

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 DECEMBER 2008
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 30 NOVEMBER 2008
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1st September 2008 to 30th November 2008.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the 3 months to 30th November 2008:

Description	Number
Formal Reports on Planned Audits	19
Other Reports (memoranda etc)	1
Follow-up Audits	9

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 30th November 2008, indicating the relevant opinion category and a reference to the relevant appendix.

DIRECTORATE	SERVICE	TITLE	OPINION	APPENDIX
Corporate		Project Management Arrangement	B	Appendix 1
Corporate		Post-letting management of Corporate Procurement Contract	C	Appendix 2
Corporate		Corporate Governance - Decision Making Processes	B	Appendix 3
Corporate		The effect of Financial Savings on the Control Environment	B	Appendix 4
Corporate		Staff Recruitment and Appointment Procedures	B	Appendix 5
Resources	Finance	Review of Checking Limits	B	Appendix 6
Resources	Finance	Debtors System – Debt Suppression Procedures	C	Appendix 7
Environment	Across The Directorate	North Wales Trunk Road Agency - Tunnel Management	A	Appendix 8
Development	Economy And Regeneration	Technical Support Project	B	Appendix 9
Development	Schools	Wales Assembly Government Grant for Transfer Between Key Stages 2 and 3	B	Appendix 10
Development	Development Finance Unit	School Trust Funds	B	Appendix 11
Care	Housing Services	Housing Rent Income	B	Appendix 12
Care	Social Services	Physical Disability - Control over blue badges	B	Appendix 13
Care	Social Services	On Call and Emergency Arrangements	B	Appendix 14
Care	Provider Services	Gifts to Staff at Residential Homes	C	Appendix 15
Care	Provider Services	Meirionnydd Area Learning Disability Day Centres and Workshops	B	Appendix 16

DIRECTORATE	SERVICE	TITLE	OPINION	APPENDIX
Care	Provider Services	Plas Ogwen Home for the Elderly, Bethesda	B	Appendix 17
Care	Provider Services	Plas Pengwaith Home for the Elderly, Llanberis	B	Appendix 18
Care	Provider Services	Plas Gwilym Home for the Elderly, Penygroes	B	Appendix 19

2.2.2 The opinion categories within the reports affirm the following:

- 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.

2.2.3 In addition to the above the following audit was undertaken. In this case, a memorandum was produced, rather than a full report:

- Administration of Public Transport Concessionary Passes (*Resources Directorate*)

2.3 Follow-up Audits

2.3.1 The following table summarises the follow-up work completed during the period:

TITLE	DIRECTORATE	SERVICE	ORIGINAL OPINION CATEGORY	FOLLOW-UP OPINION
Bws Gwynedd "Real Time" System	Environment	Planning and Transportation	C	Acceptable
Cartref Bontnewydd	Development	Children and Families	C	Acceptable
ANOB Lleyd Grant	Environment	Planning and Transportation	B	Acceptable
Natur Gwynedd Project	Environment	Planning and Transportation	B	Acceptable
Trade Refuse	Environment	Highways and Municipal	B	Acceptable
Roads Inspections Procedures	Environment	Highways and Municipal	B	Acceptable
Direct Payments	Care	Social Services	C	Excellent
Audit of Payroll Lists (Development Directorate)	Development	Development Support Unit	C	Acceptable
Audit of Payroll Lists (Environment Directorate)	Environment	Environment Support Unit	C	Acceptable

2.3.2 The conclusion of follow-up work is placed in one of four categories:

Excellent – all recommendations implemented as expected.

Acceptable – most recommendations, including the majority of “essential” recommendations, implemented as expected.

Unsatisfactory – several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.3.3 The list below shows the ‘C’ or ‘CH’ opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 31 March 2008

Corporate Correspondence Tracking System

Completion Target: Quarter ending 31 March 2009

Processing of Travel Claims, Environment Directorate
Management of Corporate Procurement Contracts

Completion Target: Quarter ending 30 June 2009

Use of Consultants

Stand-alone Computers

Debtors System – Debt Suppression Procedures

Gifts to Staff at Residential Homes

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1st December 2008.

