

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2015/16
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 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 2015/16 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 2015/16, 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 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 74 assignments were contained in the revised audit plan for 2015/16. Of these, 73 were completed by March 2015, which represents **98.65%** of the plan. For the purposes of this indicator, 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 2014/15 performance of 95.6%, against a target of 95%.

4.3 The only audit from the 2015/16 plan which was not finalised before 31 March 2016 is:

- **Workforce Modelling – Ysgol Llanllechid.** The preparatory work has already been completed and an audit visit was arranged. However, the Head explained that that the school was to be the subject of an Estyn review and enquired into the possibility of postponing the Internal Audit visit until April/May – this was agreed.

4.4 The audits from the 2015/16 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.5 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.

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

4.7 Of the 73 assignments in the 2015/16 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	10
B	37
C	13
CH	0
No Category	13
Total	73

4.8 Of the reports relating to 2015/16 that were given an ‘A’ to ‘Ch’ opinion category, 78.33% obtained an ‘A’ or ‘B’ opinion. This figure is lower than the equivalent figure of 82.4% in 2014/15.

4.9 No audit received an ‘Ch’ opinion.

4.10 The executive summaries of all full reports are presented to the 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 opinion category, the Audit Committee is presented with a summary of the findings of the relevant audits where appropriate.

4.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2015/16 plan. The dates of the relevant meeting of the Audit Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit Committee
1 April 2015 – 30 June 2015	16 July 2015
1 July 2015 – 11 September 2015	24 September 2015
14 September – 31 October 2015	1 December 2015
1 November 2015 – 31 January 2016	11 February 2016
1 February 2016 – 31 March 2016	5 May 2016

Revisions to the Plan

4.12 Revisions to the audit plan were reported regularly to the Audit Committee during the year.

Follow-up Work

- 4.13 A final memorandum was issued for 9 follow-up audits between 1 April 2015 and 31 March 2016. Eight of these audits were given an “Acceptable” or better. This suggests that, overall, robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risks.

Control Improvement Working Group

- 4.14 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, one Audit Leader and a Senior Auditor have a full CIPFA qualification, and the other Audit Leader has the “CIPFA Diploma in Public Audit”. One Senior Auditor is studying for the CIPFA qualification.

- 5.2 Since 1 April 2015, 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 2015 and 31 March 2016. 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 as a result of the re-structuring, from **1,587** days between 1 April 2014 and 31 March 2015 to **1,117** days for the same period in 2015/16, a significant decrease of **470** days, which reflects the changes to the structure.
- During 2015/16, the Internal Audit Service moved office premises from Penrallt to Plas Llanwnda – this resulted in a total of 27 man-days.
- The number of days used to complete special investigations or responsive audits was 58 days, this is significantly lower than the 150 days used in 2014/15 but comparative to the number of days in 2013/14, which was 56 days.
- There was a reduction in the number of days that were committed to completing follow-up audits - 41 days in 2015/16 compared to 125 days in 2014/15.

6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2015/16 were as follows:

Description of Measure	2014/15 Performance	2015/16 Ambition	2015/16 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.	95.6%	95%	98.63%
% of internal audits with a 'B' opinion or better (corporate indicator)	82.4%	65%	78.33%
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	80.95%	90%	88.88%

6.2 All targets were met apart from:

- **% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)** - 8 audits out of 9 obtained an "Acceptable" opinion or better, therefore only one follow-up audit failed to attain the expected standard.

7. WORK PLANS AND TARGETS 2016/17

7.1 A draft internal audit plan was presented to the Audit Committee in its meeting on 11 February 2016. 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 2016/17 are:

Measure	Ambition 2016/17	Direction of Ambition
% 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%	Maintain
% of internal audits with a 'B' opinion or better (corporate indicator)	65%	Maintain
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	90%	Maintain

8. RECOMMENDATION

8.1 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 2015/16.



