

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	28 SEPTEMBER 2009
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 AUGUST 2009
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 June 2009 to 31st August 2009.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the 3 months to 31st August 2009:

Description	Number
Formal Reports on Planned Audits	19
Responsive Audit	1
Other Reports (memoranda etc)	1
Follow-up Audits	3

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 31st August 2009, indicating the relevant opinion category and a reference to the relevant appendix.

DEPARTMENT	SERVICE	TITLE	OPINION	APPENDIX
Education	Resources	Governor Duties (Primary Schools)	B	Appendix 1
Education	Education Consortium	Wales Assembly Government Community-Focussed Schools Grant	B	Appendix 2
Education	Schools	Budgetary Control within Primary Schools	B	Appendix 3
Education	Schools	Primary Schools Lettings	B	Appendix 4
Corporate		Corporate Governance - Officer Authorisation Arrangements	B	Appendix 5
Finance	Audit and Risk	Insurance Arrangements	B	Appendix 6
Finance	Financial	Secondary School Payments	C	Appendix 7
Finance	Accountancy	Efficiency of the Coding Structure	B	Appendix 8
Finance	Pensions and Payroll	Arrangements for Commencement, Revision and Termination of Employees	B	Appendix 9
Provider and Leisure	Catering	Food Purchasing and Stock Control	C	Appendix 10
Provider and Leisure	Leisure	Arfon Leisure Centre, Caernarfon	B	Appendix 11
Provider and Leisure	Residential and Day	Cefn Rodyn Home for the Elderly, Dolgellau	C	Appendix 12
Economy and Community	Community Regeneration	Communities First Programme	B	Appendix 13
Economy and Community	Gwynedd Training	The Management and Administration of Gwynedd Training	B	Appendix 14
Customer Care	Information Technology	Anti-Malware Controls	B	Appendix 15
Social Services	Adults	Learning Disabilities - Private Day Care	B	Appendix 16

DEPARTMENT	SERVICE	TITLE	OPINION	APPENDIX
Regulatory	Planning	Planning - Enforcement	B	Appendix 17
Strategic and Improvement	Strategic Direction	Research Project Output	B	Appendix 18
Gwynedd Consultancy	Across the department	Bangor Railway Station Scheme	No Category	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:

- School Buildings Improvement Grant (*Education*)

2.3 Follow-up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Gifts to Staff at Residential Homes	Provider and Leisure	Residential and Day	Acceptable
North Wales Trunk Road Agency - Tunnel Service	Trunk Road Agency		Acceptable
Compliance with CDM Regulations	Gwynedd Consultancy	Buildings and Environmental	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 30 June 2009

Stand-alone Computers
Use of Sub-contractors

Completion Target: Quarter ending 30 September 2009

Debtors System - Invoice Suppression
Licencing of On-Street Structures
Management of Meals on Wheels Contract

Completion Target: Quarter ending 31 December 2009

Software Licensing in Schools

Completion Target: Quarter ending 31 March 2010

Joint Store Service Contract
Secondary School Payments
Food Purchasing and Stock Control

Completion Target: Quarter ending 30 June 2010

Cefn Rodyn Home for the Elderly, Dolgellau

2.4 Responsive Audits

2.4.1 A responsive audit was undertaken on an overspend on the budget of Ysgol Maenofferen, Blaenau Ffestiniog. The executive summary of the audit report that was produced has been included as Appendix 20.

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1st September 2009.

3.2 Draft reports released

- Land Maintenance (*Highways and Muncipal*)
- Configuration Management (*Customer Care*)
- Council Housing Maintenance - Workflows (*Housing*)
- Arfon Tennis Centre (*Provider and Leisure*)
- Dwyfor Leisure Centre (*Provider and Leisure*)
- Penllyn Leisure Centre (*Provider and Leisure*)
- Review of PQQ evaluation procedures (-)
- Unofficial Funds (*Education*)
- Precepts (*Finance*)
- Plas Maesincla, Caernarfon (*Provider and Leisure*)
- Public Footpaths (*Regulatory*)

