

## CEREDIGION COUNTY COUNCIL

<b>Report to:</b>	<b>Governance and Audit Committee</b>
<b>Date of meeting:</b>	<b>21 June 2023</b>
<b>Title:</b>	<b>Internal Audit Annual Report 2022/23</b>
<b>Purpose of the report:</b>	<b>To provide an annual internal audit opinion of assurance to Members of the Committee</b>

The Committee considered the annual Internal Audit Plan 2022/23 at its meeting in March 2022. The Plan provided an outline of the work required to be undertaken by the Internal Audit Section during the year in order to form its assurance opinion.

This opinion forms part of the Council's framework of assurances. Internal Audit also provides independent advice to services to help managers improve their internal controls, risk management and governance arrangements.

The Annual Report provides a summary of the internal audit activity during the year to 31 March 2023 and incorporates the audit opinion.

It also documents the current resource position, and the Section's quality, improvement and progress plans.

**Recommendation(s):** **To APPROVE the Report**

**Reasons for decision:** **That the Committee is satisfied that the Internal Audit Section has undertaken 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 Annual Report 2022/23**

**Head of Service:** Elin Prysor  
Corporate Lead Officer Legal & Governance Services /  
Monitoring Officer

**Reporting Officer:** Alex Jenkins  
Corporate Manager - Internal Audit

**Date:** 16 May 2023

# GWASANAETHAU CYFREITHIOL A LLYWODRAETH 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 Blynyddol y Rheolwr  
Cofforaethol – Archwilio Mewnol ar Waith yr  
Uned Archwilio Mewnol am 2022/23**

**Annual Report of the Corporate Manager –  
Internal Audit during 2022/23**

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

Date of Issue: 16 May 2023

Presented to Governance & Audit Committee: 21 June 2023

# Annual Report of the Corporate Manager - Internal Audit on the Activity of Internal Audit during 2022/23

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## 1 INTRODUCTION

- 1.1 The professional responsibilities for public sector internal auditors are set out in the Public Sector Internal Audit Standards (the Standards) which are accompanied by CIPFA's Local Government Application Note.
- 1.2 The Standards require the Corporate Manager - Internal Audit (CMIA) to provide the Governance & Audit Committee (GAC) with an annual opinion of assurance on the Council's whole system of internal control, risk management and corporate governance arrangements.

According to the PSIAS, the annual opinion must include:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
- Disclose any qualifications to that opinion, together with the reason for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on other assurance bodies.
- Draw attention to any issues the chief audit executive judges particularly relevant to the preparation of the Annual Governance Statement.
- Summarise the performance of the internal audit function against its performance measures.
- Comment on compliance with the PSIAS and communicate the results of the Internal Audit quality assurance programme.

## 2 INTERNAL AUDIT OPINION

### 2.1 Corporate Manager – Internal Audit Opinion 2022-23

**For the period 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023 the Corporate Manager – Internal Audit's opinion is that the Council has a satisfactory framework of governance, risk management and internal controls in place to manage the achievement of the organisation's objectives.**

**No areas of significant corporate concern have been noted through Internal Audit's work during the period, however some areas do require improvement action and monitoring to ensure the achievement of objectives.**

**There are no qualifications to this opinion.**

### 3 BASIS OF MY OPINION

#### SCOPE

- 3.1 I have reached my opinion by considering the work Internal Audit has carried out during the year. Including:
- the number, scope and assurances from internal and external reviews undertaken during the year to 31 March 2023, and
  - the acceptance of actions by management (where available)
- 3.2 The opinion does not imply that we have reviewed all risks and assurances relating to the Council.
- 3.3 My opinion has been reached by the completion of work from the risk-based Internal Audit Operational Plan, which was approved by GAC in March 2022.
- 3.4 The level of assurance provided is based on:
- The findings of all audits and consultations undertaken during 2022/23 (planned and unplanned),
  - Management responses to findings and actions required, and
  - Various assurances from other sources as collated and monitored in Internal Audit's Assurance Map.
- 3.5 The aim of the majority of audit reports issued is to give managers an opinion on the governance, risk and controls of the area under review, and recommending corrective actions to strengthen any weaknesses discovered. These opinions, plus the likelihood of improvement, provide the foundation on which to base the IA annual opinion of assurance on the Council's whole environment. Consultancy work also adds value by helping managers improve processes and achieve their objectives more effectively.

