

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 JULY 2020
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2019/2020
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 and Governance Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards (2019) states:

"Each local government 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 providing assurance that that these arrangements are in place and operating properly. The annual internal audit opinion required under the PSIAS informs the governance statement and 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 2019/2020 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 2019/2020, 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, and considered by the Control Improvement Working Group or otherwise 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 49 assignments were contained in the revised audit plan for 2019/2020. Of these 45 were completed by 31 March 2020, which represents **91.84%** 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 The audits from the 2019/2020 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.3 Where relevant, internal audit reports are provided with an assurance level which is based on an evaluation of the internal control environment and the number of risks identified together with their risk score. The current risk score are categorised in one of four risk categories:

RISK LEVEL	SCORE
VERY HIGH	20 – 25
HIGH	12 – 16
MODERATE	6 - 10
LOW	1 - 5

4.4 The general assurance levels of audits will fall into one of four categories as shown in the table below:

ASSURANCE LEVEL	DEFINITION
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

4.5 The aim of every agreed actions within the reports was to strengthen internal controls that mitigate operational risks, and to establish best practice.

4.6 Of the 45 assignments in the 2019/2020 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	13
Satisfactory	22
Limited	4
No Assurance	0
No Category	6
Total	45

4.7 Of the reports relating to 2019/2020 that were given an assurance level, 77.77% obtained an assurance level of “Satisfactory” or “High”.

4.8 None of the audits received a “No Assurance” level.

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 assurance 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 2019/2020 plan. The dates of the relevant meeting of the Audit and Governance Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit and Governance Committee
1 April 2019 – 4 October 2019	17 October 2019
7 October 2019 – 15 November 2019	28 November 2019
18 November 2019 – 31 January 2020	13 February 2020
3 February 2020 – 31 March 2020	30 July 2020

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 88 agreed actions made in 2018/19, **76.14%** were fully implemented by 31 March 2020, progress was made on 12.5% and no response was received in respect of 11.36% (4 individual audits). The service will re-review these in the current financial year.

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 meetings and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Officers are 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 Assistant Head - Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager and one Audit Leader have a full CIPFA qualification and the other Audit Leader has the full ACCA qualification. Two Senior Auditors are studying for the CIPFA qualification and two Senior Auditors are studying for the AAT qualification.
- 5.2 Since 1 April 2020, there are 7 full-time members in the Internal Audit Team and one Temporary Senior Auditor to cover maternity leave and the attendance of the Senior Auditors to attend college to gain their professional qualification.

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 2019 and 31 March 2020. The Committee's attention is drawn to the following:

- The table shows a reduction in the number of productive days available to provide audits for Gwynedd Council from **913** days between 1 April 2018 and 31 March 2019 to **681** days for the same period in 2019/2020, a decrease of **232** days. This was due mainly to maternity leave, assisting the Snowdonia National Park Authority in their end of financial year procedures and providing an audit service to Byw'n Iach Cyf.
- The number of days used to complete special investigations or responsive audits was 18 days, compared to 34 days in 2018/19.
- The number of days that were committed to completing follow-up audits was 31 days in 2019/2020 compared to 50 days in 2018/19.

6. AUDIT PERFORMANCE


6.1 The results of the internal audit service's achievement measures in 2019/2020 were as follows:

Description of Measure	2018/19 Performance	2019/20 Ambition	2019/20 Results
% 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.	96.67%	95%	91.84%
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	88.46%	80%	77.77%
Number of agreed actions implemented within the timetable. (corporate indicator).	94.48%	85%	76.14%
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	-	100%	100%
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	-	85%	72.73%

7. WORK PLANS AND TARGETS 2020/2021

7.1 A draft internal audit plan for 2020/2021 was presented to the Audit and Governance Committee in its meeting on 13 February 2020. However, due to the Covid-19 pandemic, a new internal audit plan has been drafted which will be presented to the Audit and Governance Committee on 30 July 2020.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit's achievement measures for 2020/2021 are:

Measure	Ambition 2020/2021	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 an assurance level of "Satisfactory" or better (corporate indicator)	80%	Maintain
Number of high or very high agreed actions implemented within the timetable (corporate indicator).	100%	Maintain
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	85%	

8. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 The result of the self-assessment 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. The results of the External Assessment were presented to the Audit and Governance Committee on 17 October 2019. Progress against the Programme can be seen in Appendix 3.

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 2019/2020.



