

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	30 JUNE 2015
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2014/15
PURPOSE OF REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK LUNED FÔN JONES, AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTRODUCTION

- 1.1 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."

- 1.2 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 assurance that there are no major weaknesses in the whole system of internal control.
- 1.2 In assessing the level of assurance to be given, I have taken into account all audits relevant to 2014/15 and any follow-up action taken in respect of audits from this and previous periods.

2. OVERALL ASSURANCE

- 2.1 **On the basis of Internal Audit work completed during 2014/15, 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.**

2.2 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 were considered by the Audit Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

3. AUDIT WORK

Audit Plan

- 3.1 A total of 91 assignments were contained in the final revised audit plan for 2014/15. Of these, 87 were completed by 31 March 2015, which represents **95.6%** 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%
- 3.2 This performance compares with the 2013/14 performance of **94.29%**, against a target of 95%.
- 3.3 The audits from the 2014/15 plan that were not finalised before 31 March 2015 were:
- **Protection Arrangements.** The Council has made a significant amount of work during the year to develop its protection arrangements. When considering the audit resources that were available, it was concluded that assurance could be obtained through other means, at that an internal audit would not be an effective use of resources.
 - **Risk Management Arrangements.** The organisation was able to obtain assurance through alternative methods, e.g. reports to the Management Group.
 - **IT Systems.** This work has slipped to 2015/16 due to resource availability.
 - **Procurement Strategy.** Work on developing the new strategy was ongoing during the year; an audit would have been premature.
- 3.4 The audits from the 2014/15 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1
- 3.5 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. |
- 3.6 All recommendations that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.

- 3.7 Of the 87 completed assignments in the 2014/15 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	24
B	32
C	12
CH	0
Acceptable	1
No Category	18
Total	87

- 3.8 Of the reports relating to the 2014/15 plan that were given an 'A' to 'CH' opinion category, 82.4% obtained an 'A' or 'B' opinion, which is lower than the equivalent figure of 73.5% in 2013/14.
- 3.9 No audit received an 'CH' opinion.
- 3.10 The executive summaries of 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.
- 3.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2014/15 plan. The dates of the relevant meetings of the Audit Committee are also shown in Appendix 1.

Date of release of Final Report or Memorandum	Date of Report to the Audit Committee
1 April 2014 – 30 June 2014	15 July 2014
1 July 2014 – 12 September 2014	25 September 2014
13 September 2014 – 30 November 2014	18 December 2014
1 December 2014 – 31 January 2015	17 February 2015
1 February 2015 – 31 March 2015	30 June 2015

Revisions to the Plan

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

Follow-up Work

- 3.13 A final memorandum was issued for 21 follow-up audits between 1 April 2014 and 31 March 2015. Four of these audits were given an “Unsatisfactory” opinion. The others were given an “Acceptable” or “Excellent” opinion. This suggests that, overall, robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risk.

Control Improvement Working Group

- 3.14 The Control Improvement Working Group, which was introduced during 2013/14, 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 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 a ‘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.

4. INTERNAL AUDIT RESOURCES

Staffing and qualifications

- 4.1 There was a change in the management structure of the service during 2014/15. In a restructuring of the senior management of the Finance Department with effect from 1 November 2014, the post of Senior Manager Audit and Risk was abolished, and an Audit Manager post – who is accountable to the Senior Manager Revenue and Risk – was created to take the "Head of Internal Audit" function. The new Audit Manager, as well as a team leader and a senior auditor, have a full CIPFA qualification, and other senior auditor is part qualified with the ACCA.
- 4.2 As part of the Council's efficiency savings, three auditor posts were abolished from the structure with effect from 1 April 2015. This means that there are 7 full-time members of the Internal Audit team since. In practice, the three posts that were abolished became vacant during the period December 2014 to February 2015, as the holders of the posts were successful in their efforts to find alternative employment.

