

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	22 JUNE 2017
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2016/17
PURPOSE OF THE REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTERNAL AUDIT'S PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards states:

"The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work."

2.2 The purpose of this annual report is to provide the Authority with such an annual internal audit opinion. In giving my opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable advice that there are no major weaknesses in the whole system of internal control.

2.3 In assessing the advice given, I have taken into account all audits relevant to 2016/17 and any follow-up action taken in respect of audits from this and previous periods.

3. OVERALL ASSURANCE

3.1 On the basis of Internal Audit work completed during 2016/17, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.

3.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, by the Control Improvement Working Group or otherwise considered by the Audit Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

4. AUDIT WORK

Audit Plan

4.1 A total of 72 assignments were contained in the revised audit plan for 2016/17. Of these, 69 were completed by 31 March 2017, which represents **95.83%** of the plan. For the purposes of this measure, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it. The performance ambition was 95%.

4.2 This performance compares with the 2015/16 performance of 98.65%, against a target of 95%.

4.3 The audits from the 2016/17 plan which were not finalised before 31 March 2017 were:

- **Storiol – Governance and Management Arrangements.** The fieldwork has already been completed on this audit. There was a delay in visiting Storiel due to a change in staffing responsibilities and a request was made for Internal Audit to allow the new staff to familiarize themselves with the arrangements. A final report has since been issued.
- **Hafan.** A final report has now been issued.

- **IT Systems.** Audits had been planned in this area to be undertaken with the assistance of an external supplier, mainly to review the cloud storage arrangements and other security elements. Unfortunately these audits were not conducted due to the illness of the supplier.

4.4 The audits from the 2016/17 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.5 Where relevant, internal audit reports are categorised to give an overall audit opinion of the control environment for that particular system or establishment.

Opinion “A” Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.

Opinion “B” Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.

Opinion “C” Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.

Opinion “CH” Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses/fraud resulting from these weaknesses were discovered.

4.6 All agreed actions that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.

4.7 Of the 69 assignments in the 2016/17 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	7
B	41
C	8
CH	0
No Category	13
Total	69

- 4.8 Of the reports relating to 2016/17 that were given an 'A' to 'Ch' opinion category, 85.71% obtained an 'A' or 'B' opinion. This figure is higher than the equivalent figure of 78.33 in 2015/16.
- 4.9 No audit received an 'Ch' opinion.
- 4.10 The full reports are presented to the Audit Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no opinion category, the Audit Committee is presented with a summary of the findings of the relevant audits where appropriate.
- 4.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2016/17 plan. The dates of the relevant meeting of the Audit Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit Committee
1 April 2016 – 30 June 2016	14 July 2016
1 July 2016 – 16 September 2016	29 September 2016
19 September 2016 – 18 November 2016	1 December 2016
1 November 2015 – 31 January 2016	9 February 2017
1 February 2016 – 31 March 2016	6 June 2017

Revisions to the Plan

- 4.12 Revisions to the audit plan were reported regularly to the Audit Committee during the year.

Follow-up Work

- 4.13 A final memorandum was issued for 12 follow-up audits between 1 April 2016 and 31 March 2017. Eleven of these audits were given an "Acceptable" opinion or better. This suggests that, overall, robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risks.

Control Improvement Working Group

- 4.14 The Control Improvement Working Group continued its work of strengthening the Council's arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meeting and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Every report that has been given an 'C' or 'Ch' opinion receives attention there, with officers being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of “Head of Internal Audit”. The Audit Manager is accountable to the Senior Manager Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager and both Audit Leaders have a full CIPFA qualification. One Senior Auditor is studying for the AAT qualification.
- 5.2 Since 1 April 2016, there are 7 full-time members in the Internal Audit Team.

