

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	30 JUNE 2022
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2021/2022
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 2021/2022 and any follow-up action taken in respect of audits from this and previous periods.

3. IMPACT OF COVID-19

- 3.1 Throughout 2021-22, like the majority of Council services, Internal Audit officers were working from home. Conducting an audit where a visit to the establishment would be necessary was not possible due to the guidance issued by the Welsh Government and the constraints imposed.
- 3.2 The outbreak of the Covid-19 pandemic has had a significant impact on the authority as a whole and indeed on the work of Internal Audit. Council services were prioritised to ensure that the services of high priority were delivered. Internal Audit did not fall into this category. Internal Audit was not able to undertake its work fully during 2021-22 and hence Internal Audit officers were redeployed to assist and support the Council's main priority services.
- 3.3 Internal Audit staff assisted the Test, Trace and Protect Service. This programme was launched by the Welsh Government with the aim of leading Wales out of the pandemic through enhanced health surveillance in the community, effective and extensive contact tracing and support to people to self-isolate. A total of 98.57 days were spent assisting the Test, Trace and Protect Service.
- 3.4 Furthermore, at the request of the Head of Finance, Internal Audit officers assisted the Benefits Service in dealing with the processing of Self-Isolation Payments due to the increase in the number of cases in Gwynedd at the end of 2021 and early 2022. A total of 96.77 days were spent on this work.
- 3.5 The work plan for Internal Audit for the financial year 2021/2022 was presented to the Audit and Governance Committee on 27 May 2021. The annual internal audit plan was much more fluid than normal in 2021/2022 in order to reflect any emerging issues or changes to risks and priorities of the Council and to also ensure the health and safety of both Internal Audit and client officers.
- 3.6 New audit priorities were identified to cover the new risks and changes from the impact of Covid-19. The audits of the revised plan were completed during a challenging period with the focus of the audits being on the arrangements as a result of the pandemic and statutory audits such as grants.

4. OVERALL ASSURANCE

4.1 The Head of Internal Audit's annual opinion is based on three aspects of the Authority's arrangements:

- Governance
- Risk Management
- Internal Control

4.2 The results of the work carried out by internal audit, taken together with other sources of assurance, support the annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control.

4.3 Considerations

My annual opinion would normally be based on evidence from the range of audit work conducted across the Council. The value provided by Internal Audit is in the detailed work conducted and the information and advice provided to service managers on internal controls, processes and procedures, and in the assessment of the actions required to mitigate inherent risks to an acceptable level. In forming my opinion, I have taken into consideration the limited number of internal engagements undertaken by the Internal Audit Service during 2021/2022 and reflected upon my experience within my role in Internal Audit over the previous years and my judgements about the calibre and actions of the Corporate Management Team, Management Group and Senior Managers. Under the unprecedented and extraordinary circumstances, as an exception again this financial year, to support my overall opinion, I have used evidence provided by external regulators to support my opinion for the year.

In giving my annual opinion, I have taken into consideration:

- Overall, good internal control was found within each of the Council's services examined.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements. A report prepared by the Assistant Head of Finance was presented to the Audit and Governance Committee on 15 July 2021 to provide an update on developments in the risk management area, the next implementation steps to further strengthen the risk management arrangements. A specific Brexit Risk Register is maintained separately.
- The 23 governance risks as identified in the Annual Governance Statement (as approved by the Audit and Governance Committee on 27 May 2021) are continually assessed by the Governance Arrangement Group.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers or otherwise by the Audit and Governance Committee.

