

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	13 JANUARY 2011
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 2010
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 01 September 2010 to 30 November 2010.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 30 November 2010:

Description	Number
Reports on Audits from the Operational Plan	25
Other Reports (memoranda etc)	2
Follow-up Audits	3
Responsive Audit	4

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 30 November 2010, indicating the relevant opinion category and a reference to the relevant appendix. A report on Awareness of the Whistleblowing Policy appears as a separate item on the Committee agenda.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Ysgol Ardudwy	Education	Schools	B	Appendix 1
Ysgol Botwnnog	Education	Schools	B	Appendix 2
Ysgol Dyffryn Nantlle	Education	Schools	B	Appendix 3
Ysgol Glan Y Môr	Education	Schools	B	Appendix 4
Ysgol Tryfan	Education	Schools	B	Appendix 5
Disposal of Confidential Waste	Corporate		B	Appendix 6
e-Tendering System	Corporate		B	Appendix 7
Capital System and Processes	Finance	Accountancy	B	Appendix 8
Preparations for IFRS - Leases	Finance	Accountancy	B	Appendix 9
Implementing Payroll Amendments	Finance	Pensions and Payroll	B	Appendix 10
Benefit payments following the housing stock transfer	Finance	Revenue	B	Appendix 11
Home Care Management System	Provider and Leisure	Business and Administration Support	A	Appendix 12
Glan Wnion Leisure Centre	Provider and Leisure	Leisure	C	Appendix 13
Glaslyn Leisure Centre	Provider and Leisure	Leisure	B	Appendix 14
Plas Silyn Leisure Centre	Provider and Leisure	Leisure	C	Appendix 15

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
The Print Unit	Democracy and Legal	Democracy	No Category	Appendix 16
Arrangements for the Transfer of Gwynedd Training	Economy and Community	Gwynedd Training	B	Appendix 17
Youth Club Grant - Capital Grant	Economy and Community	Strategy and development Programmes	B	Appendix 18
Youth Club Grants - Revenue Grant	Economy and Community	Strategy and development Programmes	B	Appendix 19
Records Management Unit	Customer Care	Information	C	Appendix 20
Device Management	Customer Care	Information Technology	B	Appendix 21
North Wales Trunk Road Agency - Climate Change Risks	North Wales Trunk Road Agency		A	Appendix 22
Road Condition - Inspection and referrals by the public	Highways and Municipal	Highways Works	B	Appendix 23
Costs of Public Toilets	Highways and Municipal	Waste Management and Streetscene	B	Appendix 24

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:

- Land Searches (*Democracy and Legal*)
- Final Accounts: A499 Scheme (*Gwynedd Consultancy*)

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
Children - Adoption, Residential Order and Special Guardianship Allowances	Social Services	Children and Families	Acceptable
Social Services Data Collection	Social Services		Acceptable
Plas Ffrancon Leisure Centre	Provider and Leisure	Leisure	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 December 2010

Compliance with CoCo (GCSx Domain)
System for planning for the future of Children and Young People in Care
Arrears of Dinner Money, Primary Schools
Primary Schools Recruitment Arrangements

Completion Target: Quarter ending 31 March 2011

Traffic Orders
Escrow Agreements
Bryn Afon
Arrangements for Registering Births, Deaths and Marriages

Completion Target: Quarter ending 30 June 2011

Record Management Unit
Plas Silyn Leisure Centre
Glan Wnion Leisure Centre

2.4 Responsive Audits

- 2.4.1 A responsive audit was undertaken after the Senior Manager Audit & Risk received an enquiry from one of the members of the Audit Committee with regards to arrangements within the Council for appointing contractors. The enquiry specifically asked whether the Contract Procedure Rules had been followed correctly in the case of the appointment of a self-employed consultant. The finding of the audit was that the expected usual tendering process had not been followed in this case, and that the Contract Procedure Rules had not been waived in the usual way either. As a result, a memorandum was sent to the relevant Head of Department in accordance with Internal Audit's procedures, with recommendations for strengthening the arrangements for appointing self-employed consultants in future.
- 2.4.2 An audit into personnel matters involving the circumstances surrounding the reduction in working hours of teachers at one of the primary schools was undertaken at the request of the Education Department and the Legal Unit. Interviews were conducted with key individuals and a report was provided to the Education Department and the Legal Unit for further consideration.
- 2.4.3 It was reported to the Council on 13 May 2010 that the expenditure on the Ysgol yr Hendre scheme was likely to be approximately £2.2 million higher than the original estimates. Whilst the Council agreed to make provision within the Corporate Asset Strategy to overcome the budget deficit, it also resolved the matter to the Principal Scrutiny Committee. The circumstances were reviewed by Internal Audit, and a report was presented to the Principal Scrutiny Committee on 30 September 2010.
- 2.4.4 At the request of the Provider and Leisure Department, an audit was undertaken of the arrangements that were in place at Bryn Llywelyn home for older people for the orderly closure of the home and for the appropriate transfer of resources. Some weaknesses were identified in the arrangements that had been in place at the home with regards to the management of residents' money, the Home's property, the ordering of goods and the Home's amenity fund, but overall it was seen that arrangements for closing the establishment and transferring assets were appropriate.

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1st December 2010.

