



Powys County Council

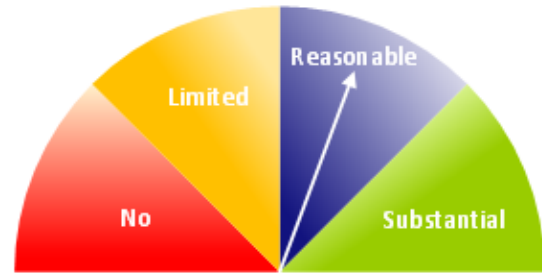
Internal Audit Update Report
As @ February 19th, 2024

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Internal Audit Progress Report as @ 19 February 2024

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	44
P3	Requires Attention	100

The Headlines for audits completed to date for 2023/24

	Coverage – The coverage maps (pages 2 & 3) show a clear alignment to corporate risks, sector risks, corporate goals and a healthy organisation. These maps are maturing as the team further integrate our new audit management system AuditBoard.
	Delivery - The programme of audit work is progressing well. The delivery of internal audit work is on track to deliver an annual opinion.
	Outcomes - 82% 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 - 35% 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.
	AuditBoard - 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 @ 19/02/2024

Substantial	2
Reasonable	12
Limited	3
No Assurance	0
Support/ Advisory	18


Progress/ Activity as @ 19/02/2024

Complete	35
In Progress	14
Waiting to go live	7
Future Proposed	11

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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



ROLLING AUDIT PLAN as at:

19/02/2024



Filter by Audit Period

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	Average Opinion
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	Good	Reasonable
PCC ED0022 - The Council will be unable to manage the schools' budget without ongoing adjustments to the distribution formula and improving financial management	Adequate	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	Adequate	Limited
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	Substantial

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 the past 2 years from current date
• Audits completed over 1 year from current date have a reduced impact on audit coverage

Internal Audit Progress Report as at 19 February 2024

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	Average Opinion
Planning, Housing, Environment and the Local Economy	Adequate	Limited
Governance	Good	Reasonable
Finance	Good	Reasonable
Health & Safety	Good	Reasonable
Education	Good	Reasonable
Contracts, Procurement and Commissioning	Good	Reasonable
Workforce	Good	Reasonable
Technology, Digital and Security	Good	Reasonable
Strategic Asset Management	Good	Reasonable
Sustaining Care	Some	Reasonable

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

Internal Audit Progress Report as at 19 February 2024

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

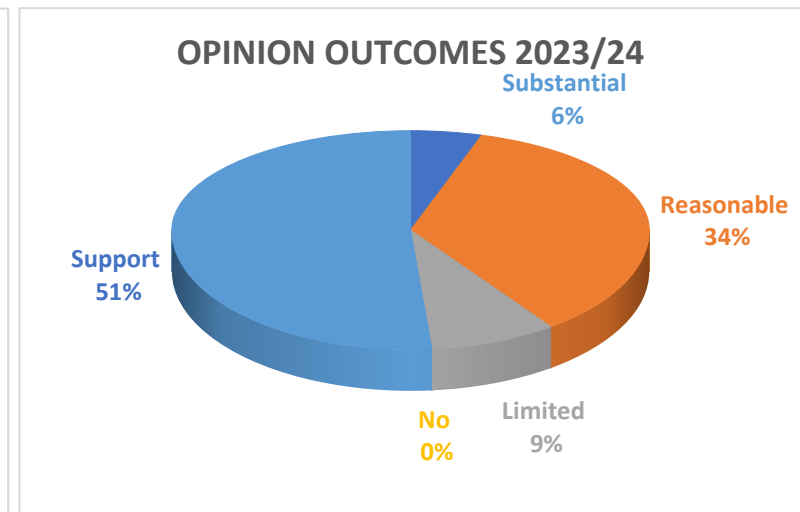
- Substantial
- Reasonable
- Limited
- No

The schedule provided in Appendix B 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 Risks

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

The Red Dragon report (which is currently in draft with client) will be presented at the next committee, this has been given a limited assurance rating.

Internal Audit Progress Report as @ 19 February 2024

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.