Utilisation of staff resources

- 5.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2016 and 31 March 2017. The Committee’s attention is drawn to the following:
- The table demonstrates a reduction in the number of productive days available to provide audits for Gwynedd Council as a result staff higher turnover than the norm, from **1,117** days between 1 April 2015 and 31 March 2016 to **944** days for the same period in 2016/17, a decrease of **173** days.
 - The number of days used to complete special investigations or responsive audits was 58 days, the exact same number of days as in 2015/16..
 - There was an increase in the number of days that were committed to completing follow-up audits - 45 days in 2016/17 compared to 41 days in 2015/16 – but 12 follow-up audits were conducted in 2016/17 compared to 9 in 2015/16.

6. AUDIT PERFORMANCE

- 6.1 The results of the internal audit service’s achievement measures in 2016/17 were as follows:

Description of Measure	2015/16 Performance	2016/17 Ambition	2016/17 Results
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	98.65%	95%	95.83%
% of internal audits with a ‘B’ opinion or better (corporate indicator)	78.33%	65%	85.71%
% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)	88.88%	90%	83.00%

6.2 All targets were met apart from:

- **% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)** - 11 audits out of 12 obtained an “Acceptable” opinion or better, therefore only one follow-up audit failed to attain the expected standard.

7. WORK PLANS AND TARGETS 2016/17

7.1 A draft internal audit plan for 2017/18 was presented to the Audit Committee in its meeting on 9 February 2017. The latest plan, containing amendments following the Committee meeting, is included in Appendix 3.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit’s achievement measures for 2017/18 are:

Measure	Ambition 2017/18	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	95%	Maintain
% of internal audits with a ‘B’ opinion or better (corporate indicator)	65%	Maintain
% of the agreed actions that have been implemented in accordance with schedule (corporate indicator). A total of 205 actions were agreed to mitigate risks identified during 2016/17.	90%	Maintain

8. RECOMMENDATION

8.1 The Committee is asked to accept this report as the formal annual report of the Head of Internal Audit pursuant to the Public Sector Internal Audit Standards for the financial year 2016/17.



Internal Audit Plan 2016/17

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No Category	
Safeguarding Arrangements - Disclosure and Barring Service Checks	B	6 June 2017
Safeguarding Arrangements - Employees' Awareness of Policy	B	6 June 2017
Safeguarding Arrangements - Establishments	No Category	6 June 2017
Proactive Prevention of Fraud and Corruption	No Category	
Information Management	B	29 September 2016
Information Governance - Establishments	No Category	6 June 2017
Use of Credit Cards	B	6 June 2017
National Fraud Initiative	No Category	
Emergency Planning		
Fuel Supplies - Local and Regional Plans	C	14 July 2016
EDUCATION		
Resources		
Pupil Deprivation Grant	B	1 December 2016
Education Improvement Grant for Schools	B	1 December 2016
Post-16 Provision in Schools Grant	No Category	9 February 2017
The Arrangements for Safeguarding and Protecting Children	B	6 June 2017
Across the department		
Dwyfor Meirionnydd Special School	B	29 September 2016
Schools		
Statistics and Census - Secondary School	No Category	6 June 2017
Budgetary Control - Ysgol Beddgelert	B	1 December 2016
Budgetary Control - Ysgol Bro Plenydd	B	29 September 2016
Budgetary Control - Ysgol Eifion Wyn	B	29 September 2016
Budgetary Control - Ysgol Talsarnau	C	1 December 2016
Budgetary Control - Ysgol Tregarth	B	1 December 2016
Budgetary Control - Ysgol Santes Helen	B	1 December 2016
School - General	No Category	
Information Governance - Ysgol Abererch	B	14 July 2016
Information Governance - Ysgol Penybryn	B	14 July 2016
Information Governance - Ysgol Crud y Werin	B	14 July 2016
Information Governance - Ysgol Penisarwaen	B	14 July 2016
Information Governance - Ysgol Bro Llew	B	14 July 2016