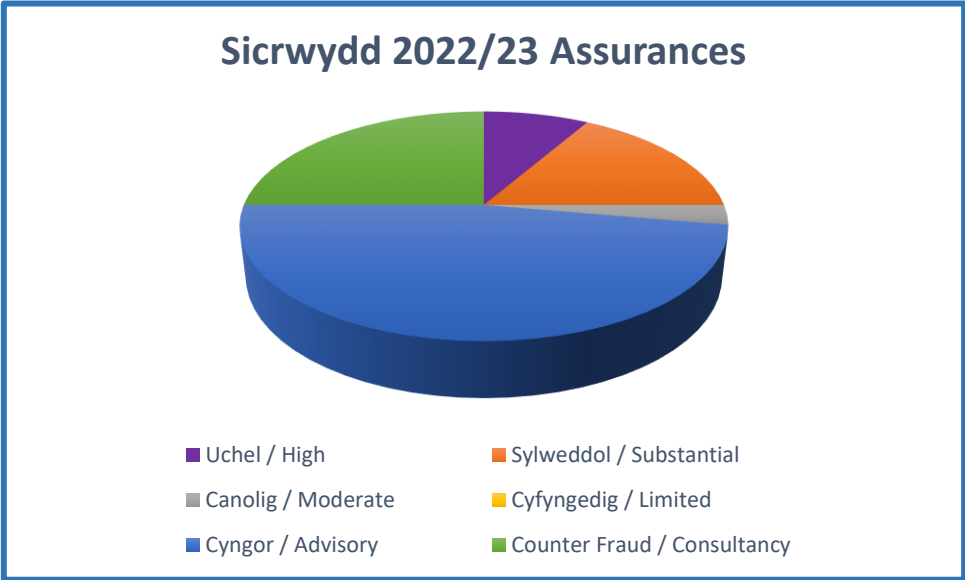
#### LIMITATIONS OF SCOPE

- 3.7 The findings and assurances in this report are only those that came to Internal Audit's attention during the course of our work within the Council throughout the year. They are not necessarily a comprehensive account of all strengths and weaknesses that exist or all improvements that might be made by services. Assurance cannot be absolute.
- 3.8 Internal Audit emphasise that the responsibility for internal control, risk management and governance procedures lies with management and our work should not be relied upon to identify all strengths and weaknesses that may exist.
- 3.9 Neither this report, nor Internal Audit's work, should be taken as a substitute for management's responsibilities of sound internal control practices.

## 4 ASSURANCES OBTAINED

- 4.1 This report sets out collective outcomes of the audit reviews undertaken from 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023. Individual outcomes are reported to GAC in Internal Audit's quarterly Progress Reports.
- 4.2 The overall assurance provided also takes into account progress by management in implementing improvements, consideration of the risk register, and assurances provided in reports issued by external regulators.
- 4.3 Internal Audit assurance provided during 2022-23.

Overall, Internal Audit were able to provide 'Moderate' assurance or above to eleven pieces of work completed. There were no 'Limited' assurances reported. The rest of the assurance obtained was from consultancy or counter fraud work undertaken throughout the year.

