

COMMITTEE	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
DATE	<b>30 JUNE 2022</b>
TITLE	<b>INTERNAL AUDIT STRATEGY AND ANNUAL INTERNAL AUDIT PLAN 2022/2023</b>
PURPOSE	<b>TO PRESENT THE INTERNAL AUDIT STRATEGY AND ANNUAL PLAN TO THE COMMITTEE</b>
AUTHOR	<b>LUNED FÔN JONES, AUDIT MANAGER</b>
ACTION	<b>TO APPROVE THE STRATEGY AND ANNUAL PLAN</b>

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## **1. INTRODUCTION**

- 1.1 The proposed Internal Audit Strategy and Internal Audit Plan for 2022/23 is attached for review and consideration by the Governance and Audit Committee.

## **2. BACKGROUND**

- 2.1. The Public Sector Internal Audit Standards (PSIAS) requires the Chief Audit Executive (Audit Manager), to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the Council's goals.
- 2.2 The Standard states that the risk-based plan should be fixed for a period of no longer than one year and should be sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk-based plan takes into account the requirement to produce an annual internal audit opinion.
- 2.3 For internal audit to remain relevant, it must adapt to changing expectations and maintain alignment with the Council's objectives. The Internal Audit Strategy is fundamental to remaining relevant — playing an important role in achieving a balance between cost and value, while making meaningful contributions to the Council's overall governance, risk management, and internal controls.
- 2.4 A systematic and structured process was used to develop the Internal Audit plan, helping to enable the Internal Audit Service to achieve its vision and mission.

**3. RECOMMENDATION**

- 3.1 The Governance and Audit Committee is asked to receive and approve the contents of the Internal Audit Strategy and the Annual Internal Audit Plan for 2022/2023, to approve it, and support Internal Audit in its undertakings.



# INTERNAL AUDIT STRATEGY



# **INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN**

## **2022-23**

### **1. 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 Governance and Audit Committee***

### **2. DEFINITION**

2.1 Section 4 of the Public Sector Internal Audit Standards sets out the Definition of Internal Auditing as follows:

**“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.**

### **3. STRATEGIC INTENTION**

3.1 The Strategy sets out how the service will be delivered and developed and is underpinned by the Internal Audit Charter which describes the purpose, authority and responsibility and position of the Internal Audit Service within the organisation.

### **4. THE INTERNAL AUDIT PLAN**

4.1 The Chief Audit Executive is required to develop a risk-based plan. The public sector requirement in PSIAS 2010 states that ***“the risk-based plan must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed”***.

4.2 The annual risk-based plan takes into account the requirement to produce an annual internal audit opinion.

- 4.3 The Audit Manager will prepare an annual audit plan derived from an objective review of the risks that may affect the provision of the Council's services, and consultation with Heads of Departments and Senior Officers. It is agreed with the Head of Finance before it is presented to the Governance and Audit Committee to be adopted. Gwynedd Council Financial Procedure Rule 16.12.6 states: ***“The Head of Finance shall agree the medium-term and annual audit plans prepared by the Audit Manager which takes account of the characteristics and relative risks of the activities involved. The plans shall be approved by the Governance and Audit Committee”.***
- 4.4 When preparing the annual audit plan, detailed in Appendix A, consideration was given to what the Service needs to do in order to achieve its purpose.
- 4.5 In order to ensure that we are reviewing the right things, consideration was first given to the Corporate Risk Register, Gwynedd Council’s Plan along with any other significant developments. This is to ensure that the Council's key controls in order to deal with its main risks are addressed.
- 4.6 The result of this was to prepare an initial draft plan, which has been discussed with each Head of Department. This was an opportunity to further refine the plan, before being presented to the Governance and Audit Committee.
- 4.7 The Internal Audit plan 2022/2023 will also give appropriate consideration to the following:
- Will be aware at all times of the potential occurrence of fraud or corruption. We will therefore take advantage of the National Fraud Initiative, and undertake proactive fraud prevention work.
  - Continue to address specific grants, particularly where the conditions of the grant expect an Internal Audit review.
- 4.8 The audit plan will remain flexible 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. Any revisions or amendments to the Plan will be reported to the Governance and Audit Committee in the usual manner.
- 4.9 To ensure flexibility, Internal Audit will use the AGILE methodology where possible. The objectives of applying the Agile principles are:
- Increasing audit quality
  - Short audit cycles
  - More interaction with the auditee
  - Providing insights

Agile provides a more flexible and dynamic Internal Audit Planning as a result of continuous risk monitoring.

