Powys County Council

Internal Audit Update Report

As @ September 2023

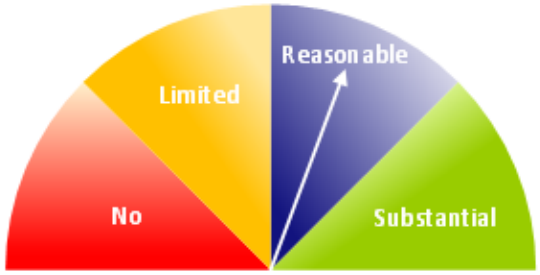
Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Internal Audit Progress Report as @ September 2023

As part of our update reports, we will provide an ongoing opinion to support our end of year annual opinion. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness.

Rolling Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

Action Priority	Description	No of Actions
P1	Fundamental	**9**
P2	Important	**23**
P3	Requires Attention	**30**

The Headlines for audits completed to date for 2023/24

	Coverage – The coverage maps show a clear alignment to corporate risks, sector risks, corporate goals and a healthy organisation. These maps are maturing as the team further integrate the new audit management system.
	Activity -57% of the work programme is either complete or in progress. The delivery of internal audit work is on track to deliver an annual opinion.
	Outcomes -86% of the opinion related work found the control environment to be either Substantial or Reasonable assurance. There are no significant corporate risks to be reported.
★★★	**Issues – 38% of the issues identified were associated with Financial Management. Further analysis found the majority were non-compliance by Council Services rather than financial systems. The most common root cause was the design of systems, policies and processes. This information will be further refined for opinion reporting and be considered in the audit planning process.**
	The real-time activity and performance dashboards have been demonstrated to the Internal Audit Working Group. The next phase of the implementation process will be a pilot exercise with the section 151 Officer and then the wider management team and members of the Governance and Audit Committee.

Assurance Opinions as @ September 2023

Substantial	1
Reasonable	11
Limited	2
No Assurance	0
Support/ Advisory	7

Progress/ Activity as @ Q2

Complete	21
In Progress	20
Waiting to go live	6
Future Proposed	25

The assessment of none, some, and good is based on the number of audits in these areas and the scope of the audits. This gives the Committee assurance that internal audit is aligned to the corporate risks although we would not expect all audits to align to all corporate risks.

Internal Audit Work Programme and Coverage

Powys

ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES

Click each box to see Audit Coverage by: Strategic Risks | Corporate Priorities | Directorates | SWAP's Top 10 Risk Themes | Core Areas of Recommended Assurance

Strategic Risk	Coverage (Completed Audits)	Average Opinion of Completed Audits
PCC ASC0064 - WCCIS not fit for purpose	Some	Non Opinion Audits
PCC ASC0066 - Risk of Social Care provider failure	Some	Reasonable
PCC CS0081 - Children's Services are unable to manage their budget	Adequate	Reasonable
PCC ED0022 - The Council will be unable to manage the schools' budget without ongoing adjustments to the distribution formula and improving financial management	Some	Reasonable
PCC EDR0011 - Impact of Climate on our ability to deliver services	Some	Non Opinion Audits
PCC FIN0001 - The Council is unable to deliver a financially sustainable budget over the short and medium term	Good	Reasonable
PCC HTR0018 - Impact of nature emergency on our ability to deliver services	Some	Reasonable
PCC ICT0010 - The impact to Powys residents, services and Council staff as a result of a Covid-19 epidemic	Some	Non Opinion Audits
PCC ICT0029 - Cyber Security Threat	Some	Non Opinion Audits
PCC PCC0003 - The Council receives a negative regulatory/inspection report	Good	Reasonable
PCC PROC0008 - Russian Invasion of Ukraine and Other Market Pressures	Some	Non Opinion Audits
PCC WO0021 - The Council is unable to recruit, retain and commission the workforce it requires	Some	Non Opinion Audits

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

NB
- *Hover over the description for further details*

Assurance	Description
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

NB
- *Only includes audits completed within past 2 years from current date*
- *Audits completed over 1 year from current date have a reduced impact on audit coverage*

Other areas are considered in the planning process such as:

- **Service Risks**
- **Corporate objectives**
- **Fraud Risk Assessment**
- **Technology Assessment**
- **Performance information**
- **Wider Sector Risks**
- **Previous IA Work**

The tables identify the alignment with the risks in the wider UK local government Sector and fundamental areas that keep the organisation healthy.