3.2 Draft reports released

- Ysgol Coed Menai (*Education*)
- Checks of Employee Lists (*Human Resources*)
- Health and Safety - the "grey fleet" (*Human Resources*)
- Mobile Phone Control (*Corporate*)
- Staff Performance Reviews - Appraisal (*Corporate*)
- The timing of work commencement and signing-sealing contracts (*Corporate*)
- Preparations for IFRS - Assets (*Finance*)
- Preparations for IFRS - Staff Benefits (*Finance*)
- Y Pafiliwn Leisure Centre (*Provider and Leisure*)
- The Administration of Medication in Council homes (*Provider and Leisure*)
- Bro Ffestiniog Leisure Centre (*Provider and Leisure*)
- ICT Contracts (*Customer Care*)
- Updating of the website and intranet site (*Customer Care*)
- Social Services Emergency Procedures (*Social Services*)
- Road Maintenance Framework Agreement (*Highways and Municipal*)
- Waste Strategy (*Highways and Municipal*)

3.3 Work in progress

- Ysgol Dyffryn Ogwen (*Education*)
- Ysgol Friars (*Education*)
- Ysgol Uwchradd Tywyn (*Education*)
- Ysgol y Berwyn (*Education*)
- Former Housing Stock - Retention Monies (*Corporate*)
- Use of External Translators (*Corporate*)
- Energy Use (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Ysgol yr Hendre PQQ and Tender (*Corporate*)
- Management of flexi-TOIL-working from home (*Corporate*)
- Anti-Fraud Arrangements - CIPFA "Red Book" (*Corporate*)
- Cash collection procedures (*Finance*)
- Control of Unofficial Funds (*Provider and Leisure*)
- Administration of the Electoral Register (*Democracy and Legal*)
- Cist Gwynedd (*Economy and Community*)
- Glynllifon Country Park (*Economy and Community*)
- Padarn Country Park (*Economy and Community*)
- Galw Gwynedd Contact Centre (*Customer Care*)
- Mobile Working and Perimeter Security (*Customer Care*)
- Asbestos Control (*Customer Care*)
- Integrated Transport Unit (*Regulatory (Planning, Transportation and Public Protection)*)
- Gwynedd Consultancy - Selection of Contractors (*Gwynedd Consultancy*)

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 September 2010 to 30 November 2010, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

YSGOL ARDUDWY Education

Purpose of the Audit

To ensure that arrangements at Ysgol Ardudwy for managing and mitigating risks are appropriate and in accordance with the Financial Regulations for Schools, Estyn guidelines and other relevant procedures.

Scope of the Audit

The main areas of income and expenditure according to the records in the 2009/10 and 2010/11 ledger (Cedar) were audited. The school's arrangements for controlling a range of various risks were also tested.

Main Findings

Audit tests were undertaken on 94 internal controls. The tests showed that good internal controls exist in 85 of these areas. The main findings of the audit was an inconsistency between the school's final budget and the Financial Unit's monitoring spreadsheet, and some weakness in the arrangements for checking the driving licences of users of the minibus.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Ardudwy as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Any amendments made to school budgets should be input immediately into the Development Finance Unit's staff monitoring spreadsheet.**
- **All school equipment should be marked as such.**
- **The school should create a software licence policy, and ensure that all members of staff receive a copy.**
- **A software inventory should be in place, with the location of the software noted, i.e. on which computer and in which department.**
- **The school must have a current bank mandate.**
- **The 'counterfoil' of the driving licences of the drivers of the school's minibus should be presented for inspection.**
- **The licences of minibus drivers should be checked at least twice a year in order to comply with the Council's Minibus Policy.**
- **The driving licences of those hiring the minibus should be regularly verified at the least twice a year, and the licences of casual hirers checked before the hiring commences.**

YSGOL BOTWNNOG Education

Purpose of the Audit

To ensure that arrangements at Ysgol Botwnnog for managing and mitigating risks are appropriate and in accordance with the Financial Regulations for Schools, Estyn guidelines and other relevant procedures.

Scope of the Audit

The main areas of income and expenditure according to the records in the 2008/09 and 2009/10 ledger (Cedar) were audited. The school's arrangements for controlling a range of various risks were also tested.

Main Findings

Audit tests were undertaken on 95 internal controls. The tests showed that good internal controls exist in 82 of these areas. The main findings derived from the audit are:

- Seven of the Governors had not completed a register of interests form.
- There is no record of who undertook a safety inspection of the minibus, and when.
- Records or copies of teachers' driving licences are not kept to allow confirmation that they are qualified to drive the minibus.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Botwnnog as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The 'Annual Salary Review' forms should be returned to the Contracts and Wages Unit every year, signed by the teacher and the Chair of the Governors.**
- **A register of the business interests of Governors, the Head and any other member of staff who can influence financial decisions should be updated annually.**
- **Any amendments made to school budgets should be input immediately into the Development Finance Unit's staff monitoring spreadsheet.**
- **The Governing Body should review annually the fees for community use of the school and for music lessons.**
- **The school should produce an appropriate form in order to record who performed the safety inspection of the minibus, and when.**

YSGOL DYFFRYN NANTLLE Education

Purpose of the Audit

To ensure that arrangements at Ysgol Dyffryn Nantlle for managing and mitigating risks are appropriate and in accordance with the Financial Regulations for Schools, Estyn guidelines and other relevant procedures.

Scope of the Audit

The main areas of income and expenditure according to the records in the 2009/10 and 2010/11 ledger (Cedar) were audited. The school's arrangements for controlling a range of various risks were also tested.

