circumstances which is supported by a guidance note issued by the Internal Audit Standards Advisory Board (IASAB).
- 2.6 Other changes due to the pandemic being monitored include attending Silver Command meetings, and monitoring risk RO18 in the corporate risk register, to ensure satisfactory governance, risk management and controls are in place.
- 2.7 A member of IA also attends the group set-up to monitor Brexit arrangements.
- 2.8 Assurance for 2022/23 will be based on this reactive work in addition to planned reviews either carried-forward or undertaken during the year to assess the annual level of assurance for the Council, which is reported to Audit Committee in the CMIA's Annual Report at year-end, and will feed in to the Council's Annual Governance Statement (AGS).

RISK ASSESSMENT

- 3.1 The purpose of an audit plan is to identify the operational areas for review in order to provide an annual opinion on assurance at year-end. The audit plan is therefore usually determined using a risk-based assessment that identifies the priorities for audit. The risks identified in the assessment are a mixture of those that are considered to have direct implications for IA purposes, along with those identified corporately.
- 3.2 For the 2021/22 Audit Plan, the usual risk assessment had not been undertaken as the pandemic has introduced new risks to the Council, which are constantly changing. For 2022/23 IA will continue to assess its work on an on-going basis, considering the Council's changing needs and priorities regularly.

- 3.3 The audit plan will include the reviews carried forward from the previous year's audit plan, and any routine audits eg grant certifications, but work will be prioritised dependant on risk.
- 3.4 To avoid duplication of work, those areas where other auditors or assessors have undertaken, or plan to undertake, reviews will be disregarded from the current year's IA operational plan.
- 3.5 A Corporate Assurance Map will be developed further, where possible, to include the assurances that are provided by other assurance sources. The Assurance Map will be regularly updated and will be amended to reflect any changes in risks, concerns and requirements from services. This will facilitate IA to keep up-to-date and raise awareness of any emerging issues, and will further enable the service to focus its resources in areas of greatest priority and risk. It will also ensure that IA will add further value to those services having an input to the process.
- 3.6 The audit plan can therefore only be indicative as each service / system's associated risk may change during the year. It will therefore be necessary to periodically review the plan in response to any developments and initiatives which are deemed relevant.

AREAS FOR REVIEW 2022/23

4.1 The following have been identified as the main areas of work for the 2022/23 interim audit plan:

Changes due to Pandemic

4.2 IA will undertake reviews of systems and procedures and any other work where it is identified that the Service can add value to the Council's operations during the pandemic.

Key Control Audits

4.3 The effectiveness of controls and management of risks within the Council's key financial systems remain a core part of IA's work. This is important to provide assurance to the Council and, if appropriate, to inform the work of AW. These are now normally performed on a 3-yearly cycle, as agreed with AW. However, testing was undertaken of all the systems during 2021/22. The audits are currently either in progress or under review and will be finalised in 2022/23.

Corporate Governance Arrangements

4.4 The Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. IA supports and reviews the corporate governance framework and provides assurance that it operates effectively by attending the officer / Member joint workshops and undertaking audit reviews, to include 'ethics'. During the pandemic, the CMIA will attend one of the Silver Command group on a regular basis.

Risk Management & Corporate Risk Register

4.5 IA has an important role in assessing services' compliance with good risk management practices and the adequacy of controls in place to mitigate risks. IA also supports the corporate risk management protocols by undertaking a periodic review of the process, and the Risk Register. This year, attention will continue to be given to risk RO18, which identifies the main corporate risks due to the pandemic; and RO16, consequences of Brexit.

Well-Being of Future Generations Act

4.6 IA's role is to review the implementation and development processes governing the embedding of the new Act within the Council's procedures. It also supports the process by attending the WFGA Group meetings.

General Data Protection Regulation

4.7 The new GDPR came into effect in May 2018. IA contributes to the Council's planned approach to ensure compliance by attending the GDPR and information security group meetings and undertaking audit reviews.

New Projects

4.8 All Council projects should be delivered in a consistent corporate manner. IA supports this requirement by attending the corporate project management panels and undertaking audit reviews.