Utilisation of staff resources

- 4.3 Appendix 2 contains an analysis of the use made of the time of Internal Audit officers during the period between 1 April 2014 and 31 March 2015. 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, mainly for the reasons outlined in 4.2 above, from **1,706** days between 1 April 2013 and 31 March 2014 to **1,587** days for the same period in 2014/15, a reduction of 119 days.
 - There was a significant increase in the number of days that had to be used to complete special investigations or responsive audits, from **56** in 2013/14 to **150** in 2014/15.
 - There was also an increase in the number of days that were committed to completing follow-up audits, from **41** in 2013/14 to **125** in 2014/15.
 - There was a reduction in the number of days used to supply audits to our external customers, from **163** in 2013/14 to **41** in 2014/15. This reduction was planned for. However, during the year our contract with Cymdeithas Tai Eryri came to an end, after they merged with another housing association to form Grŵp Cynefin.
 - In terms of professional training, one Auditor was studying for the ACCA qualification.
 - The number of days lost due to illness remained at the same low level, at **29** days.

5. AUDIT PERFORMANCE

5.1 The results of the internal audit service's performance measures in 2014/15 were as follows:

Description	2013/14 Performance	2014/15 Ambition	2014/15 Results
% of the 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	94.29%	95%	95.6%
Number of audit days provided for Gwynedd Council	1,707	1,506	1,587
Number of audit days provided for external customers	163	50	41
% of Internal Audits with a "B" opinion or better (corporate indicator)	75.0%	70%	80.3% ¹
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	80.0%	90%	80.95%

5.2 All targets were met, apart from:

% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator). This is a corporate measure, but the response of some services to the audits were disappointing, and there are arrangements to deal with this through the Audit Committee and the Control Improvement Working Group. Despite this, 4 out of every 5 had acted as expected.

Number of audit days provided for external customers. This measure was below the target due to slippage in the completion of one audit for an external customer, as a result of the need to change the schedule of audit work at the request of the customer.

¹ This measures the opinion of final reports released between 1/4/2014 and 31/3/2015, including some from the 2013/14 plan as well as 2014/15. This is the reason for the discrepancy between this result and the figure reported in paragraph 3.8, which only reports on the work of the 2014/15 plan.

6. WORK PLANS AND TARGETS 2015/16

- 6.1 A draft internal audit plan for 2015/16 was presented to the Audit Committee in its meeting on 17 February 2015. The latest plan, containing amendments following the Committee meeting, is included in Appendix 3.
- 6.2 Internal Audit's performance measures for 2015/16 are:

Measure	Ambition 2015-16	Direction of Ambition
Percentage of the subsequent audits that are receiving an "Acceptable" opinion or better	90	Maintain
Percentage inspections of the audit plan that are ready to be submitted to the Audit Committee either because they have released a final report, or have been closed	95	Maintain
Actual audit dates provided to Gwynedd Council	1125	Willing to see a reduction
Actual audit dates provided to external customers	50	Willing to see a reduction
Percentage of the internal audits that are reaching opinion "B" or better	65	Willing to see a reduction

- 6.3 It is suggested that the Council should be prepared to see a reduction in the performance of three of the measures for the following reasons:

Actual audit days provided to Gwynedd Council. The number of auditors has decreased from 10 in 2014/15 to 7 in 2015/16. This has been agreed by the Council as part of the efficiency savings plans.

Actual audit days provided to external customers. The service contract with Grŵp Cynefin has expired, and there is no guarantee that we will succeed in gaining a contract with another external customer is in place.

Percentage of internal audits which reaches opinion "B" or better. As the number of Council staff are cut, it is expected that some internal controls are weakened. However, it is expected that this will be a temporary reduction, before Ffordd Gwynedd principles develop within all Council services.

- 6.4 There is a strong possibility that these measures will change during the year, as they are reviewed in line with "Ffordd Gwynedd" principles.