3.3 Work in progress

- Exemptions from the corporate training arrangements (*Corporate*)
- Corporate Governance - Comparative Review (*Corporate*)
- Contract Management - Site Visits (*Corporate*)
- Contract Management - Performance Bonds (*Corporate*)
- Contract Terms and Tendering Documents (*Corporate*)
- Building Services - Prioritisation of Work (*Gwynedd Consultancy*)
- Traffic Orders (*Regulatory*)
- Out-of-County Education - Invoicing Arrangements (*Finance*)
- Primary Schools Free Breakfast Initiative Grant (*Education*)
- Transfer from Key Stages 2 to 3 Grant (*Education*)
- Headteacher Assistance for Small Schools Grant (*Education*)
- Plas y Don, Pwllheli (*Provider and Leisure*)
- Plas Hedd, Bangor (*Provider and Leisure*)
- Collection of Social Services Data for Performance Management purposes (*Social Services*)
- Discretionary Payments (*Finance*)
- Council Tax - exemptions, empty properties etc (*Finance*)
- Implementation of Local Pay Review (*Finance*)
- Budgetary Control (*Corporate*)
- Treasury Management - New Strategy (*Finance*)
- NFI (National Fraud Initiative) (*Corporate*)
- Cheque Control (*Finance*)
- North Wales Procurement Partnership (*Strategic and Improvement*)
- Section 106 Agreements (*Regulatory*)
- Primary Schools - Recruitment Arrangements for Auxilliary Staff and Supply Teachers (*Education*)
- Bangor Swimming Pool (*Provider and Leisure*)
- Plas Ffrancon Leisure Centre (*Provider and Leisure*)
- Bro Dysynni Leisure Centre (*Provider and Leisure*)
- Yr Hafan, Pwllheli (*Economy and Community*)
- Maritime Service (*Economy and Community*)
- Control of Unofficial Funds (*Provider and Leisure*)
- Provider Services Properties - Commissioning of work (*Provider and Leisure*)
- Children - Adoption, Residential Order and Special Guardianship Allowances (*Social Services*)
- Health and Safety of Care Staff (*Social Services*)
- Security of Assets and Stores (*Highways and Muncipal*)
- Fleet Management (*Highways and Muncipal*)
- Current Contracts: Gwynedd Consultancy (*Gwynedd Consultancy*)

- Final Accounts: Gwynedd Consultancy (*Gwynedd Consultancy*)
- "Independence and Wellbeing" Grant (*Strategic and Improvement*)
- Final Accounts: Housing (*Housing*)
- Follow-up - Management of Meals on Wheels Contract (*Social Services*)
- Follow-up - Debtors System - Invoice Suppression (*Finance*)
- Follow-up - Support Worker Costs (*Social Services*)

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 June 2009 to 31st August 2009, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

GOVERNOR DUTIES (PRIMARY SCHOOLS)

Education

Purpose of the Audit

The purpose of the audit is to ensure that Governing Bodies in Gwynedd's Primary Schools fulfill their duties in accordance with statutory requirements and guidance produced by Welsh Governors and Estyn.

Scope of the Audit

A sample of Primary Schools in Gwynedd was chosen to be audited.

Main Findings

Audit tests were undertaken on 18 internal controls. The tests showed that good internal controls existed in 10 of these areas.

The main findings derived from the audit was that not every school had an up-to-date interest declaration register for each member of their governing body.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place in the duties of primary school governors, as there are controls in place, but there are aspects that need to be improved. The recommendations in the report are as follows:

- It would be good practice if the schools were to include all the information as recommended by the 'Gwynedd Governor's Handbook' in the schools' handbook.
- It would be good practice if the schools were to include all the information as recommended by the 'Gwynedd Governor's Handbook' in the schools' annual report to parents.
- Should the school predict that they shall be short of Governors in the near future, they should begin to recruit as soon as possible.
- Every school must make sure that they possess an up-to-date interest declaration sheet for every member of the governing body, that should be updated annually by distributing the sheet in the first meeting of the academic year.
- The Governing Bodies should annually review the fees that are under their discretion.
- It is recommended that the Education Administrator should distribute every document directly to the governors, instead of the schools handing them out, or if this is not practical, it is recommended that at least the training pamphlets are sent directly to the governors by the Education Administrator.
- It would be of good practice if the Education Administrator were to write to new governors who have not attended the induction course, or any other relevant course, to encourage them to do so.

WELSH ASSEMBLY GOVERNMENT COMMUNITY FOCUSED SCHOOL GRANT

Education

Purpose of the audit

To ensure that appropriate internal controls exist to administer the 2008/09 Community Focused Schools grant money.

Scope of the Audit

The audit encompasses the following aspects:

- That the grant money is being used for the purpose noted in the Welsh Assembly Governments' Guidance Circular dated September 2005 and as noted in the standard terms and conditions of the 2008/09 grant.
- That the grant money transferred to the schools has been treated correctly.
- That appropriate documentation is presented/kept by the schools before any grant money is transferred to the school's accounts.

Main Findings

The main findings derived from audit is that there remains no definite procedure in place for ensuring that appropriate documentation exists in the schools to support every transfer of the grant money made.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be given in the administration of the Community Focused Schools grant, but there are aspects where some arrangements could be tightened. The recommendation noted in the action plan is as follows:

- **It should be ensured that someone checks that the appropriate documentation is kept to support the transfer of every Community Focused Schools Grant money, either by ensuring that an officer visits each school to ensure that evidence is kept on file or that there is a procedure in place so that no claim is paid without the appropriate evidence having been sent in to the Education Improvement Officer with each claim.**
- **Checks should be made with the school to see whether the hours are correct and if they are, then the over-claim should be corrected and the Welsh Assembly Government should be informed of the over-claim.**
- **The schools should send to the Early Years Manager any documentation they have to support any expenditure made with the child-care element of the Community Focused Schools Grant.**

BUDGETARY CONTROL WITHIN PRIMARY SCHOOLS

Education

Purpose of the Audit

To ensure that there are efficient budgetary procedures in place within primary schools in Gwynedd.

Scope of the Audit

A sample of schools from the three areas within Gwynedd was selected to ensure that they have received detailed reports on the financial situation against the budget, that the schools make use of the reports and that the school's financial situation is presented to, and discussed by, the governors.

