

CEREDIGION COUNTY COUNCIL

Report to:	Audit Committee
Date of meeting:	9 March 2023
Title:	Internal Audit Strategy and Plan 2023/24
Purpose of the report:	To present a proposed Internal Audit plan of work areas to be reviewed during 2023/24 to Members of the Audit Committee

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 Plan.

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 2023/24 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 2023/24**

Head of Service: Elin Prysor
CLO – Legal and Governance / Monitoring Officer

Reporting Officer: Alex Jenkins, Corporate Manager – Internal Audit
9 March 2023

Date:

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LEGAL AND GOVERNANCE
SERVICES



STRATEGAETH A RHAGLEN FLYNYDDOL ARCHWILIO MEWNOL INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2023/24

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

Date of Issue: 8 February 2023

Presented to Governance and Audit Committee:
9th March 2023

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INTERNAL AUDIT STRATEGY AND ANNUAL PLAN

2023/24

INTRODUCTION

- 1.1 As required by the PSIAS, the Internal Audit (IA) Service is delivered and developed in accordance with the Internal Audit Charter. The Charter defines the role, scope, independence, authority, and responsibility of the Internal Audit Service. The IA Strategy states how the IA service will be delivered and work prioritised 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 In line with these requirements, we perform our internal audit work with a view to supporting the Council in achieving its aims, objectives and priorities set out in the Council's Strategy by:
 - Reviewing the Council's governance processes.
 - Evaluating the effectiveness of the Council's internal control, risk management and governance arrangements by providing independent and objective assurance to management and the Governance and Audit Committee (GAC).
 - Evaluating the management of key risks and challenges to the Council by providing assurance to management and the GAC that they are being managed appropriately
 - Assisting in the development of an effective internal control environment.
 - Providing advice, consultancy and insight on the Council's operations and provide added corporate value.
- 1.4 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.
- 1.5 This document summarises the work undertaken to develop the Internal Audit Strategy & Plan for 2023-24. It covers:
 - Development of the Internal Audit Plan
 - Priority of Work
 - Resources
 - Dependencies
 - Assurance & Reporting
 - Performance & Improvement
 - Areas for review

DEVELOPMENT OF THE INTERNAL AUDIT PLAN

- 2.1 In accordance with the PSIAS, the Corporate Manager - Internal Audit is required to establish a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's objectives.
- 2.2 The areas for attention highlighted in the Internal Audit Plan have been created by taking into account the Council's objectives, risks identified in the Council's Corporate Risk Register, Internal Audit's annual risk assessment and discussions with management.
- 2.3 Internal Audit's annual risk assessment was undertaken alongside our ongoing assurance mapping to develop the 2023/24 Internal Audit Plan. This took into consideration:
- Results of previous audit work (last audit opinion and time since last audit)
 - Any changes to the Council's systems, processes, controls or service delivery
 - New and emerging challenges affecting the Council
 - Corporate priorities within the Council's Strategy
 - Materiality of budget
 - The Council's risk management processes to include management's views of risks and mitigating actions within their area of responsibility
 - Annual Governance Statement
 - Other sources of external assurance and the results of this external assurance
 - The requirement to ensure there is sufficient coverage to support an annual audit opinion
 - Audit work deferred from 2022/23
- 2.4 To avoid duplication of work, those areas where other auditors or regulators have undertaken, or plan to undertake, reviews will be disregarded from the current year's IA operational plan.
- 2.5 Internal Audit will assess its work on an on-going basis, considering the Council's changing needs and priorities regularly.
- 2.6 The Internal Audit Strategy & Plan will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed operational internal audit plan for the year.