- 4.10 It is projected that approximately 932 days of audit resources will be available to complete the 2022/23 audit plan. This is on the basis of analysis of the staffing resources available, including reasonable allowances for “unproductive” work such as holidays, illness, training, management and meetings and a provision of 40 days each for responsive and follow-up work.
- 4.11 Gwynedd Council’s Internal Audit provides an Internal Audit Service to several external clients including approximately 70 town and community councils, Snowdonia National Park, Byw’n Iach and GwE. These days have already been taken into consideration when calculating the number of days available to deliver the Gwynedd Council Plan, i.e. 932 days.
- 4.12 The 2022/2023 Audit Plan will be a plan with flexibility to enable the Service to support the Council in any emerging issues and to act promptly on any risks posed by those issues.

## **5. REPORTING**

- 5.1 The Audit Manager shall report regularly to the Governance and Audit Committee:
  - (a) On the results of Internal Audit work in the preceding period.
  - (b) On any substantial control weaknesses discovered or audited.
  - (c) On any agreed actions that were not implemented within the agreed timetable, where a failure to act on those action would prolong a substantial control weakness.
  - (d) Progress on completion of the Internal Audit Plan for the current year.
- 5.2 The Audit Manager will prepare a report on a regular basis to the Governance and Audit Committee outlining the work completed in the period leading up to that meeting.
- 5.3 The Audit Manager will also provide the Governance and Audit Committee with regular reports on progress against the annual internal audit plan.

## **6. ANNUAL AUDIT OPINION**

6.1 The Audit Manager shall prepare an Annual Report to the first meeting of the Governance and Audit Committee after the end of the financial year, in accordance with the Standards.

6.2 The Annual Report will principally include:

- An annual opinion on the framework for governance, risk management and control.
- A summary of the Internal Audit work completed from which the opinion is derived.
- An analysis of the utilisation of staff resources.
- Results of Internal Audit's Achievement measures.
- Internal Audit Quality Assurance and Improvement Programme.

## **7. FOLLOW-UP**

7.1 PSIAS Standard 2500 states ***"The PSIAS require a system to be in place for monitoring progress with management actions relating to audit findings, to confirm that these have been effectively implemented or, if not, that senior management have accepted the risk of not taking action."***

7.2 To this end, it is stated in paragraph 8.6 of the Charter ***"After an appropriate period, Internal Audit will conduct follow-up testing to ensure that what was agreed is operational. The results of follow-up work will be reported to Chief Officers and the Governance and Committee."***

7.3 Managers who do not address issues/risks arising from Internal Audit work will be required to attend the Controls Improvement Working Group.

## **8. INTERNAL AUDIT RESOURCE REQUIREMENTS**

8.1 As detailed in the Internal Audit Charter, if the Audit Manager is of the opinion that he/she does not have sufficient resources to allow him/her to give an opinion on the control environment in accordance with the requirements of the Standards, he/she shall report this to Head of Finance and also to the Governance and Audit Committee.

- 8.2 From time to time, to reflect audit needs, and in the context of the resources available and the Council's Financial Procedure Rules, the Internal Audit service shall acquire external expertise to assist with audit work and in order to maintain the skill levels of permanent staff. This has been particularly true for the area of computer audit work, but other types of audit are not excluded from such arrangements.