Main Findings

Audit tests were undertaken on 102 internal controls. The tests showed that good internal controls exist in 91 of these areas. The main findings of the audit were the need for:

- the Head to establish an arrangement for ensuring that Heads of Department confirm and approve any changes made to the teaching activities of any pupil during the year.
- assurance when preparing information for the PLASC data in January each year that the number of activities reconciles with the number of additional activities between September and January.
- those who are qualified to drive the minibus to ensure that they have recorded and certified that safety checks have been performed on the minibus.
- the school to inspect the licences of those individuals who are qualified to drive the minibus in accordance with the Mini Bus Policy.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Dyffryn Nantlle as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **A register of the business interests of Governors, the Head and any other member of staff who can influence financial decisions should be updated annually.**
- **The Head should establish procedures to ensure that the heads of departments confirm and approve any changes made to the learning activities of any pupil during the year.**
- **When preparing the PLASC data in January each year, it must be ensured that activities reconcile with the number of activities noted on the original PLASC data in September, plus any additional activities undertaken between September and January.**
- **Those who are qualified to drive the minibus should ensure that they record and certify that safety checks have been performed on the bus.**

YSGOL GLAN Y MOR Education

Purpose of the Audit

To ensure that arrangements at Ysgol Glan y Môr for managing and mitigating risks are appropriate and in accordance with the Financial Regulations for Schools, Estyn guidelines and other relevant procedures.

Scope of the Audit

The main areas of income and expenditure according to the records in the 2009/10 and 2010/11 ledger (Cedar) were audited. The school's arrangements for controlling a range of various risks were also tested.

Main Findings

Audit tests were undertaken on 90 internal controls. The tests showed that good internal controls exist in 75 of these areas. The main findings of the audit were the need for:

- Heads of Department to complete a requisition form each time goods or services are ordered, ensuring that they have been signed and dated;
- those who signed the requisition form should sign the order/sheet in order to confirm that the goods/services have been received, with the prices matching those shown on the invoice;
- the Governors to review annually the fees for the community's use of the school.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Glan Y Mor as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Heads of Department should always complete the requisition forms when goods or services are ordered, ensuring that they have been signed and dated.**
- **Those who have completed the requisition form should sign the invoice / sheet in order to certify that the goods or services have been received and that they agree to the price noted on the invoice.**
- **The school should have arrangements in place to mark equipment as school property.**
- **FMS system passwords should be changed regularly.**
- **The school should consider creating a software licence policy and ensure that every member of staff receive a copy.**

YSGOL TRYFAN

Education

Purpose of the Audit

To ensure that arrangements at Ysgol Tryfan for managing and mitigating risks are appropriate and in accordance with the Financial Regulations for Schools, Estyn guidelines and other relevant procedures.

Scope of the Audit

The main areas of income and expenditure according to the records in the 2008/09 and 2009/10 ledger (Cedar) were audited. The school's arrangements for controlling a range of various risks were also tested.

Main Findings

Audit tests were undertaken on 97 internal controls. The tests showed that good internal controls exist in 92 of these areas. The main findings derived from the audit are that the school needs to:

- appoint one further LEA Governor in order to comply with the Governance Instrument.
- arrange for the hire agreement to be signed by the hirer before a hiring period commences.
- establish clear arrangements to ensure that heads of department confirm and approve any amendments made during the year to the learning activities of any pupil.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Tryfan as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The school should attempt to appoint an additional LEA governor in order to comply with the instrument.**
- **Orders should be raised before goods or services are received. If a verbal order is required due to urgency, this should be confirmed immediately with a written order.**
- **A copy of the contract should be signed by the hirer before the hiring session has started.**
- **The school should create a software licence policy and ensure that every member of staff receive a copy.**
- **The Head should establish procedures to ensure that the heads of departments confirm and approve any changes made to the learning activities of any pupil during the year.**

DISPOSAL OF CONFIDENTIAL WASTE

Corporate

Purpose of the Audit

The purpose of the audit is to ensure that the Council has a policy for the disposal of its confidential refuse and that proper procedures have been put in place.

Scope of the Audit

To review the Council's confidential refuse disposal policies and procedures to ensure that they are appropriate and are being adhered to consistently by Council officers.

Main Findings

It was seen that the current arrangements that have been established for disposing of confidential waste have not received appropriate attention, as several of the Council's services continue to order and process invoices for confidential waste disposal themselves, directly with the company that disposes of the refuse rather than through the Support Unit, as required by the policy. Currently, controls are not in place to prevent officers from ordering the sacks themselves. It was also seen that there are inconsistencies with the current arrangements and it was seen that there were mistakes in the processing of invoices, such as miscoding and a failure to maintain proper checks before invoices are paid, leading to a service paying from its own budget for destroying the waste of another service.

However, during the audit it was found that new arrangements are in progress to improve the arrangements. These arrangements were established by the Property Facilities Manager following on from discussions with the Information Manager. It was noted that an agreement had been established between the Council and the provider to accept orders from the Support Unit only, and that all invoices are sent to the Support Unit for processing. The Property Facilities Manager confirmed that the new arrangements are in place to ensure that there is accountability for all records and it will ensure that arrangements are implemented consistently across the Council.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the disposal of confidential waste as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The Support Unit should ensure that it obtains a certificate of destruction as part of the new procedures.**
- **The Support Unit should undertake appropriate checks on invoices to ensure that the number invoiced does not exceed that ordered. Ideally, the invoice reference and corresponding number of sacks should be noted on the retained copy of the invoice.**
- **Once the new arrangements and guidelines have been drawn up, these arrangements should be promoted to all Council staff through the intranet, or awareness raised by e-mail from "Internal Communications" ("Cyfathrebu Mewnol").**

E-TENDERING SYSTEM

Corporate

Purpose of the Audit

The purpose of the audit is to ensure that internal controls exist in the process of receiving electronic tenders and ensure that the principles that are essential in the paper process also exist in the electronic process.

