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| COMMITTEE | AUDIT AND GOVERNANCE COMMITTEE |
| DATE | 6 JUNE 2017 |
| TITLE | HEAD OF INTERNAL AUDIT ANNUAL REPORT 2016/17 |
| 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 2016/17 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 2016/17, 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 72 assignments were contained in the revised audit plan for 2016/17. Of these, 69 were completed by 31 March 2017, which represents **95.83%** 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%.

4.2 This performance compares with the 2015/16 performance of 98.65%, against a target of 95%.

4.3 The audits from the 2016/17 plan which were not finalised before 31 March 2017 were:

- **Storiol – Governance and Management Arrangements.** The fieldwork has already been completed on this audit. There was a delay in visiting Storiel due to a change in staffing responsibilities and a request was made for Internal Audit to allow the new staff to familiarize themselves with the arrangements.
- **Hafan.** The fieldwork has been completed and a draft report has been issued.

- **IT Systems.** Audits had been planned in this area to be undertaken with the assistance of an external supplier, mainly to review the cloud storage arrangements and other security elements. Unfortunately these audits were not conducted due to the illness of the supplier.

4.4 The audits from the 2016/17 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 agreed actions 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 69 assignments in the 2016/17 audit plan, the following opinion categories were expressed:

| Opinion Category | Number of Audits |
|------------------|------------------|
| A | 7 |
| B | 41 |
| C | 8 |
| CH | 0 |
| No Category | 13 |
| Total | 69 |

4.8 Of the reports relating to 2016/17 that were given an ‘A’ to ‘Ch’ opinion category, 85.71% obtained an ‘A’ or ‘B’ opinion. This figure is higher than the equivalent figure of 78.33 in 2015/16.

- 4.9 No audit received an ‘Ch’ opinion.
- 4.10 The 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 2016/17 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 2016 – 30 June 2016 | 14 July 2016 |
| 1 July 2016 – 16 September 2016 | 29 September 2016 |
| 19 September 2016 – 18 November 2016 | 1 December 2016 |
| 1 November 2015 – 31 January 2016 | 9 February 2017 |
| 1 February 2016 – 31 March 2016 | 6 June 2017 |

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 12 follow-up audits between 1 April 2016 and 31 March 2017. Eleven of these audits were given an “Acceptable” opinion 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 and both Audit Leaders have a full CIPFA qualification. One Senior Auditor is studying for the AAT qualification.
- 5.2 Since 1 April 2016, 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 2016 and 31 March 2017. 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 staff higher turnover than the norm, from **1,117** days between 1 April 2015 and 31 March 2016 to **944** days for the same period in 2016/17, a decrease of **173** days.
 - The number of days used to complete special investigations or responsive audits was 58 days, the exact same number of days as in 2015/16..
 - There was an increase in the number of days that were committed to completing follow-up audits - 45 days in 2016/17 compared to 41 days in 2015/16 – but 12 follow-up audits were conducted in 2016/17 compared to 9 in 2015/16.

6. AUDIT PERFORMANCE

- 6.1 The results of the internal audit service’s achievement measures in 2016/17 were as follows:

| Description of Measure | 2015/16 Performance | 2016/17 Ambition | 2016/17 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. | 98.65% | 95% | 95.83% |
| % of internal audits with a ‘B’ opinion or better (corporate indicator) | 78.33% | 65% | 85.71% |
| % of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator) | 88.88% | 90% | 83.00% |

6.2 All targets were met apart from:

- **% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)** - 11 audits out of 12 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 for 2017/18 was presented to the Audit Committee in its meeting on 9 February 2017. 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 2017/18 are:

| Measure | Ambition 2017/18 | 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 the agreed actions that have been implemented in accordance with schedule (corporate indicator). A total of 205 actions were agreed to mitigate risks identified during 2016/17. | 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 2016/17.



