

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	23 MAY 2024
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2023/2024
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 Governance and Audit Committee. Internal auditing strengthens the organization's ability to create, protect and sustain value by providing the Governance and Audit Committee with independent, risk-based, and objective assurance, advice, insight, and foresight.

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 2023/2024 and any follow-up action taken in respect of audits from this and previous periods.

2.3 The work plan for Internal Audit for the financial year 2023/2024 was presented to the Governance and Audit Committee on 25 May 2022. The annual internal audit plan was fluid in order to reflect any emerging issues or changes to risks and priorities of the Council.

3. OVERALL ASSURANCE

3.1 The Head of Internal Audit's annual opinion is based on three aspects of the Authority's arrangements:

- Governance
- Risk Management
- Internal Control

3.2 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.

3.3 Considerations

My annual opinion is 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 internal engagements undertaken by the Internal Audit Service during 2023/2024 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. 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 Head of Finance was presented to the Governance and Audit on 12 October 2023 to provide an update on developments in the risk management area, the next implementation steps to further strengthen the risk management arrangements.

- The 24 governance risks as identified in the Annual Governance Statement (as approved by the Governance and Audit Committee on 12 October 2023) are continually assessed by the Governance Arrangements Assessment Group.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers or otherwise by the Governance and Audit Committee.
- The Authority has received a number of reports from regulators during 2023/2024:
 - Annual Audit Summary 2023 – Auditor General. The report states ***“The Auditor General gave an unqualified true and fair opinion on the Authority’s Financial statements on 22 January 2024”***.
 - Annual Audit Summary 2023 – states that ***“the Authority’s Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the Financial statements prepared by the Authority and with our knowledge of the Authority”***.
 - A report on Education Services in Cyngor Gwynedd. Estyn published their report in September 2023 and the reports summary states *“On the whole and over time, the inspection outcomes of Cyngor Gwynedd’s schools and other education settings are strong. The authority works productively with the north Wales regional school effectiveness and improvement service (GwE) to support providers and authority and GwE officers have a good knowledge of them.... The local authority has a good understanding of the financial situation within the education service. Historically, the authority has succeeded in protecting the service from cuts, but this has proved to be more challenging in light of the current financial challenges.”*

3.4 **Annual Opinion**

On the basis of Internal Audit work completed during 2023/2024, in my opinion Gwynedd Council’s system of internal control during the financial year 2023/2024 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 coverage that has been achieved during the year.

4. AUDIT WORK

Audit Plan

- 4.1 A total of 30 assignments were contained in the revised audit plan for 2023/2024 Of these 29 were completed by 31 March 20234 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 2023/2024 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 The aim of every agreed actions within the reports was to strengthen internal controls that mitigate operational risks, and to establish best practice.

- 4.6 Of the 29 assignments in the 2023/2024 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	8
Satisfactory	175
Limited	3
No Assurance	0
No Category	3
Total	29

- 4.7 Of the reports relating to 2023/2024 that were given an assurance level, 88.46% (23 out of 26) obtained an assurance level of “Satisfactory” or “High”.
- 4.8 3 audits received “Limited” assurance and no audit received a “No Assurance” level.
- 4.9 The full reports are presented to the Governance and 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 assurance category, the Governance and Audit 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 Governance and Committee has received the details of audits from the 2023/2024 plan. The dates of the relevant meeting of the Governance and Audit 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 2023 – 30 September 2023	12 October 2023
1 October 2023 – 30 November 2023	14 December 2023
1 December 2023 – 31 March 2024	23 May 2024

Revisions to the Plan

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

Follow-up Work

- 4.12 Out of the 104 agreed actions made in 2022/2023, 3 are since irrelevant. Of the 101 remaining, there was acceptable action on **95.00%** as at 31 March 2024.

Control Improvement Working Group

- 4.13 The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Governance and 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. The Working Group did not meet during 2023/24; it is planned to resume meetings of the Control Improvement Working Group during 2024/25 as required.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of “Head of Internal Audit”. The Audit Manager is directly accountable to 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 currently studying for the CIPFA qualification.
- 5.2 Since 1 April 2024, 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 2023 and 31 March 2024. The Committee’s attention is drawn to the following:
- The table shows a significant decrease in the number of productive days available to provide audits for Gwynedd Council from **703** days between 1 April 2022 and 31 March 2023 to **389** days for the same period in 2023/2024, a decrease of **8314** days.
 - No provision was utilized for conducting special investigations or responsive audits in 2022/2023, compared to 45 days in 2023/2024.

6. AUDIT PERFORMANCE


6.1 The results of the internal audit service's achievement measures in 2022/2023 were as follows:

Description of Measure	2022/23 Performance	2023/24 Ambition	2023/24 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.	97.56%	95%	96.67%
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	77.14%	80%	88.46%
Number of high risk or very high risk agreed actions implemented within the timetable (corporate indicator).	60.00%	100%	86.67%
Number of low or medium risk agreed actions implemented within the timetable (corporate indicator).	66.67%	85%	98.60%

7. WORK PLANS AND TARGETS 2023/2024

7.1 The internal audit plan for 2024/2025 was presented to the Governance and Audit in its meeting on 23 May 2024.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit's achievement measures for 2022/2023 are:

Measure	Ambition 2024/2025	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)	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%	Maintain

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. The results of the External Assessment were presented to the Governance and Audit Committee on 17 October 2019. Progress against the Programme can be seen in Appendix 3.

8.2 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) will be presented to the Governance and Audit Committee during 2024/2025 along with the result of the external assessment.

