

COMMITTEE:	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE:	<b>27 MAY 2021</b>
TITLE:	<b>HEAD OF INTERNAL AUDIT ANNUAL REPORT 2020/2021</b>
PURPOSE OF THE REPORT:	<b>TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY</b>
AUTHOR	<b>LUNED FÔN JONES – AUDIT MANAGER</b>
ACTION	<b>TO RECEIVE THE REPORT</b>

---

## **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 2020/2021 and any follow-up action taken in respect of audits from this and previous periods.

### **3. IMPACT OF COVID-19**

- 3.1 Like the majority of Council services, Internal Audit officers are working from home and will continue to do so for the foreseeable future. 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 during the first quarter of the year and at the request of the Head of Finance, Internal Audit officers were redeployed to assist and support the Council by verifying and processing Welsh Government Grants for Businesses administered by the Revenues Service. The total number of days for this work was 146 days.
- 3.3 Furthermore, Internal Audit staff also assisted the Test, Trace and Protect Service. This is a programme launched by the Welsh Government with the aim of leading Wales out of the pandemic through enhance health surveillance in the community, effective and extensive contact tracing and support to people to self-isolate. A total of 120 days were spent assisting the Test, Trace and Protect Service.
- 3.4 A revised work plan for Internal Audit for the financial year 2020/2021 was presented to the Audit and Governance Committee on 30 July 2020. The annual internal audit plan was much more fluid than normal in 2020/2021 as a result of the impact of the pandemic on the organisation.
- 3.5 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 small number of internal engagements undertaken by the Internal Audit Service during 2020/2021 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, 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 30 November 2020 to provide an update on further developments to the risk management arrangements, the next implementation steps, and consider if the response addresses the matters raised in the Auditor's Letter.
- The 22 governance risks as identified in the Annual Governance Statement (as approved by the Audit and Governance Committee on 30 July 2020) are continually assessed by the Governance Arrangement Group.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, and considered by Control Improvement Working Group or otherwise by the Audit and Governance Committee.
- The Authority has received a number of reports from regulators during 2020/2021:
  - Financial Sustainability Assessment – Audit Wales. The report concludes that ***“The Council is currently in a relatively strong position and its overarching financial strategy has supported financial resilience well”***.
  - Annual Audit Summary 2020 – Auditor General. The report states that ***“The Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 5 November 2020, 25 days ahead of the statutory deadline”***. In respect of Continuous Improvement the report states ***“that the Council has met its legal duties for improvement planning and reporting and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2020-21”***.

- 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 2020/2021, in my opinion Gwynedd Council’s system of internal control during the financial year 2020/2021 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 23 assignments were contained in the revised audit plan for 2020/2021. Of these 19 were completed by 31 March 2021, which represents **82.61%** 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 2020/2021 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:

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

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

<b>ASSURANCE LEVEL</b>	<b>DEFINITION</b>
<b>HIGH</b>	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
<b>SATISFACTORY</b>	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
<b>LIMITED</b>	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.
<b>NO ASSURANCE</b>	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 19 assignments in the 2020/2021 audit plan, the following opinion categories were expressed:

<b>Opinion Category</b>	<b>Number of Audits</b>
High	11
Satisfactory	2
Limited	0
No Assurance	0
No Category	6
<b>Total</b>	<b>19</b>

5.7 Of the reports relating to 2020/2021 that were given an assurance level, 100% obtained an assurance level of “Satisfactory” or “High”.

5.8 None of the audits received a “Limited” or “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 2020/2021 plan. The dates of the relevant meeting of the Audit and Governance Committee are also shown in Appendix 1.

<b>Date of release of Final Report/Memorandum</b>	<b>Date of Report to the Audit and Governance Committee</b>
1 April 2020 – 31 October 2020	30 November 2020
1 November 2020 – 31 January 2021	11 February 2021
1 February 2021 – 31 March 2021	27 May 2021

### **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 2020/2021.

### **Control Improvement Working Group**

- 5.13 The Control Improvement Working Group continued its work of strengthening the Council's arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meetings and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Officers are being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

## **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. Two Senior Auditors are studying for the CIPFA qualification and two Senior Auditors have recently gained the AAT qualification.
- 6.2 Since 1 April 2021, there are 7 full-time members in the Internal Audit Team and one Temporary Senior Auditor to cover the secondment of a Senior Auditor. Monies have been earmarked to fund this additional resource for the Service to implement audits when the crisis restrictions are relaxed as reported by the Head of Finance to the Audit and Governance Committee on 11 February 2021.

### 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 2020 and 31 March 2021. The Committee's attention is drawn to the following:

- The table shows a reduction in the number of productive days available to provide audits for Gwynedd Council from **681** days between 1 April 2019 and 31 March 2020 to **557** days for the same period in 2020/2021, a decrease of **124** days. This was due mainly to the secondment of a Senior Auditor and also providing accountancy services to the Snowdonia National Park Authority and Ffestiniog Town Council.
- The number of days used to complete special investigations or responsive audits was 11 days, compared to 18 days in 2019/2020.
- The number of days that were committed to completing follow-up audits was 1 day in 2020/2021 compared to 31 days in 2019/2020.