Prif Ddarganfyddiadau

Audit tests were undertaken on 29 internal controls. The tests showed that good internal controls existed in 12 of these areas.

Audit's Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for budgetary control within primary schools as there are controls in place, but there are aspects that need to be tightened. The main recommendations in the report are as follows:-

- **Every school should conform with the Estyn standards and produce a brief '3 Year Development Plan' along with the detailed 'Annual Development Plan'.**
- **The Finance Sub-committee (where it exists), or the full governing body, should discuss and approve any use of Reserves.**
- **The budget should be discussed by the Governing Body, and minutes should be taken to ensure evidence of the acceptance or refusal of that budget by the Governing Body.**
- **Every school should have written documentation of the rights and responsibilities of the Governing Body and the Headmaster concerning financial decision-making, where the Governing Body has agreed with the Head on reasonable amounts so that the Head can fulfil his/her duties. Furthermore, the Head and the Chair of the Governors need to sign the document in order to confirm that these amounts have been agreed.**
- **Heads should ensure that they report regularly to the Governing Body on the school's financial performance and should ensure that minutes of the meeting are recorded.**
- **Estyn's 'Keeping Your Balance' document should be included in each new Head's induction pack.**

PRIMARY SCHOOL LETTINGS Education

Purpose of Audit

To ensure that arrangements for the letting of primary school buildings is appropriate and in line with School Financial Regulations and Estyn's guidelines.

Scope of Audit

A sample of primary schools was chosen in all three areas, each being paid a visit in order to review the following aspects:

- That the Governing Body annually reviews the letting charges.
- That contracts are created between the school and the hirer.
- That the 'Letting of Premises' TR184 book is properly completed.
- That the hours claimed by the caretaker are verified against the lettings.
- That the school collects letting income before the letting date.
- That the school isn't let to any hirer who is a bad debtor.
- That the correct fees are charged on hirers.
- That official receipts are in use in each letting case.
- That the income from every letting is promptly banked into the Council's accounts.
- That the school claims community subsidies when relevant.

Main Findings

Audit tests were undertaken on 11 internal controls. The tests showed that good internal controls existed in only 3 of these areas. The main findings of the audit was that half of the audited schools made no use of the official 'Letting of Premises' TR184 book.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be placed upon primary schools' letting arrangements as there are controls in place, but there are elements where some arrangements could be tightened. The reports main recommendations are as follows:

- **Every school should make use of the 'Letting of Premises' TR184 book when letting the school out and it should be ensured that the hirers sign the contract and return it to the school.**
- **Money should be received beforehand from new hirers and also for other lettings when practical and realistic to do so.**
- **Official receipts should be given to hirers every time income is received for the letting of the building and the receipt number and cash amount should be noted in the 'Letting of Premises' TR184 book.**
- **It should be ensured that income from every letting is promptly banked into the Council's accounts, and not into the school's fund.**
- **Schools should make sure that they bank the income under the correct short code.**
- **Arrangements should be made so that every school in the County is aware of the procedures for claiming community subsidy.**

CORPORATE GOVERNANCE – OFFICER AUTHORISATION ARRANGEMENTS

Corporate

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements are in place within the departments for authorising officers to undertake the responsibilities that have been delegated to the heads within the Council's constitution. In particular, to ensure that a clear audit trail is in place for the authorisation.

Scope of the Audit

To review a sample of functions where the heads have authorised an officer to act on their behalf, ensuring that there is an appropriate authorisation by the head. The audit will be limited to reviewing decisions that effects an individual's right (e.g. an area manager's decisions regarding planning permissions or parking fines).

Main Findings

Audit tests were undertaken on 9 areas of internal controls. The tests showed that good internal controls were present in 5 of these areas, and satisfactory internal control were present in the remainder of the areas.

The arrangements for authorising officers vary within the Council. Some departments complete a formal authorisation document, others are in the process of reviewing their arrangements and others have not formalised their delegation arrangements at all. Also, it was seen that the content of the authorisation document varies within the departments; it would be beneficial if a corporate document were created in order to ensure consistency across departments.

Audit Opinion

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

- **The officers delegation scheme should be amended to ensure that the following powers are delegated to the relevant heads; the power to prosecute a parent if a child fails to attend a school and the power to prosecute travellers that reside unlawfully on industrial land.**
- **The Head of Education and Head of Economy and Community should complete a formal authorisation document following the delegation of duties from the delegation scheme to individual officers.**

INSURANCE ARRANGEMENTS

Finance

Purpose of the Audit

The purpose of this audit is to evaluate the arrangements in place for insuring the Council's interests together with the processes for dealing with arising insurance cases.

Scope of the Audit

The insurance policies in place for the period from 2006 to 2011 were reviewed together with a sample of cases in 2007/08 and 2008/09.

Main Findings

It was found that there is insurance cover in place for the main aspects such as vehicles, buildings, public liability, employer's liability and finance. It was found that reasonable and formal processes for appointing insurance companies had been followed. On reviewing cases which arose during 2007/08 and 2008/09, it was found that the Insurance Unit held a file for each one, and that the records in those files provided a complete record of steps taken by the Unit and other parties involved in the cases. Some points were raised where arrangements need improving.