Internal Audit Plan 2016/17

| Audit Name | Opinion Category | Date Presented to Audit Committee |
|---|------------------|-----------------------------------|
| CORPORATE | | |
| Supporting Ffordd Gwynedd Reviews | No Category | |
| Safeguarding Arrangements - Disclosure and Barring Service Checks | B | 6 June 2017 |
| Safeguarding Arrangements - Employees' Awareness of Policy | B | 6 June 2017 |
| Safeguarding Arrangements - Establishments | No Category | 6 June 2017 |
| Proactive Prevention of Fraud and Corruption | No Category | |
| Information Management | B | 29 September 2016 |
| Information Governance - Establishments | No Category | 6 June 2017 |
| Use of Credit Cards | B | 6 June 2017 |
| National Fraud Initiative | No Category | |
| Emergency Planning | | |
| Fuel Supplies - Local and Regional Plans | C | 14 July 2016 |
| EDUCATION | | |
| Resources | | |
| Pupil Deprivation Grant | B | 1 December 2016 |
| Education Improvement Grant for Schools | B | 1 December 2016 |
| Post-16 Provision in Schools Grant | No Category | 9 February 2017 |
| The Arrangements for Safeguarding and Protecting Children | B | 6 June 2017 |
| Across the department | | |
| Dwyfor Meirionnydd Special School | B | 29 September 2016 |
| Schools | | |
| Statistics and Census - Secondary School | No Category | 6 June 2017 |
| Budgetary Control - Ysgol Beddgelert | B | 1 December 2016 |
| Budgetary Control - Ysgol Bro Plenydd | B | 29 September 2016 |
| Budgetary Control - Ysgol Eifion Wyn | B | 29 September 2016 |
| Budgetary Control - Ysgol Talsarnau | C | 1 December 2016 |
| Budgetary Control - Ysgol Tregarth | B | 1 December 2016 |
| Budgetary Control - Ysgol Santes Helen | B | 1 December 2016 |
| School - General | No Category | |
| Information Governance - Ysgol Abererch | B | 14 July 2016 |
| Information Governance - Ysgol Penybryn | B | 14 July 2016 |
| Information Governance - Ysgol Crud y Werin | B | 14 July 2016 |
| Information Governance - Ysgol Penisarwaen | B | 14 July 2016 |
| Information Governance - Ysgol Bro Llew | B | 14 July 2016 |

| Audit Name | Opinion Category | Date Presented to Audit Committee |
|--|-------------------------|--|
| Information Governance - Ysgol Sarn Bach | B | 14 July 2016 |
| Information Governance - Ysgol Dinas Mawddwy | B | 14 July 2016 |
| Information Governance - Ysgol Edmwnd Prys | B | 14 July 2016 |
| Information Governance - Ysgol Bro Hedd Wyn | B | 14 July 2016 |
| CORPORATE SUPPORT | | |
| Procurement and Efficiency | | |
| E-proc System - Tolerance Levels | A | 29 September 2016 |
| Registration | | |
| Coroner | B | 14 July 2016 |
| FINANCE | | |
| Financial | | |
| Debtors System - "Cancelled" Invoices | A | 29 September 2016 |
| Review of Checking Limits | No Category | 1 December 2016 |
| Accountancy | | |
| Coding Structure | No Category | 1 December 2016 |
| Revenue | | |
| Discretionary Housing Payments | A | 1 December 2016 |
| Benefits - Review of Key Controls | A | 6 June 2017 |
| Council Tax - Reductions and Exemptions (People) | A | 14 July 2016 |
| Business Rates - Charitable Reductions | B | 14 July 2016 |
| ECONOMY AND COMMUNITY | | |
| Leisure | | |
| Bangor Aquatics and Healthy Lifestyles Centre | B | 1 December 2016 |
| Plas Silyn Leisure Centre | A | 1 December 2016 |
| Dwyfor Leisure Centre | B | 1 December 2016 |
| Bro Dysynni Leisure Centre | B | 1 December 2016 |
| Libraries | | |
| Youth Club Accounts | B | 6 June 2017 |
| Maritime and country parks | | |
| Sale of Diesel | C | 9 February 2017 |
| Beaches - Income Collection | B | 1 December 2016 |
| ADULTS, HEALTH AND WELLBEING | | |
| Across the department | | |
| Business-Service Continuity Plans | B | 9 February 2017 |
| Budgetary Control - Provider | B | 1 December 2016 |
| Deprivation of Liberty | C | 6 June 2017 |
| Support Workers - Adults | C | 6 June 2017 |
| Business | | |
| Social Services Complaints Procedures | B | 6 June 2017 |