## 7. AUDIT PERFORMANCE

7.1 The results of the internal audit service's achievement measures in 2020/2021 were as follows:




Description of Measure	2019/20 Performance	2020/21 Ambition	2020/21 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.	91.84%	95%	<b>82.61%</b>
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	77.77%	80%	<b>100%</b>
Number of agreed actions implemented within the timetable. (corporate indicator).	76.14%	85%	<b>See Note 1</b>
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	100%	100%	<b>See Note 1</b>
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	-	85%	<b>See Note 1</b>

**Note 1 – no follow-up audits were conducted during 2020/2021.**

## 8. WORK PLANS AND TARGETS 2021/2022

8.1 The internal audit plan for 2021/2022 was presented to the Audit and Governance Committee in its meeting on 27 May 2021.

8.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit's achievement measures for 2021/2022 are:

Measure	Ambition 2021/2022	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 2021/2022.

## 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 2020/2021.





# Internal Audit Plan 2020/2021

Audit Name	Opinion Category	Date Presented to the Audit and Governance Committee
<b>CORPORATE</b>		
Employment Statements	<b>No Category</b>	30 November 2020
Safeguarding Arrangements	<b>High</b>	27 May 2021
Business Arrangements as a result of Covid-19	<b>No Category</b>	
Supply chain risks	<b>Satisfactory</b>	27 May 2021
Home Working Arrangements	<b>Satisfactory</b>	27 May 2021
Track, Trace, Protect - Coronavirus	<b>No Category</b>	
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	<b>No Category</b>	
<b>EDUCATION</b>		
<b>Resources</b>		
Pupil Development Grant	<b>High</b>	30 November 2020
Regional Consortia School Improvement Grant	<b>High</b>	30 November 2020
Post-16 provision in Schools Grant	<b>No Category</b>	27 May 2021
<b>FINANCE</b>		
<b>Accountancy</b>		
Harbours Statement of Accounts 2019-2020	<b>High</b>	30 November 2020
Joint Planning Policy Committee Statement of Accounts 2019-2020	<b>High</b>	30 November 2020
North Wales Economic Ambition Board Statement of Accounts 2019-2020	<b>High</b>	30 November 2020
<b>Pensions and Payroll</b>		
Payments to Care Workers	<b>High</b>	11 February 2021
<b>Revenue</b>		
Council Tax Reduction Scheme	<b>High</b>	11 February 2021
Welsh Government Business Support Grants	<b>No Category</b>	
<b>ECONOMY AND COMMUNITY</b>		
<b>Record offices, museums and the arts</b>		
Lloyd George Museum	<b>High</b>	27 May 2021
<b>CHILDREN AND FAMILY SUPPORT</b>		
<b>Children and Families</b>		
Arrangements for "Free School Meals"	<b>High</b>	11 February 2021
<b>HOUSING AND PROPERTY</b>		
<b>Homelessness and Supported Housing</b>		
Supporting People Grant	<b>High</b>	30 November 2020

**Summary of the number of reports in each assurance level, 2020/21 Plan:**

<b>Assurance Level</b>	<b>Number of Audits</b>
High	11
Satisfactory	2
Limited	0
No Assurance	0
No Category	6
Total	19

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

<b>2019/2020</b>		<b>2020/2021</b>
<b>2,037</b>	<b>Total Days</b>	<b>2,019</b>
241	Unproductive Time: Annual Leave	231
56	Unproductive Time: Statutory Holidays	56
297	<i>Less Holidays (Statutory and Non-Statutory)</i>	287
<b>1,741</b>	<b>Total Available Days</b>	<b>1,732</b>
	<i>Less:</i>	
10	Special Leave	14
117	Illness	135
232	Maternity Leave	39
115	Professional Training	78
21	Job Training	41
<b>1,247</b>	<b>Available Days</b>	<b>1,425</b>
	<i>Less Unproductive Time:</i>	
13	Medical Appointments	9
25	Time Recording and Management	28
77	Meetings and Committees	88
4	Training Presentation	0
38	Background Work	51
13	Admin etc.	23
14	iGwynedd Project	14
5	Audit Committee	2
107	Internal Audit Management	108
2	Absence Management	3
4	IT problems	14
4	Internal Audit Information Management Exercise	0
2	North Wales Collaborative Working	0
7	Meetings with External Audit	1
10	Travel Time	0
10	Keep in Contact Days	0
<b>912</b>	<b>Total productive days</b>	<b>1,084</b>
84	Work for SNPA	60
98	Community and Town Councils	119
49	Byw'n Iach Cyf.	40
-	Natural Resources Wales (Secondment)	248
-	Ffestiniog Town Council	60
<b>681</b>	<b>Total productive days, Gwynedd Council</b>	<b>557</b>

**Analysis of the use of Gwynedd Council productive days:**

<b>2019/20</b>		<b>2020/21</b>
564	Work on current year's plan	510
11	Completion of previous year's work	1
6	Commencement of next year's work	10
49	Advice and Consultancy	24
31	Follow-up work	1
18	Responsive Work / Special Investigations	11
<b>681</b>		<b>557</b>

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
01	<b>1110 – Organisational Independence</b>	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	<b>1310 – Requirements of the Quality Assurance and Improvement Programme</b>	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	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	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.

<b>ACTION NO.</b>	<b>PSIAS STANDARD</b>	<b>CONFORMANCE WITH THE STANDARD</b>	<b>PROPOSED ACTION</b>	<b>RESPONSIBILITY</b>	<b>ORIGINAL TIMESCALE</b>	<b>PROGRESS</b>
04	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	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	<b>1320 – Reporting on the Quality Assurance and Improvement Programme</b>	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	<b>1322 – Disclosure of Non-conformance</b>	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	<b>2450 – Overall Opinion</b>	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