3.2 Draft reports released

- Network Security (including Citrix Gateway Access) (*Resources Directorate*)
- Efficiency of the Coding Structure (*Resources Directorate*)
- ICT: Exchange of Information (*Resources Directorate*)
- Software Licensing Controls (Corporate) (*Resources Directorate*)
- Software Licensing Controls (Schools) (*Development Directorate*)
- Compliance with Construction Design Management (CDM) Regulations (*Environment Directorate*)
- Tenant Contributions to Heating Costs (*Care Directorate*)
- Learning Disabilities - Day Centres (Arfon) (*Care Directorate*)
- Learning Disabilities - Day Centres (Dwyfor) (*Care Directorate*)

3.3 Work in progress

- Corporate Contracts Register (*Corporate*)
- Contract Management: Reporting on Overspends (*Corporate*)
- School Funding Formula (*Development Directorate*)
- School Buildings Improvement Grant (*Development Directorate*)
- Cash collection systems (*Resources Directorate*)
- Council Tax - registration of new properties (*Resources Directorate*)
- Internal Invoicing Processes (*Resources Directorate*)
- File Transfers from schools' financial systems (*Resources Directorate*)
- Arrangements for Commencing, Revisions and Terminating Employees (*Resources Directorate*)
- Transfer and Reconciliation of the Main Accounting System's Feeder Systems (*Resources Directorate*)
- National Fraud Initiative (NFI) (*Corporate*)
- Planning - Enforcement (*Environment Directorate*)
- Final Accounts: Regeneration Unit (*Development Directorate*)
- Governor Duties (Primary Schools) (*Development Directorate*)
- Budgetary Control (*Development Directorate*)
- Primary Schools Lettings (*Development Directorate*)
- Rhyd Ddu Outdoor Pursuit Centre (*Development Directorate*)
- Support Worker Costs (*Care Directorate*)
- Management of Apetito Contract (*Care Directorate*)
- Physical Disability - Joint Store Service Contract (*Care Directorate*)
- Learning Disability Register - controls for ensuring completeness (*Care Directorate*)
- Children - Out-of-County Placements (*Development Directorate*)
- Gwynedd Training Administration and Management (*Development Directorate*)
- Land Maintenance (*Environment Directorate*)
- Waste Strategy - Regional Developments (*Environment Directorate*)
- Use of Sub-contractors, Works Unit (*Environment Directorate*)
- Arrive Alive (*Environment Directorate*)
- Current Contracts: Gwynedd Consultancy (*Environment Directorate*)
- Final Accounts: Gwynedd Consultancy (*Environment Directorate*)
- "Here to Help" Scheme (*Care Directorate*)
- Final Accounts: Housing (*Care Directorate*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1st September 2008 to 30th November 2008, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

PROJECT MANAGEMENT ARRANGEMENTS Corporate

Purpose of the Audit

The purpose of the audit was to ensure that the Council's projects are managed in accordance with the Gwynedd Council Project Management Arrangements which is based on the PRINCE2 methodology.

Scope of the Audit

Select specific projects and enquire what the processes and the arrangements are in respect of those projects. Then test, evaluate and validate the processes and arrangements by reviewing the appropriate files.

Main Findings

It was found that the four projects reviewed complied to a degree with the requirements of the Project Management Handbook. However, some Project Managers deviated slightly from the guidelines whilst the documents produced on some occasions exceeded the Handbook's requirements. The main weaknesses identified were:

- Failure to appoint members of the Project Management Board in a timely manner;
- Failing to program projects which has resulted in some officers being members of many Project Boards;
- Failure to record details and information on the relevant documentation.

By now, it is unclear what is the situation regarding one of the projects reviewed, namely the Contractors Framework Project, in the wake of the appointment of the Project Manager to another post within the Service. Enquiries were made with officers from the Chief Executive's Policy Unit but no-one appeared to be aware of the project's situation and whether the project was to continue or otherwise.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed in officers' compliance with the Corporate Project Management Handbook as there are elements of compliance, but there are aspects where arrangements could be improved. The main recommendations in the Action Plan are as follows:

- **Consideration should be given to program projects appropriately so that the workload at any time is not substantial, this will ensure that each project will receive due attention.**
- **It must be ensured that members of the project management team are appointed in the Project Start Up step – a project cannot proceed without the necessary leadership of the Project Board.**
- **To ensure compliance with the Project Management Handbook it must be ensured that information is recorded on the specifically designed forms.**

Bibliography:

Project Management Handbook, Cyngor Gwynedd (Version 1, November 2006)

POST-LETTING MANAGEMENT OF CORPORATE PROCUREMENT CONTRACTS Corporate

Purpose of the Audit

The purpose of the audit is to ensure there are sufficient controls over corporate contracts that are either managed by the Procurement Unit or other Directorates, as well as ensuring that services adhere to the contract terms and/or any guidelines provided.

Scope of the Audit

The audit reviewed 4 corporate contracts, and reviewed the arrangements of transferring the management of the contracts to the Directorates, as well as verifying what information was given to members of staff who are using the contracts daily.

Main Findings

The Procurement Unit to established numerous corporate contracts and arrangements in order to save money for the Council, however a lack of control and monitoring arrangements were seen after the establishment of some contracts.