Corporate Managers Workshops

4.9 Any corporate changes should deliver its set aims and objectives. IA supports this requirement by undertaking audit reviews and ensuring added value is achieved.

Grants

4.10 IA will continue to review grants received where AW assurance is not provided or where there are concerns regarding the operational controls within processing arrangements. Assurance will also be given on compliance with terms and conditions, where requested.

Audit of Other Services and Systems

4.11 IA will review other services, systems and processes according to the risk assessment undertaken and / or service requirement.

Safeguarding

4.12 IA will continue to have regard to safeguarding issues in all audit programmes (such as DBS checks) where relevant; and will build on the progress made in coverage by IA of safeguarding by including a programme of reviews of safeguarding arrangements and procedures.

Counter Fraud Work (including NFI)

4.13 IA will continue to participate in the National Fraud Initiative (NFI) exercise, which matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. This will be complemented by data matching reviews using the Active Data software system, and other counter fraud work.

Computer Audit

4.14 As well as placing assurance on external assessments of ICT, if possible, IA will commence their own assessments based on ICT audit training received.

Consultancy Work (including Audit Committee support)

4.15 In addition to the planned assurance services provided, IA will offer advice and guidance to officers in respect of a range of issues to include compliance with policies, internal control requirements, etc. This includes supporting the work of the Audit Committee.

Additional Reviews / Contingency

4.16 In addition to the planned assurance services provided, IA will provide reviews on an ad-hoc basis if any risks are highlighted during the year. The section may also undertake special investigations including fraud related work.

PERFORMANCE & IMPROVEMENT

- 5.1 To achieve planned coverage, deliver a high standard of customer service and demonstrate effectiveness, the Section complies with the PSIAS Mission, Definition of Internal Auditing, the Code of Ethics and the Standards as set out in the Charter via a set quality assurance and improvement program (QAIP) as noted in the Annual Report.
- 5.2 An action plan resulting from the 2021/22 internal audit self-assessment, plus other identified improvements, will be reported to Audit Committee after year-end, which will be monitored and updated throughout the year and reported to Audit Committee as part of the quarterly progress reports.
- 5.3 The Audit Committee has also set performance targets for the service, based on CIPFA's benchmarking indicators:

Indicator	Measure	Target
Number of audits completed* ¹	Number	-
Percent of planned time spent on audits	%	80
Percentage of QCQs* ² returned	%	50
Percentage of clients responses at least 'satisfied'	%	95
Percentage of actions accepted versus made	%	95
Percentage of audits completed within planned time	%	80
Av no of days from end of audit to issue of draft report	Days	10
Av no of days from exit meeting to final report	Days	5

NOTES

- 1 No target set – for information only
- 2 Quality Control Questionnaires

RESOURCES

- 6.1 The provision of IA will be delivered mainly by the in-house team during 2022/23, currently consisting of five officers (to include the CMIA) plus part of the Governance Officer's time.
- 6.2 Due to the change in CMIA and Senior Auditor posts, the (temporary) Apprentice Assistant Auditor post is currently vacant. This provides 735 audit days, and it is considered that there is sufficient skills and expertise to provide a full range of audits on which to base assurance to the Audit Committee on the adequacy of internal controls, risk management and corporate governance processes in place.

INTERNAL AUDIT OPERATIONAL PLAN 2022/23

- 7.1 Attached as Appendix I, is the initial internal audit operational plan which specifies the work to be performed for the Council during 2022/23. The plan is risk based but has also taken into account the continuing effects of the pandemic on the Council and has a number of days included in the plan for risk assessed reactive work.
- 7.2 The CMIA and/or AM will report progress on a quarterly basis, and will inform the Audit Committee immediately if it is suspected that any impact on resources is likely to have an adverse effect on the audit opinion.

