

## **GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>12 MARCH 2009</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 28 FEBRUARY 2009</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION</b>

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### **1. INTRODUCTION**

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1<sup>st</sup> December 2008 to 28<sup>th</sup> February 2009.

### **2. WORK COMPLETED DURING THE PERIOD**

- 2.1 The following audit work was completed in the 3 months to 28<sup>th</sup> February 2009:

<b>Description</b>	<b>Number</b>
Formal Reports on Planned Audits	10
Other Reports (memoranda etc)	4
Follow-up Audits	2

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 28<sup>th</sup> February 2009, indicating the relevant opinion category and a reference to the relevant appendix.

DIRECTORATE	SERVICE	TITLE	OPINION	APPENDIX
Resources	Customer Care Support	Disposal of Council Property	<b>B</b>	Appendix 1
Resources	Finance	Internal Transfers	<b>B</b>	Appendix 2
Resources	Finance	Council Tax - registration of new properties	<b>B</b>	Appendix 3
Resources	Administration And Public Protection	Land Searches	<b>B</b>	Appendix 4
Environment	Gwynedd Consultancy	Compliance with Construction Design Management (CDM) Regulations	<b>B</b>	Appendix 5
Development	Lifelong Learning	Rhyd Ddu Outdoor Centre	<b>B</b>	Appendix 6
Care	Housing	Tenant Contributions to Heating Costs	<b>B</b>	Appendix 7
Care	Housing	The 'Here to Help' Initiative	<b>B</b>	Appendix 8
Care	Social Services	Support Worker Costs	<b>B</b>	Appendix 9
Care	Provider Services	Learning Disabilities - Day Centres (Dwyfor)	<b>B</b>	Appendix 10

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:

- Post-16 Education Grant (*Development Directorate*)
- Main Ledger Feeder Systems – Income from Cash Receipting Systems (CRIS and Remit) (*Resources Directorate*)
- Main Ledger Feeder Systems – Transfers from the Payroll and Pensions System (Cyborg) (*Resources Directorate*)
- Payments Unit – Separation of Duties (*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
Fleet Management	Environment	Highways and Municipal	B	<b>Acceptable</b>
Processing of Travel Costs within the Environment Directorate	Environment	Environment Support Unit	C	<b>Acceptable</b>

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**

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 1<sup>st</sup> March 2009.

#### **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 Licence Management (Schools) (*Resources Directorate*)
- Software Licensing Controls (Corporate) (*Resources Directorate*)
- Learning Disabilities - Day Centres (Arfon) (*Care Directorate*)
- Management of Apetito Contract (*Care Directorate*)
- On-Street Structure Licences (*Environment Directorate*)
- Use of Sub-contractors, Works Unit (*Environment Directorate*)
- Members' Expenses (*Resources Directorate*)
- Corporate Contracts Register (*Corporate*)

#### **3.3 Work in progress**

- Provider Services IT System Project (*Chief Executive's Department*)
- Overview of General Travelling (*Corporate*)
- Contribution to the AGS (*Corporate*)
- Lists of Approved Contractors (*Corporate*)
- Contracts: Retention Money (*Corporate*)
- Contract Management: Reporting on Overspends (*Corporate*)
- School Funding Formula (*Development Directorate*)
- School Buildings Improvement Grant (*Development Directorate*)
- Collection of Social Services Data for Performance Management purposes (*Care Directorate*)
- Social Services Grants (*Care Directorate*)
- Cash collection systems (*Resources Directorate*)
- Discretionary Payments (*Resources Directorate*)
- File Transfers from schools' financial systems (*Resources Directorate*)
- Arrangements for Commencing, Revisions and Terminating Employees (*Resources Directorate*)
- National Fraud Initiative (NFI) (*Corporate*)
- ICT: Anti-Fraud Work (*Corporate*)
- Communities First Programme (*Development Directorate*)
- 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*)
- Home Carer Wages Control (*Care Directorate*)
- Provider Services Properties - Commissioning of work (*Care Directorate*)
- Physical Disability - Joint Store Service Contract (*Care Directorate*)
- Learning Disabilities - Private Day Care (*Care Directorate*)
- Learning Disability Register - controls for ensuring completeness (*Care Directorate*)
- Children - Out-of-County Placements (*Development Directorate*)
- Health and Safety of Care Staff (*Care Directorate*)
- Gwynedd Training Administration and Management (*Development Directorate*)
- Food Purchasing and Stock Control (*Care Directorate*)
- Land Maintenance (*Environment Directorate*)
- Transport Fee Income (*Environment Directorate*)
- Arrive Alive (*Environment Directorate*)
- Current Contracts: Gwynedd Consultancy (*Environment Directorate*)
- Final Accounts: Gwynedd Consultancy (*Environment Directorate*)
- SBIG Contracts (*Corporate*)