Internal Audit Plan 2015/16

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Use of Consultants	B	11 February 2016
Awareness of Whistleblowing Policy - Manual Workers	B	11 February 2016
First Aid Payments	C	16 July 2015
Safeguarding Arrangements - Staff Awareness of Policy	B	5 May 2016
Corporate Assessment	No Category	
Officers Gifts and Hospitality - High-Risk Services	B	5 May 2016
Proactive Prevention of Fraud and Corruption	No Category	5 May 2016
Contracting Terms - Safeguarding Arrangements	B	5 May 2016
Information Governance - Data Protection Act	B	5 May 2016
National Fraud Initiative	No Category	
EDUCATION		
Resources		
Education Grant - Post 16	No Category	11 February 2016
Funding for Band 4 and 5 Schools	No Category	11 February 2016
Welsh in Education Grant	No Category	11 February 2016
Pupil Deprivation Grant	No Category	11 February 2016
Schools Efficiency Grant	No Category	11 February 2016
Learning Pathways Grant 14-19	No Category	11 February 2016
Education Improvement Grant for Schools	B	5 May 2016
Gwynedd and Anglesey Learning Partnership Grant	A	11 February 2016
Communication with Schools	B	24 September 2015
Catering		
Secondary Schools Catering - Ysgol Ardudwy	C	5 May 2016
Secondary Schools Catering - Ysgol y Gader	C	5 May 2016
Secondary Schools Catering - Ysgol y Moelwyn	B	5 May 2016
Schools		
Ysgol Gynradd Dolgellau	B	16 July 2015
Schools General	No Category	
Ysgol Dyffryn Nantlle	B	16 July 2015
Workforce Modelling - Ysgol Treferythyr	B	11 February 2016
Workforce Modelling - Ysgol Llangybi	B	5 May 2016
Workforce Modelling - Ysgol Baladeulyn	B	11 February 2016
Workforce Modelling - Ysgol Gynradd Nebo	B	11 February 2016
Workforce Modelling - Ysgol Llanbedr	B	5 May 2016
Schools - Governance	B	1 December 2015
NORTH AND MID WALES TRUNK ROAD AGENCY		
North and Mid Wales Trunk Road Agency	No Category	
CORPORATE SUPPORT		
Democracy		
Member Training and Development	B	5 May 2016

Audit Name	Opinion Category	Date Presented to Audit Committee
Chairman's Fund	B	24 September 2015
Health and Safety		
Schools - Health and Safety of Educational Visits	B	5 May 2016
FINANCE		
Across the department		
Removing Leavers from IT systems	C	24 September 2015
Financial		
Debtors System - Review of Key Controls	B	5 May 2016
Payments System - Review of Key Controls	B	5 May 2016
Accountancy		
MAS - Review of Key Controls	A	24 September 2015
MAS including Debtors and Payments - Closure 2014-15	A	16 July 2015
Bank Reconciliation - Review of Key Controls	A	5 May 2016
Bank Reconciliation - Closure 2014-15	A	16 July 2015
Pensions and Payroll		
Payroll System - Review of Key Controls	B	5 May 2016
Payroll System - Closure 2014-15	A	16 July 2015
Pension Fund - Review of Key Controls	B	5 May 2016
Revenue		
Benefits - Review of Key Controls	A	5 May 2016
Revenues System - Closure 2014-15	B	24 September 2015
Council Tax - Review of Key Controls	A	5 May 2016
NNDR - Review of Key Controls	A	5 May 2016
Information Technology		
Siebel - eFinancials Interface	A	1 December 2015
Cybersecurity	B	5 May 2016
IT Backup and Recovery Processes & Procedures	B	5 May 2016
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	No Category	
Leisure		
Arfon Leisure Centre	C	11 February 2016
Plas Ffrancon Leisure Centre	C	1 December 2015
Glaslyn Leisure Centre	B	1 December 2015
Penllyn Leisure Centre	B	1 December 2015
Major Projects		
Sailing Academy	B	11 February 2016
ADULTS, HEALTH AND WELLBEING		
Across the department		
Home Care	B	11 February 2016
Governance of collaborations with 3rd Sector	B	11 February 2016
Care Worker Training Programmes	B	5 May 2016
Community Care		
Travelling Costs of Community Care Workers	C	16 July 2015
Adults		
Validity of Invoices from Private Providers	B	24 September 2015

Audit Name	Opinion Category	Date Presented to Audit Committee
Residential and Day		
Plas y Don, Pwllheli	C	11 February 2016
Plas Hedd, Bangor	C	11 February 2016
Hafod Mawddach, Barmouth	B	11 February 2016
Cefn Rodyn, Dolgellau	C	1 December 2015
Charges on Properties of Home Residents	C	24 September 2015
HIGHWAYS AND MUNICIPAL		
Fleet		
Maintenance of buildings and sites	C	11 February 2016
Highways Works		
Inspections	B	5 May 2016
REGULATORY		
Transportation and Street Care		
Pont Briwet	No Category	11 February 2016
Public Transport	C	1 December 2015
Parking Income	B	5 May 2016

Summary of the number of reports in each opinion category, 2015/16 Plan:

