

CEREDIGION COUNTY COUNCIL

Report to:	Governance and Audit Committee
Date of meeting:	27 September 2022
Title:	CMIA Response to External Quality Assessment Improvement Action Plan.
Purpose of the report:	To provide Members with a response to recommendations made in Internal Audit's External Quality Assessment.

The PSIAS and CIPFA's Local Government Application Note supersede the 2006 Code for Internal Audit and came into force from April 2013.

The PSIAS and Application Note must be complied with in order to ensure proper internal audit practices are applied. The Application Note contains a checklist which has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments as part of the Quality Assurance and Improvement Program.

It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

The Isle of Anglesey's Internal Audit team undertook a peer review of Ceredigion CMIA's 2021/22 self-assessment between May – July 2022 to provide an external assessment of the service's compliance, as required by PSIAS.

Recommendation(s): To note the report and service's response to the Internal Audit Section's External Quality Assessment.

Reasons for recommendation: To ensure that the committee is satisfied that the Internal Audit service is responding accordingly to the recommendations made in the assessment.

Appendices: Corporate Manager Internal Audit's response to the Internal Audit Service's External Quality Assessment.

Corporate Lead Officer: Elin Prysor
CLO-Legal and Governance / Monitoring Officer

Reporting Officer: Alex Jenkins
Corporate Manager – Internal Audit

Date: 19 August 2022

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GWASANAETHAU
CYFREITHIOL A
LLYWODRAETHU

LEGAL & GOVERNANCE
SERVICES

GWASANAETH ARCHWILIO MEWNOL

INTERNAL AUDIT SERVICE



Cyngor Sir
CEREDIGION
County Council



Corporate Manager – Internal Audit's response to:
**INTERNAL AUDIT EXTERNAL QUALITY
ASSESSMENT**

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

Date of Issue: 22 August 2022

Corporate Manager – Internal Audit's response to: INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

BACKGROUND

The Public Sector Internal Audit Standards (PSIAS) became effective from 1 April 2013, and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation.

A review team from the Isle of Anglesey County Council, consisting of the Head of Audit and Risk and the Principal Auditor, undertook an evaluation of Ceredigion County Council's self-assessment between May and July 2022. In accordance with the PSIAS, both reviewers were appropriately qualified and experienced internal auditors

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), namely: the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

Across the mandatory elements of the PSIAS, there are 56 best practice areas or standards, which comprise 304 best practice lines.

The validation assessment conducted in July 2022 by the Isle of Anglesey County Council concluded that the internal audit service for Ceredigion County Council is currently conforming with 50 of the Public Sector Internal Audit Standards (PSIAS) and partially conforming in six areas. There are no examples of non-conformance identified.

An overall assessment of 'Generally Conforms' with the Public Sector Internal Audit Standards was therefore applicable.

OBJECTIVE

The main objective of this report is to provide a response to the recommended actions in the Improvement Plan and to inform the Governance and Audit Committee of work already undertaken and progress made to address the recommendations (Appendix I).

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Appendix I – Corporate Manager – Internal Audit Response to Isle of Anglesey's Improvement Action Plan

Ref	PSIAS Ref.	Improvement Area	Recommendation	Responsibility	Timescale
1	1000	The Internal Audit Charter does not currently outline the specific responsibilities of the Governance and Audit Committee, or the role of statutory officers (CEO / CFO / Monitoring Officer) 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. This will be incorporated into the Charter at the next annual IA Charter review.	Corporate Manager - Internal Audit	Next annual IA Charter review
2	1210	The Corporate Manager - Internal Audit (CMIA) does not hold a professional Internal Audit qualification. However, she is currently studying towards the Chartered Institute of Internal Auditors (CIIA) professional qualification. The head of internal audit occupies a critical position in the Council. CIPFA, in its Statement ¹ determines that to perform the role, the head of internal audit must be professionally qualified and suitably experienced.	The Council should significantly support the CMIA in achieving, at the earliest opportunity, the Chartered Institute of Internal Auditors professional qualification (CMIIA). Agreed – CMIA's qualification is already in progress. Aim for completion within 12 months.	Corporate Manager - Internal Audit	As soon as possible

¹ The CIPFA Statement on the role of the head of internal audit in Public Service Organisations (2019) aligns to the PSIAS (2017) and explicitly links to the Core Principles for the Professional Practice of Internal Auditing.