- Final Accounts: Housing (*Care Directorate*)
- Council Housing Maintenance - Workflows (*Care Directorate*)
- Follow-up - North Wales Trunk Road Agency (*Environment Directorate*)
- Follow-up - Manual Workers Health & Safety (*Environment 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 1<sup>st</sup> December 2008 to 28<sup>th</sup> February 2009, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## **DISPOSAL OF COUNCIL PROPERTY**

### **Resources Directorate**

#### Purpose of Audit

The purpose of the audit was to ensure that the arrangements within the Property Unit for disposing of Council property or land complied with the relevant controls and legislation.

#### Scope of the Audit

The audit reviewed a sample of property and land sales made during the 2008-09 financial year, and a sample of land disposals for less than the best consideration during the previous years. As well as reviewing the Unit's arrangement of reporting on targets regarding receipts from sales of property.

#### Main Findings

A sample of 7 sales were reviewed, it was seen that the arrangements within the Property Unit of disposing of property complied with the relevant controls and legislation. The files contained evidence regarding the property price, as well as the reasoning for disposing of the property. The Policy for Disposal of Property for Less than the Best Consideration complied with the conditions set out in the General Disposal Consent (Wales) 2003. However, the Policy is not current, for example the Asset Management Group does not exist and the proposed protocol in part 5 of the Policy does not reflect the procedure followed by the Unit.

It was confirmed that the arrangements of the Corporate Property Manager for reporting quarterly on proceeds of sales targets are appropriate, but the wording should be modified for one target. The Unit has excelled on the targets set for the 2008-09 financial year.

#### Audit Opinion

**(B) The opinion of the audit is that partial assurance of propriety can be given to the arrangements for disposing of Council property, as there are controls in place, but there are elements where some arrangements could be improved. Recommendation included in the action plan are as follows:**

- **The Policy for Disposal of Property for Less than Best Consideration should be updated in order to reflect the Unit's arrangement and therefore ensuring transparent guidelines.**
- **The wording of the "total capital receipts" target should be modified, in order to ensure that it is evident that all receipts from sale of property should be included when calculating the Unit's performance against the target.**

#### Bibliography:

Property Asset Management Plan and Policies: Published in October 2005

## INTERNAL TRANSFERS

### Resources Directorate

#### Purpose of Audit

The purpose of the audit is to ensure that appropriate arrangements are in place to complete internal transfers between the Council Services, and ensure compliance with the guidelines. Also to ensure appropriate controls within the computer systems used by some Services to complete internal transfers.

#### Scope of Audit

The audit was completed by reviewing the arrangements for completing internal transfer forms within Services, as well as the procedure for inputting the data into the ledger in order to complete the transaction. A review was also undertaken of three Units that use computer systems to complete their internal transfers.

#### Main Findings

It emerged during the audit that the forms and guidelines used to complete internal transfers are not up to date (forms “TR296 Internal Transfer Form” and “TR307 Internal Transfer Batch Header”). As a result, the forms and guidelines should be amended.