Top 10 Risks	Coverage (Completed Audits)	Average Opinion of Completed Audits
Planning, Housing, Environment and the Local Economy	Some	Limited
Governance	Some	Reasonable
Sustaining Care	Some	Reasonable
Finance	Good	Reasonable
Health & Safety	Some	Reasonable
Education	Some	Reasonable
Contracts, Procurement and Commissioning	Adequate	Reasonable
Workforce	Some	Reasonable
Technology, Digital and Security	Some	Reasonable
Strategic Asset Management	Some	Reasonable

Healthy Organisation Theme	Coverage (Completed Audits)	Average Opinion of Completed Audits
Corporate Governance (incorporating performance management, culture & ethics, fraud, & climate change)	Some	Reasonable
Financial Management	Good	Reasonable
Risk Management	Some	Reasonable
Contract Management, Commissioning, and Third Party Resilience	Some	Non Opinion Audits
Information Management (incorporating data protection & cyber security)	Some	Reasonable
Programme & Project Management	Some	Limited
Workforce (incorporating recruitment/ retention, staff health & safety, and staff wellbeing)	Some	Reasonable
Asset Management	Some	Reasonable

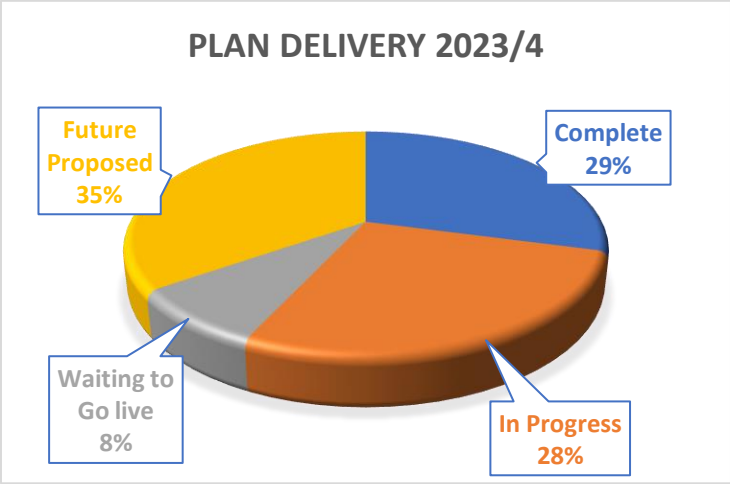
At the conclusion of an audit assignment each review is awarded a "Control Assurance Definition";

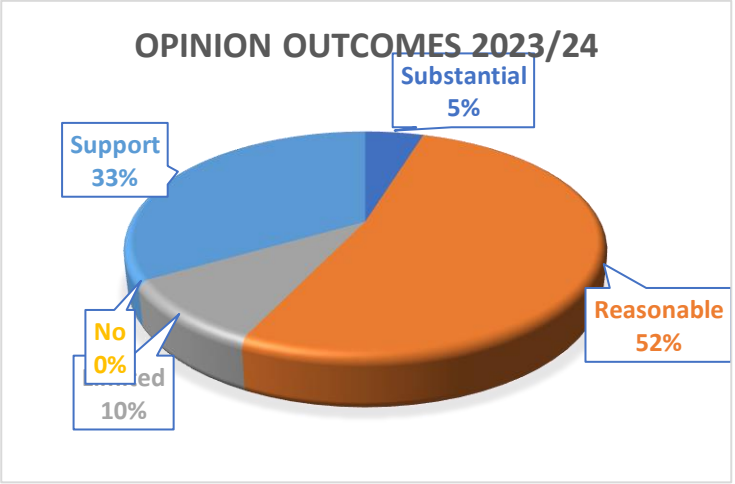
- **Substantial**
- **Reasonable**
- **Limited**
- **No**

The schedule provided in Annex A contains a list of those audits completed and in progress.

Internal Audit Progress and Outcomes

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to deliver an annual opinion. Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of agreed actions that have been raised with management. The assurance opinion ratings have been determined in accordance with the "Audit Framework Definitions" as detailed in Appendix A of this document.





These are areas that have been identified as significant control issues that should be brought to the attention of the Audit and Governance Committee.

Summary of Significant Concerns

There are no areas of significant concerns that should be brought to the attention of the Committee.

A number of audits relating to schools will be presented to the next Committee.

Follow-up work confirms the responsive nature of management in implementing agreed actions to mitigate exposure to areas of risk.

