

# 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.



Adroddiad Blynyddol y Rheolwr  
Corfforaethol – Archwilio Mewnol ar Waith  
yr Uned Archwilio Mewnol am 2023/24

Annual Report of the Corporate Manager –  
Internal Audit during 2023/24

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

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# ANNUAL REPORT OF THE CORPORATE MANAGER - INTERNAL AUDIT ON THE ACTIVITY OF INTERNAL AUDIT DURING 2023/24

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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 2023-24

**For the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024 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 2024, 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 2023.
- 3.4 The level of assurance provided is based on:
- The findings of all audits and consultations undertaken during 2023/24 (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

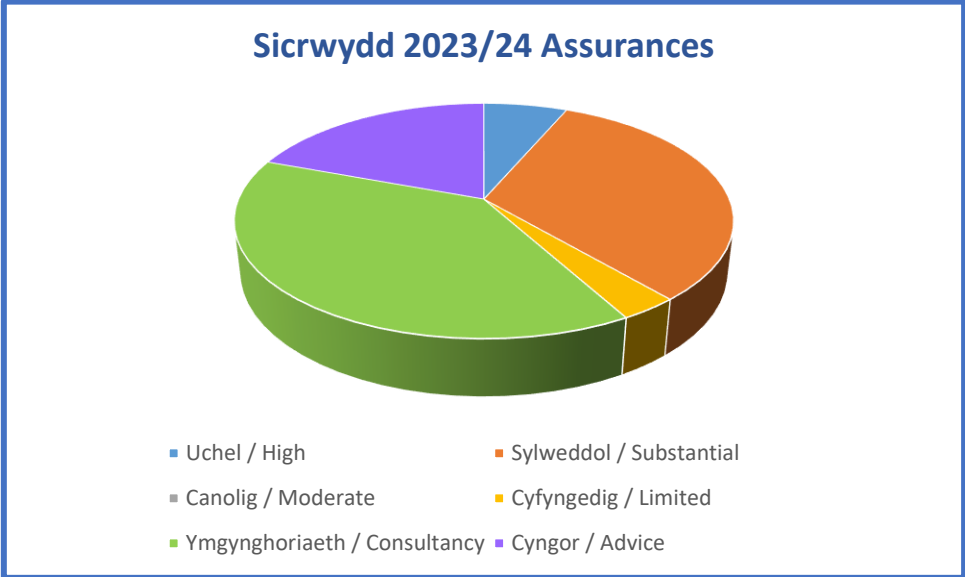
- 3.7 The findings and assurances in this report are only those that came to Internal Audit's attention during the course of our work within the Council throughout the year. They are not necessarily a comprehensive account of all strengths and weaknesses that exist or all improvements that might be made 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 2023 to 31<sup>st</sup> March 2024. 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 2023-24.

Overall, Internal Audit were able to provide 'Moderate' assurance or above to twelve pieces of work completed. There was one 'Limited' assurance reported and the service has already made progress against management actions issued.

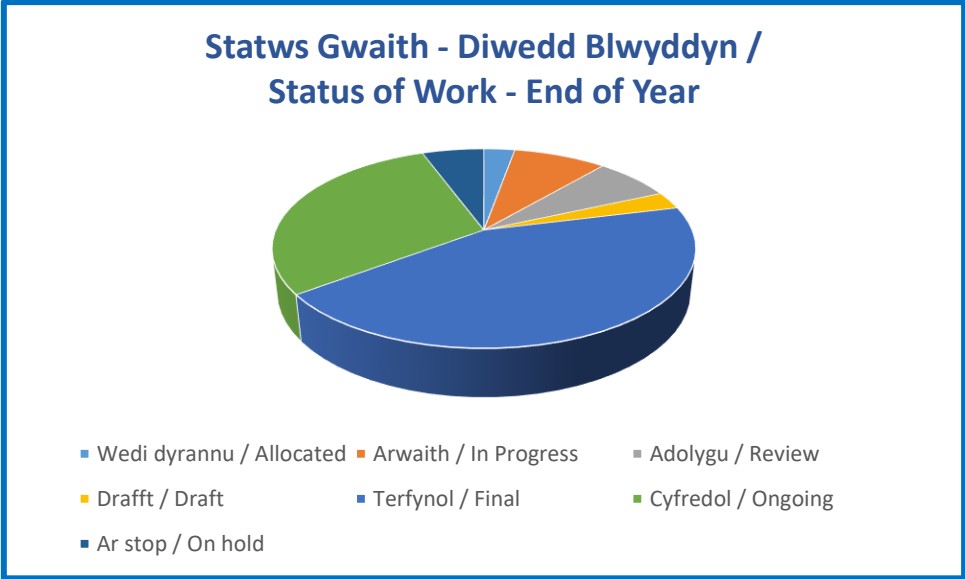
The rest of the assurance obtained was from consultancy, advisory or counter fraud work undertaken throughout the year.