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3	2010	<p>As a result of the COVID 19 pandemic, the Corporate Manager - Internal Audit did not carry out the usual risk assessment exercise to develop the annual audit plan in 2021/22. For 2022/23, whilst the CMIA took into account the usual risk assessment in developing the annual audit plan, the programme of work has been flexible, focusing on previously identified areas of work along with some key risks from the corporate risk register and specific requests for assurance.</p> <p>In addition, the priority of work to be undertaken is not explicitly detailed in the annual plan.</p>	<p>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.</p> <p>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.</p> <p>CMIA is in the process of developing the risk assessment process to incorporate the Council's Corporate Risk Register. This will be undertaken in the Pentana Audit Management software in future.</p> <p>Whilst the current plan states that IA's priority is given to assurance, future Audit Plans will explicitly detail the priority of work to be undertaken throughout the year.</p>	Corporate Manager - Internal Audit	Within 12 months
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Ref	PSIAS Ref.	Improvement Area	Recommendation	Responsibility	Timescale
4	2050	<p>Prior to the COVID 19 pandemic, the Internal Audit team had developed an assurance map identifying sources of assurance across the Council, however the coverage and maturity of the map was limited.</p> <p>The new CMIA and Senior Auditor are currently in the process of improving and strengthening the assurance map to include a broader coverage of assurance and use of the Chartered Institute of Internal Auditor's 'Three Lines Model'.</p>	<p>Continue to develop the process of mapping and categorising sources of assurance for the Council, using the 'Three Lines' model.</p> <p>Once complete, integrate the assurance map into the annual audit planning process in respect of PSIAS standard '2050 Coordination'.</p> <p>Assurance Mapping is discussed at each team meeting. The Assurance Map has now been improved to use the 'Three Lines Model' and includes a broad coverage of assurances from other sources and records assurances obtained for both risks on the Corporate Risk Register and also other risks IA are aware of that could still pose a risk to the Council's priorities.</p>	Corporate Manager - Internal Audit	Within 12 months

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Ref	PSIAS Ref.	Improvement Area	Recommendation	Responsibility	Timescale
5	2220	<p>Auditors do not issue a formal document outlining the scope and objectives of each audit prior to it commencing, nor do they seek 'agreement' of the scope with the relevant Head of Service / Manager. Notification of audit work is usually done informally through email etc. in advance of the audit.</p> <p>Formally engaging with the relevant service prior to the audit and agreeing on the scope of the work in advance helps to generate buy-in and ownership for the audit and any resultant recommendations identified.</p>	<p>Introduce a process of documenting, issuing and agreeing formal audit scopes with management in advance of the audit work commencing.</p> <p>The IA team are in the process of implementing a new internal audit software system (Pentana MKI), which has audit scoping functionality and can therefore be utilised for this purpose.</p> <p>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.</p> <p>This will be undertaken in Pentana in future.</p>	Corporate Manager - Internal Audit	Within 12 months

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Ref	PSIAS Ref.	Improvement Area	Recommendation	Responsibility	Timescale
6	2421	While in practice, if an audit report contains a significant error or omission and requires amendment, the CMIA or relevant auditor will ensure that an updated version is issued to all recipients on the original distribution list. However, this process is not included in the Audit Manual.	Update the Internal Audit Manual accordingly. This will be updated in the Audit Manual.	Corporate Manager - Internal Audit	Within 3 months
7	2450	The CMIA's Annual Report 2021/22, which includes the overall audit opinion for the period does not include any limitations of scope. Limitations of scope exist in all internal audit work. Internal audit, especially a small team, cannot be relied upon to identify all strengths and weaknesses that may exist within the Council's operations. It is important to note that the responsibility for a sound system of internal controls ultimately rests with management and the work of internal audit should not be taken as a substitute for management's responsibilities for the application of sound internal control practices.	Include a section within the Annual Report to include any limitations of scope for the work undertaken by Internal Audit for the relevant year. Limitations in scope have previously been reported by exception. A section will be included in the next Annual Report (2022/23) to include any limitations of scope for the year.	Corporate Manager - Internal Audit	Next Annual Report (2022/23)

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Ref	PSIAS Ref.	Improvement Area	Recommendation	Responsibility	Timescale
8	2500	<p>Since the onset of the COVID 19 pandemic, the internal audit team have not followed up agreed management actions to ensure that services have implemented them effectively, or that senior management have accepted the risk of not taking action.</p>	<p>Re-instate the follow up process.</p> <p>The Pentana (MKI) system has action tracking functionality, so once implemented, can be utilised for this purpose.</p> <p>The follow-up process of recommended actions has been reinstated for 2022/23.</p> <p>Work is due to be undertaken to assess whether past recommendations that were not followed up due to the Covid-19 pandemic would still be worthwhile revisiting.</p> <p>The process will be incorporated into the Pentana Audit Management system in future, where monitoring reports can be generated and will be reported to GAC.</p>	Corporate Manager - Internal Audit	Within 6 months