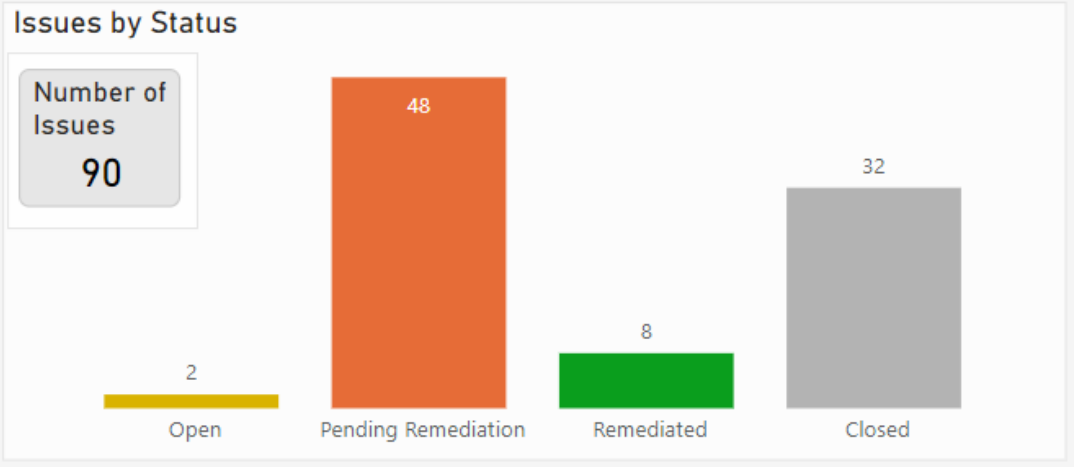
All significant issues arising from follow-up reviews will be reported to the Governance and Audit Committee.

This is the status of the issues raised in the year. Further work is being undertaken to give Members and Managers assurance that the actions are being implemented.

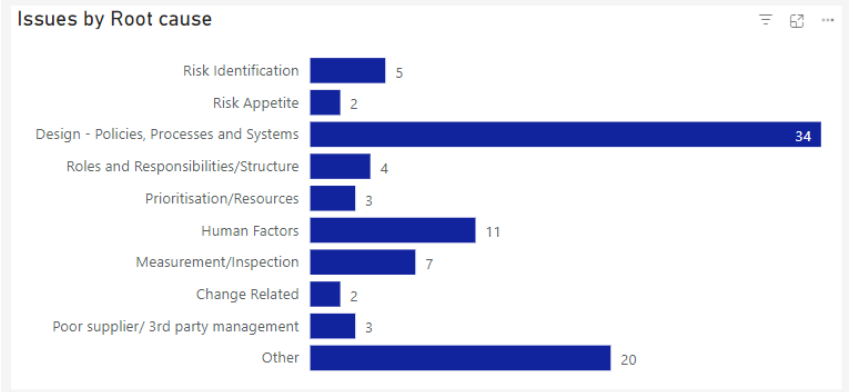
Follow-Up Audits and Issues/ Root Causes

The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level. Evidence is obtained to demonstrate implementation and progress made in relation to all recommendations. The table below gives the status of follow-up reviews:

Audit Name	Status	Notes
5 x Highway Reviews	In Progress	
Continuing Health Care (CHC)	Waiting to go live	Q3 2023/24
Deprivation of Liberty Safeguards	Waiting to go live	Q3 2023/24
Housing Statutory Compliance	Waiting to go live	Q3 2023/24



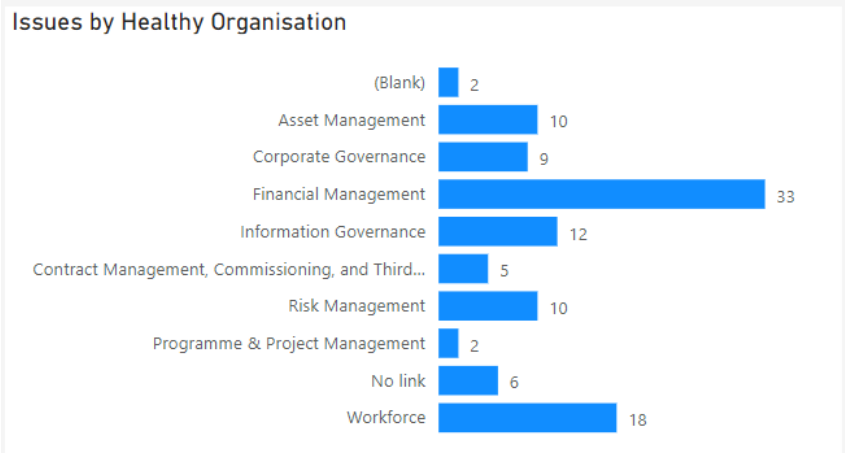
Root cause is defined as the fundamental reason for the cause of the occurrence. The graphic categorises the issues found into root causes.