| Audit Name | Opinion Category | Date Presented to Audit Committee |
|-------------------------------------|------------------|-----------------------------------|
| Supporting People | | |
| Supporting People Grant | A | 1 December 2016 |
| Community Care | | |
| Holidays of Community Carers | No Category | 29 September 2016 |
| Adults | | |
| Direct Payments | No Category | 6 June 2017 |
| Residential and Day | | |
| Plas Pengwaith, Llanberis | B | 1 December 2016 |
| Plas Gwilym, Penygroes | C | 29 September 2016 |
| Bryn Blodau, Blaenau Ffestiniog | B | 9 February 2017 |
| Llys Cadfan, Tywyn | B | 1 December 2016 |
| CHILDREN AND FAMILY SUPPORT | | |
| Children and Families | | |
| Youth Justice Core Grant | B | 1 December 2016 |
| Flying Start Revenue Grant | B | 1 December 2016 |
| Support Workers | C | 9 February 2017 |
| HIGHWAYS AND MUNICIPAL | | |
| Fleet | | |
| MOT Fees | B | 1 December 2016 |
| Fleet Management | No Category | 6 June 2017 |
| Waste Management and Streets | | |
| Commercial Waste | B | 6 June 2017 |
| REGULATORY | | |
| Public Protection | | |
| Animal Health | B | 9 February 2017 |
| GWYNEDD CONSULTANCY | | |
| Across the Department | | |
| Recruitment and Selection | B | 6 June 2017 |
| Overtime | C | 14 July 2016 |

Summary of the number of reports in each opinion category, 2016/17 Plan:

| | Number of Audits |
|--------------|------------------|
| A | 7 |
| B | 41 |
| C | 8 |
| No Category | 13 |
| Total | 69 |

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

| 2015/16 | | 2016/17 |
|----------------|--|----------------|
| 1,866 | Total Days | 1,626 |
| 315 | Less Holidays (Statutory and Non-Statutory) | 216 |
| 1,551 | Total Available Days | 1,411 |
| | Less: | |
| 22 | Special Leave | 14 |
| 24 | Illness | 29 |
| 3 | Professional Training | 5 |
| 53 | Job Training | 62 |
| 1,449 | Available Days | 1,301 |
| | Less Unproductive Time: | |
| 11 | Medical Appointments | 7 |
| 26 | Time Recording and Management | 26 |
| 63 | Meetings and Committees | 94 |
| 2 | Training Presentation | 1 |
| 4 | Conducting interviews | 2 |
| 29 | Background Work | 24 |
| 23 | Admin etc. | 17 |
| 0 | iGwynedd Project | 22 |
| 4 | Audit Committee | 4 |
| 93 | Internal Audit Management | 105 |
| 2 | Absence Management | 2 |
| 27 | Moving Offices | 0 |
| 7 | IT problems | 8 |
| 9 | Internal Audit Information Management Exercise | 5 |
| 1,149 | Total productive days | 984 |
| 32 | Work for SNPA | 40 |
| 1,117 | Total productive days, Gwynedd Council | 944 |

Analysis of the use of Gwynedd Council productive days:

| 2015/16 | | 2016/17 |
|----------------|--|----------------|
| 983 | Work on current year's plan | 810 |
| 1 | Completion of previous year's work | 3 |
| 0 | Commencement of next year's work | 0 |
| 34 | Advice and Consultancy | 29 |
| 41 | Follow-up work | 45 |
| 58 | Responsive Work / Special Investigations | 58 |
| 1,117 | | 944 |