Doubts have arisen regarding whether the Insurance Unit are properly informed of all insurable cases, therefore the relevant unit does not reclaim money due. There are other instances where the Insurance Unit are properly informed of cases but not of the repayment claim. In these cases, business units pay for repairs from their budget without reclaiming the money. This impacts on their budget and undermines the insurance premiums paid by the Council.

Some variations were identified between the Property Units' records of Council buildings and the list of insured buildings. The cases were brought to the attention of officers at the Insurance Unit, and they were rectified. In the light of this, the Unit needs to review the processes in place to inform them of buildings which need insuring and they need to establish whether they are satisfied that the processes will enable them to keep accurate and up to date records, so that all buildings are insured as required.

As some claims can date back to events decades previously, it is necessary that relevant insurance details be kept. In order to safeguard against damage to paper copies, it would be beneficial to scan documents so that electronic records exist which would be subject to IT security measures (e.g. back up copies etc.).

Audit Opinion

(B) The Audit Opinion is that partial assurance can be given regarding the financial appropriateness of Insurance Arrangements as controls are in place. However, the arrangements could be improved in some aspects. The main recommendations of the report are as follows:

- **An electronic record should be created of insurance certificates relating to periods in the past for which a claim may arise. Electronic copies would minimise the risk of losing information due to paper deterioration over the years, damage due to fire or similar incidents. The Audit and Risk Management Service has a scanner so that simple electronic records can be created.**
- **The Insurance Unit should review its methods for informing units regarding the maximum amounts of cash to be kept and transferred and should consider sending copies at regular intervals to units where there is traditionally a relatively high staff turnover.**
- **The two inconsistencies highlighted between the Housing Unit's records of buildings and the records of insurance in place should be reviewed to ensure that the Council is appropriately insured.**
- **The Property Unit and the Insurance Unit should review and formalise their arrangements for providing information regarding buildings and insurance requirements, along with the practice of record reconciliation so that buildings are adequately insured, in line with the Property Unit's expectations.**
- **It should be ensured that each item of repair work costing more than £250 is drawn to the attention of the Insurance Unit as appropriate. Failure to do this undermines the premium Gwynedd Council pays for insurance and means that the council housing maintenance funds are spent on insurable repairs.**
- **The Insurance Unit should aim to abandon performance measures that measure aspects beyond the Unit's control as these might be misinterpreted as a negative or positive reflection on the Unit's activities.**
- **The Insurance Unit should establish arrangements for obtaining feedback from internal units in order to gain an independent opinion regarding aspects beyond performance indicators, and such feedback should be used to improve communication and collaboration where there is a scope to do so.**

SECONDARY SCHOOL PAYMENTS

Education

Purpose of Audit

The purpose of the audit was to review the procedures in place for the processing of secondary school payments.

Scope of Audit

The processes of input and authorisation of payments were reviewed, along with the processes of checking and monitoring following the transfers to the financial system and the payments themselves.

Main Findings

The current established process has been operational for a number of years and has been successful by reducing the duplication which would have been needed if there was a requirement to input into two separate management systems, being SIMS for schools and Cedar for the Council.

However, some issues of concern were noted during this audit which need attention in order to ensure that there is no misuse which could lead to fraud.

There is a lack of common data between SIMS and Cedar for the suppliers which prevents intensive reconciliation of both system's transactions. A lack of separation of duties on behalf of the Payments Unit in the process is a weakness which could be exploited to pay invalid suppliers, and this would not be discovered by any detection control. The only way this would come to light is when the legitimate supplier would contact the school enquiring about their payment. This is not considered to be an appropriate control. A part of implementing the e-Procurement project in the school is establishing the Cedar supplier references in SIMS. The auditors feel that this provides an opportunity to amend the SIMS automated monthly reconciliation process.

This audit has not uncovered, nor does it allege, fraud in this area, but the higher risk of fraud should be addressed.

Audit Opinion

(C) The audit opinion is that assurance cannot be placed in the propriety of the processes of paying invoices on behalf of secondary schools as the controls in place cannot be relied upon. The main recommendations within the action plan are as follows:

- **The process for secondary school payments within the Payments Unit should be amended so that the signatures on batch header documents are checked and that a separation of duties exist for the checking and amending of electronic batches which are to be paid.**
- **The automated monthly reconciliation process in SIMS should be amended to include creditor references, as well as the invoice reference and invoice sum which are already part of the process.**

EFFICIENCY OF THE CODING STRUCTURE

Finance

Purpose of Audit

The purpose of the audit was to review the processes relating to the creation of subjective codes and the use made of those codes thereafter.

Scope of the Audit

The financial system's codes were reviewed by obtaining a current copy of the coding structure, and creating reports from the system highlighting the use made of each codes.

Main Findings

It was noted that the responsibility for creating new codes had been centralised in the Accounting Unit, with specific officers with permissions to do so. It was seen that the structure had been established in a constructive method, with the designated purpose of each code based on their position within the structure.

