

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JUNE 2019
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2018/19
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 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 2018/19 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 2018/19, 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, and considered by the Control Improvement Working Group or otherwise by the Audit and Governance 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 60 assignments were contained in the revised audit plan for 2018/19. Of these 58 were completed by 31 March 2019, which represents **96.67%** 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 The audits from the 2018/19 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.3 Where relevant, internal audit reports are provided with an assurance level which is based on an evaluation of the internal control environment and the number of risks identified together with their risk score. The current risk score are categorised in one of four risk categories:

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

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

ASSURANCE LEVEL	DEFINITION
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

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

4.6 Of the 58 assignments in the 2018/19 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	18
Satisfactory	28
Limited	6
No Assurance	0
No Category	6
Total	58

4.7 Of the reports relating to 2018/19 that were given an assurance level, 88.46% obtained an assurance level of “Satisfactory” or “High”. This is a new measure introduced for 2018/19.

4.8 None of the audits received a “No Assurance” level.

4.9 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.

4.10 The table below shows which meeting of the Audit and Governance Committee has received the details of audits from the 2018/19 plan. The dates of the relevant meeting of the Audit and Governance Committee are also shown in Appendix 1.

Date of release of Final Report/ Memorandum	Date of Report to the Audit and Governance Committee
1 April 2018 – 14 September 2018	27 September 2018
17 September 2018 – 16 November 2018	29 November 2018
19 November 2018 – 1 February 2019	14 February 2019
4 February 2019 – 31 March 2019	13 June 2019

Revisions to the Plan

- 4.11 Revisions to the audit plan were reported regularly to the Audit and Governance Committee during the year.

Follow-up Work

- 4.12 Out of the 163 agreed actions made in 2017/18, **94.48%** were fully implemented by 31 March 2019.

Control Improvement Working Group

- 4.13 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.

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 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. Three Senior Auditors are studying for the AAT qualification.
- 5.2 Since 1 April 2019, there are 7 full-time members in the Internal Audit Team and one Temporary Auditor to cover maternity leave and the attendance of the three Senior Auditors to attend college to gain the AAT qualification.

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 2018 and 31 March 2019. 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 from **707** days between 1 April 2017 and 31 March 2018 to **913** days for the same period in 2018/19, an increase of **206** days. This was due mainly to the appointment of an Audit Leader and temporary Auditors.
- The number of days used to complete special investigations or responsive audits was 34 days, compared to 31 days in 2017/18.
- The number of days that were committed to completing follow-up audits was 50 days in 2018/19 compared to 39 days in 2017/18.

6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2018/19 were as follows:

Description of Measure	2017/18 Performance	2018/19 Ambition	2018/19 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.	100%	95%	96.67%
% of internal audits with a 'B' opinion or better (corporate indicator)	82.69%	-	-
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	New Measure	65%	88.46%
Number of agreed actions implemented within the timetable. (corporate indicator).	90.09	85%	94.48%

7. WORK PLANS AND TARGETS 2019/20

7.1 A draft internal audit plan for 2019/20 was presented to the Audit and Governance Committee in its meeting on 14 February 2019. 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 2019/20 are:

Measure	Ambition 2019/20	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit and Governance Committee because they have either been closed or the final report has been issued.	95%	Maintain
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	65%	Maintain
Number of agreed actions implemented within the timetable (corporate indicator). There was an agreement on 11 actions to mitigate high/very high risks identified during 2018/19.	100%	New Measure
Number of agreed actions implemented within the timetable (corporate indicator). There was an agreement on 77 actions to mitigate moderate/low risks identified during 2018/19.	85%	New Measure

8. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

8.1 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. Progress against the Programme can be seen in Appendix 4.

9. RECOMMENDATION

- 9.1 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 2018/19.

Internal Audit Plan Mewnol 2018/19

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No category	
Safeguarding Arrangement – Domestic Abuse	Limited	27 September 2019
Safeguarding Arrangements - Establishments	Limited	14 February
Proactive Prevention of Fraud and Corruption	No Category	
Managing the Risk of Fraud and Corruption	Satisfactory	13 June 2019
Information Management - Establishments	Satisfactory	14 February 2019
General Data Protection Regulation	Limited	14 February 2019
National Fraud Initiative	No Category	
Welsh Church Fund	Limited	14 February 2019
EDUCATION		
Resources		
School Uniform Grant	High	27 September 2018
Pupil Development Grant	Satisfactory	27 September 2018
Education Improvement Grant for Schools	high	27 September 2018
Post-16 provision in Schools Grant	No Category	14 February 2019
Whistleblowing Policy – Gwynedd Schools	Satisfactory	13 June 2019
School Admissions	High	27 September 2019
Employment Status IR35	Satisfactory	13 June 2019
Across the Department		
TRAC Project	High	14 February 2019
GwE		
Employment Status IR35	Limited	13 June 2019
Schools		
Purchasing Equipment through the School	Satisfactory	13 June 2019
Schools - General	No category	
ENVIRONMENT		
Public Protection		
Pest Control	Satisfactory	13 June 2019
Licensing Arrangements	Satisfactory	13 June 2019
Council Land and Property		
Property Repair and Maintenance	Satisfactory	13 June 2019
Recurring Billing	No Category	14 February 2019