## **9. TRAINING AND DEVELOPMENT**

- 9.1 The Internal Audit Service will continue to invest in training to ensure the team continues their professional development and stays abreast of emerging risks and developments. We will also participate in the mandatory corporate training, as required.
- 9.2 The Internal Audit Service is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional accountancy qualification as well as several members of the team continuing professional training during 2022/23.

## **10. PERFORMANCE INDICATORS**

- 10.1 "Performance Challenge" meetings will be held four times a year in the presence of the Cabinet member for Finance, The Chief Executive or the Corporate Director and the Head of Finance. The Council Leader will attend one meeting per annum.
- 10.2 The key performance indicator for Internal Audit will be reported at each Governance and Audit Committee.

## **11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

- 11.1 The Public Sector Internal Audit Standards and CIPDA's Local Government Application Note requires the Audit Manager (the "chief audit executive" in the Standards' terminology) to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.



- 11.2 The PSIAS require each internal audit service to maintain a quality assurance and improvement programme based on an internal assessment which can be carried out on an ongoing basis and periodically, supplemented at least every five years by a full independent external assessment.
- 11.3 The outcomes from these assessments, including any improvement actions arising, will be reported to the Governance and Audit Committee, usually as part of the Head of Internal Audit Annual Report.
- 11.4 The Standards specify that the following core principles underpin an effective Internal Audit service:
- Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence (independent)
  - Aligns with the strategies, objectives, and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive, and future-focused
  - Promotes organisational improvement.

## APPENDIX A

### INTERNAL AUDIT PLAN 2022-23

<b>AUDIT</b>	<b>PURPOSE</b>
<b>CORPORATE</b>	
Advice & Consultancy and Supporting Ffordd Gwynedd Reviews	To provide advice and support when considering issues regarding internal controls during reviews.
Ukraine Refugees Plan	A review to ensure that Ukrainian refugees are supported by a fully embraced service to ensure their safety, sanctuary and access to public Services to assist them.
Psychological Safety	An assessment of psychological safety levels that will provide a reflection of how Ffordd Gwynedd is embedded within the Council.
Staff Recruitment and Retention Arrangements	With the increasing mobility of workers and the ability to work from home or hybrid with extensive Equipment employment opportunities, retention is now a pressing issue and it is essential that the risk of staff leaving are identified. The audit will encompass a review of the retention strategy, succession planning and factors that may affect Recruitment and retention such as remuneration, training arrangements and staff empowerment.
Safeguarding Arrangements - Establishments	Provision for conducting "Safeguarding Arrangements" reviews when visiting establishments.
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	Work is to be undertaken to ensure that robust arrangements are in place for dealing with the risks of fraud and corruption and the National Fraud Initiative which is run by the Wales Audit Office.
Information Management - Establishments	Provision for conducting "Information Management" reviews when visiting establishments.
First Aid Payments	A review to ensure that appropriate officers have been designated as first-aiders and ensure that their qualification is up to date and that details displayed on notices in the offices are current.
Payment and Authorisation Arrangements	A review of the ordering and payment arrangements across the Council to ensure compliance with the Financial Procedure Rules and Contract Standing Orders.
Supporting Departments / Services with Business Arrangements following The Covid-19 Pandemic	Review the business arrangements adopted during the Covid-19 pandemic.

## **AUDIT**

Absence Management and Referral Arrangements

## **PURPOSE**

In a review conducted by the “Chartered Institute of Personnel and Development” (CIPD), 26% of employers now include long covid as the main reason for long-term sick leave. The pandemic has raised serious concerns about the mental health of individuals. The purpose of the audit is to review staff absence levels and ensure that there is an effective framework to support officers’ mental health by offering sources of support such as counselling, referral to the Occupational Health Service as well as ensuring that line managers have the support to support their teams.

Economic Social Responsibilities 2021 (Part2)

The Duty came into force on 31 March 2021 and is part of the Equality Act 2016. This review is a follow-up to the audit conducted in 2021-22.

Corporate Category Management

Undertake a review and select a sample of agreements to ensure that the Council spends public monies in a strategic and proper manner and review the development of cross-departmental strategic category plans. Ensure that the Service prioritises value for money and retains local benefit in the course of their work.