Scope of the Audit

To verify the electronic system to ensure that the relevant principles exist and that the usual tendering procedures have also been followed, i.e. advertising arrangements etc.

Main Findings

During the audit it was seen that examples of good practice were to be seen in the process of tendering over the web (e-tendering). However, there are also aspects where the internal controls could be further tightened, including the following:

- Ensuring that departments follow correct tendering rules.
- Ensuring that every effort is made to ensure that suppliers do not miss the opportunity to compete for work with the Council as a result of failing to open attached tendering documents (e.e. Word, Excel), or are without adequate technology to gain access to the system.
- Ensuring that the corporate tendering register is regularly updated.
- Ensuring that it is not possible to identify companies that have responded to a tender before the closing time and date.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the e-Tendering System as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **It must be ensured that there is no confusion between the process of obtaining quotations and the tendering process. In addition, it should be ensured that departments follow the correct tendering procedures.**
- **It should be ensured that documents that are attached to the system are done so in a pdf format where practicable and that there is a note in the Qualification Questionnaire for applicants to do likewise where possible. In addition, Council Officers should be encouraged to prepare tender documents in a web-based format so that appendices do not need to be attached in a non-pdf format.**
- **It must not be possible to identify companies that have replied to a tender before the closing date and time.**
- **Any relevant documentation, e.g. scoring sheets, should be attached to the system.**
- **An appointment date should not be noted until after the “Alcatel” standstill period has come to an end for tenders above the OJEU threshold. This would also be good practice for tenders below the OJEU threshold.**

CAPITAL SYSTEM AND PROCESSES

Finance

Purpose of the Audit

The purpose of the audit is to review the corporate arrangements for dealing with capital, as well as the asset register.

Scope of the Audit

To review document and records regarding the capital system and the asset register for the 2009/2010 financial year including the Cedar financial system, as well as reviewing the arrangements for presenting bids and monitoring projects.

Main Findings

The main findings of this audit was the paucity of expenditure profiles of an acceptable standard that had been received for the Council's capital schemes in order to allow managers to monitor expenditure against each scheme during the year. Also, it was seen that the capital protocol has not been formally approved; arrangement for its publication should proceed. Substantial progress has been made from the perspective of the asset register with the Council having invested in the IPF Asset Manager.net system, although there were some difficulties with the software at the beginning.

The Performance Account Managers stated that they do not receive record cards from the managers of approved project so that they can be challenged, however it was noticed that it is their responsibilities, as part of their quality assurance role, to assist in the production of the record cards. Obviously, these responsibilities cause a conflict - the Performance Account Managers are unable to challenge that which they have created themselves, even if a record card exists.

It was also seen that capital schemes that have been the subject of capital bids receive, in theory, far more scrutiny than the Council's other capital schemes. This is despite the fact that these represent only a small percentage of the Authority's capital projects.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the Capital System and Processes as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The arrangements for publishing the capital protocol should continue, as well as the establishment of Capital groups / panels in each department.**
- **The Property Unit's Property Disposal Policy should be amended to ensure consistency with the Council's Financial Procedure Rules with regards to capital receipts.**
- **A "value for money" review should be undertaken, that includes the responsibilities and duties of the Performance Account Managers, to consider the added value offered by involving the Performance Account Managers in a limited number of capital schemes.**
- **It should be ensured that duplication of work and duties does not occur in the process of receiving capital expenditure profiles.**
- **So that Council managers are aware of the bidding process for capital budget, the guidelines and relevant documents should be placed on the intranet.**

PREPARATIONS FOR IFRS - LEASES

Finance

Purpose of the Audit

From the 2010/11 financial year onwards, Local Authorities will have to comply with IFRS - the International Financial Reporting Standards - when preparing their financial statements. One of the changes that need to be adopted is the way that the Council accounts for leases. The purpose of this audit is to ensure that Gwynedd Council has taken appropriate steps to implement this change in order to achieve the new requirements.

Scope of the Audit

The scope of the audit includes verifying that Gwynedd Council treats leases within the financial statements in accordance with IAS17 as part of the IFRS, including reviewing the arrangements for collecting information and the relevant documentation regarding leases. The scope of the audit does not include checking the accuracy of the restatement of the balance sheet for 2009/10 as this falls within the scope of the work of the Wales Audit Office.

Main Findings

The main findings of the audit is the lack of assurance that every lease has been identified in the accounts. This is based on the fact the accounts from the Accountancy Unit are dependent upon the information received from officers from across the Council such as school and residential homes. Despite the efforts of the Accountancy Unit to obtain information with regards to various leases from services and departments, the response was disappointing. It was seen also that in general the project for preparation for adopting IFRS had slipped when compared to the original timetable but that sufficient effort was being made to reduce the delay.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in preparations for IFRS - Leases as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **In order to assist managers who do not have a financial background to identify leases, and to raise awareness in general, the situation and arrangement could be discussed in the Senior Managers' College and the Middle Managers' Forum.**
- **Awareness of the need to communicate the details of any lease to the relevant service, and to Finance in particular, should be raised.**

IMPLEMENTING PAYROLL AMENDMENTS

Finance

Purpose of the Audit

The purpose of the audit was to ensure that processes are in place for receiving and recording details of changes to staff salaries, including the appointment or termination of staff, increasing or decreasing salary grades or amending personal details.