Audit Name	Opinion Category	Date Presented to Audit Committee
Information Governance - Ysgol Sarn Bach	B	14 July 2016
Information Governance - Ysgol Dinas Mawddwy	B	14 July 2016
Information Governance - Ysgol Edmwnd Prys	B	14 July 2016
Information Governance - Ysgol Bro Hedd Wyn	B	14 July 2016
CORPORATE SUPPORT		
Procurement and Efficiency		
E-proc System - Tolerance Levels	A	29 September 2016
Registration		
Coroner	B	14 July 2016
FINANCE		
Financial		
Debtors System - "Cancelled" Invoices	A	29 September 2016
Review of Checking Limits	No Category	1 December 2016
Accountancy		
Coding Structure	No Category	1 December 2016
Revenue		
Discretionary Housing Payments	A	1 December 2016
Benefits - Review of Key Controls	A	6 June 2017
Council Tax - Reductions and Exemptions (People)	A	14 July 2016
Business Rates - Charitable Reductions	B	14 July 2016
ECONOMY AND COMMUNITY		
Leisure		
Bangor Aquatics and Healthy Lifestyles Centre	B	1 December 2016
Plas Silyn Leisure Centre	A	1 December 2016
Dwyfor Leisure Centre	B	1 December 2016
Bro Dysynni Leisure Centre	B	1 December 2016
Libraries		
Youth Club Accounts	B	6 June 2017
Maritime and country parks		
Sale of Diesel	C	9 February 2017
Beaches - Income Collection	B	1 December 2016
ADULTS, HEALTH AND WELLBEING		
Across the department		
Business-Service Continuity Plans	B	9 February 2017
Budgetary Control - Provider	B	1 December 2016
Deprivation of Liberty	C	6 June 2017
Support Workers - Adults	C	6 June 2017
Business		
Social Services Complaints Procedures	B	6 June 2017

Audit Name	Opinion Category	Date Presented to Audit Committee
Supporting People		
Supporting People Grant	A	1 December 2016
Community Care		
Holidays of Community Carers	No Category	29 September 2016
Adults		
Direct Payments	No Category	6 June 2017
Residential and Day		
Plas Pengwaith, Llanberis	B	1 December 2016
Plas Gwilym, Penygroes	C	29 September 2016
Bryn Blodau, Blaenau Ffestiniog	B	9 February 2017
Llys Cadfan, Tywyn	B	1 December 2016
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Youth Justice Core Grant	B	1 December 2016
Flying Start Revenue Grant	B	1 December 2016
Support Workers	C	9 February 2017
HIGHWAYS AND MUNICIPAL		
Fleet		
MOT Fees	B	1 December 2016
Fleet Management	No Category	6 June 2017
Waste Management and Streets		
Commercial Waste	B	6 June 2017
REGULATORY		
Public Protection		
Animal Health	B	9 February 2017
GWYNEDD CONSULTANCY		
Across the Department		
Recruitment and Selection	B	6 June 2017
Overtime	C	14 July 2016

Summary of the number of reports in each opinion category, 2016/17 Plan:

	Number of Audits
A	7
B	41
C	8
No Category	13
Total	69

Analysis of Internal Audit Use of Time 1 April - 31 March:

2015/16		2016/17
1,866	Total Days	1,626
315	Less Holidays (Statutory and Non-Statutory)	216
1,551	Total Available Days	1,411
	Less:	
22	Special Leave	14
24	Illness	29
3	Professional Training	5
53	Job Training	62
1,449	Available Days	1,301
	Less Unproductive Time:	
11	Medical Appointments	7
26	Time Recording and Management	26
63	Meetings and Committees	94
2	Training Presentation	1
4	Conducting interviews	2
29	Background Work	24
23	Admin etc.	17
0	iGwynedd Project	22
4	Audit Committee	4
93	Internal Audit Management	105
2	Absence Management	2
27	Moving Offices	0
7	IT problems	8
9	Internal Audit Information Management Exercise	5
1,149	Total productive days	984
32	Work for SNPA	40
1,117	Total productive days, Gwynedd Council	944