- 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 2024 is shown in the chart below:



- 4.6 A summary of the work completed from the operational plan and assurances provided during 2023/24 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 One area audited during the year was allocated limited assurance, management actions have been followed up during the final quarter of 2023/24 and are being verified by IA.
- 4.9 As well as advising services at the time of the audit of corrective actions required, a further review of actions is undertaken to assess improvements as part of IA’s Management Actions Programme. IA will continue to work with services to assist with embedding improvements into systems.
- 4.10 A separate report has been produced outlining the counter fraud work undertaken by the service during 2023/24, as requested by the Committee.

**KEY FINDINGS**

- 4.11 Having considered the entirety of the work undertaken by IA during 2023/24 there are a number of key findings that require further attention during 2024/25:
  - Delegated authority
  - Appropriate authorisation

**ANNUAL GOVERNANCE STATEMENT**

4.12 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 substantial assurance on procedures in place to ensure the AGS and its supporting documents are effective and are monitored throughout the year.

ASSURANCE MAPPING

- 4.13 Internal Audit’s assurance mapping exercise has been reviewed and strengthened to incorporate the Institute of Internal Audit’s ‘Three Lines Model’.
- 4.14 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.

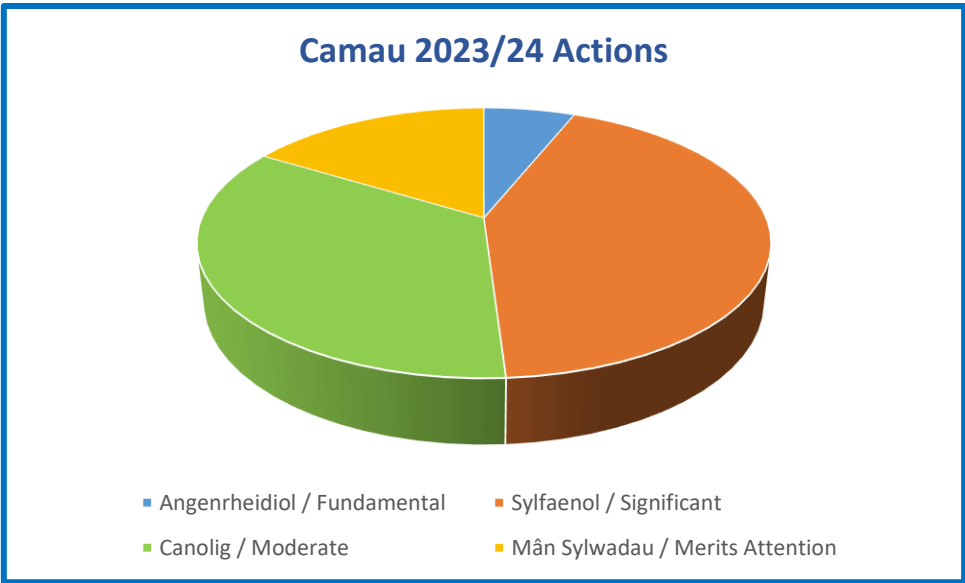
CULTURE

- 4.15 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.
- 4.16 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.
- 4.17 All Council staff must complete mandatory training modules on matters such as ethics & fraud awareness, equality & diversity, health & safety, etc which is monitored on the Ceredigion Learning Pool by Line Managers and Leadership Group.