7. RECOMMENDATION

- 7.1 The Committee is asked to accept this report as the formal annual report of the Senior Manager Audit & Risk pursuant to the Public Sector Internal Audit Standards for the financial year 2014/15.



Internal Audit Plan 2014/15

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Jobs System - security and accuracy	C	30 June 2015
Mobile Phones	B	30 June 2015
Use of Technology - Value for Money review	No Category	30 June 2015
Learning and Development Arrangements	B	30 June 2015
The Succession Plan and Workforce Planning	A	17 February 2015
Disclosure Arrangements - Awareness of the Whistleblowing Policy	No Category	18 December 2014
Staff Protection Register	C	25 September 2014
Health and Safety - Lone Working	C	30 June 2015
Review of State Aid	No Category	
Protocol for Member-Officer Relations	B	30 June 2015
Contribution to preparation of the Annual Governance Statements	No Category	25 September 2014
Corporate Governance - Implementing Committee Decisions	A	30 June 2015
Proactive Anti-Fraud and Anti-Corruption Work	No Category	
Sickness Arrangements - Referrals to Occupational Health	B	18 December 2014
NFI (National Fraud Initiative)	No Category	
Officers Gifts and Hospitality	C	25 September 2014
Emergency Planning		
Inclement Weather Plan	B	25 September 2014
EDUCATION		
Resources		
Pupil Deprivation Grant	C	17 February 2015
Post-16 Provision in Schools Grant	A	30 June 2015
Consortia School Attendance Grant	No Category	
Foundation Stage Revenue Grant	B	25 September 2014
ICT in Secondary Schools	B	30 June 2015
Schools		
Secondary Schools - Governance	B	25 September 2014
NORTH AND MID WALES TRUNK ROAD AGENCY		
North and Mid Wales Trunk Roads Agency	No Category	
FINANCE		
Financial		
Debtors System - Review of Key Controls	B	30 June 2015
Payments System - Review of Key Controls	B	30 June 2015
Payments System - Closure 2013-14	B	18 December 2014
Investment and Treasury Management		
Treasury Management	B	17 February 2015
Accountancy		
CHAPS Payments	A	18 December 2014
Fixed Asset Register (Vehicles)	No Category	30 June 2015
Main Accounting System - Review of Key Controls	A	25 September 2014

Audit Name	Opinion Category	Date Presented to Audit Committee
Bank Reconciliation - Review of Key Controls	B	30 June 2015
Bank Reconciliation - Closure 2013-14	A	18 December 2014
Pensions and Payroll		
Payroll System - Review of Key Controls	B	30 June 2015
Payroll System - Closure 2013-14	A	18 December 2014
Payroll - Multiple Jobs	C	30 June 2015
Gwynedd Pension Fund - Review of Key Controls	A	30 June 2015
Gwynedd Pension Fund - Closure 2013-14	A	18 December 2014
Revenue		
Benefits System - Review of Key Controls	A	30 June 2015
Benefits System - Closure 2013-14	A	15 July 2014
Council Tax System - Review of Key Controls	A	30 June 2015
Council Tax System - Closure 2013-14	A	15 July 2014
NNDR System - Review of Key Controls	A	30 June 2015
NNDR System - Closure 2013-14	A	15 July 2014
Information Technology		
IT - Backups and Service Continuity	C	30 June 2015
Network Convergence	No Category	30 June 2015
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	A	17 February 2015
Communities First - The New Scheme	C	25 September 2014
Record offices, museums and the arts		
Gwynedd Museum and Gallery	C	30 June 2015
Leisure		
Leisure Centres	C	18 December 2014
Maritime and country parks		
Yr Hafan, Pwllheli	B	17 February 2015
Beaches	B	18 December 2014
Skills and enterprise		
Llwyddo'n Lleol - closure	A	30 June 2015
Strategy and development Programmes		
Youth Service - Training Grant	B	25 September 2014
Youth Service - Revenue Grant	B	25 September 2014
Tourism, marketing and customer care		
Industrial and Technology Units	A	17 February 2015
ADULTS, HEALTH AND WELLBEING		
Across the department		
Social Services Information System	No Category	30 June 2015
Customer Contact		
Galw Gwynedd	A	30 June 2015
Homelessness and Supported Housing		
Homelessness	B	25 September 2014
Residential and Day		
Shift arrangements at Residential Homes	B	17 February 2015
Plas Maesincla, Caernarfon	B	15 July 2014
Plas Ogwen, Bethesda	C	15 July 2014

