

COMMITTEE	<b>GOVERNANCE AND AUDIT COMMITTEE</b>
DATE	<b>23 MAY 2024</b>
TITLE	<b>INTERNAL AUDIT STRATEGY AND ANNUAL INTERNAL AUDIT PLAN 2024/2025</b>
PURPOSE	<b>TO PRESENT THE INTERNAL AUDIT STRATEGY AND ANNUAL PLAN TO THE COMMITTEE</b>
AUTHOR	<b>LUNED FÔN JONES, AUDIT MANAGER</b>
ACTION	<b>TO APPROVE THE STRATEGY AND ANNUAL PLAN</b>

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## **1. INTRODUCTION**

- 1.1 The proposed Internal Audit Strategy and Internal Audit Plan for 2024/25 is attached for review and consideration by the Governance and Audit Committee.

## **2. BACKGROUND**

- 2.1. The Public Sector Internal Audit Standards (PSIAS) requires the Chief Audit Executive (Audit Manager), to develop a risk-based plan to determine the priorities of the internal audit activity, consistent with the Council's goals.
- 2.2 The Standard states that the risk-based plan should be fixed for a period of no longer than one year and should be sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk-based plan takes into account the requirement to produce an annual internal audit opinion.
- 2.3 For internal audit to remain relevant, it must adapt to changing expectations and maintain alignment with the Council's objectives. The Internal Audit Strategy is fundamental to remaining relevant — playing an important role in achieving a balance between cost and value, while making meaningful contributions to the Council's overall governance, risk management, and internal controls.
- 2.4 A systematic and structured process was used to develop the Internal Audit plan, helping to enable the Internal Audit Service to achieve its vision and mission.

**3. RECOMMENDATION**

- 3.1 The Governance and Audit Committee is asked to receive and approve the contents of the Internal Audit Strategy and the Annual Internal Audit Plan for 2024/2025, to approve it, and support Internal Audit in its undertakings.

# INTERNAL AUDIT STRATEGY

# **INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN**

## **2024-25**

### **1. 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. DEFINITION**

2.1 Section 4 of the Public Sector Internal Audit Standards sets out the Definition of Internal Auditing as follows:

***“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.***

### **3. STRATEGIC INTENTION**

3.1 The Strategy sets out how the service will be delivered and developed and is underpinned by the Internal Audit Charter which describes the purpose, authority and responsibility and position of the Internal Audit Service within the organisation.

### **4. THE INTERNAL AUDIT PLAN**

4.1 The Chief Audit Executive is required to develop a risk-based plan. The public sector requirement in PSIAS 2010 states that ***“the risk-based plan must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed”***.

4.2 The annual risk-based plan takes into account the requirement to produce an annual internal audit opinion.

- 4.3 The Audit Manager will prepare an annual audit plan derived from an objective review of the risks that may affect the provision of the Council's services, and consultation with Heads of Departments and Senior Officers. Cyngor Gwynedd's Financial Procedure Rule 16.12.6 states: ***"The Head of Finance shall agree the medium-term and annual audit plans prepared by the Audit Manager which takes account of the characteristics and relative risks of the activities involved. The plans shall be approved by the Governance and Audit Committee"***.
- 4.4 When preparing the annual audit plan, detailed in Appendix A, consideration was given to what the Service needs to do in order to achieve its purpose.
- 4.5 In order to ensure that we are reviewing the right things, consideration was first given to the Corporate Risk Register, the Cyngor Gwynedd Plan along with any other significant developments. This is to ensure that the Council's key controls in order to deal with its main risks are addressed.
- 4.6 The Internal Audit plan 2024/2025 will also give appropriate consideration to the following:
- Will be aware at all times of the potential occurrence of fraud or corruption. We will therefore take advantage of the National Fraud Initiative and undertake proactive fraud prevention work.
  - Continue to address specific grants, particularly where the conditions of the grant expect an Internal Audit review.
- 4.7 The audit plan will remain flexible in order to reflect any emerging issues or changes to risks and priorities of the Council. Any revisions or amendments to the Plan will be reported to the Governance and Audit Committee in the usual manner.
- 4.8 To ensure flexibility, Internal Audit will use the AGILE methodology where possible. The objectives of applying the Agile principles are:
- Increasing audit quality
  - Short audit cycles
  - More interaction with the auditee
  - Providing insights
- Agile provides a more flexible and dynamic Internal Audit Planning as a result of continuous risk monitoring.