Scope of the Audit

The general procedures in place for implementing salary changes were reviewed, by verifying instructions received for all payrolls.

Main Findings

It was seen that official arrangements are in place to provide instructions to the Payroll Unit to amend standing data. It was noted that amendments that were reviewed during the fieldwork had been completed in an appropriate manner. It was seen that the documentation and some other aspects that are in place are based on the Council's previous staffing structure (i.e. "Directorates" etc), and need updating.

No cases were seen where the Payroll Unit had failed to implement amendment instructions, or where there had been a delay in responding.

However, several cases were noted where the instructions had not been received by the Payroll Unit by the time at which the amendments should actually have been implemented. There were cases of appointments, changes in terms and terminations that had been received on a date that was a substantial period after the date on which the changes came into effect. No cases were seen of overpayments as a result of this.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the controls that are in place, but there are some aspects that could be improved.

BENEFIT PAYMENTS FOLLOWING THE HOUSING STOCK TRANSFER

Finance

Purpose of the Audit

The purpose of the audit is to ensure that housing benefits payments to tenants of Cartrefi Cymunedol Gwynedd are being administered appropriately following the transfer of the Council's housing stock.

Scope of the Audit

To review the arrangements for transferring the housing stock together with enquiring which tests have been undertaken on the Academy system to ensure that details have been updated properly and correctly. To review the procedures that have been established for sending details of benefit payments to CCG and the Housing Service for those establishments that remain under Council ownership, and ensure appropriate arrangements for undertaking checks on control totals.

Main Findings

It was discovered that appropriate arrangements had been established by the Benefits Unit for transferring benefit payments following the decision to transfer the Council's housing stock to Cartrefi Cymunedol Gwynedd in April 2010.

It was seen that adequate tests had been undertaken on the data and consultants from Capita had been appointed to undertake the work and to assist officers during the period leading up to the transfer. It was seen that an appropriate timetable had been prepared for the transfer and that the work had been planned in an appropriate manner. Following the transfer, it was seen that some CCG tenants had received benefit payments for periods prior to the transfer on 12th April. This happened because of a backlog of claims and due to circumstances that effected the processing of benefit payments, e.g. changes in benefits not being advised in time, dealing with a suspended claim etc. This had an effect on the timeliness on posting benefit payments for the Housing Service since the payments relating to CCG appeared on the same report. The Senior Analyst Programmer from the Information Technology Service attempted to differentiate the reports so that payments were processed to the correct place. Despite this, it was seen that the Unit continues to discover inconsistencies within the reconciliations of benefit payments to the Council's Housing Service. It also appears that no particular officer monitors the rent accounts on behalf of the Council's Housing Service.

Audit Opinion

- (B) The audit opinion is that partial assurance of financial propriety can be expressed in the arrangements for paying benefits following the housing stock transfer as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendation of the report is as follows:**
- **The Council's Housing Service should denote an officer to be responsible for ensuring that benefit payments are received regularly, and informing the Benefits Unit of any queries or inconsistencies.**

HOME CARE MANAGEMENT SYSTEM Provider and Leisure

Purpose of the Audit

To ensure that the Authority has robust internal controls within the CACI system so that the clients receive the correct service at the appropriate times, with employees receiving the correct salaries through the time recording and travelling expenses processes.

Scope of the Audit

The audit concentrates on the controls within the CACI system and is not a review of timesheets and travel expense claims. Since the hand-held computers (PDAs) are not yet in use, this audit will not include a review of their use.

Main Findings

The only finding of the audit is that there are no arrangements in place to load back-up copies of the the data to ensure that they are correct. This increases the risk that the creation of back-up copies has failed, resulting in the corruption or loss of data.

Audit Opinion

(A) The audit opinion is that assurance of internal control can be expressed in the Home Care Management System as they are in place and are being adhered to. However, there is one recommendation:

- **There is a need for officers who are responsible for the home care management system to communicate with IT officers to ensure agreement on arrangements where back-up copies are loaded, to ensure that the data has been received correctly. A written record of the dates on which this occurs should be kept as evidence.**

GLAN WNION LEISURE CENTRE Provider and Leisure

Purpose of the Audit

To ensure that internal controls are in place at Glan Wnion Leisure Centre, Dolgellau in order to mitigate the operational risks and that these controls are implemented.

Scope of the Audit

Examining samples of financial transactions for the 2009/10 financial year and the beginning of the 2010/11 financial year and examining the controls in place for stock control and ensuring that the Centre conforms to any health and safety requirements.

Main Findings

During this audit, instances of good control were seen in respect of security and arrangements for checking equipment. However, many weaknesses were identified when auditing financial aspects and the signing of documents.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Glan Wnion Leisure Centre as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- Refund receipts should contain the signature of both the customer and the member of staff.
- Each member of staff should ensure that they have logged out of the system on one computer if they intend to use another.
- Two members of staff should sign the bank paying-in slip on each occasion.
- There should be adequate explanation on each occasion where under-banking is £3.00 or more.
- Two members of staff who are involved in the banking process should sign the bank paying-in book and the Banking Record Form to confirm that the information is correct.
- Profit and loss form should reconcile with the end-of-day reports, and any substantial inconsistency, e.g. over £10, should be reported to Senior Managers with a clear and firm explanation.
- The 'Gwynedd Health Pass' Terms and Conditions form should be signed and dated by each member without fail, and kept on the Centre's file.

