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## AUDIT COMMITTEE 10-03-11

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**Present:** Councillor John P. Roberts (Chairman)

**Councillors:** E.T. Dogan, Tom Ellis, Keith Greenly-Jones, Selwyn Griffiths, Aeron Jones, Charles W. Jones, Llinos Merks, Ioan Thomas, Gwilym O. Williams

**Also Present:** Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Audit and Risk Manager), Amanda Hughes (Local Manager – Wales Audit Office) and Gwyn Parry Williams (Committee Officer).

**Apologies:** Councillors Huw Edwards, Margaret Griffith, R.L. Jones, Dewi Owen, Gethin Williams

### Welcome

The Chairman extended a welcome to Councillor Llinos Merks to her first meeting of this committee.

### 1. **DECLARATION OF PERSONAL INTEREST**

No declarations of personal interest were received from any member present.

### 2. **MINUTES**

The Chairman signed the minutes of the meeting of this committee held on 13 January 2011, as a true record.

### 3. **OUTPUT OF THE INTERNAL AUDIT SECTION**

#### **The work of the Internal Audit Section for the period to 31 January 2011**

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 December 2010 and 31 January 2011. In submitting the information on the work completed during the period, the officer referred to -

- 17 reports on audits from the operational plan with the relevant opinion category shown.
- Three other reports (memoranda etc.)
- Three follow-up audits.
- No responsive audits.

Work that Internal Audit had in the pipeline was reported upon. This included 6 draft reports which had been released and 32 ongoing audits.

The officer noted that he had intended to submit reports on the various leisure centres to this committee. He referred to one specific report that had been released in draft form in December 2010 on the Bro Ffestiniog Leisure Centre and it was reported at the last meeting of this committee in January 2011 that it was anticipated that the final report would be released by the end of January 2011. There would then be an opportunity to discuss that report and the reports on the leisure centres that had been released in the previous

period at the meeting in March 2011. The matter had been discussed with the Head of Provider and Leisure Department and she had agreed to submit a report to the committee. However, there had been a delay before releasing the final report on the Bro Ffestiniog Leisure Centre as a result of changes to the management procedure of the centre. Consequently, it had not been possible to release the final report by the end of January - it had been released in February 2011. It was intended to submit the report on this leisure centre, along with reports on the other leisure centres, to this committee in July 2011.

The executive summaries of the 17 reports from the operational plan had been included as individual appendices. Consideration was given to each report and during the discussion reference was made to the following matters.

### **Ysgol Friars**

A member expressed concern regarding a clause in the main findings of the audit that referred to the fact that it had been found that only a few meetings of the Finance Committee had been held and that decisions made by the governors outside meetings of the Governing Body were not always recorded. The member was of the opinion that this was a weakness on their part, considering that the Governing Body was a statutory body and was responsible for the school's finance. In response, the Senior Audit and Risk Manager drew attention to the fact that audit tests had been held on 102 internal controls at the school and the tests had shown that good internal controls existed in 86 of these areas. He acknowledged that this point was an important issue and he noted that the school's Head and the governors had received a copy of the audit report.

The Head of Finance Department noted that when the previous audit had been undertaken of the school's internal controls, it had been found that there were more weaknesses at that time and that they had received a "C" opinion category. The opinion category "B" this time showed that the managerial position of the school had improved.

Another member noted that a message should be sent to every primary and secondary school, drawing attention to the fact that the Governing Body of every school should record every decision in the governors' minutes.

### **Health and Safety - the "Grey Fleet"**

In terms of this audit opinion, a member was of the opinion that there was a need to be firmer and that travelling allowances should not be paid to any member of staff if they could not demonstrate that the vehicle used for Council purposes had a valid MOT and that the insurance had been changed to business use. In response, the Senior Audit and Risk Manager informed the committee that it was crucial that this information was recorded before an officer used his vehicle on Council duties as it would be too late if the journey had taken place. This matter had been discussed with the Head of Human Resources after the report had been released. He had urged that better use should be made of the system that was in place.

## **Checks of Employee Lists**

In response to a question by a member, the Senior Audit and Risk Manager informed the committee that the purpose of employee lists was to test in order to identify fake employees or to identify employees that had terminated their employment with the Council but remained incorrectly on the payroll. Losses for the Council had not been discovered in this audit, however, he noted that there had been examples where officers had left Council employment but had not been removed from the payroll system and this had been found by chance.

## **Preparations for IFRS – Fixed Assets**

**RESOLVED to send a letter to the Finance Department congratulating them on receiving an “A” opinion category.**

## **Preparations for IFRS – Staff Benefits**

**RESOLVED to send a letter to the Finance Department congratulating them on receiving an “A” opinion category.**

## **Glynllifon Country Park**

A member drew attention to the fact that Glynllifon County Park had recently closed the Glynllifon Tree Nursery and the site had been disposed of by tender. He was of the opinion that further consideration should be given to the tendering process that had been used to dispose of the site and the opportunities that had been given to everyone that had responded to the invitation to tender.

It was agreed that a report on the tendering process should be submitted at the next meeting of the committee.

## **Updating the Website and the Intranet Site**

In relation to the first paragraph of the audit opinion, a member referred to the fact that the Welsh version and the English version were different. The Senior Audit and Risk Manager apologised for this error. The officer noted that it was felt that there was a delay in the procedure of updating information on the website. He noted also that several public bodies used the website to find information from various sources. In terms of the intranet, there were more risks involved with the Council's terms of employment, administrative and managerial arrangements.

A member referred to the possibility of combining the websites of Gwynedd, Anglesey and Conwy Councils so that the three sites had the same format. In response, the Senior Audit and Risk Manager informed the committee that the councils' websites were similar in terms of format etc.