Design- policies, processes, systems can be a root cause when the processes management have designed with which to control risk have been somewhat ineffective in controlling, or even failed to control, the material risks presented. Our agreed actions therefore helps to strengthen, or even replace, the incumbent risk control processes/framework.

A health organisation needs its fundamental core systems to be operating effectively. The graphic categorises the issues into those key business support areas.

Further analysis will identify cross cutting issues or specific departmental problems.



A more detailed analysis of financial management found that two thirds of the issues related to non-compliance by the Services and the remainder were related to financial system improvement.

Contact Information

SWAP is an internal audit partnership covering 24 organisations. Powys County Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

The contacts at SWAP in connection with this report are:

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For further details see: www.swapaudit.co.uk

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Limited**
- **No**

In addition, to our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Audit Framework Definitions — APPENDIX A

Control Assurance Definitions

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Risk	Reporting Implications
	In addition to the corporate risk assessment, it is important that management know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Each recommendation has been given a priority rating at service level with the following definitions:
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

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ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES Helping Organisations to Succeed

All audits 'COMPLETED' within the past 2 years

Audit Title	Assurance Opinion	Number of Actions & Priority			Corporate Risk Assessment	Date Completed
		1	2	3		
PCC - Front Door Services	Reasonable (Medium)			2	Medium	12/09/2023
PCC - Conflicts of Interests Follow Up	Grant Certification		6	2	Low	01/09/2023
PCC - CJC Grant	Grant Certification				N/A	22/08/2023
PCC - Mid-Wales Growth Deal	Grant Certification				N/A	10/08/2023
PCC - Estate Agency Grant	Grant Certification	2			Low	10/07/2023
PCC - Debtors Administration	Reasonable (Medium)			1		09/07/2023
PCC - Insurance	Substantial (Low)			1	Low	16/06/2023
PCC - Safeguarding - DBS	Reasonable (Medium)	2	10	6	Medium	25/05/2023
PCC - Churchstoke CP School	Limited (Medium)	3	2	7	Low	16/05/2023
Powys Technology Assurance Framework Review (TAFR)	Advisory				N/A	02/05/2023
PCC - Whistleblowing	Reasonable (Medium)		1	2	Medium	01/05/2023
PCC - Capital Accounting (issues)	Reasonable (High)			4	Low	31/03/2023
PCC - Client/Job Support	Advisory				N/A	31/03/2023
PCC - Committee and Management Reporting	Advisory				N/A	31/03/2023
PCC - Fraud Risk Assessment	Advisory				N/A	31/03/2023
PCC - Housing Statutory Compliance	Limited (High)	2	1	1	High	31/03/2023
PCC - Main Accounting System	Reasonable (Medium)		2	2	Medium	31/03/2023
PCC - National Fraud Initiative 2021/22	Advisory				N/A	31/03/2023
PCC - Procurement Cards Q1	Advisory				N/A	31/03/2023
PCC - Risk Management	Reasonable (Medium)		1	2	Low	31/03/2023

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ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES Helping Organisations to Succeed

All 'IN PROGRESS' audits

Audit Title	Audit Progress: 25%	50%	75%	100%	Draft Report Issued	Final Report Issued	Type of Work	Fieldwork Start Date
	Fieldwork Complete							
PCC - Enable Grant 22-23							Grant Certification	19/09/2023
PC - Direct Payments proactive fraud review							Proactive fraud work	18/09/2023
PCC Fraud Risk Assessment							Proactive fraud work	18/09/2023
PCC - Pre School Learning (Early Years)							Assurance	13/09/2023
PCC - Income Collection Arrangements	■						Assurance	06/09/2023
PCC - Levelling Up Fund Montgomery Canal							Assurance	26/07/2023
PCC - Levelling Up Fund Theatr Brycheiniog							Assurance	26/07/2023
PCC - Ysgol Trefonnen	■	■	■	■			Assurance	03/07/2023
PCC Highways Non Standard Payments Follow Up	■	■	■				Follow up	03/07/2023
PCC - Highways Overtime Follow Up	■	■	■				Follow up	02/07/2023
PCC - Highways - Materials & Stock Follow up	■	■	■	■	■		Follow up	26/06/2023
PCC - Highways - Vehicles, Assets & Fuel Follow up	■	■	■				Follow up	26/06/2023
PCC Highways Procurement Follow UP	■	■	■				Follow up	21/06/2023
PCC - Highways - Delivery, Monitoring & Reporting Follow up	■	■	■	■	■		Follow up	19/06/2023
PCC Highways Commissioning Follow Up	■	■	■				Follow up	12/06/2023
PCC - School Theme Governors	■	■	■	■	■		Assurance	21/05/2023
PCC - Procurement Cards Q4	■	■	■	■			Assurance	10/05/2023
PCC - School Theme Finance	■	■	■	■	■		Assurance	07/05/2023
PCC - Ysgol Calon Cymru	■	■	■	■			Assurance	06/03/2023
PCC - Brecon High School	■	■	■	■	■		Assurance	18/11/2022