PRIORITY OF WORK

- 3.1 Priority of work within the Internal Audit plan is given to risks within the Corporate Risk Register. All 'Red' rated risks within the Corporate Risk Register will be audited over a rolling 2-year period.
- 3.2 All high priority audits and annual reviews highlighted from the Internal Audit Risk Assessment and assurance mapping will be undertaken within 2023/24.
- 3.3 Medium priority audits will be kept under continuous review. Any work required to respond to new priorities or risks may take precedence over the medium priority reviews.
- 3.4 All will be reported to GAC within the internal audit progress report.
- 3.5 Where still relevant, the audit plan includes reviews carried forward from the previous year's audit plan, and any routine audits eg grant certifications that are time sensitive are also included, but work will be prioritised dependant on risk.
- 3.6 Internal Audit maintains an Assurance Map that includes assurances that are provided by other assurance sources. The Assurance Map is regularly updated which keeps IA up to date with any emerging issues and will further enable the service to focus its resources in areas of greatest priority and risk.
- 3.7 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.
- 3.8 The plan for 2023/24 has been formulated for the current level of resources (as set out in Part 4). Days per audit have not been recorded within the plan set out in Appendix I, as days will be allocated to each audit dependant on scope and priority to ensure appropriate resources are allocated. However, indicative days have been allocated to audit areas in accordance with priority and scope of the area of work.

RESOURCES

- 4.1 The provision of IA will be delivered by the in-house team during 2023/24, comprising of six officers (to include the CMIA) plus part of the Governance Officer and Governance & Audit Assistant's (0.5 FTE for Internal Audit) time.
- 4.2 The Internal Audit service is currently fully resourced. This provides 763 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 GAC on the adequacy of internal controls, risk management and corporate governance processes in place.
- 4.3 The level of resource is considered sufficient to deliver the annual assurance opinion, however it may be necessary to use external resource to deliver more technical ICT audits should the need arise.
- 4.4 Internal Audit covers the entire control environment within the Council including both financial and non-financial systems. The level of resource requirements has been assessed to ensure the delivery of an effective and efficient internal audit service to the Council.

DEPENDENCIES

- 5.1 Internal Audit recognises that good working relationships and effective communication are key to the delivery of its work in a productive and efficient manner. As such Internal Audit will seek to work and co-operate with both internal and external partners, including management, Members and regulators.
- 5.2 The Corporate Manager – Internal Audit will consult with management during audit planning and the Internal Audit Strategy and Annual Plan will be presented to Leadership Group.
- 5.3 In order to provide an annual audit opinion, the CMIA must receive sufficient assurances from successful completion of the Internal Audit Plan. Co-operation from other Council services and officers is integral to ensure that the plan is completed successfully and on time.
- 5.4 The CMIA will report any variances to the plan or potential risks to the successful completion of the Internal Audit plan to the GAC.

ASSURANCE & REPORTING

- 6.1 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 addressed, to provide meaningful assurance to the service and maximising added value; or, the review will be based on the control, risk or governance matter that brought the system / service to the attention of IA.
- 6.2 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 management actions required, 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.

6.3 The levels of assurance used by internal audit are:

Level	Guide
High	No fundamental or significant actions required.
Substantial	No fundamental actions required. Limited significant actions.
Moderate	Number of significant actions.
Limited	Number of fundamental / significant actions.

- 6.4 Due to the ongoing effects of the pandemic and cost of living crisis, the Council (like other LAs) has had an urgent obligation to award various grants to eligible businesses and individuals 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.
- 6.5 IA will continue to add value to the Council's operations by supporting the services that administer these grants. Internal Audit may provide assistance (where applicable) by:
- Providing guidance on controls required when administering the grants;
 - reviewing any suspected fraudulent applications;
 - scrutinising payment schedules using data analytics software to check for any anomalies;
 - where necessary, reviewing 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).
- 6.6 Assurance for 2023/24 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. This will then be reported to GAC in the CMIA's Annual Report at year-end and will feed into the Council's Annual Governance Statement (AGS).

6.7 On a regular basis GAC receive internal audit progress reports for information. These reports identify:

- Audits completed during the period together with the assurance opinion given and any fundamental & significant actions.
- Details of audits issued with a Limited assurance opinion.
- Progress on the implementation of agreed management actions.
- Measurement of internal audits performance against internal performance targets.
- Progress against the annual audit plan.

PERFORMANCE & IMPROVEMENT

7.1 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.