Reports were produced showing which codes were in use (i.e. with transactions recorded against them), and as a result the unused codes were highlighted. 544 unused codes were identified in the test, with 497 of them being postable. In order to put these numbers into perspective, there were 5,822 codes in the structure when it was extracted. These codes have been drawn to the attention of the officer responsible for maintaining codes within the financial system.

It was noted that there is scope to review some procedures when creating new codes. The Auditors are also of the opinion that there is a need to place a list of the subjective codes for general activities in a location available to all officers (e.g. the intranet), so that there is consistency and correctness in the codes used.

A lack of control in regard to the codes used could lead to cases of miscoding (be that accidental or not), and as a conclusion lead to an impairment on the controls in place for expenditure, income and/or budgets. In the opinion of the Auditors, the audit's results denote a low, but nonetheless significant, risk of this at the Council.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be placed in the efficiency of the coding structure because there are controls in place, and even though some weaknesses were identified, the associated risks are low. The recommendations within the action plan are as follows:

- **The list of codes which have never been used should be reviewed, disabled and their description change to denote that they are available to re-remark their use. In addition, the codes which have not been used in the last three years should be reviewed, and should be disabled if they are not needed further.**
- **It should be ensured that appropriate and clear descriptions are denoted for new codes which are created to ensure that there is no accidental misuse of those codes.**
- **A list of codes used for general activities should be established, and it should be available to all officers in the Council, in order to ensure that transactions are coded correctly and consistently throughout the Authority.**
- **As part of a process of creating new codes, the codes being replaced should be disabled.**

ARRANGEMENTS FOR COMMENCEMENT, REVISION AND TERMINATION OF EMPLOYEES

Corporate

Purpose of the Audit

The purpose of the audit is to ensure appropriate arrangements are in place when commencing, revising or terminating employees.

Scope of the Audit

A sample of employees that have commenced or terminated their employment with the Council or where terms of the post have been revised was selected. Then, the relevant forms (new appointments TRI39, amendments to the terms of the post TRI39a and terminating staff TRI40) for the sample were reviewed to ensure that the arrangements for receiving and implementing the TR forms are appropriate and consistent.

Main Findings

Audit tests were undertaken on 15 areas of internal controls. The tests showed that good internal controls were present in 8 of these areas, and satisfactory internal control were present in the remainder of the areas.

It was seen that appropriate arrangements are in place within the Personnel Units to administer the TR forms. However, the procedure of administrating the forms vary between the Units (for example some managers complete the forms themselves, some Unit receive confirmation from the managers before sending the forms to the Payroll Desk etc). Consideration should be given to reconciling the arrangements for administrating the TR forms.

Audit Opinion

- (B) The opinion of the audit is that partial assurance of propriety can be given to the arrangements for commencing, revisions and terminating employees, as there are controls in place, but there are elements where some arrangements could be improved. The main recommendations included in the action plan are as follows:**
- **The Payroll Unit should investigate the salary of one employee in order to ascertain if holiday pay continues to be outstanding.**
 - **The Payroll Manager should ensure that officers within the Payroll Unit inform the personnel officer as soon as possible if there are any problems with the TR forms.**
 - **Consideration should be given to creating a guideline for the officers that administer the TR forms, in order to ensure consistency as well as ensure that each officer is aware of his/her duties.**

FOOD PURCHASING AND STOCK CONTROL Provider and Leisure

Purpose of Audit

The purpose of the audit was to ensure that appropriate arrangements are in place for ordering, receiving and purchasing food, and also to check that the stock list is maintained in an appropriate manner, is complete and up to date.

Scope of Audit

To query and test the controls in place for ordering, receiving and purchasing food. To review the current stock list to ensure that the details are complete and up to date and check, whenever possible, if stock is used effectively.

Main Findings

The audit discovered that the arrangements for ordering varied substantially across the schools with some robust examples of good practice. However, it appears that there are examples of non compliance with the Councils administrative arrangements and as a result to the Financial Procedure Rules and the European Commissions 852/2004 (Article 5) Regulation. It was discovered that many of the orders were not fully completed and that some orders had not been raised. It was also discovered that the Catering Service had overspent substantially on their budget. Due to this, appropriate steps should be taken to strengthen the arrangements within the audited area.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be placed upon food purchasing and stock control arrangements within the Catering Services, as the controls in place cannot be relied on. However no losses / fraud were discovered from the control weaknesses. The main recommendations in the report are as follows:

- **It should be ensured that the cooks attend the Councils “Financial Procedures” training.**
- **The cooks must produce a written order on every occasion.**
- **The cooks must comply with the Councils records management policy.**
- **The cooks must ask the supplier to fix a price on the order and ensure that the price is written on the order form.**
- **The Provider and Leisure Order Book should be amended to include a box that will record the estimated cost.**
- **The cooks must note the suppliers name and address on the order.**
- **The Catering Manager should consult with the relevant accountant to try and identify a way of improving the services efficiency i.e. through researching into different budget headings where over expenditure has been identified and consider ways of making cuts or increasing income.**
- **The cooks must always check the supplies to the original order.**

ARFON LEISURE CENTRE, CAERNARFON
Provider and Leisure

Purpose of the Audit

Ensure that internal controls exist and are being implemented in Arfon Leisure Centre.