5 Management Actions

CURRENT ACTIONS

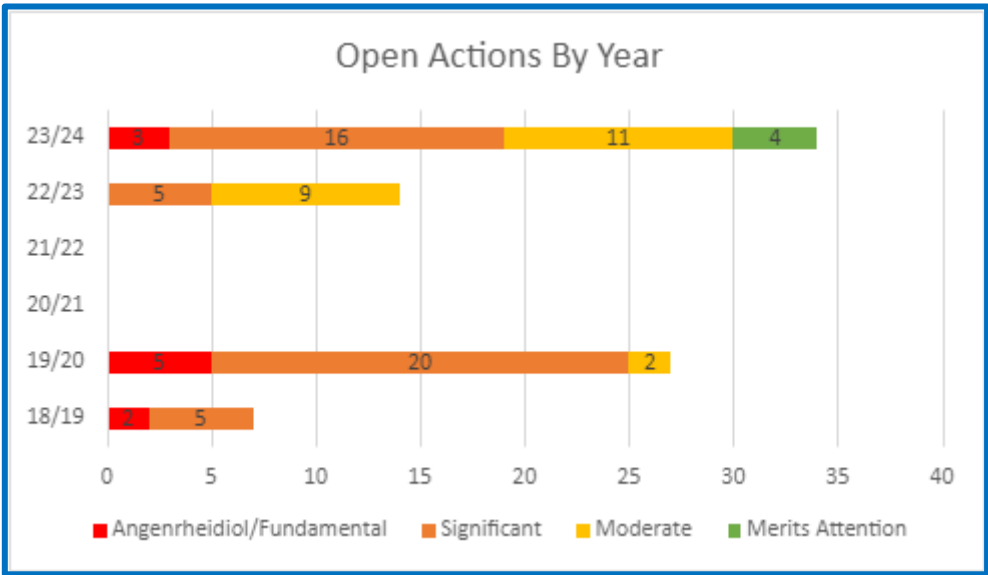
- 5.1 Internal Audit operates a formal follow up process to confirm that Management Actions issued in IA reports have been implemented by management.
- 5.2 A total of 49 ‘Management Actions’ have been issued in final audit reports distributed during 2023/24, some of which were minor in nature or advisory, 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. There were three fundamental actions issued in 2023/24, these have already been followed-up as part of the Management Action programme.
- 5.4 Criteria used to assess each level of assurance is outlined in Appendix 2.

PREVIOUS ACTIONS

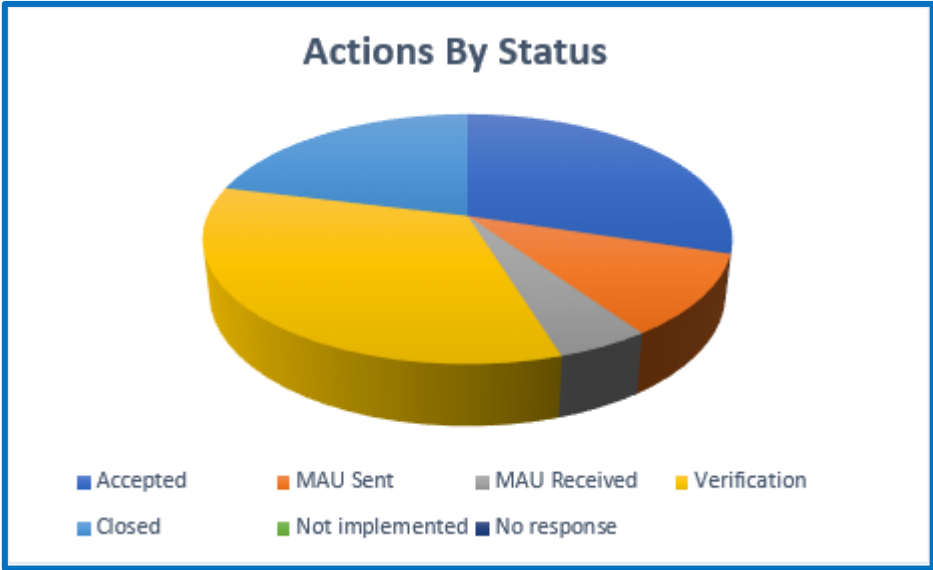
- 5.5 Due to the pandemic, there was a backlog in revisiting previous management actions issued. IA are currently working through the backlog by prioritising 'fundamental' and 'significant' management actions from previous years.
- 5.6 Significant progress has been made in addressing the backlog during 2023/24. All fundamental and significant actions issued in 2018/19 and 2019/20 have now been followed up, and have either been reported or are being reviewed by the CMIA.
- 5.7 As at 31<sup>st</sup> March 2024, we are monitoring a total of 85 actions as part of our Management Actions Update (MAU) programme.
- 5.8 The chart below outlines current outstanding actions by year.