The Finance Service is considering amending the current internal transfers arrangement, by creating a corporate computer system that will remove the need to use paper forms. Keeping this in mind, it would be inappropriate to implement some of the recommendation noted in this audit report until a decision is made on whether a computer system should be developed.

Computer systems within three Units were reviewed, and it was found that there was an appropriate control on the systems. It emerged that a risk existed where the same internal transfer reference could be used twice, however it was seen that the Service’s had tried to mitigate this risk.

#### Audit Opinion

**(B) The opinion of the audit is that partial assurance of propriety can be given to the Council’s internal transfer arrangements, as there are controls in place, but there are elements where some arrangements could be improved. Recommendations included in the action plan are as follows:**

- **Officers within the Payment Unit should stamp the individual TR296 form, especially if there are more than one application in a batch in order to confirm that the details have been inputted to the ledger.**
- **The correct sub-type should be used when inputting the Provider Service internal transfers in the ledger.**

## **COUNCIL TAX - REGISTRATION OF NEW PROPERTIES**

### **Resources Directorate**

#### Purpose of the Audit

The purpose of the audit is to ensure that every location that has been subject to planning or building regulation approval is regularly reviewed by the Council Tax Inspectors and that development of the dwelling is reported and recorded in the appropriate system. Also to ensure that the owners of properties are billed by the Taxation Unit on completion of the property.

#### Scope of the Audit

To enquire about the arrangements for registering new properties and choose a random sample to verify and confirm that proper monitoring arrangements have been established.

#### Main Findings

It was found that overall arrangements are adequate and that officers monitor developments on new properties. It was seen that inspectors visit properties as required and that details of the visits are recorded in the Academy system with a note for the date of the next meeting. Full details of new properties are kept on a spreadsheet and information is regularly updated once details are received from other Council services and Snowdonia National Park Authority.

#### **Audit Opinion**

**(B) The opinion of the audit is that partial assurance of propriety can be given in the arrangements that exists in order to register new properties for the purposes of Council Tax billing as there are controls in place, but there are elements where some arrangements could be improved. The recommendation included in the action plan are as follows:**

- **The correct details should be recorded in the Academy system on all occasions.**

## LAND SEARCHES

### Resources Directorate

#### Purpose of the Audit

The purpose of the audit was to ensure that the Council administers land searches in an appropriate manner and that response to applications are made in accordance with the Council's policy and targets. To review the registers and ensure that the income received is correct and appropriate.

#### Scope of the Audit

Select a sample of transactions from the financial ledger and analyze the income received for the applications and audit the procedures relating to those applications. Review the current registers to ensure that they are maintained in an appropriate manner, that they are complete and current.

#### Main Findings

Audit tests were completed on 19 areas of internal control. The tests showed that good internal controls were present in 10 of these areas.

#### Audit Opinion

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

- **The NLIS service should be contacted to inform them of the need to provide payment statements to the Land Charges Section.**
- **Departments should be reminded of the requirement to respond to applications within the target time of five days.**
- **A receipt should be issued every time income is received for personal searches to ensure that an adequate audit trail exists.**
- **It should be arranged that the relevant officers receive budgetary control reports on a regular basis to enable them to monitor that the income has reached the financial ledger correctly.**
- **The Registration Manager should request the Information Technology Unit to develop the database to ensure that the reference and name of the individual that deletes a recorded is recorded on the system.**

#### Bibliography:

Garner's Local Land Charges (13<sup>th</sup> Edition), Jan E. Boothroyd.

## **COMPLIANCE WITH CONSTRUCTION DESIGN MANAGEMENT REGULATIONS (CDM) Environment Directorate**

### Purpose of the Audit

The purpose of the audit was to ensure that the Consultancy Service was complying with the statutory requirement of the Construction Design and Management (CDM) Regulations.

### Scope of the Audit

The scope of the audit was to take a sample of Gwynedd Consultancy's notifiable projects to ensure that the Service had taken appropriate action to manage projects in accordance with CDM Regulations in order to reduce the health and safety risks. The main assignment of the report was to audit the Service's electronic files, which are being stored on the shared network drive. The main focus of the report was the responsibility of the CDM Co-ordinator on these projects.