7.2 An action plan resulting from the 2022/23 internal audit self-assessment, plus other identified improvements, will be reported to GAC after year-end, which will be monitored and updated throughout the year and reported to GAC as part of the quarterly progress reports.

7.3 The GAC 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

AREAS FOR REVIEW 2023/24

8.1 The following have been identified as the main areas of work for the 2023/24 interim audit plan:

Corporate Risk Register

8.2 Priority will be given to provide assurance on all 'Red' rated risks within the Corporate Risk Register within a rolling 2-year period. This year, priority of attention will to be given to risk RO05 Medium Term Financial Plan, RO19 Climate Change and Coastal Erosion/Flooding, RO20 Ash Dieback and RO21 Phosphates.

Risk Assessed Work (Assurance Mapping)

8.3 IA will undertake reviews of services, systems and procedures according to the risk assessment and assurance mapping undertaken and / or service requirement which will include work on Information Governance and Recruitment & Retention.

Risk Management

8.4 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.

Counter Fraud Work (including NFI)

8.5 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 such as:

- Undertake investigations into reports of breaches of the Council's regulations or criminal activities i.e. fraud against the Council.
- Undertake investigations of reports from staff, other persons engaged in activities on behalf of the Council, and members of the public, regarding cases of possible breach of rules or regulations, misconduct, or fraudulent abuse of authority.
- Refer to the police suspected criminal activity, in accordance with the Anti-Fraud and Corruption Policy and the Fraud Response Plan.

Key Control Audits

8.6 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 Audit Wales (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 and 2022/23. The audits have now either been finalised or are under review and will be finalised in 2023/24.

Ethics

8.7 IA will undertake governance reviews of the ethical culture within the Council including the Code of Conduct and Declarations of Interest.

ICT Audit

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

Local Government & Elections (Wales); and Well-Being of Future Generations Act

8.9 IA's role is to review the processes governing the embedding of the acts within the Council's procedures.

Grants

8.10 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.

Corporate Governance Arrangements

8.11 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.

New Projects

8.12 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 & GAC Support

8.13 Any corporate changes should deliver its set aims and objectives. IA supports this requirement by undertaking audit reviews and ensuring added value is achieved. This includes supporting the work of the GAC.

Reactive Work & Consultancy

8.14 In addition to the planned assurance services provided, IA will provide reviews on a reactive basis if any risks are highlighted during the year. IA will also offer advice and guidance to officers in respect of a range of issues to include compliance with policies, internal control requirements, etc.

PROPOSED PROGRAMME OF WORK FOR 2023/24

9.1 Attached as Appendix I, is the initial internal audit plan which specifies the work to be performed for the Council during 2023/24. The plan is risk based and has a number of days allocated to each of the key areas of work. The plan also includes a number of days allocated in the plan for risk assessed reactive work.

9.2 The CMIA and/or AM will report progress on a quarterly basis, and will inform the GAC 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 Register audits	Assurance	200
• RO04 Business Continuity		
• <u>RO05 Medium Term Financial Strategy</u>		
• RO06 Through Age & Well-being Programme		
• RO15 Support Local Food Business, Maintain Safety		
• RO17 Safeguarding		
• <u>RO19 Climate Change</u>		
• <u>RO20 Ash Dieback</u>		
• <u>RO21 Phosphates</u>		
• RO22 Recruitment & Retention		
Risk Assessed Work – audits identified from IA risk assessment & Assurance Mapping	Assurance / System	160
Reactive audits	Reactive	100
Risk Management	Assurance	20
Follow-up of Management Actions	FF	40
Counter Fraud (including NFI)	Counter Fraud	55
Key Controls – rolling programme	KC	30
Ethics	Counter Fraud	20
ICT Audit	ICT	20
Wellbeing of Future Generations Act	System	30
Grants	Grant	20
Honorary Audits	Honorary	10

Annual Accounts Audits	Accounts	5
LG & Elections (Wales) Act 2021	Assurance	10
Corporate Governance & Projects	Governance	33
Corporate Management / GAC	Assurance	10
Total days		763

A Jenkins, Corporate Manager - Internal Audit

8 February 2023