Internal Audit Plan 2017/18

| Audit Code | Audit Name | Days |
|--|---|-------|
| CORPORATE | | |
| | Disposal of Confidential Waste – The Use of Red Sacks and Shredders | 10.00 |
| | Supporting Ffordd Gwynedd Reviews | 20.00 |
| | Learning and Development Integrated System | 10.00 |
| | Obtaining References | 15.00 |
| | Awareness of the Whistleblowing Policy | 15.00 |
| | Self-service Travelling Expenses | 5.00 |
| | Safeguarding Arrangements - Field Workers' Awareness of Policy | 35.00 |
| | Safeguarding Arrangements – Establishments | 4.00 |
| | Culture and Conduct | 15.00 |
| | Proactive Prevention of Fraud and Corruption | 20.00 |
| | Information Management – Establishments | 6.00 |
| | National Fraud Initiative | 40.00 |
| EDUCATION | | |
| Resources | | |
| | Pupil Deprivation Grant | 10.00 |
| | Education Improvement Grant for Schools | 15.00 |
| | Post-16 provision in Schools Grant | 3.00 |
| | Awareness of the Whistleblowing Policy – Primary and Secondary | 25.00 |
| | Health and Safety – Primary Schools | 25.00 |
| GwE | | |
| | Business Arrangements | 20.00 |
| Schools | | |
| | School Meals Income | 20.00 |
| | Schools - General | 10.00 |
| NORTH AND MID WALES TRUNK ROAD AGENCY | | |
| | Health and Safety | 25.00 |
| CORPORATE SUPPORT | | |
| Democracy | | |
| | Training New Members | 10.00 |
| FINANCE | | |
| Across the department | | |
| | IT System Security | 30.00 |
| Financial | | |
| | Debt Recovery Arrangements and Legal Action | 15.00 |
| Accountancy | | |
| | Precepts | 5.00 |

| Audit Code | Audit Name | Days |
|---|--|-------|
| Pensions and Payroll | | |
| | Pension Fund | 15.00 |
| | Death Grants | 15.00 |
| Revenue | | |
| | Benefits – Review of Key Controls | 12.00 |
| | Council Tax System - Advantage Digital Portal | 10.00 |
| <hr/> | | |
| ECONOMY AND COMMUNITY | | |
| Community Regeneration | | |
| | Welsh Church Fund | 5.00 |
| Record offices, museums and the arts | | |
| | Storiell – Closing the Project | 5.00 |
| | Storiell – Unannounced Visit | 1.00 |
| Leisure | | |
| | Leisure Centres | 40.00 |
| | Membership Direct Debit Payments | 10.00 |
| Maritime and country parks | | |
| | Victoria Dock | 10.00 |
| Strategy and development Programmes | | |
| | Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance | 15.00 |
| <hr/> | | |
| ADULTS, HEALTH AND WELLBEING | | |
| Business | | |
| | Commissioning Arrangements | 30.00 |
| Supporting People | | |
| | Adult Placement Scheme (Shared Lives Scheme) | 15.00 |
| Adults | | |
| | Teleofal | 10.00 |
| Residential and Day | | |
| | Plas Maesincla, Caernarfon | 12.00 |
| | Plas Hafan, Nefyn | 12.00 |
| | Plas Ogwen, Bethesda | 12.00 |
| | Housing Support | 15.00 |
| | Learning Disabilities Hostels | 20.00 |
| | Supporting People Grant | 15.00 |
| <hr/> | | |
| CHILDREN AND FAMILY SUPPORT | | |
| Children and Families | | |
| | Grants | 24.00 |
| | Arrangements for Children Leaving Care | 20.00 |
| | Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act | 20.00 |
| <hr/> | | |
| HIGHWAYS AND MUNICIPAL | | |
| Fleet | | |
| | Depots | 15.00 |
| Waste Management and Streets | | |

| Audit Code | Audit Name | Days |
|---------------------------------------|----------------------------------|---------------|
| | Recycling Targets | 10.00 |
| | Garden Waste Collection | 15.00 |
| <hr/> | | |
| REGULATORY | | |
| Public Protection | | |
| | Food Hygiene | 8.00 |
| | Licensing | 8.00 |
| Council Land and Property | | |
| | Smallholdings | 8.00 |
| | School Schemes – Ysgol Glancegin | 10.00 |
| Transportation and Street Care | | |
| | Concessionary Fares | 8.00 |
| <hr/> | | |
| HOUSING | | |
| Rent and Housing Management | | |
| | Housing Waiting List | 12.00 |
| <hr/> | | |
| GWYNEDD CONSULTANCY | | |
| Buildings and Environmental | | |
| | Employment Status | 10.00 |
| Across the department | | |
| | Accreditations | 15.00 |
| | | 870.00 |