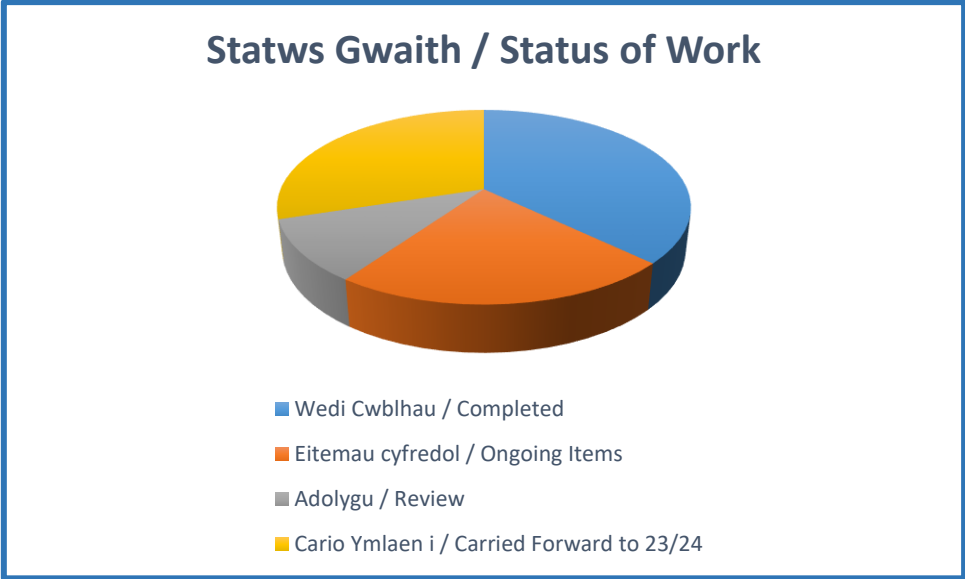


- 4.4 The implementation of the operational plan was monitored by the CMIA on an on-going basis. A number of additions were made during the year on a risk assessed basis, necessitating the re-prioritisation of tasks, and revisions to the original work planned.

All reactive work added to the Internal Audit Operational Plan is reported to the GAC as part of the CMIA's quarterly Progress Reports.



4.5 The status of IA's work as at 31<sup>st</sup> March 2023 is shown in the chart below:



- 4.6 A summary of the work completed from the operational plan and assurances provided during 2022/23 is provided in Appendix I.
- 4.7 The majority of reviews that provided an opinion on assurance, were allocated either high or substantial assurance based on the work undertaken.
- 4.8 No areas audited during the year were allocated limited assurance, however, one was given moderate assurance. As well as advising the services at the time of the audit of the corrective actions required, a further review will be undertaken to assess improvements as part of IA's Management Actions Programme, and IA will continue to work with the services to assist with embedding improvements into systems.
- 4.9 A separate report has been produced outlining the counter fraud work undertaken by the service during 2022/23, as requested by the Committee.

**ANNUAL GOVERNANCE STATEMENT**

4.11 Audit Wales review the Annual Governance Statement (AGS) and provide an opinion covering its consistency with their knowledge and with legislation. This work is complemented by an internal audit review of the Framework process, which is also presented to GAC.

The CMIA gave high assurance on procedures in place to ensure the AGS and its supporting documents are effective and are monitored throughout the year.

**ASSURANCE MAPPING**

- 4.12 Internal Audit's assurance mapping exercise has been reviewed and strengthened to incorporate the Institute of Internal Audit's 'Three Lines Model'.
- 4.13 Assurance mapping is a standard item on the agenda of weekly Internal Audit team meetings to regularly monitor the status of assurances already on the map and any new assurances to be added.