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 2023/2024.

AUDIT PLAN 2023/2024

Department	Audit	Audit Status	Assurance Level	Committee Date
Education	Schools' Reserve Balances	Cancelled		
	Unofficial School Funds	Final Report	Satisfactory	23/05/2024
	Local Authority Education Grant 22/23	Cancelled		
	Post-16 provision in Schools Grant	Final Report	High	23/05/2024
	Schools - General	Closed	No Category	
Environment	Follow up - Communication Arrangements - Planning	Final Report	Satisfactory	23/05/2024
	Coutryside Service	Cancelled		
	Traffic and Projects	Cancelled		
	Garden Waste	Final Report	Satisfactory	23/05/2024
	Bulky Waste	Final Report	Satisfactory	23/05/2024
	Follow up - Taxi Safety	Final Report	Satisfactory	12/10/2023
	Corporate Category Management	Final Report	Limited	23/05/2024
Corporate	Advice & Consultancy and Supporting Ffordd Gwynedd Reviews	Closed	No Category	
	Proactive Prevention of Frand and Corruption and the National Fraud Initiative	Closed	No Category	
	Absence Management and Referral Arrangements	Cancelled		
	Information Managment - Establishments	Final Report	Satisfactory	23/05/2024
	Safeguarding Arrangements - Estalishments	Final Report	Satisfactory	23/05/2024
	Payment and Authorisation Arrangements (Data Analytics)	Cancelled		
Finance	North Wales Corporate Joint Committee	Final Report	High	12/10/2023
	Teachers' Salaries	Final Report	Satisfactory	12/10/2023
	Harbour Statement of Accounts - 2022/2023	Final Report	High	12/10/2023
	Joint Planning Committee Statement of Accounts 2022/2023	Final Report	High	12/10/2023

Department	Audit	Audit Status	Assurance Level	Committee Date
	Benefits Key Controls	Final Report	High	23/05/2024
Economy and	Lloyd George Museum	Final Report	High	12/10/2023
	Shared Prosperity Fund	Cancelled		
	Welsh Church Fund	Final Report	High	12/10/2023
Adults, Health	Plas Maesincla	Final Report	Satisfactory	14/12/2023
	Plas Ogwen	Final Report	Satisfactory	14/12/2023
	Cefn Rodyn	Final Report	Satisfactory	23/05/2023
	Follow-up – Hafod Mawddach	Final Report	Satisfactory	14/12/2023
	Follow-up – Bryn Blodau	Final Report	Satisfactory	14/12/2023
	Follow-up – Plas Gwilym	Final Report	Satisfactory	14/12/2023
	Transformation Team	Cancelled		
	Follow up - Liberty Protection Safeguards	Final Report	Limited	23/05/2024
Highways,	Inland and Coastal Work – the FCERM Strategy	Cancelled		
	Commercial Income	Final Report	Limited	23/05/2024
	Highways – On Duty Arrangements	Cancelled		
	Ash Dieback	Cancelled		
Housing and	Housing Support Grant	Final Report	Satisfactory	12/10/2023
	Follow up - Smallholdings	Field Work Started		
	Industrial Units	Final Report	High	14/12/2023
Corporate Leadership Team	Local Government and Elections (Wales) Act 2021	Cancelled		

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

2022/2023		2022/2023
1,960	Total Days	1,603
230	Unproductive Time: Annual Leave	218
69	Unproductive Time: Statutory Holidays	54
299	<i>Less Holidays (Statutory and Non-Statutory)</i>	272
1,661	Total Available Days	1,331
	<i>Less:</i>	
22	Special Leave	14
258	Illness	202
0	Maternity and "Keep in Touch"	151
33	Job Training	22
1,348	Available Days	942
	Less Unproductive Time:	
	Medical Appointments	
	Time Recording and Management	
	Meetings and Committees	
	Training Presentation	
	Background Work	
	Admin etc.	
	iGwynedd Project	
	Governance and Audit Committee	
	Internal Audit Management	
	Absence Management	
	IT problems	
	Internal Audit Information Management Exercise	
	Meetings (WCAG & N&MWAP)	
	Meetings with External Audit	
345	<i>Totals not contributing to the Plan</i>	336
1,004	Total productive days	606
117	Work for SNPA	42
94	Community and Town Councils	111
55	Byw'n Iach Cyf.	45
0	North Wales Economic Ambition Board	12
22	Ffestiniog Town Council	7
13	GwE	0
703	Total productive days, Gwynedd Council	389

Analysis of the use of Gwynedd Council productive days:

2022/23		2023/24
636	Work on current year's plan	333
18	Completion of previous year's work	0
2	Commencement of next year's work	11
21	Advice and Consultancy	-
25	Follow-up work	-
0	Responsive Work / Special Investigations	45
703		389

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	31/03/2018	The 360-degree appraisal system has not yet been developed. The Audit Manager is directly accountable to the Head of Finance.
02	1310 – Requirements of the Quality Assurance and Improvement Programme	Does the QAIP include both internal and external assessments?	An external assessment was conducted by the CAE of Carmarthenshire County Council in accordance with the WCAG peer review arrangements and the next assessment has been planned for October 2024.	Audit Manager	31/12/2017	The external assessment has been planned for October 2024 and will be carried out by the Denbighshire 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 assessment was presented to the Governance and Audit on 17 October 2019.

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 is presented in the Head of Internal Audit Annual Report.
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 is incorporated in the Head of Internal Audit Annual Report.
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 & 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	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