

COMMITTEE	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE	<b>10 MAY 2018</b>
TITLE	<b>HEAD OF INTERNAL AUDIT ANNUAL REPORT 2017/18</b>
PURPOSE OF THE REPORT	<b>TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY</b>
AUTHOR	<b>LUNED FÔN JONES – AUDIT MANAGER</b>
ACTION	<b>TO RECEIVE THE REPORT</b>

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**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 and Governance 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 2017/18 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 2017/18, 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 and Governance 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 58 assignments were contained in the revised audit plan for 2017/18. Of these, all were completed by 31 March 2018, which represents **100%** 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 2016/17 performance of 95.83%, against a target of 95%.

4.3 The audits from the 2017/18 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.4 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.

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

4.6 Of the 58 assignments in the 2017/18 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	10
B	32
C	8
CH	1
No Category	7
<b>Total</b>	<b>58</b>

4.7 Of the reports relating to 2017/18 that were given an ‘A’ to ‘Ch’ opinion category, 82.35% obtained an ‘A’ or ‘B’ opinion. This figure is slightly lower than the equivalent figure of 85.71% in 2016/17.

4.8 One audit received an ‘Ch’ opinion, which was Smallholdings.

4.9 The full reports are presented to the Audit and Governance 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 and Governance Committee is presented with a summary of the findings of the relevant audits where appropriate.

4.10 The table below shows which meeting of the Audit and Governance Committee has received the details of audits from the 2017/18 plan. The dates of the relevant meeting of the Audit Committee are also shown in Appendix 1.

<b>Date of release of Final Report/Memorandum</b>	<b>Date of Report to the Audit Committee</b>
1 April 2017 – 30 June 2017	13 July 2017
1 July 2017 – 15 September 2017	28 September 2017
18 September 2017 – 17 November 2017	30 November 2017
20 November 2017 – 26 January 2018	8 February 2018
29 February 2018 – 31 March 2018	10 May 2018

#### **Revisions to the Plan**

- 4.11 Revisions to the audit plan were reported regularly to the Audit and Governance Committee during the year.

#### **Follow-up Work**

- 4.12 Out of the 223 agreed actions made in 2016/17, **90.09%** were fully implemented by 31 March 2018. One of the actions was no longer relevant, so the statistics are based on a number of 222 agreed actions, that is, acceptable implementation on 200 out of 222.

#### **Control Improvement Working Group**

- 4.13 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 one Audit Leader have a full CIPFA qualification. Three Senior Auditors are studying for the AAT qualification.
- 5.2 Since 1 April 2017, 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 2017 and 31 March 2018. 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 from **944** days between 1 April 2016 and 31 March 2017 to **707** days for the same period in 2017/18, a decrease of **237** days. This was due mainly to the absence of an Audit Leader, and a significant increase in the number of days provided for professional training and job training.
- The number of days used to complete special investigations or responsive audits was 31 days, compared to 58 days in 2016/17.
- The manner in which follow-up audits are conducted has changed with all agreed actions the subject of Internal Audit - the number of days that were committed to completing follow-up audits was 39 days in 2017/18 compared to 45 days in 2016/17 when a follow-up was conducted on only 12 audits.

## 6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2017/18 were as follows:

Description of Measure	2016/17 Performance	2017/18 Ambition	2017/18 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.	95.93%	95%	<b>100%</b>
% of internal audits with a 'B' opinion or better (corporate indicator)	85.71%	65%	<b>82.69%</b>
Number of agreed actions implemented within the timetable. (corporate measure). There was an agreement on 223 actions to mitigate risks identified during 2016/17. (200 out of 222 have been implemented to an acceptable level).	New measure	85%	<b>90.09%</b>

## 7. WORK PLANS AND TARGETS 2018/19

7.1 A draft internal audit plan for 2018/19 was presented to the Audit and Governance Committee in its meeting on 8 February 2018. 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 2018/19 are:

Measure	Ambition 2018/19	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit and Governance 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
Number of agreed actions implemented within the timetable. (corporate measure). There was an agreement on 163 actions to mitigate risks identified during 2017/18.	85%	Maintain

## 8. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 The result of the selfassessment conformance with the Public Sector Internal Audit Standards (PSIAS) were presented to the Audit and Governance Committee on 13 July 2017 along with the Quality Assurance Improvement Programme. Progress against the Programme can be seen in Appendix 4.

## 9. RECOMMENDATION

9.1 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 2017/18.