### Main Findings

It seen that the appointment of the CDM Co-ordinator had standardised the procedures within Gwynedd Consultancy for fulfilling its obligations with the CDM Regulations. There are legal requirements on the Service to comply with the CDM process, even though this can be bureaucratic at times. In general, the procedures were being followed, but there are some areas where the procedures can be improved. The main weaknesses are listed as follows:

- The CDM Co-ordinator was not being formally appointed by the client (a requirement of paragraph 14 of the Regulations);
- Delay in notifying the Health and Safety Executive about the projects (a requirement of paragraph 21 of the Regulations);
- Selecting companies that have not registered with CHAS to tender for work (a requirement of Gwynedd Council Policy 9.21); and
- Contractors starting on site before getting the formal authority of the CDM Co-ordinator (a requirement of paragraph 16 of the Regulations)

### Audit Opinion

**(B) The audit opinion is that partial assurance in the procedures of the Consultancy Service for complying with the Construction Design Management (CDM) Regulations can be given. The main recommendations in the action plan, and need immediate attention are as follows:**

- **In accordance with the Regulations, the client should appoint the CDM Co-ordinator formally in notifiable projects.**
- **Form 10 should be forwarded to the Health and Safety Executive as soon as it is practical for notifiable projects.**
- **It should be ensured that companies are registered with CHAS or have equivalent accreditation before they are invited to tender for work by the Consultancy Service.**
- **Contractors should not commence on site until a formal permission has been given and the Service is satisfied with the Construction Phase Plan.**

**RHYD DDU OUTDOOR CENTRE**  
**Environment Directorate**

Purpose of the Audit

To ensure that internal control procedures exist and are being implemented at the Rhyd Ddu Outdoor Centre.

Scope of the Audit

To audit a sample of financial transactions in the ledger for the 2007/08 and 2008/09 financial years and follow them back to the Centre's records.

Main Findings

Audit tests were undertaken on 24 internal controls. The tests showed that good internal controls existed in 19 of these areas.

**Audit Opinion**

**(B) The audit opinion is that partial assurance can be placed upon the procedures in place at Rhyd Ddu Outdoor Centre as there are controls in place, but there are aspects that need to be improved. The recommendations in the report are as follows:-**

- **Arrangements for receiving a % of the hiring cost as a deposit from organisations from outside Gwynedd should be considered.**
- **Invoices for users of the Centre should be raised promptly.**
- **An appropriate book should be kept to record details of money collected from the payphone, and the two people present when emptying the phone should ensure that they sign and date the record as proof of their presence.**

## **HEATING CONTRIBUTIONS FROM TENANTS**

### **Care Directorate**

#### Purpose of the Audit

Ensure that there is an effective procedure for controlling, collecting and banking heating contributions from tenants. Attention was given to the following management objectives:

- ensure that the contributions are in accordance with the Service's policy,
- ensure that the contribution has been received by every tenant,
- ensure that the contribution is correct, complete and prompt,
- ensure that the information on the ledger is correct,
- ensure that there are sufficient budget controls,
- ensure that controls exist to prevent fraud,
- ensure that the banking procedures were correct.

#### Scope of the Audit

To review the arrangements for receiving income, recording and reconciling with the relevant financial system.

#### Main Findings

Audit tests were undertaken on 27 internal controls. The tests showed that good internal controls existed in 25 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 Heating Contributions from Tenants as there are controls in place, but there are aspects that need to be tightened. The main recommendations action plan that require early attention are as follows:-**

- **The Senior Housing Accountant needs to sign and date the verification in order to ensure that it has taken place.**
- **Need to ensure that 2 officers have signed the banking sheet and the paying in book.**

## **“HERE TO HELP” INITIATIVE Care Directorate**

### Purpose of the Audit

Ensure that financial arrangements for the “Here To Help” Initiative are appropriate and in accordance with the Council’s Financial Procedure Rules.