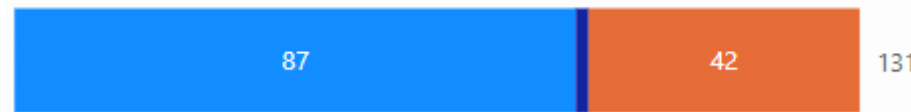
Follow-Up Audits and Issues/ Root Causes

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
7 x Highway Reviews	Complete	
Continuing Health Care (CHC)	Waiting to go live	Q4 2023/24
Deprivation of Liberty Safeguards	Waiting to go live	Q4 2023/24
Housing Statutory Compliance	In Progress	
Fraud Baseline	Deferred	Was due in Qtr4 2023/24, but deferred to Qtr 1 2024/25 due to Purchase Card Audit taking priority

Issues by Status

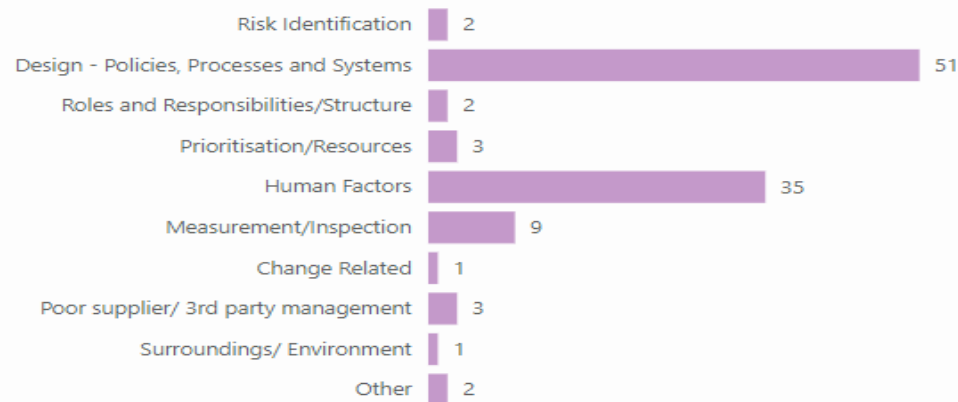
● Pending Remediation ● Remediated ● Closed



Internal Audit Progress Report as @ 19 February 2024

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

Issues by Root cause



The design of policies, processes, and systems can often be pinpointed as the root cause issue when the management of processes intended to mitigate risk proves to be ineffective or fails altogether. Our agreed actions are aimed at bolstering or potentially replacing the current risk control processes and frameworks to address this issue.

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

Issues by Healthy Organisation



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.

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

Internal Audit Progress Report as @ 19 February 2024

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

Internal Audit Progress Report as @ 19 February 2024

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.

Actions 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	Findings that requires attention.



ROLLING AUDIT PLAN as at:

19/02/2024



Filter by Audit Period		Filter by Directorate			Audits 'COMPLETED'	
2023/24		All			Number of Actions & Priority	
Audit Title	Assurance Opinion	1	2	3	Organisational Risk Assessments	Completed Date
PCC - Brecon High School	Limited (High)	1	7	5	Medium	04 October 2023
PCC - Churchstoke CP School	Limited (Medium)	3	2	7	Low	16 May 2023
PCC - CJC Grant	Grant Certification				N/A	22 August 2023
PCC - Conflicts of Interests Follow Up	Grant Certification		6	2	Low	01 September 2023
PCC - Corporate Complaints	Reasonable (High)		1	2	Low	31 March 2023
PCC - Debtors Administration	Reasonable (Medium)		1	1	Low	09 July 2023
PCC - Enable Grant 22-23	Grant Certification				Low	06 October 2023
PCC - Estate Agency Grant	Grant Certification		2		Low	10 July 2023
PCC - Fraud Risk Assessment	Advisory				N/A	15 February 2024
PCC - Front Door Services	Reasonable (Medium)			2	Medium	12 September 2023
PCC - Highways - Delivery, Monitoring & Reporting Follow up	Follow Up		1	2	Medium	11 October 2023
PCC - Highways - Materials & Stock Follow up	Follow Up			2	Low	06 October 2023
PCC - Highways - Vehicles, Assets & Fuel Follow up	Follow Up	1			Low	10 November 2023
PCC - Highways Overtime Follow Up	Follow Up				Low	13 October 2023
PCC - Housing Support Grant	Grant Certification				N/A	08 December 2023
PCC - Insurance	Substantial (Low)			1	Low	16 June 2023
PCC - Mid-Wales Growth Deal	Grant Certification				N/A	10 August 2023
PCC - NFI 2022 Outcomes	Advisory				N/A	23 January 2024
PCC - NFI Update report 2023	Advisory				Medium	15 February 2024
PCC - Safeguarding - DBS	Reasonable (Medium)	2	10	7	Medium	25 May 2023

Cont.