Of these, 10 are 'fundamental' actions, 46 are 'significant', 22 'moderate' and 4 'merits attention'.



5.9 The status of outstanding actions as at 31<sup>st</sup> March 2024 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 would cease using the Pentana Audit Management software (for which we had shared use) in August 2023. This required IA to return to using Microsoft Word and Excel and shared electronic folders to record Internal Audit work.
- 6.6 The CMIA undertook a tender exercise to procure new Audit Management software which was completed at the end of the financial year with implementation diarised for 2024/25.

### DECLARATION OF INDEPENDENCE

- 6.7 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.

- 6.8 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 & elected 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
- CMIA created and delivered training to the IA team
- Reporting all IA reports to Leadership Group
- Reviewing the effectiveness of IA's Management Action Programme

- 7.2 Internal Audit has added value to the authority during 2023/24 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.
- Advising on content to include in the Ethics & Counter Fraud mandatory eLearning module.
- Counter Fraud Awareness presentation at Corporate Workshop
- Integrating Internal Audit Management Actions onto the Teifi Performance Software.

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

Indicator	Measure	Target	2022/23	2023/24
Number of audits completed	Number	-	36	31
Percentage of planned time spent on audits	%	80	100	100
Percentage of client's responses at least 'satisfied'	%	95	100	100
Percentage of actions accepted versus made	%	95	100	100
Av no of days from end of audit to issue of draft report	Days	10	1.1	8.5
Av no of days from exit meeting to final report	Days	5	0.5	0.5
Percentage of audits completed within time	%	80	-	77
Percentage of 'red risks' covered within 2-year period (first year only)	%	40	-	43

7.4 Internal Audit performed well against our targets in 2023/24.

Reports are issued promptly, 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.

7.5 The addition of two further indicators to increase the productivity and effectiveness of the IA function, challenged existing working practices. The team almost achieved the target of one and is on target to achieve 80% percent of red risks covered within 2-years by the end of 2025.

#### CONFORMANCE TO PSIAS

7.6 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.

7.7 An external review (EQA) 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.

7.8 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.

7.9 The 2022/23 self-assessment and the resulting improvement plan was reported to GAC in September 2023 and the external review by Anglesey reported in September 2022. The summary of results from the 2022/23 self-assessment and the EQA has been attached in Appendix 3.

7.10 The Welsh Chief Auditors Group (WCAG) completed the annual benchmarking exercise during the year. The results show our performance against the 2022/23 all-Wales average in the table below.

Indicator	Measure	2022/23	2023/24	All Wales Average 2022/23
Number of audits completed	Number	36	31	68
Number of Internal Audit Staff	FTE	6	5.5	8.1
Percentage of actions accepted versus made	%	100	100	99
Av no of days from end of audit to issue of draft report	Days	1.1	8.5	3.5
Av no of days from exit meeting to final report	Days	0.5	0.5	2.0
Head of Audit responsible for other operational duties	Y/N	N	N	Y
Number of Progress Reports presented to GAC	No.	4	4	4
Dedicated Fraud Team	Y/N	N	N	Equal

7.11 Any instances of non-conformance to the Standards are reported to the GAC. Any significant deviations are noted in the Annual Governance Statement.

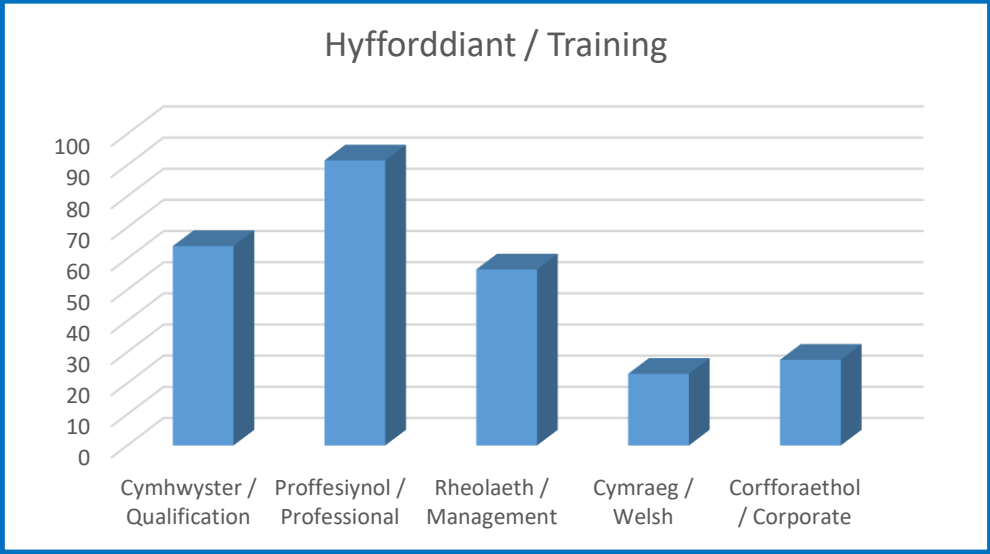
7.12 The CMIA ensures the Section complies with the Standards' Mission, Definition of Internal Auditing, the Code of Ethics and the Standards as set out in the Charter via a set quality assurance and improvement program (QAIP).