GLASLYN LEISURE CENTRE

Provider and Leisure

Purpose of the Audit

To ensure that internal controls are in place at the Leisure Centre in order to mitigate the operational risks and that these controls are being implemented.

Scope of the Audit

Examining samples of financial transactions for the 2009/10 financial year and the beginning of the 2010/11 financial year and examining the controls in place for stock control. Also, ensuring that the Centre complies with to any health and safety requirements.

Main Findings

Overall, during this audit some instances of very good controls were seen in respect of financial arrangements and arrangements for checking equipment. However, some weaknesses were identified when auditing inventory arrangements and the signing of financial documents.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed at Glaslyn Leisure Centre as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Two members of staff should sign the bank paying-in slip on each occasion.**
- **Every effort should be made by officers to ensure the correctness of the money collected and the accuracy of its coding in the ledger, which should reduce the use of the surplus/deficit account.**
- **Profit and loss reports should be produced on a monthly basis and reconciled with the end-of-day reports for all various income sources.**
- **The J999 SJ79 suspense account should have a balance of £0.00 at the end of each financial year; there is a need to clear the credit that has been standing since the 2008/09 financial year in order to achieve this.**
- **There should be appropriate arrangements for dealing with invoices that were not paid to the Centre during the year.**
- **The pre-ordained expenditure level – two-thirds of the imprest total – should not be exceeded before the claim for imprest reimbursement is made.**
- **The inventory should be signed and dated after its annual check, in order to confirm that the list is correct and current.**
- **The fire alarms should be tested on a weekly basis in accordance with the Fire Policy and evacuation procedures.**

PLAS SILYN LEISURE CENTRE
Provider and Leisure

Purpose of the Audit

To ensure that internal controls are in place at the Leisure Centre in order to mitigate the operational risks and that these controls are being implemented.

Scope of the Audit

Examining samples of financial transactions for the 2009/10 financial year and the beginning of the 2010/11 financial year and examining the controls in place for stock control and ensuring that the Centre complies with any health and safety requirements.

Main Findings

During this audit, instances of good control were seen in respect of financial arrangements and arrangements for checking equipment. However, many weaknesses were identified when auditing security arrangements and the signing of documents.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Plas Silyn Leisure Centre as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Refund receipts should contain the signature of both the customer and the member of staff.**
- **Refund reports should be signed and dated by the member of staff to confirm that they have been checked.**
- **Computer logging-in and logging-out reports should be verified, signed and dated monthly by the Manager or Duty Manager confirming that the appropriate checks have been made on a sample basis.**
- **Every member of staff should ensure that they log out of the system on one computer if they intend to use a different computer.**
- **Two officers should sign the Cash Reconciliation Form on each occasion.**
- **Every effort should be made by officers to ensure the correctness of the money collected, and the accuracy of its coding to the ledger, which should reduce the use of the surplus/deficit account.**
- **“Point of Sale Transaction” reports should be signed and dated to confirm that they have been verified.**
- **Adequate explanation should be given on each occasion that under-banking is £3.00 or more.**

THE PRINT UNIT

Democracy and Legal

Purpose of the Audit

The purpose of this audit is to assist the Democracy and Legal Department in their review of the Council's Print Unit. The review will evaluate the efficiency of the Print Unit and its current role within the Council together with its role in future.

Scope of the Audit

The scope of the audit will be to review the expenditure of the Print Unit as well as analysing the expenditure of individual services on print work undertaken by external providers. Also, to review the total printing work awarded to external companies during the 2008-09 and 2009-10 financial years and for a sample of invoices, interview the relevant manager for the reasoning behind awarding the work to an external company rather than to the Council's own Print Unit.

Main Findings

It was found the printing work with an approximate value of £368,000 had been awarded annually to external companies, with some companies having fairly substantial benefits. An attempt was made to find the reasons for externalising the work by interviewing a cross-section of officers across the Council. The main reasons given for not using the Print Unit were:

- A failure on the part of the Print Unit to complete the work on time.
- Not aware that the Print Unit had the capability to undertake the work.
- A lack of appropriate machinery to complete some tasks.
- A lack of appropriate equipment to allow distribution e.g. street sort.

In November 2007, a policy on the use of the Print Unit was distributed to the Heads of Service at that time. However, the policy was not formally adopted, and therefore its influence diminished over time. This means therefore that current officers are not aware of the policy and continue to contact external companies, which may mean the possibility of paying more for the work in together with losing internal expertise.

It was found that a majority of officers questioned were satisfied with the service that they have received from the Print Unit and that advice on complex printing work that was obtained from the Print Unit's staff was appreciated greatly.

In deciding the future of the Print Unit, the following recommendations should be considered:

- **The Democracy Service should consider establishing a formal policy for use of the Print Unit.**
- **The Print Unit Review Team should consider whether or not it would be beneficial to invest in new equipment for the use of the Print Unit, when considering the substantial value of the work awarded to external printers by the Council's services.**
- **If a decision is made to invest in resources and equipment for the Print Unit, a marketing strategy should be decided upon for the services offered – as part of the strategy a link should be considered from the Council's main website to the Print Unit's pages.**
- **Demand for any additional services and goods that could be incorporated into the services currently offered by the Print Unit should be considered.**

ARRANGEMENTS FOR THE TRANSFER OF GWYNEDD TRAINING Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements are in place within the Council following the transfer of Hyfforddiant Gwynedd to Coleg Menai.