# Internal Audit Plan 2017/18

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
<b>CORPORATE</b>		
Disposal of Confidential Waste – The Use of Red Sacks and Shredders	<b>C</b>	30 November 2017
Supporting Ffordd Gwynedd Reviews	<b>No Category</b>	
Learning and Development Integrated System	<b>C</b>	10 May 2018
Obtaining References, Proof of Identity and Evidence of Qualifications	<b>C</b>	10 May 2018
Awareness of the Whistleblowing Policy	<b>B</b>	13 July 2017
Self-service Travelling Expenses	<b>B</b>	30 November 2017
Safeguarding Arrangements - Field Workers' Awareness of Policy	<b>C</b>	8 February 2018
Safeguarding Arrangements – Establishments	<b>B</b>	8 February 2018
Proactive Prevention of Fraud and Corruption	<b>B</b>	30 November 2017
Information Management – Establishments	<b>B</b>	8 February 2018
National Fraud Initiative	<b>No Category</b>	
<b>EDUCATION</b>		
<b>Resources</b>		
School Uniform Grant	<b>B</b>	30 November 2017
Pupil Deprivation Grant	<b>A</b>	30 November 2017
Education Improvement Grant for Schools	<b>A</b>	30 November 2017
Post-16 provision in Schools Grant	<b>No Category</b>	8 February 2018
Health and Safety - Ysgol Bro Llew	<b>B</b>	30 November 2017
Health and Safety – Ysgol Pentreuchaf	<b>B</b>	30 November 2017
Health and Safety - Ysgol Abercaseg	<b>B</b>	30 November 2017
Health and Safety - Ysgol Dyffryn Arudwy	<b>C</b>	30 November 2017
Health and Safety - Ysgol O M Edwards	<b>B</b>	30 November 2017
Health and Safety - Ysgol Llanystumdwy	<b>B</b>	30 November 2017
<b>Schools</b>		
School Meals Income	<b>No Category</b>	10 May 2018
Schools - General	<b>No Category</b>	
<b>ENVIRONMENT</b>		
<b>Public Protection</b>		
Food Hygiene	<b>B</b>	10 May 2018
<b>Council Land and Property</b>		
Smallholdings	<b>CH</b>	10 May 2018
School Schemes – Ysgol Glancegin	<b>B</b>	10 May 2018
<b>Transportation and Street Care</b>		

<b>Audit Name</b>	<b>Opinion Category</b>	<b>Date Presented to the Audit and Governance Committee</b>
Concessionary Fares	<b>B</b>	8 February 2018
Car Park Income	<b>B</b>	10 May 2018
<b>CORPORATE SUPPORT</b>		
<b>Democracy</b>		
Training New Members	<b>B</b>	28 September 2017
<b>FINANCE</b>		
<b>Financial</b>		
Debt Recovery Arrangements	<b>B</b>	8 February 2018
<b>Accountancy</b>		
Precepts	<b>A</b>	13 July 2017
<b>Pensions and Payroll</b>		
Pension Fund - Annual Statements	<b>A</b>	10 May 2018
Death Grants	<b>A</b>	28 September 2017
<b>Revenue</b>		
Benefits – Review of Key Controls	<b>A</b>	10 May 2018
<b>ECONOMY AND COMMUNITY</b>		
<b>Record offices, museums and the arts</b>		
Storiell – Cafe Management Arrangements	<b>No Category</b>	10 May 2018
Storiell – Unannounced Visit	<b>B</b>	30 November 2017
<b>Leisure</b>		
Membership Direct Debit Payments	<b>B</b>	28 September 2017
Arfon Tennis Centre	<b>B</b>	28 September 2017
Pavillion Leisure Centre	<b>B</b>	28 September 2017
Bro Ffestiniog Swimming Pool	<b>B</b>	30 November 2017
Glan Wnion Leisure Centre	<b>B</b>	28 September 2017
<b>Maritime and country parks</b>		
Victoria Dock	<b>B</b>	10 May 2018
<b>ADULTS, HEALTH AND WELLBEING</b>		
<b>Supporting People</b>		
Supporting People Grant	<b>A</b>	30 November 2018
<b>Adults</b>		
Teleofal	<b>B</b>	10 May 2018
<b>Residential and Day</b>		
Plas Maesincla, Caernarfon	<b>B</b>	28 September 2017
Plas Hafan, Nefyn	<b>A</b>	28 September 2017
Plas Ogwen, Bethesda	<b>C</b>	28 September 2017
Supported Housing	<b>C</b>	10 May 2018
Tan y Marian	<b>C</b>	28 September 2017
Y Frondeg	<b>No Category</b>	10 May 2018