It was agreed that the issue would be given further consideration.

## **Road Maintenance Contracts**

A member expressed concern that the Council was not receiving value for money in this field. He noted that the cyclical work by contractors was not sent out to tender. He referred specifically to the work that had been

undertaken on the car park of the new court in Caernarfon undertaken by specific contractors and also initial work undertaken on the highway near Dolgellau by the Datrys company. In response, the Senior Audit and Risk Manager informed the committee that different frameworks existed and that advertisements in the press had appeared after the audit that examined some of the main points of this specific audit. He also explained that he was aware that the Council would go to tender should the framework's prices appear high. It was agreed to keep an eye on the situation and to submit a further report to the committee if required.

**RESOLVED to accept the report on the Internal Audit Section's work for the period between 1 December 2010 to 31 January 2011 and to support the recommendations already submitted to the managers of the relevant services for implementation.**

#### **4. INTERNAL AUDIT PLAN 2010/11**

Submitted – the report of the Senior Audit and Risk Manager providing an update of the current situation in terms of completing the 2010/11 internal audit plan.

He provided details of the situation as at 25 February 2011, along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan -

<b>Audit Status</b>	<b>Number</b>
Planned	11
Working Papers Created	4
Ongoing Field work	14
Field Work Completed	2
Awaiting Review	1
Draft Report	8
Final Report	66
<b>Total</b>	<b>106</b>
Cancelled	2

He notified the Committee that the 2010/11 performance target was to have 85% of the audits in the amendments plan to be either closed or with the final report released by 31 March 2011. By 25 February 2011, 66 reports had been finally released and 8 further reports had been released in draft form. This represented 70% of the plan.

The officer was confident that the other audits where field work was ongoing, along with those where the field work had been completed and the one report that was awaiting to be reviewed on 25 February 2011, had also either had a final report released or had been closed (as appropriate), prior to, or on 31 March 2011. This would achieve the performance target for 2010/11. This meant that that there would be 15 audits in the 2010/11 plan where it was not expected for the audit to be closed, or a final report released by 31 March 2011 and he provided details of those audits for members. He noted that these fields had been transferred to a draft audit plan for 2011/12 as appropriate and in those cases, it was aimed to complete the work early in 2011/12 with the field work of some audits beginning prior to 31 March 2011.

In relation to amending the plan, the officer notified the committee that one amendment had been made to the operational audit in addition to those reported upon to previous meetings of the committee. In order to better reflect the requirements for internal audit days, eight days from the Ysgol yr Hendre PQQ and Tender audit had been transferred to the audit on Public Footpaths.

**RESOLVED to note the contents of the report as an update on progress against the 2010/11 audit plan.**

**5. DRAFT INTERNAL AUDIT PLAN 2011/12**

Submitted – a report providing details of the draft plan of the Internal Audit Section's work for the 2011/12 financial year in order for members to voice their opinions on it and approve it, subject to further discussions with officers.

The Senior Audit and Risk Manager explained that the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 stated that 'the audit committee should approve, but not direct, the internal audit plan'. The report explained the factors considered and the technical process used to produce the plan before submitting it to the committee.

At its meeting on 20 December 2007, the 2008-2011 Internal Audit Strategy had been approved by the Audit Committee. This strategy had formed the basis of Internal Audit work for the period in question and it had explained how the Internal Audit work would offer assurance on the internal controls that had been in place within Gwynedd Council.

The officer noted that currently there had been several developments in the field of Internal Audit, specifically collaboration projects with other councils that could have a far reaching effect on the way in which the service was provided in the coming years. Already the field had been identified by the North Wales Collaboration Project Board as a field that could be further investigated to consider collaboration options, either as an individual discipline or as part of a wider plan to share support services.

He noted that since there was uncertainty on how exactly Internal Audit would be provided for the Council after March 2012, he was of the opinion that it would be misleading to introduce an Internal Audit Strategy for 2011 until 2014 or beyond, as at this time he did not know whether he would be in a position to achieve that strategy. Consequently, he advised the committee that the most prudent and appropriate way to provide an Internal Audit service for 2011/12 would be to do so on the basis of the Internal Audit Strategy for 2008-2011. He was of the opinion that strategy continued to be suitable and valid.

On the basis of analysing the available staffing resources, including the consideration of reasonable budgets for 'unproductive' work such as holidays, illness, management and meetings, it had been anticipated that a resource requirement of 1,529 audit days would be available to complete the audit plan. This had taken place after considering provisions for advising on controls and propriety, responsive work and follow-up work.

He noted that systematic steps were used to prepare an audit plan based on risk and he provided details of those steps.

It was intended to hold discussions with the relevant heads of departments and managers before commencing the audits and their suggestions would be incorporated in the final plan.

The Local Manager - Wales Audit Office informed the committee that she had no objection to provide the Internal Audit service for 2011/12 on the basis of the Internal Audit Strategy for 2008-2011.

In response to a question by a member regarding the use of PDAs by home carers, the Senior Audit and Risk Manager informed the committee that these computers were a way of making the work programme of home carers more effective.

A member welcomed the intention to undertake an audit during 2011/12 of the financial arrangements of the Council's residential homes and also members' expenses and information technology arrangements for members.

The Senior Audit and Risk Manager noted further that he should be contacted if a member wished to add/adapt the plan.

#### **RESOLVED**

**a) To approve extending the Internal Audit three year strategy for an extra year until 31 March 2012.**

**b) To approve the Draft Audit plan for the period 1 April 2011 to 31 March 2012, subject to minor amendments to be undertaken by the Senior Audit and Risk Manager, in consultation with the Head of Finance Department, following further discussions with officers.**

The meeting commenced at 10.30am and concluded at 11.30am.