Scope of the Audit

The audit focusses on the arrangements and controls in the following areas:

- The transfer of staff to Coleg Menai;
- The transfer of equipment and vehicles to Coleg Menai;
- That income that is due to the Council has been received;
- That responsibility for payment for goods and services has been transferred to Coleg Menai in a timely manner;
- The correct use of controlled stationary;
- That Coleg Menai have been charged the appropriate annual fees.

Main Findings

The main findings of the audit were that further work is required to ensure that Coleg Menai, rather than Gwynedd Council, have been invoiced for some services.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Arrangements for the Transfer of Gwynedd Training as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Invoices must be raised for Coleg Menai for the phone payments that have been identified.**
- **Arrangements should be in place to ensure that someone from Gwynedd Council takes responsibility for the Cibyn offices until the lease expires in 2012, once Coleg Menai have moved out.**

YOUTH CLUB GRANT - CAPITAL GRANT

Economy and Community

Purpose of the Audit

To ensure that appropriate internal controls are in place to administer the 'Youth Clubs Capital Grant' for 2009/10.

Scope of the Audit

The audit encompasses the following aspects:

- That appropriate administration arrangements exist.
- That money has been allocated fairly.
- That money has been allocated in accordance with the grant terms and conditions.

Main Findings

It was seen that grant money had been allocated to projects that complied with the contents of the Welsh Assembly Government's offer letter dated December 2008 as being valid projects.

Evidence was seen in the form of invoices that grant money allocated to Gwynedd Council had been spent on these valid projects.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Youth Club Capital Grant as controls are in place, but there are aspects where some procedures can be strengthened. There is one recommendations:

- **From now on, any organisation that receives funding should present invoices that give a detailed analysis of expenditure of the capital grant.**

YOUTH CLUB GRANTS - REVENUE GRANT

Economy and Community

Purpose of the Audit

To ensure that appropriate internal controls are in place to administer the 'Youth Clubs Revenue Grant' for 2009/10.

Scope of the Audit

The audit encompasses the following aspects:

- That appropriate administration arrangements exist.
- That money has been allocated fairly.
- That money has been allocated in accordance with the grant terms and conditions.

Main Findings

Good arrangements for keeping invoices and staff timesheets to support grant expenditure were seen on the files of the Youth Service; despite this, there were some cases where the invoices or timesheets were not present. The auditor received copies of the invoices for the Council's Payments Unit.

In some cases where grant money had been allocated to external bodies, invoices had been received but the invoices did not contain a detailed analysis of the heading on which the money had been spent.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Youth Club Capital Grant as controls are in place, but there are aspects where some procedures can be strengthened. There is one recommendations:

- **From now on, any organisation that receives funding should present invoices that give a detailed analysis of expenditure of the revenue grant.**

RECORDS MANAGEMENT UNIT

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that the Record Management Unit manages the Council's records to ensure compliance with governance requirements and the Freedom of Information and Data Protection Acts.

Scope of the Audit

To review the arrangements for managing the Council's records that have been established by the Record Management Unit in order to ensure that they provide an effective and appropriate service for the storage, location and disposal of records. Also, to ensure that the Unit is aware of all the records that are kept within Council departments.

Main Findings

It was found that several new arrangements had been established recently within the Information Unit, which are useful for the running of the Unit. Also, the Unit stated that further improvements that are in their improvement plan for this year include advising in order to improve the standard of record maintenance within the record management centre. Several weaknesses were identified within the record management system that prevents the effective timing of maintenance work. For example, the system does not have the capability to allocate automatically storage numbers after the destruction of previous records. In addition to the record management system, it was seen that policies and published information were out-of-date and attention is needed to make them more informative for Council officers. It was also found that there were records that had not been identified as being lost.

Since the Unit does not manage all of the Council's records - only those that have been stored within the records centre - a number of recommendations within this report are for the purpose of raising awareness on the importance of managing the Council's records, and ensuring that standards of record keeping receives attention across the Council.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in the administration of the Records Management Unit as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **The Information Unit's intranet page and the Effective E-mail Use guidelines should be updated, so that a link to the relevant documentation is established to allow all the information to appear clearly and obtained conveniently by Council officers.**
- **Discussion should be held with the Training Unit with a view to adding record management training to the list of essential corporate training courses on the training matrix. In addition, an electronic handbook containing policies, procedures etc should be published so that every officer and manager is aware of how to manage records in the most appropriate and efficient manner.**
- **The contract with the disposal company should insist that the company provides a certificate of destruction for the documents that are being disposed of so that the Council is aware that the documentation has been destroyed appropriately before the invoices are paid.**

DEVICE MANAGEMENT

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that there are controls over the use of devices that can be connected to the Council's computers.

Scope of the Audit

To review the administration and authorisation processes that surround the controls of the device management software that has been installed by the Council.

Main Findings

It was seen that the Council has ordered and installed a well-known software for the management of devices. It was seen that the IT Service has created specific groups for the various devices and has established an official procedure for creating and authorising requests for additional permissions for a minority.

However, it was noted that there are cases where it appears that additional permissions had been allowed outside the official procedure. The Auditor feels that this undermines the security controls that have been put in place and it is essential that this does not continue. All staff that have the ability to set user permissions need to be reminded that this should only occur where the business case has been completed and authorised in accordance with the official procedures. In addition, an independent register of all requests allowed through the official procedures should be maintained and should be periodically reviewed against a report of the permissions that users actually have.