Audit Name	Opinion Category	Date Presented to Audit Committee
Assets of Home Residents	B	30 June 2015
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Flying Start Revenue grant	B	30 June 2015
Out of School Childcare Grant	A	18 December 2014
Families First Grant	No Category	17 February 2015
Collaboration with the Health Board	B	30 June 2015
Children's Services - Commissioning of Care	B	30 June 2015
Looked After Children - Education and Health Assessments	B	17 February 2015
HIGHWAYS AND MUNICIPAL		
Fleet		
Depots and Workshops - Stock Control	No Category	30 June 2015
Fleet Management	No Category	
Municipal Works		
Playgrounds	B	15 July 2014
Waste Management and Streetscene		
Waste Disposal Contracts	A	15 July 2014
Sustainable Waste Management Grant	No Category	18 December 2014
Safety at Recycling Centres	A	18 December 2014
REGULATORY		
Environment		
Public Footpaths and Recreational Routes	B	15 July 2014
Planning		
Joint Planning Policy Committee	A	18 December 2014
Planning Service - Planning Decisions	B	18 December 2014
Public Protection		
Food Hygiene, Health and Safety Inspection Programmes	C	18 December 2014
Transportation and Street Care		
Traffic Orders	B	25 September 2014
Pont Briwet	No Category	17 February 2015
Integrated Transport Unit	No Category	
Parking Enforcement	B	30 June 2015
Collaboration - Road Safety Partnership	A	17 February 2015
STRATEGIC AND IMPROVEMENT		
Strategic Direction		
Grant - Communities First & Families Programme	No Category	30 June 2015
GWYNEDD CONSULTANCY		
Buildings and Environmental		
Follow-up to Reviews on Gwynedd Consultancy	Acceptable	18 December 2014
Engineering and Building Control		
Gwynedd Consultancy Projects Risk Registers	B	18 December 2014

Summary of the number of reports in each opinion category, 2014/15 Plan:

	Number of Audits
A	24
Acceptable	1
B	32
C	12
No Category	18
Total	87

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

2013/14		2014/15
2,945	Total Days	2,594
446	Less Holidays (Statutory and Non-Statutory)	390
2,499	Total Available Days	2,204
	Less:	
16	Special Leave	16
29	Illness	29
10	Professional Training	10
76	Job Training	106
2,368	Available Days	2,043
	Less Unproductive Time:	
18	Performance Review (Appraisal)	8
9	Medical Appointments	12
34	Time Recording and Management	33
86	Meetings and Committees	88
3	Meetings - Joint working with WAO	1
10	Training Presentation	11
5	Conducting interviews	1
46	Background Work	38
50	Admin etc.	36
26	Audit Committee	13
116	Internal Audit Management	100
6	Absence Management	4
2	North Wales Joint-working Tasks	1
8	IT problems	8
5	Galileo Upgrade	0
23	Internal Audit Information Management Exercise	33
0	Fire Drills	1
52	Less: other management work (Senior Manager)	27
1,869	Total productive days	1,628
45	Work for SNPA	30
118	Work for CTE	11
1,706	Total productive days, Gwynedd Council	1,587

Analysis of the use of Gwynedd Council productive days:

2013/14		2014/15
1,528	Work on current year's plan	1,258
21	Completion of previous year's work	5
13	Commencement of next year's work	8
47	Advice and Consultancy	41
41	Follow-up work	125
56	Responsive Work / Special Investigations	150
1,706		1,587



Internal Audit Plan 2015/16

Audit Code	Audit Name	Days
CORPORATE		
	Use of Consultants	20.00
	Supporting Ffordd Gwynedd Reviews	20.00
	Awareness of Whistleblowing Policy - Manual Workers	25.00
	First Aid Payments	7.00
	Corporate Assessment	25.00
	Officers Gifts and Hospitality - High-Risk Services	15.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Governance - Data Protection Act	15.00
	Various Grants	20.00
	National Fraud Initiative	50.00
EDUCATION		
Resources		
	Education Improvement Grant for Schools	20.00
	Gwynedd and Anglesey Learning Partnership Grant	10.00
	Communication with Schools	10.00
Across the department		
	New Hafod Lon School	15.00
Catering		
	School Catering	20.00
GwE		
	GwE	20.00
Schools		
	Ysgol Gynradd Dolgellau	5.00
	Schools General	10.00
	Ysgol Dyffryn Nantlle	8.00
	Schools - Governance	20.00
	Workforce Modelling	17.00
HUMAN RESOURCES		
Health and Safety		
	Schools - Health and Safety of school trips	20.00
NORTH AND MID WALES TRUNK ROAD AGENCY		
	North and Mid Wales Trunk Road Agency	50.00
FINANCE		
Financial		
	Debtors System - Review of Key Controls	12.00
	Payments System - Review of Key Controls	12.00

Audit Code	Audit Name	Days
Accountancy		
	MAS - Review of Key Controls	10.00
	MAS including Debtors and Payments - Closure 2014-15	8.00
	Bank Reconciliation - Review of Key Controls	10.00
	Bank Reconciliation - Closure 2014-15	5.00
Pensions and Payroll		
	Payroll System - Review of Key Controls	12.00
	Payroll System - Closure 2014-15	5.00
	Pension Fund - Review of Key Controls	10.00
Revenue		
	Discretionary Housing Payments	10.00
	Benefits - Review of Key Controls	10.00
	Revenues System - Closure 2014-15	10.00
	Council Tax System - iConnect	10.00
	Council Tax - Review of Key Controls	8.00
	NNDR - Review of Key Controls	8.00
Information Technology		
	Siebel - eFinancials Interface	10.00
	Removing Leavers from IT systems	15.00
	IT System Security	30.00

ECONOMY AND COMMUNITY

Community Regeneration

Welsh Church Fund	5.00
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Leisure

Leisure Centres - Income Collection	20.00
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Major Projects

Sailing Academy	15.00
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ADULTS, HEALTH AND WELLBEING

Across the department

Home Care	25.00
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Governance of collaborations with 3rd Sector	20.00
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Care Worker Training Programmes	20.00
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Community Care

Home Carer Travelling Costs	15.00
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Adults

Validity of Invoices from Private Providers	20.00
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Changes to ILF	15.00
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Residential and Day

Plas y Don, Pwllheli	12.00
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Plas Hedd, Bangor	12.00
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Hafod Mawddach, Barmouth	12.00
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Cefn Rodyn, Dolgellau	12.00
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Charges on Properties of Home Residents	10.00
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HIGHWAYS AND MUNICIPAL

Audit Code	Audit Name	Days
	Fleet	
	Maintenance of buildings and sites	10.00
	Highways Works	
	Inspections	20.00
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REGULATORY		
	Transportation and Street Care	
	Pont Briwet	15.00
	Public Transport	25.00
	Parking Income	20.00
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STRATEGIC AND IMPROVEMENT		
	Democracy	
	Member Training and Development	10.00
	Chairman's Fund	5.00
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GWYNEDD CONSULTANCY		
	Buildings and Environmental	
	Recruitment and Selection	15.00
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		970.00