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
Transportation and Street Care Public Transport	Satisfactory	14 February 2019
FINANCE		
Across the Department System – Patch Management	High	14 February 2019
Accountancy Interfaces with the Financial Ledger	High	29 November 2018
Pensions and Payroll Contributions from Employers	Satisfactory	13 June 2019
Revenue Benefits – Review of Key Controls	High	13 June 2019
Council Tax - Refunds	High	29 November 2018
Council Tax Debt Suspension and Write-Off	High	27 September 2018
Business Rates – Valuation List	High	27 September 2018
Information Technology Disposal of IT Equipment	Satisfactory	13 June 2019
Cybersecurity	Satisfactory	13 June 2019
IT Disaster Recovery Arrangements	Satisfactory	13 June 2019
ECONOMY AND COMMUNITY		
Across the Department Employment Status IR35	High	13 June 2019
Record Offices, Museums and the Arts Lloyd George Museum Accounts	High	14 February 2019
Leisure Arfon leisure Centre	Satisfactory	27 September 2018
Plas Ffrancon Leisure Centre	Satisfactory	29 November 2018
Glaslyn Leisure Centre	Satisfactory	29 November 2018
Penllyn Leisure Centre	Satisfactory	29 November 2018
Maritime and Country Parks Income Collection – Beaches and Country Parks	Satisfactory	27 September 2018
Glynllifon – Income	Satisfactory	29 November 2018

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
Strategy and Development		
Caernarfon Waterfront and Town Centre Regeneration – Governance Arrangements	High	13 June 2019
ADULTS, HEALTH AND WELLBEING		
Across the Department		
On-call and Emergency Arrangements	Satisfactory	13 June 2019
Social Services Annual Report	High	13 June 2019
Supporting People		
Supporting People Grant	High	29 November 2018
Community Care		
Home Care – Travelling Costs	Satisfactory	27 September 2018
Residential and Day		
Plas y Don	Satisfactory	27 September 2018
Plas Hedd	Satisfactory	27 September 2018
Hafod Mawddach	Satisfactory	27 September 2018
Cefn Rodyn	Satisfactory	27 September 2018
Public Sector Housing		
Disabled Facilities Grant	High	29 November 2018
Houses into Homes Scheme	High	14 February 2019
CHILDREN AND FAMILY SUPPORT		
Children and Families		
Flying Start Grant – Child Care	High	14 February 2019
Children – Out of County Placements	Satisfactory	13 June 2019
HIGHWAYS AND MUNICIPAL		
Fleet		
Disel Tanks and Disel Management	Limited	14 February 2019
Waste Management and Streets		
Street Enforcement	Satisfactory	13 June 2019

Summary of the number of reports in each assurance level, 2018/19 Plan:

Assurance Level	Number of Audits
High	18
Satisfactory	28
Limited	6
No Assurance	0
No Category	6
Total	58

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

2017/18		2018/19
1,504	Total Days	2,118
207	Unproductive Time: Annual Leave	240
50	Unproductive Time: Statutory Holidays	53
257	Less Holidays (Statutory and Non-Statutory)	293
1,247	Total Available Days	1,825
	Less:	
10	Special Leave	15
47	Illness	109
0	Maternity Leave	90
82	Professional Training	81
88	Job Training	80
1,020	Available Days	1,451
	Less Unproductive Time:	
5	Medical Appointments	13
20	Time Recording and Management	31
69	Meetings and Committees	98
7	Training Presentation	8
5	Conducting interviews	2
26	Background Work	46
14	Admin etc.	24
4	iGwynedd Project	3
4	Audit Committee	4
107	Internal Audit Management	114
2	Absence Management	2
11	IT problems	43
5	Internal Audit Information Management	4
	Exercise	
4	North Wales Collaborative Working	10
1	Meetings with External Audit	3
0	Travel Time	7
736	Total productive days	1,038
29	Work for SNPA	37
0	Community and Town Councils	89
707	Total productive days, Gwynedd Council	913

Analysis of the use of Gwynedd Council productive days:

2017/18		2018/19
616	Work on current year's plan	776
8	Completion of previous year's work	0
0	Commencement of next year's work	16
12	Advice and Consultancy	37
39	Follow-up work	50
31	Responsive Work / Special Investigations	34
707		913