- 4.9 It is projected that approximately 660 days of audit resources will be available to complete the 2024/25 audit plan. This is on the basis of analysis of the staffing resources available, including reasonable allowances for “unproductive” work such as holidays, illness, training, management and meetings and a provision for responsive and follow-up work.
- 4.10 Cyngor Gwynedd’s Internal Audit Service provides an Internal Audit Service to several external clients including approximately 75 town and community councils, Eryri National Park, Byw’n Iach and GwE. These days have already been taken into consideration when calculating the number of days available to deliver Cyngor Gwynedd’s Plan, i.e., 660 days.
- 4.11 The 2024/2025 Audit Plan will be a plan with flexibility to enable the Service to support the Council in any emerging issues and to act promptly on any risks posed by those issues.

## **5. REPORTING**

- 5.1 The Audit Manager shall report regularly to the Governance and Audit Committee:
- (a) On the results of Internal Audit work in the preceding period.
  - (b) On any substantial control weaknesses discovered or audited.
  - (c) On any agreed actions that were not implemented within the agreed timetable, where a failure to act on those action would prolong a substantial control weakness.
  - (d) Progress on completion of the Internal Audit Plan for the current year.
- 5.2 The Audit Manager will prepare a report on a regular basis to the Governance and Audit Committee outlining the work completed in the period leading up to that meeting.
- 5.3 The Audit Manager will also provide the Governance and Audit Committee with regular reports on progress against the annual internal audit plan.

## **6. ANNUAL AUDIT OPINION**

6.1 The Audit Manager shall prepare an Annual Report to the first meeting of the Governance and Audit Committee after the end of the financial year, in accordance with the Standards.

6.2 The Annual Report will principally include:

- An annual opinion on the framework for governance, risk management and control.
- A summary of the Internal Audit work completed from which the opinion is derived.
- An analysis of the utilisation of staff resources.
- Results of Internal Audit's Achievement measures.
- Internal Audit Quality Assurance and Improvement Programme.

## **7. FOLLOW-UP**

7.1 PSIAS Standard 2500 states ***"The PSIAS require a system to be in place for monitoring progress with management actions relating to audit findings, to confirm that these have been effectively implemented or, if not, that senior management have accepted the risk of not taking action."***

7.2 To this end, it is stated in paragraph 8.6 of the Charter ***"After an appropriate period, Internal Audit will conduct follow-up testing to ensure that what was agreed is operational. The results of follow-up work will be reported to Chief Officers and the Governance and Committee."***

7.3 Managers who do not address issues/risks arising from Internal Audit work will be required to attend the Controls Improvement Working Group.

## **8. INTERNAL AUDIT RESOURCE REQUIREMENTS**

8.1 As detailed in the Internal Audit Charter, if the Audit Manager is of the opinion that he/she does not have sufficient resources to allow him/her to give an opinion on the control environment in accordance with the requirements of the Standards, he/she shall report this to Head of Finance and also to the Governance and Audit Committee.

- 8.2 From time to time, to reflect audit needs, and in the context of the resources available and the Council's Financial Procedure Rules, the Internal Audit service shall acquire external expertise to assist with audit work and in order to maintain the skill levels of permanent staff. This has been particularly true for the area of computer audit work, but other types of audit are not excluded from such arrangements.

## **9. TRAINING AND DEVELOPMENT**

- 9.1 The Internal Audit Service will continue to invest in training to ensure the team continues their professional development and stays abreast of emerging risks and developments. We will also participate in the mandatory corporate training, as required.
- 9.2 The Internal Audit Service is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional accountancy qualification as well as several members of the team continuing professional training during 2024/25.