## **EDUCATION**

### **Resources**

Pupil Development Grant

The PDG has not been incorporated in the Regional Consortia School Improvement Grant; therefore it will be necessary to carry out a separate audit.

Regional Consortia School Improvement Grant

Requirement under the financial terms and conditions.

Post-16 provision in Schools Grant

Requirement under the financial terms and conditions.

### **Schools**

Unofficial School Funds (Part 2)

Select a sample of school funds across Gwynedd to ensure that the accounts are properly maintained and that proper reporting arrangements to the Governing Body are complied with. The audit is a follow-up to a survey conducted in 2021-22.

Free School Meals

Ensure the arrangements for appropriate stock ordering and the use of School Gateway following the decision for primary school children to be entitled to free school meals as from September 2022.

## **AUDIT**

Education Business Centre

## **PURPOSE**

A review of the arrangements of the Education Business Centre. Since September 2019, the Education Business Centre has been established to develop support for schools and to rationalise and share management requirements. The core work of the Education Business Centre is to provide an information management service (SIMS) to primary schools, with an emphasis on providing a service level agreement to the primary schools that provides services such as written translation and simultaneous translation to the schools.

Schools Reserve Balances

A review of reserves to ensure that they are reasonable.

Schools - General

Annual provision for work involving providing advice and support.

## **ENVIRONMENT**

### **Planning and Environment**

Planning

A review of communication arrangements and timeliness of response.

### **Public Protection**

Taxi Safety

A review of the new taxi licensing arrangements to ensure the safety of all users by ensuring that appropriate DBS checks have been conducted together with vehicle condition checks.

### **Trafnidiaeth and Countryside**

Traffic and Projects

Reponse arrangements to enquiries and complaints across the Service.

Coutryside Service

A progress review against the work programme following the Ffordd Gwynedd review.

## **NORTH WALES ECONOMIC AMBITION BOARD**

*To be agreed*

## **CORPORATE SUPPORT**

### **Democracy**

Arrangements for Returning Member Equipment

The purpose of the audit is to ensure that former cCouncil memers return items of IT equipemtn such as laptops and mobile phones back to the Council and that an adequate record exists so that all items of equipment can be accounted for and that control exists over software installed on qquipment sold to former members.

Member Training

A review to ensure that appropriate arrangements ar ein place to meet the training needs of memebrrs elected in May 2022.

**AUDIT  
FINANCE**

**Across the Department**

Data Protection

**PURPOSE**

An audit to ensure that adequate arrangements are in place for Data Protection, not only electronic data and Access to systems, but also arrangements in respect of paper documentation, filing and disposal arrangements.

**Accountancy**

Harbour Statement of Accounts 2021-22

This is a statutory requirement.

Joint Planning Committee Statement of Accounts 2021-22

This is a statutory requirement.

**Pensions and Payroll**

Bonus Payments to Care Workers (Part 2)

Ensure that appropriate arrangements are in place for administering the bonus payment for care workers.

**Revenue**

Self-Isolation Payments

Assist the Benefit Service in processing Self-Isolation Payments.

Cost of Living Support Payments

Ensure that the Cost of Living Support Payments meets the criteria for the scheme and that payments have been made correctly and in a timely manner.

Council Tax Refunds

A review to ensure that appropriate internal controls are in place for the administration and payment of council tax refunds.

**Information Technology**

Ransomware

An area of high risk – ransomware can cause serious damage to data and devices, infrastructure and operations as well as financial loss and other significant consequences.

**ECONOMY AND COMMUNITY**

**Community Regeneration**

Welsh Church Fund

An independent check will be needed if the fund's income is over £25,000.

**Museums and Galleries**

Lloyd George Museum

An independent check will be needed if the fund's income is over £25,000.

Neuadd Dwyfor

A review of the new arrangements established for the cafe, receipt of income and ordering and payment of invoices.