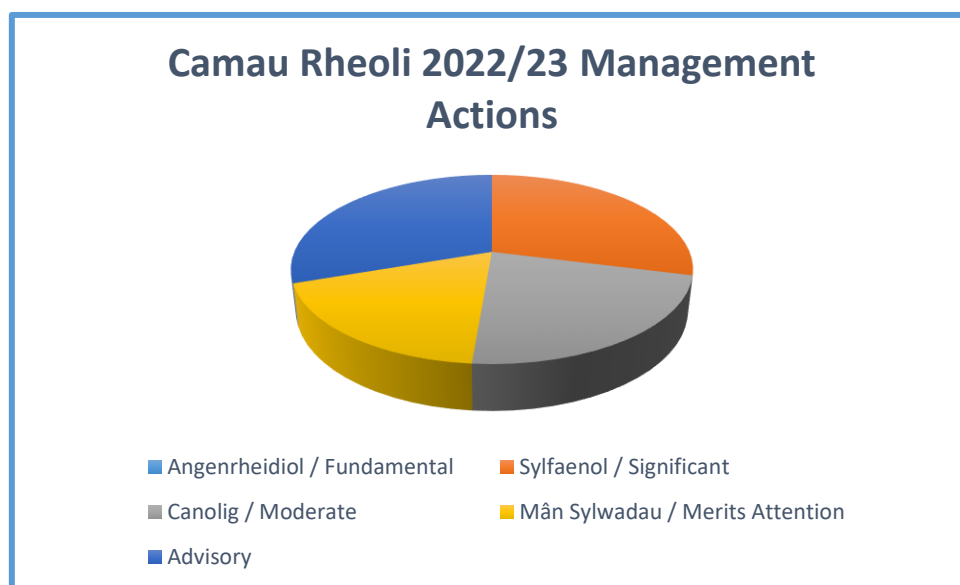
## CULTURE

- 4.14 The ethical culture within the Council is good, with employees and Members expected to comply with the Codes, policies and guidance issued. These are readily available on the Council's website and/or Ceri.
- 4.15 The Ceredigion Manager Programme, provided by HR, has been refreshed to include additional modules such as Managing Teams Remotely. Training covers various aspects of workforce planning, development and management. Managers also have the opportunity to enrol on an Institute of Leadership & Management qualification.
- 4.16 All Council staff must complete mandatory training modules on matters such as equality & diversity, health & safety, etc which is monitored on the Ceredigion Learning Pool by Line Managers and Leadership Group.

## 5 MANAGEMENT ACTIONS

### CURRENT ACTIONS

- 5.1 Internal Audit operates a formal follow up process to confirm that Management Actions issued in IA reports have been implemented by management.
- 5.2 A total of 76 'Management Actions' have been issued in final audit reports distributed during 2022/23, some of which were minor in nature or advisory, but merited consideration (as per chart below).

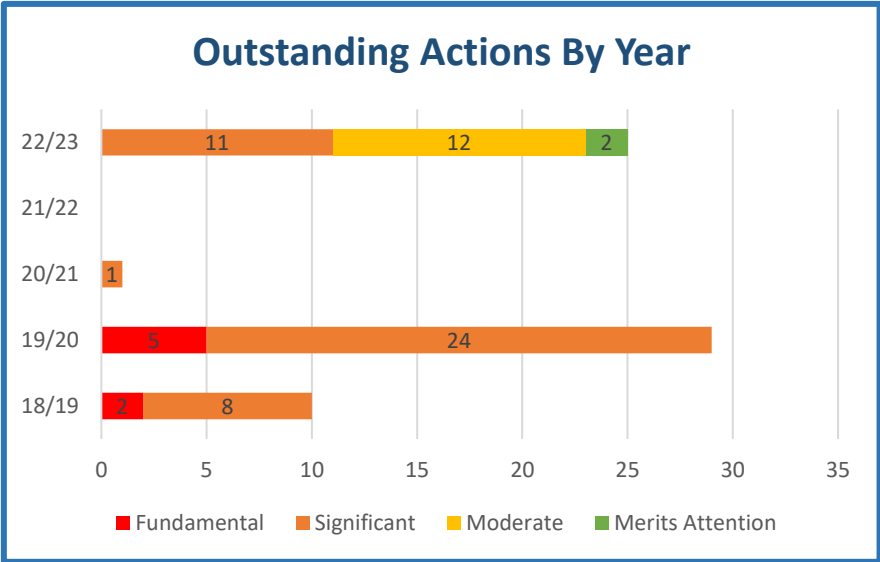


- 5.3 The significant actions have been reported regularly to the GAC in the quarterly IA Progress Reports and will be monitored on an ongoing basis as part of our Management Actions Update programme. No fundamental actions were issued in 2022/23.
- 5.4 Criteria used to assess each level of assurance is outlined in Appendix 2.