## **10. PERFORMANCE INDICATORS**

- 10.1 "Performance Challenge" meetings will be held five times a year in the presence of the Cabinet member for Finance, The Chief Executive or the Corporate Director and the Head of Finance. The Council Leader will attend one meeting per annum.
- 10.2 The key performance indicator for Internal Audit will be reported at each Governance and Audit Committee.

## **11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

- 11.1 The Public Sector Internal Audit Standards and CIPFA's Local Government Application Note requires the Audit Manager (the "chief audit executive" in the Standards' terminology) to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.



- 11.2 The PSIAS require each internal audit service to maintain a quality assurance and improvement programme based on an internal assessment which can be carried out on an ongoing basis and periodically, supplemented at least every five years by a full independent external assessment.
- 11.3 The outcomes from these assessments, including any improvement actions arising, will be reported to the Governance and Audit Committee, usually as part of the Head of Internal Audit Annual Report.
- 11.4 The Standards specify that the following core principles underpin an effective Internal Audit service:
- Demonstrates integrity
  - Demonstrates competence and due professional care
  - Is objective and free from undue influence (independent)
  - Aligns with the strategies, objectives, and risks of the organisation
  - Is appropriately positioned and adequately resourced
  - Demonstrates quality and continuous improvement
  - Communicates effectively
  - Provides risk-based assurance
  - Is insightful, proactive, and future-focused
  - Promotes organisational improvement.

**INTERNAL AUDIT PLAN 2024-25**

AUDIT	PURPOSE
<b>CORPORATE</b>	
Advice & Consultancy and Supporting Ffordd Gwynedd Reviews	To provide advice and support when considering issues regarding internal controls during reviews.
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	Work is to be undertaken to ensure that robust arrangements are in place for dealing with the risks of fraud and corruption and the National Fraud Initiative which is run by Audit Wales.
Safeguarding Arrangements - Establishments	Provision for conducting “Safeguarding Arrangements” reviews when visiting establishments.
Information Management - Establishments	Provision for conducting “Information Management” reviews when visiting establishments.
Absence Management and Referral Arrangements	The audit will be conducted in two phases – phase one will review the Internal Controls within the new sickness module in the Self-Service System, which will be operational from 1 June 2024. The second phase will focus on the new system to review staff absence levels and ensure that there is an effective framework to support officers’ mental health by offering sources of support such as counselling, referral to the Occupational Health Service as well as ensuring that line managers have the support to support their teams.
Freedom of Information Requests	Ensure that appropriate arrangements are in place to administer and act on requests for information made through the Freedom of Information Act 2000.
Data Protection Arrangements	A review to ensure that suitable arrangements are in place to ensure that the Council complies with relevant data protection legislation. The audit will encompass reviewing policies, management arrangement of digital and physical data of various services along with a review of training arrangements.
Whistleblowing	Undertake a review of the Council’s staff awareness of the Whistleblowing Policy as well as ascertaining their views on the policy and the arrangements.
Use of External Meeting Rooms	Ensure that the use of external meeting rooms is appropriate, review the related costs and if a suitable alternative of Council meeting rooms was available at the time.
Use of Consultants	Review the appointment arrangements and the value for money achieved by appointing consultants.

**AUDIT  
EDUCATION**

Post-16 provision in Schools Grant

**PURPOSE**

Requirement under the financial terms and conditions.

Unofficial School Funds (Follow-up)

Select a sample of school funds across Gwynedd to ensure that the accounts are properly maintained and that proper reporting arrangements to the Governing Body are complied with. The audit is a follow-up to a survey conducted in 2021-22, 2022-23 and 2023-24.

Schools Reserve Balances

A review of reserves to ensure that they are reasonable.

Schools - General

Annual provision for work involving providing advice and support.