It emerged that the Council was unaware of how many staff had a purchasing card for a chain of high street shops, as the list held by the Procurement Unit was incomplete as a result of staff sending application forms direct to the company, and the user list received from the company in August 2008 was also incomplete. It emerged that in 7 instances the services hadn't received the correct discount amount or no discount at all on purchases with the card. A member of the Procurement Unit has contacted the company in order to rectify the problems highlighted during the audit.

A contract was established with a stationery company in order to provide office supplies, a review was undertaken 6 months after establishing the contract, but no further review has been undertaken on the use of the contract. The Procurement Unit have been able to ensure that services use the company as the main suppliers, as the company receives a high percentage of the expenditure on office supplies, as well as meeting the target set by the Council Board regarding the purchase of recycled paper.

The Procurement Unit have adapted their working arrangements, and are ensuring that one member of staff is responsible for each contract or arrangement.

Audit Opinion

(C) The audit opinion is that financial propriety cannot be placed upon the arrangements in place to manage corporate procurement contracts, as the controls in place can not be relied upon. Losses occurred due to the control weaknesses, however the Procurement Unit are seeking to reclaim the losses. Some of the recommendations noted in the implementation plan are as follows:

- **The Procurement Unit should ask the company for a complete list of the card users, and inform them that the original list was incomplete.**
- **The Procurement Unit should ensure that consideration is given to who and how contracts will be managed and monitored as a part of the process of establishing new contract.**

**CORPORATE GOVERNANCE –
DECISIONS MADE BY COMMITTEES
AND PORTFOLIO LEADERS
Corporate**

Purpose of the Audit

Purpose of the audit is to examine decisions made by the Council Board, other committees and Portfolio Leaders in order to give assurance on the lawfulness and propriety of those decisions. This was achieved by ensuring that decisions were subjected to appropriate scrutiny, comply with the requirements of the delegation scheme within the Council Constitution, and reviewing which officers provides the committee reports for decisions.

Scope of the Audit

The audit will be limited to decisions made by the Council Board and Portfolio Leaders, and other committees that make decisions where the Council Board has no authority to do so.

Main Findings

Twenty eight decisions made by Council committees and Portfolio Leader were reviewed, no recommendation was refused by the committees. However, it was seen that no procedure is in place to record the reason why committees approve or refuse a recommendation.

On the whole, it was seen that the arrangements adhere to the delegation scheme and other guidelines, however it was seen that a Portfolio Leader had approved a grant application, with the a higher amount than the level stated in the delegation scheme.

A decision was made to let a Council property for a rent free period of 12 months to a voluntary organisation. There is no requirement to receive the opinion of the Statutory Officers for such decisions, however as such decisions involve a loss of income, consideration should be given to receiving the opinion of the Chief Finance Officer.

Audit Opinion

(B) The opinion of the audit is that partial assurance of propriety can be given to the members' decision-making arrangements, as there are controls in place but there are elements where some arrangements could be improved. Recommendation included in the action plan is as follows:

- **Consideration should be given on the practicality of including a sentence in the committee minutes that specify the reasons for approving recommendations. It is essential that reasons are given when a committee rejects a recommendation or contravenes Council policy.**

Bibliography:

Constitution: Responsibility for Functions (Part 3)
Guideline – Reporting to the Board

THE EFFECT OF FINANCIAL SAVINGS ON THE CONTROL ENVIRONMENT Corporate

Purpose of the Audit

The purpose of the audit is to ensure that changes in activities identified as savings do not cause any threat to the Council, or effect risk management. The audit does not review the calculation of the aggregate savings.

Scope of the Audit

Samples of savings were identified from the reports presented to the Scrutiny Committees in December 2007. Discussions were held with the relevant Managers and Heads of Service regarding the changes in activities, together with what consideration was given to the effect the saving would have on the service.

Main Finding

It was seen that the Managers and Heads of Service had considered the effects and risks that the change in activity would have on their services. It's believed that implementing some of the changes would create an element of risk to the Services, however it's possible to manage the risk by ensuring compensating controls are present.

A post was removed as a part of the savings plan, however as a result of restructuring the Service, the post would have been beneficial to deal with the extra responsibilities transferred to the Service. Managers should consider how future changes (such as changes in legislation or within the Council) will effect the Service/Unit once the change in activity has been implemented.

Audit Opinion

(B) The audit's opinion is that partial assurance can be given to the arrangements of the Managers and Heads of Service to consider the implication of the changes in activities on their Services, together with consideration of risks associated with the changes. There is an element of risk with the changes; however it is believed that these risks can be monitored. The recommendation in the action plan is as follows:

- **Arrangements for reporting on any changes between versions of the savings plans presented to the committees should be considered, in order to ensure that members are aware of the reason for the variation as well as if there is any financial or non-financial implication to the changes.**

STAFF RECRUITMENT AND APPOINTMENT PROCEDURES

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that Directorates/Services comply with the Council's staff recruitment and appointment arrangements.