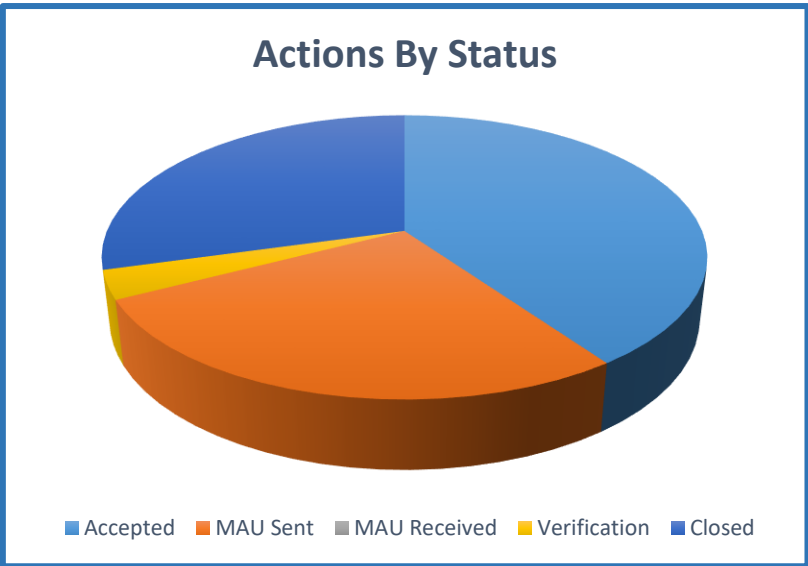
PREVIOUS ACTIONS

- 5.5 Due to the pandemic, there is a backlog in revisiting previous management actions issued. IA are currently working through the backlog by prioritising 'fundamental' and 'significant' management actions from previous years.
- 5.6 As at 31<sup>st</sup> March 2023, we are monitoring 40 previously issued, outstanding actions as part of our Management Actions Update (MAU) programme.
- 5.7 The chart below outlines current outstanding actions by year.



Of these, 7 are 'fundamental' actions, 44 are 'significant', 12 'moderate' and 2 'merits attention'.

- 5.8 The status of outstanding actions as at 31<sup>st</sup> March 2023 is:



## 6 AVAILABLE RESOURCES

- 6.1 The current IA structure has been in place since the appointment of the Governance & Audit Assistant in May 2022, who provides support to both the IA service and the Governance Officer.
- 6.2 During the year a total of 735 days of audit activity were undertaken (equating to approximately 100% of required days).
- 6.3 The Audit Manager co-ordinates and works on the National Fraud Initiative (NFI) exercise during the year, the mandatory exercise run by AW that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- 6.4 Staff have also contributed to the Annual Governance Statement and other corporate policies and procedures; and attended workshops / meetings to include the Corporate Project Management Panel, Corporate Managers' Workshops, Silver Command – Economic Adjustment in order to gain assurances.
- 6.5 Pembrokeshire CC notified us in April 2023 that they are to cease using the Pentana Audit Management software (for which we have shared use) in August 2023. The CMIA is currently arranging a procurement exercise to explore other software options. In the meantime, shared electronic folders will be used to record work completed.

### DECLARATION OF INDEPENDENCE

- 6.6 During the year, all Auditors have acted with integrity and objectivity and at no point has their independence been compromised. Auditors complete an annual Declaration of Interest and Affirmation to the PSIAS Code of Ethics. Where declarations are made, work is allocated to ensure no conflicts of interest take place.
- 6.7 Internal Audit is well positioned within the Council to ensure independence. The Corporate Manager – Internal Audit reports administratively to the Corporate Lead Officer, Legal & Governance (also the Council's Monitoring Officer) and has direct access to Leadership & Members.