Education Digital Standards

Ensure that proper IT arrangements have been established in schools and properly maintained in accordance with Hwb's Digital Standards.

Breakfast Clubs

Review the Health and Safety arrangements and review income management.

School Transport

A review to evaluate the controls of providing free transport to those who qualify.

**ENVIRONMENT**

School Transport Project Management

An audit of the arrangements for reviewing the authenticity of drivers and that proper arrangements exist for checking MOT etc. Review the suitability of the Drug and Alcohol Policy and for conducting random testing.

Ash Dieback

A review to ensure that the Department's arrangements are adequate following establishing an in-house team follow-up to the 2022/23 audit at the Department's request.

Traffic and Projects

Response arrangements to enquiries and complaints across the Service.

Arrangements for the Distribution of Bins

The audit will encompass ensuring that appropriate arrangements are in place for distributing bins to residents taking into consideration the costs incurred.

Car Parks

A review of the income collection including reviewing the contracts for cashless transactions.

**CORPORATE SUPPORT**

Staff Protection Register

A review to ensure that staff are aware of the appropriate procedures regarding the addition/removal of individuals from the staff protection register.

<b>AUDIT FINANCE</b>	<b>PURPOSE</b>
Harbour Statement of Accounts 2023/2024	This is a statutory requirement.
Mobile Phones	Ensure that appropriate arrangements are in place for ordering and monitoring mobile phone usage within the Council.
Creditors System – Key Controls	A review of the controls to ensure that they are operating as intended.
<b>ECONOMY AND COMMUNITY</b>	
Welsh Church Fund	An independent check will be needed if the fund's income is over £25,000.
Lloyd George Museum	An independent check will be needed if the fund's income is over £25,000.
Shared Prosperity Fund	Published on 13 April 2022, the UK Government's plans for the Shared Prosperity Fund, which replaces EU structural funding was announced. The audit will focus on the Process of scoring and awarding Business Grants.
<b>ADULTS, HEALTH AND WELLBEING</b>	
Plas Hafan	Ensure that the arrangements for the management and maintaining the home are appropriate and in accordance with relevant regulations and standards. The audit will encompass ensuring that the home's arrangements are adequate in terms of staffing and administration, budgetary control, procurement of goods and Services, health and safety, and monitoring performance and ensuring that Service users and their property are safeguarded.
Llys Cadfan	See above.
Plas Pengwaith	See above.
Home Care	Provide support with the work on the provision of home care by external providers.
<b>CHILDREN AND SUPPORTING FAMILIES</b>	
Out of County Placements	Review the arrangements for out of county placements.
<b>HIGHWAYS AND MUNICIPAL</b>	
Fleet – Fuel Usage	Review both Internal and external arrangement for the purchase of fuel.
Public Toilets	Review of the Partnership Plan with Community and Town Councils.
Street Cleaning	A review of the overtime arrangements within the Service.

**AUDIT**

Bereavement Service

**PURPOSE**

A review of the income collection procedures at the Crematorium.

**HOUSING AND PROPERTY**

Housing Support Grant

Requirement under the terms of the grant.

Housing Waiting Register

Ensure that the Gwynedd Housing Waiting List is administered in a proper manner that prioritises applicants fairly and transparently, and that the register is kept up to date and accurate.

Smallholdings

A review of the arrangements to ensure that there is adequate progress following the audit conducted in 2022/23 which received a "Limited" assurance level.

Gwynedd Homebuy

This scheme offers equity loans so that qualified applicants can buy a house on the open market. The scheme is funded jointly between the Welsh Government and Cyngor Gwynedd, and the scheme is administered through Tai Teg.

**CORPORATE LEADERSHIP TEAM**

Elections Act 2022

A review to ensure that Cyngor Gwynedd complies with the requirements of the Elections Act 2022 which has introduced changes to voting arrangements.

**NORTH WALES CORPORATE JOINT COMMITTEE**

North Wales Corporate Joint Committee  
Accounts

This is a statutory requirement.