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

PCC - School Theme Finance	Advisory				Low	22 October 2023
PCC - School Theme Governors	Advisory				N/A	23 August 2023
PCC - Section 106 Agreements	Reasonable (Low)		1	1	Low	11 October 2023
PCC - Teacher Redundancy Payments	Advisory				N/A	16 February 2024
PCC - Welshpool CiW	Reasonable (Low)		1	9	Low	29 November 2023
PCC - Whistleblowing	Reasonable (Medium)		1	2	Low	01 May 2023
PCC - Ysgol Calon Cymru	Limited (High)	1	1	10	Medium	22 November 2023
PCC - Ysgol Calon Y Dderwen	Reasonable (Low)		2	12	Low	18 December 2023
PCC - Ysgol Cwm Banwy	Reasonable (High)		1	6	Low	29 November 2023
PCC - Ysgol Pontrobert	Reasonable (High)			7	Low	31 March 2023
PCC - Ysgol Trefonnen	Reasonable (Medium)		2	4	Low	11 October 2023
PCC - Ysgol Y Mynydd Du	Reasonable (Low)		3	14	Low	29 November 2023
PCC Highways Non Standard Payments Follow Up	Follow Up		1	1	N/A	15 November 2023
PCC Highways Commissioning Follow Up	Follow Up			2	Medium	06 October 2023
PCC Highways Procurement Follow UP	Follow Up	1	1	1	Low	11 October 2023



ROLLING AUDIT PLAN as at:

19/02/2024



All 'IN PROGRESS' audits

Audit Title	Fieldwork Complete				Draft Report Issued	Type of Work	Fieldwork Start Date
	25%	50%	75%	100%			
PCC - Statutory Compliance (Housing) - Follow up						Follow up	
PCC - National Fraud Initiative 2023/24 Administration	████████	████████	████████			Proactive fraud work	01/05/2023
PCC - Procurement Cards	████████	████████	████████	████████	16/11/2023	Advisory	10/05/2023
PCC - Levelling Up Fund Montgomery Canal	████████	████████				Assurance	26/07/2023
PCC - Levelling Up Fund Theatr Brycheiniog	████████	████████				Assurance	26/07/2023
PCC - Workforce - Agency						Assurance	15/08/2023
PCC - Income Collection Arrangements	████████	████████	████████	████████		Assurance	06/09/2023
PCC - Pre School Learning (Early Years)	████████					Assurance	13/09/2023
PC - Direct Payments proactive fraud review	████████	████████	████████			Proactive fraud work	18/09/2023
PCC - Red Dragon Housing Project	████████	████████	████████	████████	14/02/2024	Assurance	29/11/2023
PCC - Commissioning, Monitoring and Performance	████████	████████	████████			Assurance	11/12/2023
PCC - Expenses - Officers	████████	████████	████████			Assurance	10/01/2024
Audit #2649						Investigation	05/02/2024
PCC - Treasury Management	████████					Assurance	28/02/2024



SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.



ROLLING AUDIT PLAN as at:

19/02/2024



Filter by Directorate

All 'WAITING TO GO LIVE' audits

All

Audit Title	Type of Work	Background
PCC - Continuing Health Care (CHC) - Follow up	Follow up	
PCC - Creditors	Assurance	Reviewing the control environment to identify potential error and misuse. Includes data analytics and fraud testing
PCC - DoLS - Follow up	Follow up	
PCC - High School 1	Assurance	To undertake a review of governance, financial and workforce arrangements
PCC - Main Accounting - Budget Setting	Assurance	To review the budget setting and reporting process
PCC - NFI 2023 report	Advisory	To summarise NFI findings for 2023
PCC Security Assurance Framework Review (SAFR)	ICT	In order to provide assurance over the current high-level approach to security, SWAP will undertake a Security Assurance Framework Review which examines 18 high level key controls ranging from the security policy framework to controls protecting the network perimeter. No detailed testing is undertaken however a high-level assurance opinion on risk is stated which can be a useful reporting tool for committees and for ICT audit planning going forward. This can also highlight areas of security where a full risk-based assurance review by SWAP is required.





ROLLING AUDIT PLAN as at:

19/02/2024



Filter by Directorate

All 'FUTURE PROPOSED' audits

All

Audit Title	Type of Work	Priority	Background
PCC - Housing Repairs and Maintenance	Assurance	Higher priority	Reviewing activity, quality, and performance of the R&M team
PCC - School Transport	Assurance	Higher priority	A review of route setting, tendering and route administration for school transport
PCC - Waste Management	Assurance	Higher priority	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 Integrated Business Planning - Position Statement	Assurance	Higher priority	
PCC - Delegated Decisions	Assurance	Medium priority	Measure some delegated decisions against the decision framework to ensure transparent corporate governance
PCC - Projects & Partnership Risks	Assurance	Medium priority	
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 - Performance Management	Assurance	Lower priority	To review target setting and reporting process used to demonstrate effective performance