APPENDIX I

Audit Area	Type of Audit	Planned Days
Risk assessed reactive work due to pandemic	Reactive	60
Free School Meals - Check vouchers paid in-lieu of allowances.	Grant	10
PPE - Independent check during transition from stock-taking spreadsheets to computerised system.	System	10
Main Accounting System - Report to be based on testing undertaken in 2022/23.	KC	10
Key Controls - Follow-up of 2021/22 work	KC	16
Housing Benefit - Annual quality Review	Assurance	5
Payroll - Report to be based on testing undertaken in 2022/23	KC	10
HR/Payroll Amendments - Report to be based on testing undertaken in 2022/23	System	10
Follow-up of Recommended Actions 2018/19 onwards	FF	10
Corporate Governance - Contribution to AGS Procedures and Governance Framework review	Governance	15
Business Continuity	Governance	2

Constitution review	Governance	5
Risk Management	Risk	5
Risk Register: Check mitigating controls in place for risks	Risk	40
Brexit - Risk review which considers the arrangements in place for the changes due to Brexit.	Risk	5
IIA Review & Assessment - WFGA review which considers the arrangements in place for preparing and submitting IIAs, and the consistency in approach and compilation.	WFGA	10
New Socio-Economic requirements - WFGA review which considers the arrangements in place for preparing to comply with the new socio-econ requirements.	WFGA	3
Welsh Standards - WFGA review which considers the arrangements in place for compliance with the Welsh Standards requirements.	WFGA	3
GDPR / DP Compliance (ICO Guidance) - The review will assess arrangements for compliance with various elements of the Regulation such as privacy notices, and data audits.	GDPR / DP	4
GDPR in schools - Periodic Registration Check	GDPR / DP	3
Post-16 Funding (Dec/Jan)	Grant	2
EIG/RCSIG - 2021/22 final EOY audit (Sept)	Grant	20
PDG - 2021/22 final EOY audit (Sept)	Grant	20
CLIC	VFM	20
Credit Cards - System audit. To concentrate on new system / cards issued.	System	10

Change Floats & Petty Cash imprests - FOLLOW-ON - verification of imprests (annual declarations from imprest holders).	System	15
Harbours accounts 2021/22 - Internal Audit input.	Account	6
VAT - Review to consider whether VAT guidance is in line with HMRC requirements, VAT is calculated, applied and reported on correctly and issued within basic tax point.	System	10
Lampeter Wellbeing Centre - New service provision will involve IA re new systems to including Gladstone replacement.	System	20
Ceredigion Sports Council	Honorary	5
Waste - An evaluation of the procedures introduced for waste collection.	System/VFM	10
SUDS - Check system in place that is compliant with regulatory requirements.	System	2
Environmental Audit - Check arrangements in place following AW audit	System	2
Museum - Review of 'cash' & 'stock' services introduced to Museum ie café, shop & bar.	System	10
Houses to Homes – Empty property initiative. Request to review procedures. Scope to be agreed.	System	20
Section safeguarding procedures Assurance that all services have introduced a safeguarding policy for staff, which is periodically audited.	Safeguarding	10
Corporate Safeguarding procedures	Safeguarding	2
Direct Payments Assist service to ensure governance & controls in place with new in-house service following end of contract Diverse Cymru	Advisory	25

Counter Fraud including NFI, Payroll, Recruitment, Travelling, Audit Scotland Paper, PCI Standard, and Physical Security.	Counter Fraud	55
Audit of Ethics - follow-on to Carmarthenshire audit work	Counter Fraud	2
Active Data - Data matching / analysing. The review provides assurance against reputational damage and financial losses due to fraudulent activity by using the 'Active Data' data analytics system.	Counter Fraud	10
Procurement fraud & New Creditors - Check a sample of new creditors to ensure they are genuine businesses.	Counter Fraud	10
ICT Audit - Audit logs - Test audit logs produced from a sample of systems and evaluate how they are used by service.	ICT	10
PCI Standard – Check compliance with the Standards' requirements.	ICT	5
LG & Elections (Wales) Act 2021 Assurance procedures in place to ensure Council has planned, prepared & made arrangements to comply with the new requirements	Assurance	5
Introduction of CJsCs Group - Check compliance & arrangements made to put in place	Assurance	5
Contingency for unplanned audits / consultation work / other	Additional Reviews	96
Working Groups & Projects	Assurance	92
Total days		735

A Jenkins

Corporate Manager - Internal Audit

8 February 2022