## 7 INTERNAL AUDIT PERFORMANCE

- 7.1 The CMIA has made every effort to make best use of the IA resources available to deliver the risk-based plan by:
  - Focusing the scope of audits to obtain best value and accomplish objectives
  - Prioritising assurance work and advisory work on a risk basis
  - Developing communication with other services and making better use of technology available e.g. Teams, MS Forms, ActiveData
  - Streamlining reports to GAC
  - Reporting quarterly assurances to the Chief Executive and Strategic Directors

- Buying in expertise from subject matter experts e.g. Information Management health check by Zurich Municipal.

7.2 Internal Audit has added value to authority during 2022/23 through:

- Providing risk-based and objective assurance.
- Monitoring and reporting of progress made on agreed actions by management.
- Membership of key panels and groups such as Corporate Project Management Panel, Development Group, Steering Groups.
- Audit Manager coordinating the National Fraud Initiative exercise.
- Consulting and/or advising on development of key policies and procedures at an early stage.
- Providing training to the County's Headteachers on Internal Audit requirements in their roles as Headteachers.

7.3 The CMIA compiles a range of performance indicators as set by the GAC based on CIPFA's benchmarking indicators:

Indicator	Measure	Target	2021/22	2022/23
Number of audits completed	Number	-	26	36
Percent of planned time spent on audits	%	80	102	100
Percentage of QCQs returned	%	50	-	89
Percentage of client's responses at least 'satisfied'	%	95	-	100
Percentage of actions accepted versus made	%	95	96	100
Av no of days from end of audit to issue of draft report	Days	10	7.9	1.1
Av no of days from exit meeting to final report	Days	5	0	0.5

7.4 Internal Audit performed well against our targets in 2022/23. The average number of days between the end of the audit fieldwork and the issue of a draft report was less than last year and within the target number of 10 days (this is partly attributed to grant / advisory reviews which are turned around quickly).

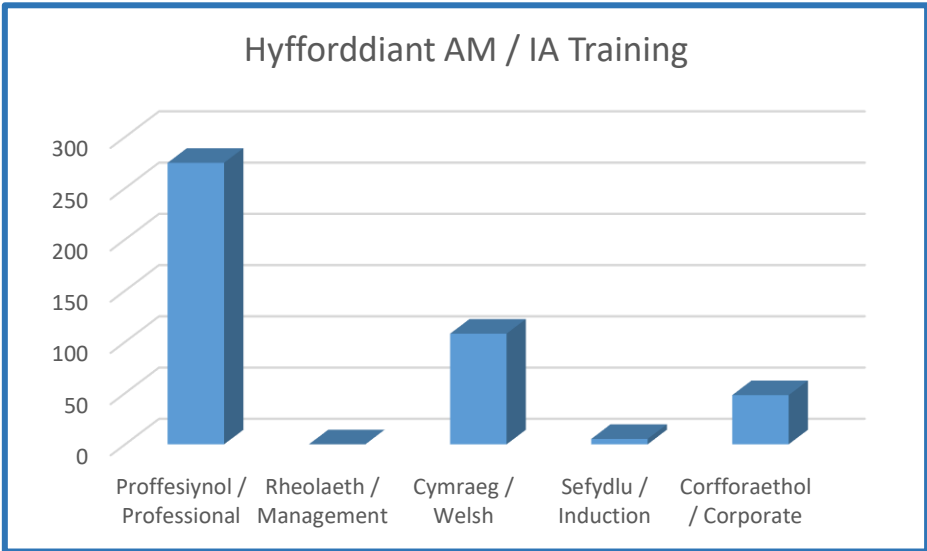
There is also a good turn-around between the audit exit meeting and the issue of the final report, with a number of reports being issued the same day as the exit meeting. This is mainly due to conducting exit meetings via Teams where documents can be updated in real time and sent to auditees immediately following the meeting.