Internal Audit Plan 2019/20

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No Category	
Women in Leadership	High	30 July 2020
Overtime	Limited	30 July 2020
Travelling Expenses - Self-service	Satisfactory	17 October 2019
Safeguarding Arrangements - Establishments	Satisfactory	30 July 2020
Culture and Ethics	No Category	30 July 2020
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	No Category	
Information Management - Establishments	Satisfactory	30 July 2020
Arrangements for Returning Equipment	Limited	13 February 2020
Communications		
Use and Control of Social Media	Satisfactory	17 October 2019
EDUCATION		
Resources		
Pupill Development Grant	Satisfactory	17 October 2019
Regional Consortia School Improvement Grant	High	17 October 2019
Post-16 provision in Schools Grant	No Category	13 February 2020
GwE		
GwE - Travelling Expenses	Limited	30 July 2020
Schools		
Appointment and Cost of Supply Teachers - Secondary	Satisfactory	13 February 2020
Trust Funds	Satisfactory	13 February 2020
Schools - General	No Category	
Ysgol Pendalar	Satisfactory	13 February 2020
Ysgol Hafod Lon	High	13 February 2020
ENVIRONMENT		
Planning		
Section 106 Agreements	Satisfactory	28 November 2019
Transportation and Street Care		
Road Safety Unit	Satisfactory	30 July 2020
Countyside and Access UNit		
AONB Grant	High	28 November 2019
FINANCE		
Financial		
Payments System - Change in Standing Data	Satisfactory	17 October 2019

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
Accountancy		
Harbours Statement of Accounts 2018-19	High	17 October 2019
Joint Planning Policy Committee Statement of Accounts 2018-19	High	17 October 2019
North Wales Economic Ambition Board Statement of Accounts 2018-19	High	17 October 2019
Banc Reconciliation	Satisfactory	30 July 2020
Revenue		
Role of Gwynedd Council in relation to Universal Credit	High	28 November 2019
Benefits – Review of Key Controls	High	30 July 2020
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	High	13 February 2020
Record offices, museums and the arts		
Lloyd George Museum Accounts	High	28 November 2019
Maritime and country parks		
Harbours - Health and Safety	Satisfactory	13 February 2020
Parc Padarn Safety Measures	Satisfactory	13 February 2020
ADULTS, HEALTH AND WELLBEING		
Across the department		
Use of P6 Forms	High	30 July 2020
Absence Management	No Category	13 February 2020
Supporting People		
Supporting People Grant	High	17 October 2019
Homelessness and Supported Housing		
Syrian Refugees Relocation Plan	Satisfactory	17 October 2019
Bed and Breakfast Costs	Satisfactory	28 November 2019
Residential and Day		
Plas Pengwaith	Satisfactory	28 November 2019
Bryn Blodau	Satisfactory	28 November 2019
Llys Cadfan	Satisfactory	28 November 2019
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Youth Club Accounts	Satisfactory	13 February 2020
Payments to Foster Carers	Satisfactory	13 February 2020
HIGHWAYS AND MUNICIPAL		
Municipal Works		
Repair and Maintenance of Playing Areas	Satisfactory	13 February 2020
Highways Works		
Bridges - Work Programme	Limited	30 July 2020

Summary of the number of reports in each assurance level, 2019/20 Plan:

Assurance Level	Number of Audits
High	13
Satisfactory	22
Limited	4
No Assurance	0
No Category	6
Total	45

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

2018/19		2019/2020
2,118	Total Days	2,037
240	Unproductive Time: Annual Leave	241
53	Unproductive Time: Statutory Holidays	56
293	Less Holidays (Statutory and Non-Statutory)	297
1,825	Total Available Days	1,741
	Less:	
15	Special Leave	10
109	Illness	117
90	Maternity Leave	232
81	Professional Training	115
80	Job Training	21
1,451	Available Days	1,247
	Less Unproductive Time:	
13	Medical Appointments	13
31	Time Recording and Management	25
98	Meetings and Committees	77
8	Training Presentation	4
2	Conducting interviews	0
46	Background Work	38
24	Admin etc.	13
3	iGwynedd Project	14
4	Audit Committee	5
114	Internal Audit Management	107
2	Absence Management	2
43	IT problems	4
4	Internal Audit Information Management Exercise	4
10	North Wales Collaborative Working	2
3	Meetings with External Audit	7
7	Travel Time	10
0	Keep in Contact Days	10
0	Fire Drills	0
1,038	Total productive days	912
37	Work for SNPA	84
89	Community and Town Councils	98
0	Byw'n Iach Cyf.	49
913	Total productive days, Gwynedd Council	681

Analysis of the use of Gwynedd Council productive days:

2018/19		2019/20
776	Work on current year's plan	564
0	Completion of previous year's work	11
16	Commencement of next year's work	6
37	Advice and Consultancy	49
50	Follow-up work	31
34	Responsive Work / Special Investigations	18
913		681

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
01	1110 – Organisational Independence	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	1310 – Requirements of the Quality Assurance and Improvement Programme	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 has been carried out by the Carmarthenshire County Council CAE.
03	1320 – Reporting on the Quality Assurance and Improvement Programme	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 assessment was presented to the Audit and Governance on 17 October 2019..

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
04	1320 – Reporting on the Quality Assurance and Improvement Programme	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 is presented in the Head of Internal Audit Annual Report.
05	1320 – Reporting on the Quality Assurance and Improvement Programme	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 is incorporated in the Head of Internal Audit Annual Report.
06	1322 – Disclosure of Non-conformance	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	ORIGINAL TIMESCALE	PROGRESS
07	2450 – Overall Opinion	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 – this is done annually