Scope of the Audit

Select a sample of individuals from various services and obtain details of the arrangements and steps taken to appoint these individuals. Then test, evaluate and validate the arrangements by reviewing the appropriate files.

Main Findings

The arrangements varied substantially across the Directorates with the Resources Directorate's arrangements viewed as a strong example of good practice. It was found that weaknesses exist in some areas which require arrangements to be strengthened. A considerable amount of the files did not contain the relevant documents and many did not contain any evidence at all. It was also found that some steps had not been followed whilst appointing some individuals and the implementation of identity checks on individuals was rarely carried out although this is a statutory requirement.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed on the arrangements for recruitment and appointment of staff within the four Directorates as there are controls in place but there are aspects which need to be improved. The main recommendations in the Action Plan are as follows:

- **A reminder notice should be circulated stating the requirement to complete a PEN1 form for any post which is to be advertised internally/externally or a contract exceeding six months.**
- **In the future, it must be ensured that form PEN2 and form PEN3 are maintained on the individuals personal file. This is relevant to every post, including ad-hoc posts, to ensure an adequate audit trail.**
- **Candidates must be reminded of the need to produce certificates, i.e. qualifications etc, and then ensuring that a photocopies of the certificates are maintained on file.**
- **References should be followed-up and noted on file, whether via e-mail, letter or any other means of correspondence.**
- **In preparing a business case for an Integrated Human Resources Information System, consideration should be given to the need for a module to record and manage CRB checks and disclosures.**
- **To ensure compliance with Section 8 of the Asylum and Immigration Act 1996, individuals must be reminded of the requirement to provide proof of identity and that appointment is conditional until received.**
- **It must be ensured that a photocopy of the proof of identity is maintained on file.**
- **It must be ensured that the original application form is maintained on file to avoid any accusation of maladministration.**

Bibliography:

The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001
Recruitment and Appointment Policy - Cyngor Gwynedd;
Guidelines on Completing the Application Form, Cyngor Gwynedd

REVIEW OF CHECKING LIMITS

Finance Service

Purpose of the Audit

The purpose of the audit was to review the procedures established for verifying invoices over £10,000 and for counter-signing cheques over £10,000, together with reviewing the arrangements as regards to the open cheques produced.

Scope of the Audit

Analyse the financial systems records for 2007/2008, and query and test the controls existing within the arrangements for verifying invoices, counter-signing cheques and the arrangements relevant for open cheques.

Main Findings

The audit found strong examples of good practice within the Finance Service. However, faults were found in some areas where arrangements had to be tightened. The tests showed that some authorised officers did not act in accordance with the bank agreement's instructions, by opening cheques over £350. Tests also showed that many risks were attached to cheque payments (in particular with open cheques), and that large amounts of payments were cheque payments rather than BACS payments.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be given in the Finance Service's arrangements as regards to verifying invoices and counter-signing cheques and that the designated thresholds were adequate, but there are elements where some arrangements could be tightened. The main recommendations are as follows:

- **A message should be sent to authorised officers to remind them of the arrangements as regards to open cheques i.e. not to open cheques over £350.**
- **Creditors designated with the sub-type 07 in the CedAr financial system should be reviewed to ensure that un-required open cheques are not produced.**
- **Consideration should be given in the future to paying staff wages through BACS rather than cheques.**
- **"Guidelines for Releasing Cheques" should be produced for authorised officers to ensure that they are aware of the requirements upon them.**
- **Suppliers should provide their bank details in the future, so that the Council can make payments through BACS rather than cheques.**

DEBTOR SYSTEM – DEBT SUPPRESSION PROCEDURES

Resources Directorate

Purpose of the Audit

The purpose of the audit was to ensure that there are appropriate internal controls in the process of suppressing debts, as well as ensure that there are no delays in the recovery process once the debt has been suppressed.

Scope of the Audit

A list of outstanding debts was generated from the debtor system on the 21/04/08, a sample of these debts was reviewed in order to ensure there were valid reasons for suppressing the debt as well as ensuring that appropriate action on the debts that have been suppressed.

Main Findings

The Income Unit have guidelines on the debt recovery procedure, however there are no guidelines regarding suppression of debts such as a timetable or protocol that services should adhere to after requesting the suppression of a debt.

It was possible for all members of staff with access to a particular screen to suppress debts. It was explained that CedAr has a way of controlling users admissions level, however it emerged that there was a fault in the system where this did not work properly. The Financial Systems Manager confirmed that he contacted the company in order to rectify the problem.