<b>Audit Name</b>	<b>Opinion Category</b>	<b>Date Presented to the Audit and Governance Committee</b>
<b>Rent and Housing Management</b>		
Housing Waiting List	<b>B</b>	8 February 2018
<b>CHILDREN AND FAMILY SUPPORT</b>		
<b>Children and Families</b>		
Families First Grant	<b>A</b>	8 February 2018
Childcare Proposal Grant	<b>A</b>	8 February 2018
Arrangements for Children Leaving Care	<b>B</b>	10 May 2018
<b>HIGHWAYS AND MUNICIPAL</b>		
<b>Fleet</b>		
Depots	<b>B</b>	8 February 2018
<b>Waste Management and Streets</b>		
Recycling Targets	<b>B</b>	10 May 2018
Garden Waste Collection	<b>B</b>	30 November 2017
<b>GWYNEDD CONSULTANCY</b>		
<b>Buildings and Environmental</b>		
Employment Status	<b>B</b>	10 May 2018

**Summary of the number of reports in each opinion category, 2017/18 Plan:**

	<b>Number of Audits</b>
A	<b>10</b>
B	<b>32</b>
C	<b>8</b>
CH	<b>1</b>
No Category	<b>7</b>
<b>Total</b>	<b>58</b>

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

<b>2016/17</b>		<b>2017/18</b>
<b>1,626</b>	<b>Total Days</b>	<b>1,504</b>
216	Less Holidays (Statutory and Non-Statutory)	257
<b>1,411</b>	<b>Total Available Days</b>	<b>1,247</b>
	Less:	
14	Special Leave	10
29	Illness	47
5	Professional Training	82
62	Job Training	88
<b>1,301</b>	<b>Available Days</b>	<b>1,020</b>
	Less Unproductive Time:	
7	Medical Appointments	5
26	Time Recording and Management	20
94	Meetings and Committees	69
1	Training Presentation	7
2	Conducting interviews	5
24	Background Work	26
17	Admin etc.	14
22	iGwynedd Project	4
4	Audit and Governance Committee	4
105	Internal Audit Management	107
2	Absence Management	2
8	IT problems	11
5	Internal Audit Information Management Exercise	5
0	North Wales Collaborative Working	4
0	Meetings with External Audit	1
<b>984</b>	<b>Total productive days</b>	<b>736</b>
40	Work for SNPA	29
<b>944</b>	<b>Total productive days, Gwynedd Council</b>	<b>707</b>

**Analysis of the use of Gwynedd Council productive days:**

<b>2016/17</b>		<b>2017/18</b>
810	Work on current year's plan	616
3	Completion of previous year's work	8
0	Commencement of next year's work	0
29	Advice and Consultancy	12
45	Follow-up work	39
58	Responsive Work / Special Investigations	31
<b>944</b>		<b>707</b>



# Internal Audit Plan 2018/19

Audit Code	Audit Name	Days
<b>CORPORATE</b>		
	Supporting Ffordd Gwynedd Reviews	20.00
	Safeguarding Arrangements - Domestic Abuse	15.00
	Safeguarding Arrangements – Establishments	4.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Management - Establishments	6.00
	General Data Protection Regulations	15.00
	National Fraud Initiative	40.00
<b>EDUCATION</b>		
<b>Resources</b>		
	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
	School Admissions	15.00
	Employment Status IR35	30.00
<b>Across the department</b>		
	TRAC Project	15.00
<b>GwE</b>		
	GwE - Employment Status IR35	30.00
<b>Schools</b>		
	Schools - General	10.00
<b>ENVIRONMENT</b>		
<b>Public Protection</b>		
	Pest Control	12.00
	Licensing Arrangements	8.00
<b>Council Land and Property</b>		
	Property Repair and Maintenance	15.00
<b>Transportation and Street Care</b>		
	Public Transport	12.00
<b>FINANCE</b>		
<b>Across the department</b>		
	IT System Security	12.00
<b>Accountancy</b>		
	Interfaces with the Financial Ledger	20.00
<b>Pensions and Payroll</b>		
	Contribution from Employers	25.00
<b>Revenue</b>		
	Benefits – Review of Key Controls	12.00