## CONFORMANCE TO PSIAS

- 7.5 An annual self-assessment was carried out by the CMIA using CIPFA's checklist to assess IA's compliance with the Standards and LG Application Note.
- 7.6 An external review of the assessment was conducted during 2022/23 by the Head of Audit of Anglesey County Council. In accordance with the Standards, this assessment is required to be undertaken every five years by a qualified independent assessor.
- 7.7 Following both the internal self-assessment and the external assessment, Internal Audit continues to Generally Conform to the Standards. The relevant processes, policies and procedures for the service comply with the requirements of the Standards and of the Code of Ethics. General Conformance does not require complete / perfect conformance.
- 7.8 The 2021/22 self-assessment and the resulting improvement plan was reported to GAC in September 2022 along with the report from the external review. The summary of results from the 2021/22 self-assessment and EQA has been attached in Appendix 3.
- 7.9 Normally, we would participate in a performance benchmarking exercise with the 22 members of the Welsh Chief Auditors Group. However, this was paused during the pandemic and is now in the process of being reimplemented and collated.
- 7.10 Any instances of non-conformance to the Standards are reported to the GAC. Any significant deviations are noted in the Annual Governance Statement.
- 7.11 The CMIA ensures the Section complies with the Standards' 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).

## 8 TRAINING & DEVELOPMENT

- 8.1 In accordance with the standards, Internal Audit undertake regular training and continuous professional development (CPD). Annual records of training and CPD are submitted to the CMIA to monitor ongoing training needs and assign work to suitably trained and experienced auditors.
- 8.2 The Corporate Manager – Internal Audit and the Audit Manager are currently pursuing their Certified Internal Auditor qualifications with the Institute of Internal Auditors.
- 8.3 The Senior Auditor obtained the Accredited Counter Fraud Technician qualification during 2022/23. The CMIA is also an Accredited Counter Fraud Technician, whilst the Audit Manager holds the CIPFA Certificate in Investigative Practice.
- 8.4 Training hours completed during 2022/23 fall into the following categories:



2022/23 Audits Completed

Audit	Type	Assurance
Treasury Management	Key Control	High
Non-Domestic Rates (NNDR)	Key Control	Substantial
Creditors	Key Control	Substantial
Sundry Debtors	Key Control	Substantial
AGS Framework Review 2021/22 – Update	Governance	High
AGS Framework Review 2022/23	Governance	High
Business Continuity	Governance	Substantial
GDPR in schools	GDPR / DP	Substantial
Information Governance Health Check	Risk / Assurance	Advisory
Harbours account 2021/22	Account	Account
Harbours Income	Support Account	Substantial
Ceredigion Sports Council	Honorary	Honorary
Coroners – Comparison – Revised Report	Advisory	Advisory



Coroners - 'Additional'	Advisory	Advisory
Coroners – Tender	Advisory	Advisory
Corporate Safeguarding procedures	Safeguarding	Moderate
Active Data – Covid Grants vs Payroll bank details	Ethics / Counter Fraud	Advisory
Audit Wales MRF – Tackling Fraud	N/A	N/A
Audit Wales MRF – NFI in Wales 2020-21	N/A	N/A
Emergency Welcome Centre	Advisory/ Governance	Advisory
Emergency Welcome Centre - Cash Fund	Advisory/ Governance	Advisory
Lampeter Wellbeing Centre	Advisory/ Consultancy	Advisory
LDO Provision – security	Advisory	Advisory
Levelling-up Fund - Risk Assessment	Governance	Advisory
Levelling-up Fund – Declarations of Interest & Hospitality Register	Governance	Advisory
Levelling-up Fund – Declarations of Interest & Hospitality Register - UK Gov	Governance	Advisory
Governance – Projects – Special Investigation	SI	SI
Missing Purchase – Special Investigation	SI	SI
Childcare Scheme – Capital Grant	SI	Grant

Tenancy Hardship Grant – August 2021	Grant	N/A
Cost of Living Payments	Grant	N/A
Unpaid Carers Payments	Grant	N/A
Economic Adjustment – Silver Command	Assurance	N/A
Brexit Group	Risk / Governance	N/A
Direct Payments – Governance Task & Finish Group	Governance	N/A
Direct Payments Phase 2 – Steering Group	Governance	N/A

## Guide to the assurance criteria used:

Level:	High	Substantial	Moderate	Limited
<b>Adequacy of Controls:</b>	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.
<b>Risks:</b>	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).
<b>Guide:</b>	No fundamental or significant actions required.	No fundamental actions required. Limited significant actions.	Number of significant actions.	Number of fundamental / significant actions.
<b>Follow-up required:</b>	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.