Audit Opinion

(C) The audit opinion is that financial propriety cannot be placed upon the Income Units arrangements of suppressing debts, as the controls in place can not be relied upon. No losses or fraud were found due to the control weakness. The recommendations noted in the implementation plan are as follows:

- **A protocol should be established so that services who have requested the suppression of a debt inform the Income Unit regularly of the debt status and if the Unit should continue to suppress the debt.**
- **Consideration should be given to using a specific dispute code in order to identify debts that have been suppressed on the service's request.**
- **Guidelines for suppressing debts should be produced, in order to ensure consistency and reasonable implementation of debt that are suppressed.**
- **The Income Unit should establish an arrangement with the services that ensure they are informed of any contact with a customer**

**NORTH WALES TRUNK ROAD AGENCY –
TUNNEL MANAGEMENT
Environment Directorate**

Purpose of the Audit

The purpose of the audit was to review tunnel management arrangements of the North Wales Trunk Road Agency, and in particular the preparation made to comply with the European Directive on the minimum safety requirement for road tunnels, which requires all tunnels on the Trans European Road Network, including three tunnels on the A55 route, to conform to set standards.

Scope of the Audit

The scope of the audit was to review the management procedures of the A55 tunnels and make an appraisal and analysis of the work undertaken or commissioned to date, to ensure that NWTRA, as Tunnel Manager, is geared up to meet its obligations in attaining the standards of the European Directive and its UK adaptation - The Road Tunnel Safety Regulations 2007.

Main Findings

Ultimately, it is the National Assembly for Wales who are responsible for ensuring that tunnels in Wales meet the minimum safety requirement as laid down in the European Directive. It was seen that procedures (management and operational) have been put in place, and risk-based studies had been commissioned by NWTRA to ensure they fulfil their statutory role as Tunnel Manager. There are significant risks ahead of the Tunnel Department of NWTRA, in terms of funding and capacity in the next 5 years, to ensure that the A55 tunnels in North Wales comply with the Directive. However, some of these risks are outside the control of NWTRA.

Audit Opinion

(A) The opinion of the audit is that assurance can be placed upon the North Wales Trunk Road Agency for undertaking the statutory role of the Tunnel Manager. The main recommendation in the action plan, and need prompt response are as follows:

- **An addendum to the Agency Agreement should be in place between North Wales Trunk Road Agency and the National Assembly for Wales for the function of the Tunnel Manager.**

Bibliography:

Directive 2004/54/EC of the European Parliament and of the Council (29 April 2004)
The new Directive 2004/54/EC on Road Tunnel Safety and its consequences (presentation) (November 2004)
The Road Tunnel Safety Regulations 2007 (Statutory Instrument No. 1520)
North Wales Trunk Road Agency Business and Improvement Plan 2005-2011
North Wales Trunk Road Agency Incident Management System (2008)
North Wales Trunk Road Agency Quarterly Progress Reports (various)
North Wales Trunk Road Agency Plan & Timetable for the A55 Tunnels in North Wales (2006)
North Wales Trunk Road Agency Article 11.5 Compliance Report for the A55 Tunnels in North Wales (2007)

TECHNICAL SUPPORT PROJECT Development Directorate

Purpose of the Audit

To ensure that appropriate internal controls exist in the administration of the Technical Support Project.

Scope of the Audit

A sample of transactions and grant applications in relation to the Technical Support project were audited, encompassing the following aspects:

- That the bodies operating the project are complying with the European Union's guidelines and the Welsh European Funding Office.
- That the grant applications presented were correct.
- That the employees administering the grant are receiving appropriate training.

Main Findings

Audit tests were carried out on 18 areas of internal controls. These tests showed that the controls were good in 11 of these areas.

Opinion of the Audit

- (B) The audit opinion is that partial assurance of financial propriety can be given to the administration of the Technical Support project, but there are aspects which could be improved.**

**WALES ASSEMBLY GOVERNMENT GRANT FOR TRANSFER BETWEEN KEY
STAGES 2 AND 3
Development Directorate**

Purpose of the Audit

To ensure that appropriate internal controls exist to administer the Wales Assembly Government Grant for Transfer Between Key Stages 2 and 3.

Scope of the Audit

The audit encompasses the following aspects:

- That the Schools Service is complying with the terms and conditions of the grant.
- That the grant money transferred to the schools have been treated correctly.
- That appropriate documentations are presented/kept by the schools to support the expenditure.

Main Findings

The main findings derived from the audit was that one catchment area needed to improve on their arrangements by ensuring they keep evidence to support all the expenditure to do with the grant.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be given to the administration of the Wales Assembly Government's Grant for the transfer between key stages 2 and 3, but there are aspects which could be improved. The recommendations within the action plan are as follows:

- It should be ensured that from now on the Tywyn catchment area keeps evidence of all expenditure to do with the grant on an appropriate file, to support any use made of the grant.
- The Wales Assembly Government should be informed immediately of any underspend relating to the 2007/08 grant.

SCHOOL TRUST FUNDS Development Directorate

Purpose of the Audit

To ensure that appropriate internal controls exist in the administration of the school trust funds.