	Number of Audits
A	10
B	37
C	13
No Category	13
Total	73

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

2014/15		2015/16
2,594	Total Days	1,866
390	Less Holidays (Statutory and Non-Statutory)	315
2,204	Total Available Days	1,551
	Less:	
16	Special Leave	22
29	Illness	24
10	Professional Training	3
106	Job Training	53
2,043	Available Days	1,449
	Less Unproductive Time:	
8	Performance Review (Appraisal)	0
12	Medical Appointments	11
33	Time Recording and Management	26
88	Meetings and Committees	63
1	Meetings - Joint working with WAO	0
11	Training Presentation	2
1	Conducting interviews	4
38	Background Work	29
36	Admin etc.	23
13	Audit Committee	4
100	Internal Audit Management	93
4	Absence Management	2
0	Moving Offices	27
1	North Wales Joint-working Tasks	0
8	IT problems	7
33	Internal Audit Information Management Exercise	9
1	Fire Drills	0
27	Less: other management work (Senior Manager)	0
1,628	Total productive days	1,149
30	Work for SNPA	32
11	Work for CTE	0
1,587	Total productive days, Gwynedd Council	1,117

Analysis of the use of Gwynedd Council productive days:

2014/15		2015/16
1,258	Work on current year's plan	983
5	Completion of previous year's work	1
8	Commencement of next year's work	0
41	Advice and Consultancy	34
125	Follow-up work	41
150	Responsive Work / Special Investigations	58
1,587		1,117



Internal Audit Plan 2016/17

Audit Code	Audit Name	Days
CORPORATE		
	Supporting Ffordd Gwynedd Reviews	20.00
	Managing Early Departures	20.00
	Safeguarding Arrangements - Disclosure and Barring Service Checks	10.00
	Health and Safety - Trees	10.00
	Safeguarding Arrangements - Field Workers' Awareness of Policy	10.00
	Safeguarding Arrangements - the Operational Structure	20.00
	Corporate Assessment	10.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Management	10.00
	Use of Credit Cards	20.00
	National Fraud Initiative	50.00
	Emergency Planning	
	Fuel Supplies - Local and Regional Plans	12.00
EDUCATION		
	Resources	
	Pupil Deprivation Grant	5.00
	Education Improvement Grant for Schools	20.00
	Post-16 Provision in Schools Grant	2.00
	The Arrangements for Safeguarding and Protecting Children	25.00
	Across the department	
	Dwyfor Meirionnydd Special School	15.00
	Schools	
	Statistics and Census - Secondary School	15.00
	Budgetary Control - Primary Schools	25.00
	School - General	10.00
	Information Governance in Schools	25.00
CORPORATE SUPPORT		
	Procurement and Efficiency	
	E-proc System - Tolerance Levels	10.00
FINANCE		
	Across the department	
	IT System Security	30.00
	Financial	
	Debtors System - "Cancelled" Invoices	12.00
	Review of Checking Limits	10.00
	Accountancy	
	Coding Structure	8.00
	Revenue	

Audit Code	Audit Name	Days
	Discretionary Housing Payments	10.00
	Benefits - Review of Key Controls	12.00
	Coouncil Tax - Reductions and Exemptions (People)	12.00
	Council Tax System - Connect	10.00
	Business Rates - Charitable Reductions	8.00

DEMOCRACY AND LEGAL

Registration

Coroner	10.00
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ECONOMY AND COMMUNITY

Community Regeneration

Welsh Church Fund	5.00
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Record offices, museums and the arts

Storiol - Governance and Management Arrangements	15.00
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Leisure

Leisure Centres	40.00
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Libraries

Youth Club Accounts	15.00
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Maritime and country parks

Hafan	10.00
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Sale of Diesel	10.00
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Beaches - Unannounced Visits	10.00
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ADULTS, HEALTH AND WELLBEING

Across the department

Business-Service Continuity Plans	20.00
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Budgetary Control - Provider	15.00
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Deprivation of Liberty	15.00
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Support Workers - Adults	15.00
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Business

Social Services Complaints Procedures	15.00
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Community Care

Holidays of Community Carers	10.00
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Adults

Direct Payments	15.00
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Personal Independence Payments	15.00
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Residential and Day

Plas Pengwaith, Llanberis	12.00
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Plas Gwilym, Penygroes	12.00
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Bryn Blodau, Blaenau Ffestiniog	12.00
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Llys Cadfan, Tywyn	12.00
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Housing Support	15.00
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CHILDREN AND FAMILY SUPPORT

Children and Families

Audit Code	Audit Name	Days
	Grants	24.00
	Gyda'n Gilydd Project	15.00
	Support Workers	15.00
	Adoption	20.00

HIGHWAYS AND MUNICIPAL

Fleet

MOT Fees	10.00
Fleet Management	12.00

Waste Management and Streetsecene

Commercial Waste	15.00
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REGULATORY

Public Protection

Flare System	15.00
Animal Health	15.00

Council Land and Property

Capital Schemes - Property	15.00
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GWYNEDD CONSULTANCY

Buildings and Environmental

Recruitment and Selectiom	10.00
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Across the department

Overtime	15.00
Project Plans	15.00

970.00