## **AUDIT**

**Economic Development Programmes**  
Shared Prosperity Fund

Beach Management Plan

## **PURPOSE**

Published on 13 April 2022, the UK Government's plans for the Shared Prosperity Fund, which replaces EU structural funding was announced. Between 2022-23 and 2024-25, £585m will be allocated to Wales through the Fund. Gwynedd's allocation from the Fund is £24.4m. This are will be subject to a continuous review.

This is an area of high risk. (Risk score - 20) The main risk is the safety of people in the sea which could be a threat to life, along with hazards from structures and objects on the beach.

## **ADULTS, HEALTH AND WELLBEING**

**Across the Department**

Use of Cash

A review to ensure robust controls are in place for cash withdrawals with the use of credit cards.

Liberty Protection Safeguards

New arrangements replacing DoLS – a review of arrangements for complying with the Liberty Protection Safeguards.

Staff Recruitment and Retention Arrangements

An area high risk in the Corporate Risk Register, it states that: "Our ability to maintain and deliver quality Services is wholly dependent on our workforce. This is true across the area, and indeed for independent providers as well. The risk of not having a competent, suitable and experienced workforce to provide the service needs of our residents is higher in some areas. We are also proving that the problem of being able to recruit and retain staff is more challenging in different parts of the County such as recruiting Home Carers in rural areas."

## **Business**

Transformation Team

A review of progress against the work programme of the Transformation Team.

## **Residential and Day**

Plas Gwilym

Ensure that the arrangements for the management and maintaining the home are appropriate and in accordance with relevant regulations and standards. The audit will encompass ensuring that the home's arrangements are adequate in terms of staffing and administration, budgetary control, procurement of goods and Services, health and safety, and monitoring performance and ensuring that Service users and their property are safeguarded.

Hafod Mawddach

See above.

Bryn Blodau

See above.

**AUDIT**  
**CHILDREN AND FAMILY SUPPORT**  
**Children and Families**  
Statutory Assessments (AMHP)

**HIGHWAYS AND MUNICIPAL**  
**Across the Department**  
Ash Dieback

**Highways Maintenance**  
Highways – On Duty Arrangements

**Municipal Works**  
Street Works Arrangements

**Waste Management and Streets**  
Commercial Income

**HOUSING AND PROPERTY**  
**Homelessness and Supported Housing**  
Housing Support Grant

**Housing and Wellbeing**  
Grants for First Time Buyers

**Council Land and Property**  
Smallholdings

**CORPORATE LEADERSHIP TEAM**  
Local Government and Elections (Wales)  
Act 2021

**PURPOSE**

This is a statutory requirement in accordance with the Mental Health Wales Measure. This has been identified as an area of high risk due to the lack of officers with the AMHP qualification.

A review to ensure that the Department's arrangements are adequate following establishing an in-house team.

At the request of the Head. The Department is piloting new arrangements and the review will be beneficial in deciding whether to continue with the new arrangements or not.

A review of the arrangements in relation to rotas and overtime claims.

Significant Commercial income is received and the audit will encompass ensuring that the arrangements are adequate and operating in a proper manner.

Requirement under the terms of the grant and it states in the Corporate Risk Register that the risk is that the Grant is not being used to its full potential to reduce homelessness.

An audit to ensure that suitable arrangements are in place for verifying applications and allocating grants.

A review of the arrangements to ensure as is reasonably possible, that the smallholdings estate offer the best opportunities for Gwynedd's young farmers. The audit will include reviewing contracts, rents, repayments and repair and maintenance arrangements.

A review to ensure that progress is made against the work plan.

**AUDIT**  
**GWYNEDD CONSULTANCY**

Project Management Arrangements

Inland and Coastal Work – the FCERM  
Strategy

**PURPOSE**

An audit was conducted in 2021-22 and the Head is eager for an audit in order to report on progress.

Ensure that the Council is preparing a Local Flood Strategy and preparing a plan to reduce the risk and impact of flooding and coastal erosion on the residents of Gwynedd