Scope of the Audit

The scope of the audit encompasses the following aspects:

- That a list is kept of all trust funds.
- That regular reports are produced to show the financial situation of the fund.
- That wills/letters specifying the purposes of the gifts are kept securely.
- That appropriate and correct use is made of the funds.
- That the funds money are invested appropriately.

Samples of 5 schools were chosen for undertaking tests on their trust funds, 4 secondary and 1 primary. The Finance Development Unit's trust funds control spreadsheet was also audited.

Main Findings

The main findings derived from the audit were that it was not possible to audit the wills/letters to do with the purposes of the funds and that no uses were being made of some of the funds.

Opinion of the Audit

(B) The audit opinion is that partial assurance of financial propriety can be given in the administration of school trust funds as there are controls in place, but there are elements where some arrangements could be tightened. The main recommendations noted in the action plan are as follows:

- **It should be ensured that there is a better procedure in place for the future. If a new fund is created it should be ensured that the will/letter specifying the purpose of the fund is kept in the possession of the Head of the school with a copy being sent to the Legal Unit.**
- **If it is difficult to adhere to what is specified in the will then the school should write to the Charity Commission and ask for their guidance on how to change the purpose of the fund. If the Charity Commission is not willing to give guidance because the fund is not registered, then the Legal Unit can be contacted for further guidance.**
- **Annually the Finance Development Unit should contact the Accountancy Unit within the Resources Directorate and ask for their opinion as to whether investing externally would create more interest on the high ready cash balances rather than keeping the money in the authority's bank.**

HOUSING RENT INCOME Care Directorate

Purpose of the Audit

Ensure that:-

- properties have been accounted for and that details are contemporary;
- tenants details are correct and contemporary;
- the correct rent due is recorded against the tenants account;
- all the rent due is collected;
- all the rent due through direct debit has been collected by the authority;
- all the income that is collected through swipe cards is posted to the correct account;
- rent accounts are updated; arrears kept to a minimum as possible;
- computer systems operate in accordance with approved operational procedures; systems are operated in accordance with the Data Protection Act 1998;
- amendments to systems and data have been properly authorised;
- there is a trail through the system of data that has been inputted to its final resting place and vice versa;
- data is being processed;
- data is complete and accurate, access to data has been limited to authorised officers;
- production, collection, and retention of computer output is controlled and that the system and data can be reconstructed if a disaster occurs.

Scope of the Audit

Review arrangements for receiving, recording and reconciling income with the relevant financial systems.

Main Findings

On the whole appropriate arrangements were observed, as there are controls in place, however there are aspects that need to be tightened. Audit tests were undertaken on 93 internal controls. The tests showed that good internal controls existed in 73 of these areas.

Audit's Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the administration of housing rent income as there are controls in place, but there are aspects that need to be tightened. The main recommendations in the operating scheme that are designated “essential” and need attention are as follows

- **There is a need to ensure that guidelines exist on the steps which need to be followed when tenancy changes, in order to gain consistency and ensure that the guidelines are followed in every circumstance which will reduce the risk of mistakes being made.**
- **The officers rent collection performance should be monitored in order to ensure that a satisfactory percentage of monies due is collected which reduces the risk of loss to the Council.**
- **Officers need to ensure that a written tenancy agreement exists in every case, as a lack of agreement will put the Council in a precarious position when attempting to recover monies.**
- **Officers that are responsible for collecting arrears should not collect and issue receipts for monies on any occasion.**
- **The Council should have guidelines in place that confirms which officer has permission to agree arrears up to certain levels e.g. the greater the debt the higher the officer should be when confirming repayment agreements.**

PHYSICAL DISABILITY – CONTROL OVER BLUE BADGES

Care Directorate

Purpose of the Audit

To ensure that the financial administration of the blue badges scheme in each area is appropriate and consistent with the Council's Financial Procedure Rules.

Scope of the Audit

The main areas of income and expenditure according to the 2007-08 ledger were audited together with the arrangements for managing the scheme.

Main Findings

Audit tests were undertaken on 33 internal controls. The tests showed that good internal controls existed in 24 of these areas.

Audit's Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the control over Blue Badges there are controls in place, but there are aspects that need to be tightened. The main recommendations in the operating scheme that are designated "essential" and need attention are as follows:-

- There is a need to ensure that duties are separated, so that more than one officer is responsible for raising an order, checking the order, receiving the goods and certifying the invoice.
- A stock list should be created when the officer receives the badges. The stock list should be checked annually by an officer that is not responsible for keeping the record. Should sign and date the stock to confirm that the badge numbers that have been noted exist.
- A paying-in form (TR34) should be signed by two officers and that all the relevant fields have been filled in order to ensure correctness.

Bibliography

The Blue Badge Scheme, Welsh Assembly Government, 2004.