<b>Audit Code</b>	<b>Audit Name</b>	<b>Days</b>
	Council Tax System - One Digital Portal	10.00
	Council Tax Debt Suspension and Write-Off	10.00
	Business Rates – Valuation List	6.00
	<b>Information Technology</b>	
	Disposal of IT Equipment	8.00
	IT Disaster Recovery Arrangements	10.00
	Software Licences	10.00
	<b>ECONOMY AND COMMUNITY</b>	
	<b>Community Regeneration</b>	
	Welsh Church Fund	5.00
	<b>Leisure</b>	
	Leisure Centres	40.00
	<b>Maritime and country parks</b>	
	Unannounced Visits - Income Collection	8.00
	<b>Strategy and development Programmes</b>	
	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance	15.00
	North Wales Growth Board	15.00
	<b>ADULTS, HEALTH AND WELLBEING</b>	
	<b>Across the department</b>	
	On-call and Emergency Arrangements	15.00
	Social Services Annual Report	8.00
	<b>Business</b>	
	Commissioning Arrangements	30.00
	<b>Supporting People</b>	
	Adult Placement Scheme (Shared Lives Scheme)	15.00
	<b>Community Care</b>	
	Home Care - Travelling Costs	15.00
	<b>Residential and Day</b>	
	Plas y Don	12.00
	Plas Hedd	12.00
	Hafod Mawddach	12.00
	Cefn Rodyn	12.00
	<b>Private Sector Housing</b>	
	Disabled Facilities Grant	15.00
	Houses into Homes Scheme	12.00
	<b>CHILDREN AND FAMILY SUPPORT</b>	
	<b>Children and Families</b>	
	Grants	20.00
	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act	20.00
	<b>HIGHWAYS AND MUNICIPAL</b>	
	<b>Fleet</b>	
	Diesel Tanks and Disel Management	15.00

Audit Code	Audit Name	Days
<b>Waste Management and Streets</b>		
Street Enforcement		12.00
<b>GWYNEDD CONSULTANCY</b>		
<b>Across the department</b>		
Flood Management		15.00
		<hr/> <b>766.00</b> <hr/>

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	TIMESCALE	PROGRESS
01	<b>1110 – Organisational Independence</b>	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Gwynedd Council is in the process of developing a 360-degree appraisal system for managers – the Chair of the Audit and Governance Committee to be invited to provide feedback at the Audit Manager's next appraisal.	Head of Finance and Senior Manager – Revenues and Risk	31/03/2018	The 360-degree appraisal system has not yet been developed, but the Chair of the Audit and Governance Committee attends performance meetings along with the Cabinet Member for Finance.
02	<b>1310 – Requirements of the Quality Assurance and Improvement Programme</b>	Does the QAIP include both internal and external assessments?	An external assessment will be carried out by the CAE of Carmarthenshire County Council in accordance with the WCAG peer review arrangements.	Audit Manager	31/12/2017	The external assessment is in progress by the Carmarthenshire County Council CAE.
03	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	Has the CAE reported the results of the external assessments to senior management and the board?	The result of the external assessment to be presented to the Audit and Governance Committee.	Audit Manager	08/02/2018	The results of the external assessments will be presented to the Audit and Governance Committee upon receipt of the report.

<b>ACTION NO.</b>	<b>PSIAS STANDARD</b>	<b>CONFORMANCE WITH THE STANDARD</b>	<b>PROPOSED ACTION</b>	<b>RESPONSIBILITY</b>	<b>TIMESCALE</b>	<b>PROGRESS</b>
04	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	Has the results of ongoing monitoring of the quality and assurance programme and progress against the improvement plan been communicated at least annually?	Progress made against the quality assurance improvement programme to be included in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	Progress against the quality assurance improvement programme
05	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	Do the results include the assessor's or assessment's team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS?	The external assessments evaluation will be reported in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	This will be incorporated upon receiving the report of the external assessor.
06	<b>1322 – Disclosure of Non-conformance</b>	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Any instances of non-conformance to be reported to the Audit and Governance Committee and any significant deviations to be included in the annual governance statement.	Audit Manager & Senior Manager – Revenues and Risk	As required	There are no instances of non-conformance or any significant deviations.



ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	TIMESCALE	PROGRESS
07	<b>2450 – Overall Opinion</b>	Does the annual report incorporate: a) A statement of conformance with the PSIAS? b) The result of the QAIP? c) Progress against any improvement plans resulting from the QAIP?	The Head of Internal Audit Annual Report to incorporate a statement of conformance with the PSIAS and progress against any improvement plan resulting from the QAIP.	Audit Manager	10/05/2018	Head of Internal Audit Annual Report