Analysis of the use of Gwynedd Council productive days:

2015/16		2016/17
983	Work on current year's plan	810
1	Completion of previous year's work	3
0	Commencement of next year's work	0
34	Advice and Consultancy	29
41	Follow-up work	45
58	Responsive Work / Special Investigations	58
1,117		944



Internal Audit Plan 2017/18

Audit Code	Audit Name	Days
CORPORATE		
	Disposal of Confidential Waste – The Use of Red Sacks and Shredders	10.00
	Supporting Ffordd Gwynedd Reviews	20.00
	Learning and Development Integrated System	10.00
	Obtaining References	15.00
	Awareness of the Whistleblowing Policy	15.00
	Self-service Travelling Expenses	5.00
	Safeguarding Arrangements - Field Workers' Awareness of Policy	35.00
	Safeguarding Arrangements – Establishments	4.00
	Culture and Conduct	15.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Management – Establishments	6.00
	National Fraud Initiative	40.00
EDUCATION		
Resources		
	Pupil Deprivation Grant	10.00
	Education Improvement Grant for Schools	15.00
	Post-16 provision in Schools Grant	3.00
	Awareness of the Whistleblowing Policy – Primary and Secondary	25.00
	Health and Safety – Primary Schools	25.00
GwE		
	Business Arrangements	20.00
Schools		
	School Meals Income	20.00
	Schools - General	10.00
NORTH AND MID WALES TRUNK ROAD AGENCY		
	Health and Safety	25.00
CORPORATE SUPPORT		
Democracy		
	Training New Members	10.00
FINANCE		
Across the department		
	IT System Security	30.00
Financial		
	Debt Recovery Arrangements and Legal Action	15.00
Accountancy		
	Precepts	5.00

Audit Code	Audit Name	Days
Pensions and Payroll		
	Pension Fund	15.00
	Death Grants	15.00
Revenue		
	Benefits – Review of Key Controls	12.00
	Council Tax System - Advantage Digital Portal	10.00
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ECONOMY AND COMMUNITY		
Community Regeneration		
	Welsh Church Fund	5.00
Record offices, museums and the arts		
	Storiell – Closing the Project	5.00
	Storiell – Unannounced Visit	1.00
Leisure		
	Leisure Centres	40.00
	Membership Direct Debit Payments	10.00
Maritime and country parks		
	Victoria Dock	10.00
Strategy and development Programmes		
	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance	15.00
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ADULTS, HEALTH AND WELLBEING		
Business		
	Commissioning Arrangements	30.00
Supporting People		
	Adult Placement Scheme (Shared Lives Scheme)	15.00
Adults		
	Teleofal	10.00
Residential and Day		
	Plas Maesincla, Caernarfon	12.00
	Plas Hafan, Nefyn	12.00
	Plas Ogwen, Bethesda	12.00
	Housing Support	15.00
	Learning Disabilities Hostels	20.00
	Supporting People Grant	15.00
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CHILDREN AND FAMILY SUPPORT		
Children and Families		
	Grants	24.00
	Arrangements for Children Leaving Care	20.00
	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act	20.00
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HIGHWAYS AND MUNICIPAL		
Fleet		
	Depots	15.00
Waste Management and Streets		

Audit Code	Audit Name	Days
	Recycling Targets	10.00
	Garden Waste Collection	15.00
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REGULATORY		
Public Protection		
	Food Hygiene	8.00
	Licensing	8.00
Council Land and Property		
	Smallholdings	8.00
	School Schemes – Ysgol Glancegin	10.00
Transportation and Street Care		
	Concessionary Fares	8.00
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HOUSING		
Rent and Housing Management		
	Housing Waiting List	12.00
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GWYNEDD CONSULTANCY		
Buildings and Environmental		
	Employment Status	10.00
Across the department		
	Accreditations	15.00
		870.00