ON CALL & EMERGENCY ARRANGEMENTS

Care Directorate

Purpose of the Audit

Ensure that:-

- arrangements to establish the service have been made formally,
- adequate procedures are in place for receiving services and that there is evidence to the standard of service supplied to clients,
- the procedure for claiming overtime is fair and correct and that forms presented to the Payroll Unit are correct and complete,
- efficient procedures to record working hours and absences.
- appropriate records to support/ approve the users status,
- appropriate records of all official business dealings claimed,
- bona fide claims for travelling and subsistence,
- separation of duties exists in the procedure of processing claims,
- adequate records of all the payments made in relation to travelling and subsistence,
- Update all the relevant records to record the transactions,
- Adequate procedures to review wage costs.

Scope of the Audit

Testing the relevant regulations through confirming present arrangements and auditing financial transactions for the previous and current financial year.

Main Findings

Sufficient arrangements are in place, however some aspect require attention. Audit tests were undertaken on 50 internal controls. The tests showed that good internal controls existed in 42 of these areas.

Audit's Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for 'On Call & Emergency Arrangements' as there are controls in place, but there are aspects that need to be tightened. The main recommendations in the operating scheme that are designated "essential" and need attention are as follows:-

- **The two officers for whom there is no evidence on file need to send certificates confirming that they have the necessary qualifications to fulfil the post.**
- **There is a need to confirm that every payment for overtime has been certified by an authorised signatory on every occasion.**
- **In order to ensure correctness in the payments there is a need for a second officer to verify the calculation and sign that they agree with the amount to be paid.**
- **Need to create a system where fuel credit card bills are referred to the 'On Call & Emergency' Manager in order for him to confirm which payments are related to the service and are valid payments. The Manager should confirm this by signing and dating the confirmation.**
- **Need to ensure that there is a copy of the insurance certificate for every member of staff in the service is sent to the Support Service Manager before the next application for travelling and subsistence.**
- **Need to ensure that payments for travelling and subsistence have been certified for payment by an authorised signatory on every occasion.**

GIFTS TO STAFF AT RESIDENTIAL HOME

Care Directorate

Purpose of the Audit

To ensure that Residential Home Staff conform with the 'Code of Practice for Receiving Hospitality and Gifts' together with ensuring that appropriate internal arrangements exist. Attention was given to the following controls:

- The 'Code of Practice for Receiving Hospitality and Gifts' should be available to all staff at residential homes,
- Staff at residential homes should be aware of the 'Code of Practice for Receiving Hospitality and Gifts',
- That there is an appropriate procedure for refusing, accepting and registering offers in the 'Code of Practice for Receiving Hospitality and Gifts',
- There are controls over receiving monetary donations through a Unofficial Staff Fund;
- Ensure that a register exists in order to record every gift and hospitality received and refused.

Scope of the Audit

Review the operational procedures, hold discussion with a cross-section of staff who are involved with Residential Homes and examine the gifts and hospitality register in order to ensure that fundamental principals of the policy are being implemented pursuant to the requirements.

Main Findings

Audit tests were undertaken on 26 internal controls. The tests showed that good internal controls existed in 8 of these areas.

Audit's Opinion

(C) The audit opinion is that financial assurance cannot be given to the procedures for gifts to staff at residential homes, as the controls that are in place cannot be relied upon. No losses / fraud were found as a result of the weak controls. The main recommendations denoted as "essential" in the implementation plan and require early attention follow:

- **Should ensure that Homes have been notified that a more recent policy exists and is received as well as informing them that a copy exists on the intranet.**
- **Should ensure that the 'Code of Practice for Receiving Hospitality and Gifts' is included in the starter pack for new staff. Should ensure that new staff sign and date the slip and return it to the Personnel Office confirming that the policy has been accepted and understood. The Care Personnel Unit should provide the policy to the homes' managers with the Provider Service Administration Unit ensuring that all the other staff receive the policy.**
- **Should ensure that current staff receive a copy of the of 'Policy for Receiving Hospitality and Gifts' with a slip to be signed by the staff in order to be returned to the Personnel Office. This is to confirm that the policy has been read and understood.**
- **There is a need to increase the awareness of the Homes Registered Managers that there is a need to register any offer of a gift or hospitality even when the offer has been refused.**

Bibliography

'Code of Practice for Receiving Hospitality and Gifts'
Staff Code of Conduct

MEIRIONNYDD AREA LEARNING DISABILITIES DAY CENTRES & WORKSHOPS Care Directorate

Purpose of the Audit

To ensure that adequate internal controls exist within the Learning Disabilities Day Centres and Workshops in the Meirionnydd area.