Scope of the Audit

A sample of financial transactions were examined from the ledger to the records held in the Centre for the 2008/09 financial year. The procedure for checking stock and collecting income from the vending machines in the Centre was also examined.

Main Findings

Tests were undertaken on 63 internal controls. Examples of good practice were found in most of these, however, there were some cases where the expected internal controls were not in place. Most of these were in regards to financial matters, such as officers not signing forms and the need for a separation of duty in the ordering / invoicing procedure.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place in the management and administration of Arfon Leisure Centre as there are controls in place, but there are aspects that need to be improved. The recommendations in the report are as follows:-

- **Two officers need to sign the Daily Cash Analysis to confirm that the sum is correct.**
- **It should be ensured that two officers who are involved in the cashing process sign the paying in slip.**
- **The sum on the TR34 should be the same as the sum on the paying in slip and a second officer should sign to confirm this. The TR34 should also be sent to be processed promptly.**
- **There should be a separation of duty between the ordering, receiving the goods and paying the invoice. This should be seen on the TR252 (coding slip) where three different officers have signed the boxes.**
- **The website should be updated on a regular basis in order to inform the public of the activities held at the Centre and their prices. An opportunity for the Manager to have the access levels to make any changes to the website should be considered.**
- **It should be ensured that the Gladstone MRM system shows clearly where a client has received an induction so there is no risk of a client using a Leisure Centre where they have not received an induction.**
- **There should be a poster in the fitness room denying liability for incidents resulting from use of the room without an induction.**

**CEFN RODYN HOME FOR THE ELDERLY, DOLGELLAU
Provider and Leisure**

Purpose of Audit

The purpose of the audit was to ensure that the Cefn Rodyn Homes's financial and security arrangements were appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of Audit

To review the Home's income and expenditure according to the Financial Ledger's 2008/09 records as well as the Home's management arrangements.

Main Findings

The audit discovered some examples of good practice within the Home's financial and security arrangements. However, it appears that there are examples of non compliance with the Council's administrative arrangements and as a result to the Financial Procedure Rules. Due to this, appropriate steps should be taken to strengthen the arrangements within the audited area.

Audit Opinion

(C) The audit opinion is that full assurance of propriety cannot be placed upon the financial and safety arrangements of Cefn Rodyn, Dolgellau, as the controls in place cannot be relied on. However no losses / fraud were discovered from the control weaknesses. The main recommendations in the report are as follows:

- **It should be ensured that every individual that works over the average of 48 hour a week must sign the "Agreement To Exceed The 48 Hour Average Limit".**
- **The monthly breakdown of staff wages must be checked thoroughly to ensure that the Council is not paying wages to an individual that does not work for the Home and to avoid duplicate payments.**
- **A written order must be produced for goods and the imprest account must be used for small purchases only, supported by a receipt.**
- **A responsible officer should check the claim form to ensure that it is correct before processing the payment.**

COMMUNITIES FIRST PROGRAMME

Economy and Community

Purpose of the Audit

To ensure that appropriate internal controls exist for the administration of the Communities First Programme.

Scope of the Audit

A sample of transactions and grant applications relating to the Communities First Programme was audited, focusing on the following aspects:

- That Gwynedd Council and the Communities First Partnerships operate in compliance with the Welsh Assembly Government's 2007 guidelines for 'Communities First'.
- That grant applications are presented correctly and in compliance with the Welsh Assembly Government's Guidelines.
- The imprest account is used appropriately.

The Marchog, Bowydd a Rhiw and Barmouth Partnerships were audited for the majority of the tests but tests were also performed on the imprest accounts of each of the partnerships for which Gwynedd Council receive grants on their behalf.

Main Findings

The main findings of the audit was that the partnerships do not fully comply with the Welsh Assembly Government's guidelines.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place for the 'Communities First Programme' as there are controls in place, however there are aspects that need to be tightened. The main recommendations noted in the action plan are as follows:

- **Contracts between the Council and the Partnerships should be signed as soon as possible.**
- **Minutes of Partnership meetings should be sent hereafter to the Assembly Government's Communities First Regional Team in accordance with the guidelines.**
- **Greater use of the Welsh language should be made in areas where the language isn't traditionally strong, in accordance with guideline 13.22.**
- **Partnerships must ensure they use the Welsh Assembly Government's logo, in accordance with guideline 13.20.**
- **Pink coding slips should be used for invoices relating to European grants. When dealing with imprests, the word 'Ewrop' should be clearly written on each claim if the money claimed relates to European grants.**
- **The Council should draw clear guidelines for the Partnerships detailing how they should draw up, agree, record, tender and monitor any contract made, in compliance with guidelines 15.12 and 15.13.**
- **Any correspondence received from the Assembly should be kept in a safe and secure place so that it can be available at any time.**
- **One company should send documents (such as staff timesheets or detailed invoices) along with their invoices to justify the money claimed by the Bowydd a Rhiw Partnership.**

THE MANAGEMENT AND ADMINISTRATION OF GWYNEDD TRAINING Economy and Community

Purpose of the Audit

To ensure that appropriate internal controls exist for the management and administration of Gwynedd Training.

