

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	25 MAY 2023
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2022/2023
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 Governance and Audit 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 2022/2023 and any follow-up action taken in respect of audits from this and previous periods.

3. IMPACT OF COVID-19

- 3.1 Internal Audit officers have chosen to continue working from home but attend establishments/offices to conduct audits/reviews.
- 3.2 Internal Audit officers continued to assist 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 beginning of 2022. A total of 83.88 days were spent on this work.
- 3.3 The work plan for Internal Audit for the financial year 2022/2023 was presented to the Governance and Audit Committee on 30 June 2022. The annual internal audit plan was fluid in order to reflect any emerging issues or changes to risks and priorities of the Council.

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 is 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 internal engagements undertaken by the Internal Audit Service during 2022/2023 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. 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 Head of Finance was presented to the Governance and Audit on 30 June 2022 to provide an update on developments in the risk management area, the next implementation steps to further strengthen the risk management arrangements.
- The 23 governance risks as identified in the Annual Governance Statement (as approved by the Governance and Audit Committee on 30 June 2022) are continually assessed by the Governance Arrangements Assessment Group.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers or otherwise by the Governance and Audit Committee.
- The Authority has received a number of reports from regulators during 2022/2023:
 - Annual Audit Summary 2022 – Auditor General. The report states ***“The Auditor General gave an unqualified true and fair opinion on the Council's Financial statements on 31 January 2023”***.
 - Annual Audit Summary 2022 – states that ***“the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the Financial statements prepared by the Council and with our knowledge of the Council”***.
 - Performance Evaluation Inspection of Cyngor Gwynedd – Care Inspectorate Wales. The purpose of the inspection was to review the local authority's performance in exercising its social Services duties and function in line with legislation, on behalf of Welsh Ministers. The review focused on four key principles of the Social Services and Well-being (Wales) Act 2014 – People – voice and control; prevention; well-being and partnerships. CIW identified identified many strengths and examples of good work and a work programme was presented to the Care Scrutiny Committee on 16 February 2023 to address the findings of the review.

4.4 Annual Opinion

On the basis of Internal Audit work completed during 2022/2023, in my opinion Gwynedd Council's system of internal control during the financial year 2022/2023 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 coverage that has been achieved during the year.

5. AUDIT WORK

Audit Plan

- 5.1 A total of 41 assignments were contained in the revised audit plan for 2022/2023 Of these 40 were completed by 31 March 2023, which represents **97.56%** 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 2022/2023 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 40 assignments in the 2022/2023 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	10
Satisfactory	17
Limited	8
No Assurance	0
No Category	5
Total	40

5.7 Of the reports relating to 2022/2023 that were given an assurance level, 77.14% obtained an assurance level of “Satisfactory” or “High”.

5.8 8 audits received “Limited” assurance and no audit received a “No Assurance” level.

5.9 The full reports are presented to the Governance and 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 assurance category, the Governance and Audit 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 Governance and Committee has received the details of audits from the 2022/2023 plan. The dates of the relevant meeting of the Governance and Audit 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 2022 – 31 January 2023	9 February 2023
1 February 2023 – 31 March 2023	25 May 2023

Revisions to the Plan

5.11 Revisions to the audit plan were reported to the Governance and Audit 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. Out of the 42 agreed actions made in 2021/2022, there was acceptable action on **64.29%** as at 31 March 2023. The Audit Service will re-visit these in the current financial year.

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 Governance and 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. The Working Group did not meet during 2022/23; it is planned to resume meetings of the Control Improvement Working Group during 2023/24 as required.

6. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 6.1 The Audit Manager undertakes the function of “Head of Internal Audit”. The Audit Manager is directly accountable to 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 are currently studying for the CIPFA qualification.
- 6.2 Since 1 April 2023, there are 7 full-time members in the Internal Audit Team.

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 2022 and 31 March 2023. The Committee’s attention is drawn to the following:
- The table shows a decrease in the number of productive days available to provide audits for Gwynedd Council from **783** days between 1 April 2021 and 31 March 2022 to **703** days for the same period in 2022/2023, a decrease of **80** days.
 - No provision was utilized for conducting special investigations or responsive audits in 2022/2023, compared to 25 days in 2021/2022.

7. AUDIT PERFORMANCE

7.1 The results of the internal audit service's achievement measures in 2022/2023 were as follows:




Description of Measure	2021/22 Performance	2022/23 Ambition	2022/23 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.	71.43%	95%	97.56%
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	78.26%	80%	77.14%
Number of agreed actions implemented within the timetable. (corporate indicator).	See Note 1	85%	64.29%
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	See Note 1	100%	60.00%
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	See Note 1	85%	66.67%

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

8. WORK PLANS AND TARGETS 2023/2024

8.1 The internal audit plan for 2023/2024 was presented to the Governance and Audit in its meeting on 25 May 2023.

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%	Maintain
% of internal audits with an assurance level of “Satisfactory” or better (corporate indicator)	80%	
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 Governance and Audit 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 2023/2024.

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 2022/2023.