### Scope of the Audit

A sample of the main areas of income and expenditure according to the records in the 2007-08 and 2008-09 ledger were audited together with initiative’s management arrangements.

### Main Findings

Audit tests were undertaken on 38 internal controls. The tests showed that good internal controls existed in 30 of these areas.

### Audit’s Opinion

**(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the “Here To Help” Initiative as there are controls in place, but there are aspects that need to be tightened. The main recommendations noted in the action plan that need attention are as follows:-**

- **The agreement between the Authority and British Gas should be executed as a deed and signed by an authorised officer of the Council.**
- **The agreement should note the need for a specific insurance in order to obtain satisfactory safeguards.**

### Bibliography

Heating Houses for a Lower Price, Implementation on Affordable Warmth in Gwynedd 2006-2008.  
Contract Procedure Rules: Section 29, Completing Contracts.

## SUPPORT WORKER COSTS Care Directorate

### Purpose of the Audit

Ensure that there are efficient procedures in place to control salary expenditure and travelling expenses on Support Workers. Attention was given to the following control objectives:

- Ensure that there are appropriate budgetary costs for wages,
- Ensure that there are appropriate procedures for appointing and terminating employment,
- Ensure that timesheets are correct and have been approved for payment,
- Ensure that there are efficient procedures for recording working hours and absences,
- Keep adequate records to support and approve the users status,
- That all users have adequate insurance,
- That adequate records are kept of all official business journeys that were claimed,
- The claims for travelling and subsistence expenses should be bona fide,
- There should be separation of duties in the procedure of processing claims,
- Adequate records are kept of all payments made in relation to travelling a subsistence,
- All relevant records are updated to record transactions, and
- The records are kept safe.

### Scope of the Audit

Review the procedures in a cross section of Area Offices and the Payments Unit. Choose an audit sample in accordance with wage costs performance against the 2007-2008 budget.

### Main Findings

Audit tests were undertaken on 53 internal controls. The tests showed that good internal controls existed in 38 of these areas.

### Audit's Opinion

**(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the 'Support Worker Costs' 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:-**

- **An official letter should be used to confirm the termination of employment in every occasion**
- **Should ensure that every payment has been referenced correctly.**
- **Need to ensure that officers have adequate car insurance by obtaining evidence as soon as possible following the expiry of the previous policy.**
- **Every line manager needs to review and sign claims in order to confirm that they are bona fide and correct.**
- **Need to ensure that the travelling expenses claimed are in accordance with the Council's policy and that it is applied consistently across every service so that all the support workers receive full travelling expenses.**
- **Need to ensure that separation of duties exist between the officer that prepares the batch of claims and the officer that is responsible for inputting those details.**

## **DWYFOR AREA LEARNING DISABILITY DAY CENTRES AND WORKSHOPS**

### **Care Directorate**

#### Purpose of the Audit

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

#### Scope of the Audit

The main financial areas of the centres and workshops according to the ledger for 2007/08 were audited together with 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 40 of these areas.

#### Audit's Opinion

**(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the management of Learning Disability Day Centres and 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:-**

- **Need to thoroughly analyse the reasons behind overspends at Melin Glanrafon over the past two financial years and use this information to consider the steps that need to be taken to ensure that there is no further overspend in the future.**
- **Need to ensure that a consistent rate of salary is paid to workers and that the salary is not above the maximum that is permitted. An annual review and authorisation of workers' salary rate should be considered.**
- **Should keep a register of clients that attend the centre daily and indicate clearly on the register that the client has worked on a particular day. This should be checked by an officer independent to the centre so that those individuals that are dealt with regularly have been included on the establishments' client list.**
- **Should ensure that the sheets in the log book have been checked thoroughly and signed to confirm that a checks have been undertaken. Should regularly check that the mileage conforms with the mileage on the vehicle.**