Scope of the Audit

The scope of the audit includes the following aspects:

- That employment arrangements are correct.
- That any additional payments are valid and have been authorised appropriately.
- That there are appropriate arrangements for ordering, receiving and paying for goods and services.
- That proper budgetary controls are in place.
- That proper use is made of the imprest account.
- That there are controls in place regarding the use of Gwynedd Training's vehicles.
- That health and safety arrangements inside the buildings are adequate.

Main Findings

Audit tests were undertaken on 34 internal controls. The tests showed that good internal controls existed in 29 of these areas.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the procedures in place in the management and administration of Gwynedd Training as there are controls in place, but there are aspects that need to be improved. The recommendations in the report are as follows:-

- **VAT should not be re-claimed on any expenditure from the imprest account without a valid VAT receipt/invoice to support the expenditure.**
- **Imprest money should be re-claimed when 2/3 of the account's level as been spent, or at least every month.**
- **The journey log book should be completed correctly with the correct mileage recorded in the appropriate columns.**
- **The Fleet Unit should regularly send fuel reports to the Administration & Quality Officer to enable the Officer to monitor the use of the bus against the amount of fuel received.**

ANTI MALWARE CONTROLS

Customer Care

Purpose of the Audit

To evaluate the controls in place to protect the Council's infrastructure from damage caused by malicious software (malware).

Scope of Audit

The audit included a review of the package selected by the Council's Information Technology Service to protect against malware as well as the completeness of its deployment on the appropriate machines and the effectiveness of its configuration.

Main Findings

At the time of the audit, the Council were in the process of deploying a newly acquired anti-malware package. The package chosen is reputable and the controls and monitoring available to the IT Service are effective and a significant improvement to the package in place previously. Some elements of concern were noted however.

Audit Opinion

(B) The audit opinion is that partial assurance can be placed upon the anti malware measures as there are controls in place, however there are aspects which are need of attention. The recommendations in the Action Plan are as follows:

- **A policy should be established and implemented in regard to acquiring patches for all vulnerabilities which are classified above a certain severity level.**
- **The anti-malware administrator should reconcile the number of computers in Active Directory with the number listed in the software and the Microsoft SCCM console, and investigate any significant discrepancies.**
- **A policy should be devised for the handling of e-mail attachments, so that all harmful content is identified and processed as appropriate at network perimeter level.**

LEARNING DISABILITY – PRIVATE DAY CARE Social Services

Purpose of the Audit

To ensure that there is an appropriate agreement between the Provider and the Council, that there is adequate budgetary control for the service and there is a suitable arrangement in place to pay for goods and services.

Scope of the Audit

The relevant controls were tested by confirming the current arrangements and auditing the financial transactions for the current and previous financial years.

Main Findings

On the whole adequate controls were seen, although some aspects needed further attention. Tests were undertaken on 28 of the internal controls within the service. The tests showed that good internal controls existed in 21 of these areas.

Audit's Opinion

(B) The audit opinion is that partial assurance can be placed upon the controls within the Private Day Care Service as there are controls in place, but there are aspects that need to be tightened. The main recommendations from the report are as follows :-

- **Agreements need to be formalised and signed before the provider can provide any service to the Council's clients.**
- **It is essential that a copy of the order is sent to the service provider at all times.**
- **An order must be raised before receiving the goods/services at all times, and not after receiving an invoice.**
- **Officers signing a batch of payments for processing must be an authorised signature i.e. is authorised to do so.**
- **Legal services needs to be consulted, in order to establish whether the Council has any authority to insist that they see the CRB declarations and/or acceptable references for the workers of the provider, and how often this should take place.**

PLANNING – ENFORCEMENT Regulatory

Purpose of the Audit

The purpose of the audit is to ensure that the Planning Service conforms with the Planning Policy Enforcement to ensure that development control procedure in Gwynedd is robust.

Scope of the Audit

The scope of the audit is to consider the procedures of the Planning Service of working within Gwynedd Council's Planning Enforcement Policy.

Main Findings

The main weaknesses were reported as follows:

- The Enforcement Service's data collection system was not up to date in order to report on the core performance indicator.
- There was not a robust administrative process in place for dealing with cases/standard of Enforcement files.
- Enforcement's profile was not as high as the profile of Planning in general.

Audit Opinion

(B) The audit's opinion is that partial assurance of propriety in the arrangements of the Regulatory Department (Planning, Transport and Public Protection) for the administration of the Enforcement Service. The main recommendations in the Action Plan are as follows:

- **It should be ensured that information from the case list is accurate in order to ensure the accuracy of the Service's performance indicator (PLA/005).**
- **The mandatory details should be completed on the complaints registration sheet each time a new Enforcement case is opened.**
- **The Policy should be conformed to by ensuring that a Complaints Investigation Form is the basis for each hard copy file of an Enforcement case.**
- **Any photographs taken for Enforcement purposes should be dated and the time recorded.**
- **The Service should be cautious when encouraging the public to keep observations on sites.**
- **The system should include reminders to ensure that 'live' cases are reviewed regularly i.e. monthly.**

RESEARCH PROJECT OUTPUT

Strategic and Improvement

Purpose of the Audit

The purpose of the audit is to ensure that the Research and Information Unit operates effectively and that the information provided by the Unit is relevant, meaningful and accurate, so as to ensure that strategic policy decisions are based on reliable information.