- The Authority has received a number of reports from regulators during 2021/2022:
 - Financial Sustainability Assessment – Audit Wales issued in September 2021. The report concludes that ***“The Council has a good understanding of its financial position, but several challenges remain”***.
 - Annual Audit Summary 2021 – Auditor General. The report states that ***“The Auditor General gave an unqualified true and fair opinion on the Council’s financial statements on 19 October 2021”***. In respect of Continuous Improvement the report states ***“certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2020-21, as saved by an order made under the Local Government and Elections (Wales) Act 2021”***.
 - In respect of recovery planning, Audit Wales states that ***“they have seen the development of the Coronavirus Emergency Response Dashboard in a relatively short period of time with limited resources to capture key information about residents and corporate risks”***.
 - Assurance Check 2021: Gwynedd Council Social Services – Care Inspectorate Wales. Their main lines of questioning were based on the four principles of the Social Services and Well-being (Wales) Act 2014; People – Voice and Control, Prevention, Partnerships and Integration, Well-being. The report notes that the findings are positive.

4.4 **Annual Opinion**

On the basis of Internal Audit work completed during 2021/2022, in my opinion Gwynedd Council’s system of internal control during the financial year 2021/2022 operates to a level which provides reasonable assurance on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and internal control. This is based on the reduced level of coverage that has been achieved during the year.

5. **AUDIT WORK** **Audit Plan**

- 5.1 A total of 42 assignments were contained in the revised audit plan for 2021/2022 Of these 30 were completed by 31 March 2022, which represents **71.43%** 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%.
- 5.2 The audits from the 2021/2022 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

5.3 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

5.4 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.

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

5.6 Of the 30 assignments in the 2021/2022 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	14
Satisfactory	4
Limited	5
No Assurance	0
No Category	7
Total	30

5.7 Of the reports relating to 2021/2022 that were given an assurance level, 78.26% obtained an assurance level of “Satisfactory” or “High”.

5.8 5 audits received “Limited” assurance and no audit received a “No Assurance” level.

- 5.9 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.
- 5.10 The table below shows which meeting of the Audit and Governance Committee has received the details of audits from the 2021/2022 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 2021 – 30 September 2021	14 October 2021
1 October 2021 – 31 January 2022	10 February 2022
1 February 2022 – 31 March 2022	30 June 2022

Revisions to the Plan

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

Follow-up Work

- 5.12 Due to the pandemic, and the resulting high probability of changes to procedures and arrangements, no follow-up work was undertaken during 2021/2022.

Control Improvement Working Group

- 5.13 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. Due to the pandemic, no meeting of the Working Group was held.

6. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 6.1 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. Three Senior Auditors currently studying for the CIPFA qualification.

6.2 Since 1 April 2022, there are 7 full-time members in the Internal Audit Team and one Temporary Senior Auditor to cover the secondment of a Senior Auditor.

Utilisation of staff resources

6.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2021 and 31 March 2022. The Committee's attention is drawn to the following:

- The table shows an increase in the number of productive days available to provide audits for Gwynedd Council from **557** days between 1 April 2020 and 31 March 2021 to **783** days for the same period in 2021/2022, an increase of **226** days. This was due mainly to the return from secondment of a Senior Auditor for the latter half of the year, no maternity leave and a reduction in sickness absence.
- The number of days used to complete special investigations or responsive audits was 25 days, compared to 11 days in 2020/2021.

7. AUDIT PERFORMANCE

7.1 The results of the internal audit service's achievement measures in 2021/2022 were as follows:




Description of Measure	2020/21 Performance	2021/22 Ambition	2021/22 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.	82.61%	95%	71.43%
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	100%	80%	78.26%
Number of agreed actions implemented within the timetable. (corporate indicator).	See Note 1	85%	See Note 1
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	See Note 1	100%	See Note 1
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	See Note 1	85%	See Note 1

Note 1 – no follow-up audits were conducted during 2020/21 & 2021/2022.

8. WORK PLANS AND TARGETS 2022/2023

8.1 The internal audit plan for 2022/2023 was presented to the Governance and Audit in its meeting on 30 June 2022.

8.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit's achievement measures for 2022/2023 are:

Measure	Ambition 2022/2023	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%	
% 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%	
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	85%	

9. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

9.1 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.

9.2 The recommendation is for public sector bodies to review their audit procedures against the Public Sector Internal Audit Standards (PSIAS) at least once every five years. The results of the self-assessment against the standards and the revised Local Government Application Notes (2019) and the corresponding Quality Assurance Improvement Programme will be presented to the Audit and Governance Committee during 2022/2023.