Internal Audit Plan 2019/20

Audit Name	Days
CORPORATE	
Value for Money	20.00
Supporting Ffordd Gwynedd Reviews	20.00
Women in Leadership	5.00
Staff Development Module	8.00
Overtime	25.00
Travelling Expenses - Self-service	5.00
Safeguarding Arrangements	15.00
Safeguarding Arrangements - Establishments	4.00
Culture and Ethics	15.00
Customer Relationship Monitoring	10.00
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	40.00
Information Management - Establishments	6.00
Communications	
Use and Control of Social Media	8.00
EDUCATION	
Resources	
Pupil Development Grant	10.00
Education Improvement Grant for Schools	15.00
Post -16 provision in Schools Grant	3.00
Post - 16 Budgeting Arrangements	10.00
GwE	
GwE - Value for Money	20.00
Schools	
Appointment and Cost of Supply Teachers - Secondary	25.00
Trust Funds	5.00
School Funds	20.00
Schools - General	5.00
Ysgol Pendalar	12.00
Ysgol Hafod Lon	12.00
ENVIRONMENT	
Planning	
Section 106 Agreements	15.00

Council Land and Property	
Smallholdings	15.00
Category Management	15.00
Transportation and Street Care	
Transport - Post-16 Travelling Costs	12.00
Road Safety Unit	8.00
Countryside and Access Unit	
AONB Grant	10.00
NORTH AND MID WALES TRUNK ROAD AGENCY	
Accreditations	15.00
FINANCE	
Across the department	
IT Systems	30.00
Financial	
Payments System – Change in Standing Data	10.00
Accountancy	
Bank Reconciliation	20.00
Revenue	
Universal Credit	15.00
Benefits – Review of Key Controls	12.00
Council Tax – Self-service	10.00
ECONOMY AND COMMUNITY	
Community Regeneration	
Welsh Church Fund	3.00
Across the department	
Llanbedr Project	15.00
Record offices, museums and the arts	
Lloyd George Museum Accounts	5.00
Business Support	
ARFOR	8.00
STEM Gogledd	8.00
Maritime and Country Parks	
Harbours - Health and Safety	5.00
Parc Padarn Safety Measures	3.00
Strategy and Development Programmes	
North Wales Economic Ambition Board	15.00

ADULTS, HEALTH AND WELLBEING

Supporting People

Supporting People Grant 15.00

Homelessness and Supported Housing

Syrian Refugees Relocation Plan 8.00

Bed and Breakfast Costs 10.00

Residential and Day

Plas Pengwaith 12.00

Plas Gwilym 12.00

Bryn Blodau 12.00

Llys Cadfan 12.00

Learning Disabilities - Day Centres 25.00

CHILDREN AND FAMILY SUPPORT

Children and Families

Youth Club Accounts 8.00

Payments to Foster Carers 12.00

Hafan y Sêr 12.00

HIGHWAYS AND MUNICIPAL

Highways Maintenance and Municipal

Business Continuity Plans 12.00

Municipal Works

Repair and Maintenance of Playing Areas 12.00

Highways Works

Bridges - Work Programme 10.00

Waste Management and Streets

Public Conveniences 12.00

GWYNEDD CONSULTANCY

Across the department

Accreditations 15.00

766.00

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
01	1110 – Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Gwynedd Council is in the process of developing a 360-degree appraisal system for managers – the Chair of the Audit and Governance Committee to be invited to provide feedback at the Audit Manager's next appraisal.	Head of Finance 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	1310 – Requirements of the Quality Assurance and Improvement Programme	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	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the CAE reported the results of the external assessments to senior management and the board?	The result of the external assessment to be presented to the Audit and Governance Committee.	Audit Manager	08/02/2018	The results of the external assessments will be presented to the Audit and Governance Committee upon receipt of the report.

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
04	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the results of ongoing monitoring of the quality and assurance programme and progress against the improvement plan been communicated at least annually?	Progress made against the quality assurance improvement programme to be included in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	Progress against the quality assurance improvement programme
05	1320 – Reporting on the Quality Assurance and Improvement Programme	Do the results include the assessor's or assessment's team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS?	The external assessments evaluation will be reported in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	This will be incorporated upon receiving the report of the external assessor.
06	1322 – Disclosure of Non-conformance	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Any instances of non-conformance to be reported to the Audit and Governance Committee and any significant deviations to be included in the annual governance statement.	Audit Manager & Senior Manager – Revenues and Risk	As required	There are no instances of non-conformance or any significant deviations.

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
07	2450 – Overall Opinion	Does the annual report incorporate: a) A statement of conformance with the PSIAS? b) The result of the QAIP? c) Progress against any improvement plans resulting from the QAIP?	The Head of Internal Audit Annual Report to incorporate a statement of conformance with the PSIAS and progress against any improvement plan resulting from the QAIP.	Audit Manager	10/05/2018	Head of Internal Audit Annual Report – this is done annually