Scope of the Audit

The audit will review the Research and Information Unit's arrangement for planning, completing and reviewing the research work. It will also confirm the arrangements in place to inform the Council's departments of the results of research work, to ensure that their reports receive due attention.

Main Findings

Audit tests were undertaken on 20 areas of internal controls. The tests showed that good internal controls were present in 9 of these areas, and satisfactory internal control were present in 8 of the areas.

It emerged that the Research and Information Unit operates effectively, but the Unit's operational arrangements could be formalised, for example by confirming the arrangements for deciding and then monitoring the annual work programme or create a manual for the officers within the Unit.

Audit Opinion

(B) The opinion of the audit is that partial assurance of propriety can be given to the output of research projects, as there are controls in place, but there are elements where some arrangements could be improved. The main recommendations included in the action plan are as follows:

- **The Research and Information Manager and Senior Manager, Direction and Strategy should agree on a procedure to report periodically on progress against the Unit's work programme. A clear arrangement should be in place when modifying the work programme, especially when the Research and Information Manager removes projects from the work programme.**
- **A SMART methodology should be used when agreeing upon the annual performance indicator targets, in order to ensure the targets are reasonable and challenging.**
- **The Research and Information Manager should create a manual for the officers within the Unit that outlines the steps that should be adhered to, in order to ensure the quality of the research work.**

BANGOR RAILWAY STATION SCHEME

Gwynedd Consultancy

Audit Objective

Internal Audit was asked to review the arrangements of the 'Bangor Public Transport Exchange Modal' in light of the officers' doubts about the project's current viability and their frustration in collaborating with one of the partners.

Scope of the Audit

The scope of the audit was to review the work files of the Consultancy Service and to discuss the scheme with the Group Engineer (Consultancy Service) and the Chief Transport and Street Care Engineer (the client).

Main Findings

The lack of visible development after 9 years at Bangor station is cause for concern.

Gwynedd Council officers rightly acknowledge that this project has been laborious. This is despite the establishment of strategic objectives and there were times during the project where an agreed scheme of work existed for the completion of the project.

This raises doubts whether, in this scheme, there was a willingness and determination to secure the common interest (the creation of an interchange modal) over the individual interest (asset improvement). Perhaps one barrier to the success of the project was that the project's benefits in terms of equity meant that no-one shared responsibility for either the failure (i.e. the funds all came from grants) or the success of the project (i.e. which of the partners would truly benefit?).

Audit Opinion

The main recommendations in the Action Plan that needs attention are as follows:

- **Gwynedd Council must ensure that they retain no responsibility for the land and should consult with the Legal Section to confirm this with Network Rail.**
- **A programme must be agreed with the partners soon or there is a risk of losing the Transport Grant. A grant of £1.3 million has been allocated to this project for 2009/10.**
- **A contract with Network Rail must be signed to secure the provision of car parking at Bangor station for a reasonable time period (e.g. 25 years),**
- **Consideration should be given to inviting an elected member to join the project board to bring political pressure to complete the scheme.**

OVERSPEND AT YSGOL MAENOFFEREN, BLAENAU FFESTINIOG

Education

Purpose of the Audit

At the request of the Head of Finance, the budgetary controls at Ysgol Maenofferen were audited, together with procedures within the Development Finance Unit. This was done because a significant overpayment was predicted by the end of the 2009 financial year.

Scope of the Audit

Financial transactions made during 2005/06, 2006/07, 2007/08, together with the first term of the 2008/09 financial year were audited.

Main Findings

The main finding of the audit was that the former Head had not prepared appropriate monitoring reports showing substantial variations against the budget for the Finance Sub-Committee or the Full Board of Governors on a regular basis.

Audit Opinion

The auditor is of the opinion that, had the former Head prepared appropriate monitoring reports to the Finance Sub-Committee or the Full Board on a regular basis showing substantial variations, the overspend on the different headings would have been identified and perhaps questioned further by the governors. Evidence was not found of attempts by the governors to obtain the information. The main recommendations noted in the report are:

- **The Full Governing Body or the Finance Sub-Committee should insist that they receive regular monitoring reports in accordance with their statutory duties.**
- **The Finance Sub-Committee should meet regularly – at least once a term.**
- **The Development Finance Unit should, from now on, keep a written record of any advice they have given to heads on budget setting, as evidence for their own protection.**
- **In order to strengthen governance arrangements, consideration should be given to establishing an arrangement where the Development Finance Unit contacts the Chair of Governors of a school directly in addition to notifying the Head when there is a significant overspend on school finance headings.**
- **The Full Governing Body should carefully consider each budget heading in order to ensure that realistic budgets have been set before they accept the budget.**
- **The Chair of the Governors should sign the budget acceptance form during the meeting of the Governing Body that has accepted the budget.**
- **The minutes of each meeting of the Full Governing Body or Finance Panel should be kept securely and be available for audit at any time.**