## CONFORMANCE WITH PSIAS

Ref	Standard, Action Proposed & Timescale	Action to Date (Q4)
Std 1210	<p>5.3.1 Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?</p> <p><b>CMIA to achieve CMIIA professional qualification.</b></p> <p><b>Within 3 years of appointment.</b></p>	<p>The Corporate Manager – Internal Audit is progressing with her IIA qualification.</p>
Std 1311	<p>5.4.5 Does ongoing performance monitoring include obtaining stakeholder feedback?</p> <p><b>QCQs to be issued to auditees. Upcoming audits will have QCQ's issued to auditees via Pentana.</b></p> <p><b>During 2022/23</b></p>	<p>QCQ's are issued to all auditees and the results are reported to GAC and Performance Board on a quarterly basis.</p>
Std 2010	<p>6.1.1 Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?</p> <p><b>Produce risk-based audit plan in accordance with services' road plans which clearly sets out the priorities of audits consistent to the Council's priorities.</b></p> <p><b>During 2022/23</b></p>	<p>The CMIA created the 2023-24 Internal Audit Strategy &amp; Plan by undertaking an annual risk assessment and assurance mapping exercise. The CMIA prioritised work to the Council's Corporate Risk Register, aligning to the priorities set out in the Council's Corporate Strategy.</p>
Std 2050	<p>6.1.15 Using other sources of assurance.</p> <p><b>Assurance mapping system to be updated and monitored at weekly Team meetings.</b></p> <p><b>Throughout 2022/23</b></p>	<p>The CMIA has developed the Assurance Mapping process to incorporate the 'Three Lines of Defence Model', obtaining assurances from management, IA and external sources of assurance e.g. regulators &amp; inspectorates. Assurance Mapping is discussed at weekly team meetings.</p>

Ref	Standard, Action Proposed & Timescale	Action to Date (Q4)
2500	<p>6.6.1 Where issues have arisen during the follow-up process has the CAE considered revising the internal audit opinion?</p> <p><b>The follow-up audits due will be carried forward to 2022/23. Recommendation tracking for future audits will be monitored in Pentana.</b></p> <p><b>31 March 2023</b></p>	<p>The CMIA has created a management action monitoring spreadsheet. Outstanding management actions are being revisited and assessed. The CMIA has created a Management Action report that will be reported to GAC regularly.</p>
AJ	<p>Pentana (MKI) system not found as useful when working reactively.</p> <p><b>The system has been evaluated and IA team have undertaken training on the system. IA plan to be input for Q3&amp;Q4.</b></p> <p><b>Throughout 2022/23</b></p>	<p>The Pentana system was reintroduced to the IA team. The IA team undertook super-user training.</p>

#### IA Conformance with Standards 2021/22

Conformance with the Standards	Conformance 2021/22			Total
	Y	P	N	
1. Mission of Internal Audit	1			1
2. Definition of Internal Audit	2			2
3. Core Principles	10			10
4. Code of Ethics	5			5
5. Attribute Standards				
1000 Purpose, Authority and Responsibility	4			4
1100 Independence & Objectivity	21			21
1200 Proficiency and Due Professional Care	9	1		10
1300 Quality Assurance and Improvement	14	1		15
6. Performance Standards				
2000 Managing the Internal Audit Activity	14	3		17
2100 Nature of Work	10			10
2200 Engagement Planning	12			12
2300 Performing the Engagement	7			7
2400 Communicating Results	18			18
2500 Monitoring Progress	1	1		2
2600 Communicating the Acceptance of Risks	1			1
<b>Total</b>	<b>229</b> <b>97%</b>	<b>6</b> <b>3%</b>	<b>0</b> <b>-</b>	<b>235</b> <b>100%</b>