10. RECOMMENDATION

10.1 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 2021/2022.



Internal Audit Plan 2021/2022

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No Category	
Employment Statements	Limited	10 February 2022
Test, Trace and Protect Service	No Category	
Brexit	Satisfactory	30 June 2022
Financial Management Code	High	30 June 2022
Economic Social Responsibilities 2021	No Category	10 February 2022
Language Designations	Satisfactory	30 June 2022
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	No Category	
Use of Purchasing Cards	Limited	30 June 2022
EDUCATION		
Resources		
Regional Consortia School Improvement Grant	High	10 February 2022
Post-16 provision in Schools Grant	No Category	10 February 2022
Health and Safety - Playing Areas	Limited	10 February 2022
Schools		
Unofficial School Funds	Limited	30 June 2022
Schools - General	No Category	
FINANCE		
Across the department		
IT Systems and Security - Data Adequacy	High	14 October 2021
Accountancy		
Harbours Statement of Accounts 2020-21	High	14 October 2021
Joint Planning Policy Committee Statement of Accounts 2020-2021	High	14 October 2021
North Wales Economic Ambition Board Statement of Accounts 2020-2021	High	14 October 2021
Pensions and Payroll		
Changes in Standing Data	High	30 June 2022
Payments to Care Workers (Part 2)	High	14 October 2021
Bonus Payments to Care Workers	Satisfactory	30 June 2022
New Starters	High	14 October 2021
Revenue		
Self-isolation Payments	No Category	
Welsh Government Business Support Grants (2021-22)	High	14 October 2021

ECONOMY AND COMMUNITY

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
Community Regeneration		
Welsh Church Fund	High	14 October 2021
Record offices, museums and the arts		
Lloyd George Museum	High	10 February 2022
Business support		
Lockdown Discretionary Grants	High	10 February 2022
HOUSING AND PROPERTY		
Homelessness and Supported Housing		
Housing Support Grant	High	14 October 2021
Council Land and Property		
Cleaning Arrangements	Limited	14 October 2021
GWYNEDD CONSULTANCY		
Across the department		
Project Management Arrangements	Satisfactory	10 February 2022

Summary of the number of reports in each assurance level, 2021/22 Plan:

Assurance Level	Number of Audits
High	14
Satisfactory	4
Limited	5
No Assurance	0
No Category	7
Total	30

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

2020/2021		2021/2022
2,019	Total Days	2,077
231	Unproductive Time: Annual Leave	271
56	Unproductive Time: Statutory Holidays	67
287	<i>Less Holidays (Statutory and Non-Statutory)</i>	338
1,732	Total Available Days	1,740
	<i>Less:</i>	
14	Special Leave	20
135	Illness	70
39	Maternity Leave	0
78	Professional Training	25
41	Job Training	51
1,425	Available Days	1,574
	<i>Less Unproductive Time:</i>	
9	Medical Appointments	15
28	Time Recording and Management	30
88	Meetings and Committees	132
0	Training Presentation	1
51	Background Work	45
23	Admin etc.	29
14	iGwynedd Project	4
2	Audit Committee	2
108	Internal Audit Management	127
3	Absence Management	2
14	IT problems	19
0	Internal Audit Information Management Exercise	4
0	Meetings (WCAG & N&MWAP)	4
1	Meetings with External Audit	3
1,084	Total productive days	1,159
60	Work for SNPA	72
119	Community and Town Councils	118
40	Byw'n Iach Cyf.	42
248	Natural Resources Wales (Secondment)	131
60	Ffestiniog Town Council	13
557	Total productive days, Gwynedd Council	783

Analysis of the use of Gwynedd Council productive days:

2020/21		2021/22
510	Work on current year's plan	711
1	Completion of previous year's work	12
10	Commencement of next year's work	0
24	Advice and Consultancy	36
1	Follow-up work	0
11	Responsive Work / Special Investigations	25
557		783

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 & Assistant Head of Finance	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