The auditor feels that there is scope to widen the use of the facility for recording and monitoring files transferred that is part of the software. The auditor is of the opinion that every member of staff that has permission to use external media should be the subject of default monitoring of file transfers. This would create a way of monitoring, a record for future reference and evidence that the permissions that have been allowed are actually being used.

It was noted that there is scope to tighten the arrangements for allowing users temporary permissions. In order to try to ensure that permissions are removed at appropriate times on all occasions, the removal date should be input to the device management software; this would automate the deletion at the appropriate time. In addition, temporary permissions could be recorded in a diary, using this as backup procedures to ensure that they have been deleted as expected.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Device Management as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The facility within the software for setting a time limit for special permissions should be used in all cases.**
- **All members of staff who are able to allow special permission through the device management software should be informed that this should not be done without a full business case completed on the official form and appropriately authorised.**
- **An independent list should be kept containing each special permission granted to users through the official procedures, and should be compared occasionally with the report of individuals who actually have special permissions.**

NORTH WALES TRUNK ROAD AGENCY - CLIMATE CHANGE RISKS

Highways and Muncipal

Purpose of the Audit

The purpose of the audit is to ensure the Trunk Road Agency is following good practice and has internal controls in place to mitigate the risk of climate change on the work environment. It is also intended to ensure they work in accordance with the Environmental Management System.

Scope of the Audit

To inspect the Agency's arrangements and policies to ensure that provisions have been made to reduce the risks of climate change and that they are effective.

Main Findings

To inspect the Agency's arrangements and policies to ensure that provisions have been made to reduce the risks of climate change and that they are effective.

Audit tests were undertaken on 24 internal controls. These tests proved that there were good internal controls in all of these areas.

It was seen that the Agency is working in accordance with ISO 14001. In accordance with this standard, it has an Environmental Management System in place that includes the Environmental Policy (EM01), Environmental Manual (EM02), Environmental Aspects and Impacts Register (EM05), Trunk Road Estate Biodiversity Plan (EM09), Soft Estate Inventory Database (EM10) and Site Waste Register (EM11). It was also seen that the Agency commissions Local Authorities to undertake works on it behalf and environmental requirements is part of this brief (e.g. the requirement to complete a geotechnical report before commencing major works), and they follow many of Gwynedd Council's policies and procedures on the environment.

One weakness was found within Control Objective 1 (i.e. The Agency reducing its carbon footprint). The Council uses biofuel in its vehicles and this is available from some of the Council's depots. The Fleet Manager confirmed that the Agency does not use the Council's biofuel in their vehicles.

The use of biofuel may help the Agency to reduce their carbon footprint. If the Agency agreed with the Fleet Manager to use the Council's biofuel in vehicles located in the north west, this will also result in a financial saving, as the Council fuel is cheaper than fuel at a commercial garage. It may also be advantageous to enquire with the other Local Authorities in North Wales about the possibility of a similar agreement with them in order to have a wider access to biofuel.

Only the Agency's vehicles may use the Council's biofuel and not personal vehicles.

Audit Opinion

(A) The audit opinion is that assurance can be expressed in the controls that the North Wales Trunk Road Agency have in place.

ROAD CONDITION - INSPECTION AND REFERRALS BY THE PUBLIC

Highways and Municipal

Purpose of the Audit

The purpose of the audit is to ensure that the Waste Management and Commissioning Service within the Highways and Municipal Department undertake regular inspections of the safety of the County's roads and keep full and relevant documentation as evidence of this so that insurance claims against the Council can be defended.

Scope of the Audit

Verify the arrangements for inspecting Gwynedd Council roads as well as verifying the documentation relating to previous inspections to ensure that they are completed fully and correctly and within a specific timetable.

Main Findings

Overall it was seen that good internal controls exist for administering checks on road conditions and complaints from the public.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Road Condition - Inspection and referrals by the public as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **The inventory should continue to be updated periodically, with arrangements in place to ensure that it is complete.**
- **The forms that are used to record road inspections should be uniform throughout the Authority and signed by the Inspector to confirm that the inspection is correct.**
- **Every effort should be made to fully utilise the system on the toughbook.**
- **It should be ensured that officers from other departments within the Council who work on call are qualified to do so.**

COSTS OF PUBLIC TOILETS

Highways and Muncipal

Purpose of the Audit

The purpose of the audit is to ensure that the costs of Gwynedd Council's public toilets are reasonable, measurable and offer value for money.

Scope of the Audit

The scope of the audit will be to analyse the costs of public toilets by ensuring that there is sufficient justification for the expenditure in order to establish the validity of the unit costs of Gwynedd's toilets.

Main Findings

Gwynedd Council's public toilet service has undergone substantial changes during the last two years. This has meant a reduction in the number of facilities provided by the Council and in the budget of the service. The main finding of the audit is that there is a need for the service to implement the recommendations approved by the Council and also to strengthen the administrative arrangements.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the costs of public toilets as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **A current inventory of all Gwynedd Council public toilets should be in place.**
- **Costs such as water, electricity and taxes should not be allocated to public toilets that are now closed.**
- **It should be considered whether more Gwynedd Council public toilets should be put on the balance sheet.**
- **The Highways and Municipal Department should ensure that Gwynedd Council's public toilet properties are listed correctly on the insurance schedule.**
- **Invoices that are relevant to the BR4 budget should be authorised by the budget holder – the Municipal Group Engineer – to ensure accountability for the expenditure.**
- **The cleaning contract should be revisited to ensure that it is current and relevant to the requirement of Gwynedd Council's public toilets in 2010 in terms of costs and provision.**