## 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 qualified as a Certified Internal Auditor (CIA) with the Institute of Internal Auditors during the year and the Audit Manager and Senior Auditor are currently pursuing their CIA qualifications.

- 8.3 The CMIA and Senior Auditor are Accredited Counter Fraud Technicians, whilst the Audit Manager holds the CIPFA Certificate in Investigative Practice.
- 8.4 The CMIA conducted internal training for the whole Internal Audit function in January 2024 to ensure that the team’s skills and knowledge are maintained and developed further.
- 8.5 Other training, including online webinars and conferences, are attended by the team.
- 8.6 Training hours completed by the Internal Audit service during 2023/24 fall into the following categories:



2023/24 Audit Work Completed

Audit	Type	Assurance
SUDS	System	Substantial
Museum Stock	System	Limited
Special Investigation (SI) – Follow-on to Missing Purchase	Counter Fraud	Other
Direct Payment Respite Breaks Protocol	Advisory	Other
Face to Face Provision	Advisory	Other
HR Amendments – Finance & Procurement	System	Substantial
HR Amendments - Legal & Governance	System	Substantial
Code, Ethics & Fraud Training eModule	Counter Fraud	Other
Annual Members Declaration of Interest	Governance	Other
Harbours account 2022/23	Account	Account
Harbours Report 2022/23	Assurance	Substantial
SI – Housing Grants	Consultancy	Other
SI – Carers Fund	Counter Fraud	Substantial

Direct Payment Policy	Advisory	Other
HR Amendments - Customer Contact	System	Substantial
HR Amendments - Economy & Regeneration	System	Substantial
Counter Fraud Risk Assessment	Counter Fraud	Other
Payroll	Key Control	High
Ceredigion Sports Council	Honorary	Other
Governance Framework	Governance	Other
SI - Aberaeron Leisure Centre Cash	Consultancy	Other
Cash Management Software	Advisory	Other
HB Suspected Fraud	Counter Fraud	Other
GDPR in schools	GDPR / DP	High
HR Amendments – People & Organisation	System	Substantial
HR Amendments - Schools & Culture	System	Substantial
Wellbeing Centres Self-Assessment	Consultancy	Other
Counter Fraud Risk Register	Counter Fraud	Other
Annual Governance Statement Framework Review 2023/24	Governance	Other

Special Guardianship Orders	Consultancy	Other
Coroners Software	Consultancy	Other



## 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 – Quality Assurance Improvement Plan EQA

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>

IA Conformance with Standards 2022/23 – Self-Assessment

Conformance with the Standards	Conformance 2021/22			Total
	Y	P	N	
<b>1. Mission of Internal Audit</b>	1			1
<b>2. Definition of Internal Audit</b>	2			2
<b>3. Core Principles</b>	10			10
<b>4. Code of Ethics</b>	5			5
<b>5. Attribute Standards</b>				
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	15			15
<b>6. Performance Standards</b>				
2000 Managing the Internal Audit Activity	17			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	2			2
2600 Communicating the Acceptance of Risks	1			1
<b>Total</b>	<b>134</b>	<b>1</b>	<b>0</b>	<b>135</b>

Ref	Conformance with Standard	Action Required	Target Date
Std 1210	<p>5.3.1 Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?</p> <p>The CMIA has achieved her Certified Internal Auditor qualification, is currently studying for her ILM Level 4 qualification and will enrol on the Chartered CMIIA qualification after completing the ILM Level 4.</p>	CMIA to achieve CMIIA professional qualification.	Within 3 years of appointment