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ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES Helping Organisations to Succeed

All 'WAITING TO GO LIVE' audits

Audit Title	Type of Work	Background
PCC - Continuing Health Care (CHC) - Follow up	Follow up	
PCC - DoLS - Follow up	Follow up	
PCC - Fraud Baseline FU	Advisory	
PCC - Statutory Compliance (Housing) - Follow up	Follow up	
PCC - Waste Management	Assurance	The audit will utilise a combination of document reviews, interviews with relevant personnel, and data analysis to assess the waste management processes and practices.
PCC - Workforce - Agency	Assurance	There are various ways that the Council can employ temporary resources to either fulfil a temporary post or complete a bespoke piece of work, this can be achieved through the use of consultants, agency or interim staff. This audit will look to ascertain whether the Council is achieving value for money through their appointments of these individuals.

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ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES Helping Organisations to Succeed

All 'FUTURE PROPOSED' audits

Audit Title	Type of Work	Priority	Background
PCC - Main Accounting - Budget Setting	Assurance	Higher priority	To review the budget setting and reporting process
PCC - School Transport	Assurance	Higher priority	A review of route setting, tendering and route administration for school transport
PCC - Treasury Management	Assurance	Higher priority	Reviewing the control environment to identify potential error and misuse
PCC Integrated Business Planning - Position Statement	Assurance	Higher priority	
PCC - Creditors	Assurance	Medium priority	Reviewing the control environment to identify potential error and misuse. Includes data analytics and fraud testing
PCC - Delegated Decisions	Assurance	Medium priority	Measure some delegated decisions against the decision framework to ensure transparent corporate governance
PCC - Housing Repairs and Maintenance	Assurance	Medium priority	Reviewing activity, quality, and performance of the R&M team
PCC - Primary School 5	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements
PCC - Welshpool CiW	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements
PCC - Ysgol Calon Y Dderwen	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements
PCC - Ysgol Cwm Banwy	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements

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ROLLING AUDIT PLAN as at: 21/09/2023

SWAP INTERNAL AUDIT SERVICES Helping Organisations to Succeed

All 'FUTURE PROPOSED' audits

Audit Title	Type of Work	Priority	Background
			arrangements
PCC - Ysgol Cwm Banwy	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements
PCC - Ysgol Y Mynydd Du	Assurance	Medium priority	To undertake a review of governance, financial and workforce arrangements
PCC - Commissioning, Monitoring and Performance	Assurance	Lower priority	To review the performance framework and monitoring processes to ensure effective service delivery
PCC - Customer Engagement	Assurance	Lower priority	Evaluate the engagement process to determine whether the stakeholders can influence key decisions
PCC - Employee Review and Development	Assurance	Lower priority	Review the effectiveness of the Council's 1-2-1 process and if outcome influence a training programme
PCC - Employee Wellbeing	Assurance	Lower priority	Review the success of the Council's employee wellbeing initiatives
PCC - Equality and Diversity	Assurance	Lower priority	To ensure that the Council complies with the Equalities Act and the Council's equality policies
PCC - Expenses - Officers	Assurance	Lower priority	A review of controls and expenses data by the analytics team to identify inefficiency, error and fraud
PCC - High School 1	Assurance	Lower priority	To undertake a review of governance, financial and workforce arrangements
PCC - Performance Management	Assurance	Lower priority	To review target setting and reporting process used to demonstrate effective performance
PCC - Primary School 6	Assurance	Lower priority	.
PCC - Primary School 7	Assurance	Lower priority	.
PCC - Primary School 8	Assurance	Lower priority	.
PCC - Primary School 9	Assurance	Lower priority	.