Internal Audit Plan 2022/2023

Audit Name	Assurance Level	Date Presented to the Governance and Audit Committee
CORPORATE		
Advice and Consultancy and Supporting Ffordd Gwynedd Reviews	No Category	
First Aid Payments	Satisfactory	9 February 2023
Supporting Departments-Services with business arrangements following the Covid-19 pandemic	No Category	
Economic Social Responsibilities 2021	Satisfactory	25 May 2023
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	No Category	
Ukraine Refugees Plan	Satisfactory	9 February 2023
EDUCATION		
Resources		
Post-16 provision in Schools Grant	High	25 May 2023
Schools		
Free School Meals	High	25 May 2023
Education Business Centre	Satisfactory	25 May 2023
Unofficial School Fund	Limited	9 February 2023
Schools - General	No Category	
ENVIRONMENT		
Planning and Environment		
Planning - Communication Arrangements	Limited	25 May 2023
Public Protection		
Taxi Safety	Limited	9 February 2023
CORPORATE SUPPORT		
Democracy		
Member Training	Satisfactory	9 February 2023
Arrangements for Returning Member Equipment	Satisfactory	9 February 2023
FINANCE		
Across the department		
Data Protection	Satisfactory	25 May 2023
Accountancy		
Harbours Statement of Accounts 2021-22	High	9 February 2023
Joint Planning Policy Committee Statement of Accounts 2021-2022	High	9 February 2023
Pensions and Payroll		
Bonus Payments to Care Workers (Part 2)	High	9 February 2023
Additional Payments to Care Workers	High	9 February 2023
Revenue		

Audit Name	Assurance Level	Date Presented to the Governance and Audit Committee
Self-isolation Payments	No Category	
Cost of Living Support Payments	High	25 May 2023
Council Tax Refunds	Satisfactory	25 May 2023
Information Technology		
Ransomware	Satisfactory	9 February 2023
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	High	9 February 2023
Museums and Galleries		
Lloyd George Museum	High	9 February 2023
Neuadd Dwyfor	Satisfactory	25 May 2023
Economic Development Programmes		
Beach Management Plan	Satisfactory	9 February 2023
ADULTS, HEALTH AND WELLBEING		
Across the department		
Use of Cash	Satisfactory	9 February 2023
Liberty Protection Safeguards	Limited	25 May 2023
Staff Recruitment and Retention Arrangements	Satisfactory	25 May 2023
Residential and Day		
Plas Gwilym	Limited	9 February 2023
Hafod Mawddach	Limited	9 February 2023
Bryn Blodau	Limited	9 February 2023
HIGHWAYS AND MUNICIPAL		
Across the department		
Ash Dieback	Satisfactory	25 May 2023
HOUSING AND PROPERTY		
Homelessness and Supported Housing		
Housing Support Grant	Satisfactory	9 February 2023
Housing and Wellbeing		
Grants for First Time Buyers	Satisfactory	9 February 2023
Council Land and Property		
Smallholdings	Limited	25 May 2023
CORPORATE LEADERSHIP TEAM		
Legal Services		
Local Government and Elections (Wales) Act 2021	High	9 February 2023
GWYNEDD CONSULTANCY		
Across the department		
Project Management Arrangements	Satisfactory	25 May 2023

Summary of the number of reports in each assurance level, 2022/23 Plan:

Assurance Level	Number of Audits
High	10
Satisfactory	17
Limited	8
No Assurance	0
No Category	5
Total	40

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

2021/2022		2022/2023
2,077	Total Days	1,960
271	Unproductive Time: Annual Leave	230
67	Unproductive Time: Statutory Holidays	69
338	<i>Less Holidays (Statutory and Non-Statutory)</i>	299
1,740	Total Available Days	1,661
	<i>Less:</i>	
20	Special Leave	22
70	Illness	258
25	Professional Training	5
51	Job Training	28
1,574	Available Days	1,348
	<i>Less Unproductive Time:</i>	
15	Medical Appointments	10
30	Time Recording and Management	31
132	Meetings and Committees	89
1	Training Presentation	2
45	Background Work	47
29	Admin etc.	28
4	iGwynedd Project	1
2	Audit Committee	5
127	Internal Audit Management	92
2	Absence Management	5
19	IT problems	21
4	Internal Audit Information Management Exercise	7
4	Meetings (WCAG & N&MWAP)	6
3	Meetings with External Audit	1
1,159	Total productive days	1,004
72	Work for SNPA	117
118	Community and Town Councils	94
42	Byw'n Iach Cyf.	55
131	Natural Resources Wales (Secondment)	0
13	Ffestiniog Town Council	22
0	GWE	13
783	Total productive days, Gwynedd Council	703

Analysis of the use of Gwynedd Council productive days:

2021/22		2022/23
711	Work on current year's plan	636
12	Completion of previous year's work	18
0	Commencement of next year's work	2
36	Advice and Consultancy	21
0	Follow-up work	25
25	Responsive Work / Special Investigations	0
783		703

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	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. In addition, the Audit Manager is directly accountable to the Head of Finance.
02	1310 – Requirements of the Quality Assurance and Improvement Programme	Does the QAIP include both internal and external assessments?	An external assessment was conducted by the CAE of Carmarthenshire County Council in accordance with the WCAG peer review arrangements and the next assessment has been planned for October 2024.	Audit Manager	31/12/2017	The external assessment has been planned for October 2024 and will be carried out by the Denbighshire 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 Governance and Audit 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 & 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