Scope of the Audit

The main financial aspects of the centres and workshops were audited in line with income and expenditure seen on the ledger for 2007/08 as well as rules and regulations associated with Health and Safety. Samples were chosen on the basis of the income and expenditure headings per establishment and these were then compared across the establishments, in order to concentrate on certain aspects within individual establishments and in different locations.

Main Findings

Audit tests were undertaken on 54 internal controls. The tests showed that good internal controls existed in 45 of these areas.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the management of Day Centres/Workshops as there are controls in place, but there are aspects that need to be tightened. The main recommendations in the operating scheme that are designated “essential” and need attention are as follows:-

- **Consideration should be given to revising and agreeing annually the rate paid to the workers.**
- **It must be ensured that the sheets in the vehicle hire book are checked thoroughly and signed to confirm that this check has taken place. Regular checks should be undertaken to confirm that the mileage recorded agrees with the mileage reading of the car.**
- **The date goods/service were received should be written on the official order to confirm that they have been received.**
- **The Payments Unit should ensure that they have proof of signature of officers with the authority to sign the TR257, and that the officers that sign the TR257 have a list of officers with the authority to sign orders.**
- **It must be ensured that staff have been suitably trained or have enough experience to carry out their duties i.e. have completed the necessary qualification.**

PLAS OGWEN HOME FOR THE ELDERLY, BETHESDA
Care Directorate

Purpose of the Audit

To ensure that the financial arrangements at Plas Ogwen, Bethesda are appropriate and conform to the Council's Financial Procedure Rules.

Scope of the Audit

The main areas of expenditure and income according to the Council's ledger transactions were audited together with the control arrangements at the Home.

Main Findings

Audit checks were carried out on 63 areas of internal control. The test showed that there were good controls in 41 of these areas, with 5 areas no longer relevant.

Audit Opinion

(B) The opinion of the audit is that partial assurance of financial can be given to Plas Ogwen, Bethesda as internal controls are in place, but there are aspects which could be improved upon. The main recommendations denoted as "essential" in the action plan and requiring early attention are as follows :

- **All casual workers should receive a letter of appointment from the Home.**
- **The date of delivery of goods or services should be written on the official order to confirm that they have been received.**
- **The estimated cost should be noted on an invoice before the invoice reaches the office.**
- **There should be appropriate separation of duties between ordering and certifying.**
- **Two persons should sign the individual cards on each occasion in order to confirm that the information is correct.**
- **A record should be kept of all income and expenditure of the home's amenity fund, including the running balance. The record should then be reconciled regularly against the ledger report.**

PLAS PENGWAITH HOME FOR THE ELDERLY, LLANBERIS
Care Directorate

Purpose of the Audit

To ensure that the financial arrangements at Plas Pengwaith, Llanberis are appropriate and conform to the Council's Financial Procedure Rules.

Scope of the Audit

The main areas of expenditure and income according to the 2007-08 ledger transactions were audited together with the control arrangements at the Home.

Main Findings

Audit checks were carried out on 63 areas of internal control. The test showed that there were good controls in 43 of these areas, with 5 areas no longer relevant.

Audit Opinion

(B) The opinion of the audit is that partial assurance of financial propriety can be given for Plas Pengwaith, Llanberis as internal controls are in place, but there are aspects which could be improved upon. The main recommendations denoted as "essential" in the action plan and requiring early attention are as follows :

- **The monthly list of staff wages should be checked thoroughly to ensure that the home isn't paying for staff that they shouldn't. In addition, any discrepancy should be investigated in order to adjust any past mistakes.**
- **All casual workers should receive a letter of appointment from the Home.**
- **Orders should be raised when the goods/service are ordered, not after the goods or invoice are received.**
- **The date of delivery of goods or services should be written on the officer order to confirm that they have been received.**
- **A record should be kept of all income and expenditure of the home's amenity fund, including the running balance. The record should then be reconciled against the ledger report.**

PLAS GWILYM HOME FOR THE ELDERLY, PENYGROES
Care Directorate

Purpose of the Audit

Ensure that the financial and security arrangements in Plas Gwilym Home for the Elderly, Penygroes are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

The main areas of expenditure and income according to the 2007-08 ledger transactions were audited together with the control arrangements at the Home.

Main Findings

Audit tests were undertaken on 63 internal controls. The tests showed that good internal controls existed in 46 of these areas.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for Plas Gwilym, Penygroes as there are controls in place, but there are aspects that need to be tightened. The main recommendations in the operating scheme that are designated "essential" and need prompt attention are the following:

- All casual workers should receive a letter of appointment from the Home.
- Official orders should be signed in order to confirm that they have been raised by an authorised officer.
- The date on which orders are raised should be noted in order to ensure that official orders are raised before the invoice date.
- Need to ensure that every payment is made within a month of receiving the invoice. The invoice should be stamped in order to record the date that it was received.
- Income needs to be received/signed by two officers.