

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	12 JULY 2011
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 MAY 2011
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 February 2011 to 31 May 2011.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 31 May 2011:

Description	Number
Reports on Audits from the Operational Plan	24
Other Reports (memoranda etc)	3
Follow-up Audits	10
Responsive Audit	5

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 31 May 2011, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Grant for Unlocking the Potential of Gwynedd Special Needs Schools	Education	Resources	A	Appendix 1
Ysgol Dyffryn Ogwen	Education	Schools	A	Appendix 2
Ysgol Uwchradd Tywyn	Education	Schools	B	Appendix 3
Ysgol y Berwyn	Education	Schools	B	Appendix 4
Use of External Translators	Corporate		No Category	Appendix 5
Verification of Performance Indicators	Corporate		C	Appendix 6
Mobile Phone Control	Corporate		CH	Appendix 7
Pensions - Employer contributions	Finance	Pensions and Payroll	No Category	Appendix 8
Benefits System - Information Management and Calculations	Finance	Revenue	B	Appendix 9
Cash collection procedures	Finance	Revenue	B	Appendix 10
Management Arrangements for the Enablement Project	Provider and Leisure	Community Care	A	Appendix 11
Bro Ffestiniog Sports Hall and Swimming Pool	Provider and Leisure	Leisure	C	Appendix 12
Adult Placement Scheme	Provider and Leisure	Residential and Day	B	Appendix 13
Cist Gwynedd	Economy and Community	Community Regeneration	B	Appendix 14
"Llwyddo yng Ngwynedd"	Economy and Community	Skills and enterprise	B	Appendix 15
Galw Gwynedd Contact Centre	Customer Care	Customer Contact	B	Appendix 16

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Mobile Devices and Perimeter Security	Customer Care	Information Technology	C	Appendix 17
Third Party Users' Access to the Network	Customer Care	Information Technology	B	Appendix 18
Director of Social Services Annual Report	Housing and Social Services	Across the department	A	Appendix 19
Quality Management Arrangements	Housing and Social Services	Across the department	B	Appendix 20
Public Footpaths	Regulatory	Environment	B	Appendix 21
Public Transport Unit	Regulatory	Transportation and Street Care	C	Appendix 22
Selection of Contractors	Gwynedd Consultancy	Across the department	B	Appendix 23
The Building Control Service - Fees	Gwynedd Consultancy	Engineering and Building Control	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:

- **Language Units (Education).** A review of the Language Units had been included in the 2010/11 Internal Audit plan at the request of a member of the Audit Committee. During the audit, it was seen that direct expenditure on the Language Units (at Ysgol Llanybi, Ysgol Maesincla, Ysgol Cefn Coch, Ysgol Gynradd Dolgellau ac Ysgol Eifionydd) had been correctly set against the centralised Education Department budget and financed through a Welsh Government grant. In addition to this, audit tests showed that expenditure on goods and on the transport of pupils to the units had been made from this central code. Overall, I am of the opinion that there is sufficiently clear separation between the expenditure of the language units and the school's expenditure to mitigate significant risks to the authority. However, it is noted that the language unit at Ysgol Llanybi is larger in comparison with the size of the school than, for example, the units at Maesincla and Cefn Coch, and that the number of pupils at Ysgol Llanybi has increased from less than 50 in the early 1980s to 95 by now, with an increase of 20 pupils – 26% since 2000. The Education Department needs to be aware of the obligations of this.
- **Penllyn Partnership (Highways and Municipal).** Improving collaboration is one of the council's specific projects within the "Quality Environment" theme. The Penllyn Partnership is a venture between Gwynedd Council and five community and town councils in the Penllyn area, to work jointly in the areas of Playgrounds, Public Toilets, Street Furniture, Public Footpaths and Parks & open areas. During the audit, several 'high level' headings were reviewed in order to ensure that the risks that Gwynedd Council face as a result of the joint venture have been mitigated as expected. These headings were Contract, Governance Arrangements, Communication, Risk, Monitoring, Finance and Evaluation. Overall, it was seen that arrangements are robust, but there is a need to be clearer about the methods used to measure the success of the venture.
- **e-Procurement Project (Strategic and Improvement).** The Council's e-Procurement system is an online system that aims to make savings on the current process for ordering and processing invoices. The purpose of the audit was to ensure that the expected benefits of the system are realistic and maximise the potential of the system. It was seen that the savings outline in the business case were, by definition, based on estimates and assumptions. However, it was seen that the research undertaken by the Project Manager had been thorough where possible and offer a fair illustration of the savings that e-Procurement can achieve, although there is a significant element of risk attached. This audit did not encompass a review of the savings that have been achieved in individual departments as a result of introducing the system and the consequential reduction in departmental budgets. The matters will be reviewed in the 'Efficiency Savings' audit that is to be undertaken during 2011/12.

2.2.4 In the meeting of the Audit Committee in March 2011 I was asked to report back on the process for disposing of the site of Glynllifon Tree Nursery. I can confirm that I received a request for advice by the Regulatory Department in December 2010 about the tendering process used for disposing of the site. The Regulatory Department had decided to close the Tree Nursery as part of the savings regime, and the Property Service were disposing of the site, which was now surplus to requirements, in the usual way. However, the Regulatory Department were a little concerned about the disposal process. I discussed the matter with officers from the two units in December 2010, and on the basis of the evidence I received I was of the opinion the Property Service had acted correctly and properly, and that there was no reason for me to intervene in the process.

2.3 Grants

2.3.1 In addition to specific grants that had been included as individual items in the audit plan, reviews of the following grants were also completed during the period:

- Tidy Towns (*Regulatory*)
- European Regional Development Fund – Physical Regeneration in North Wales Project (*Regulatory*)
- Specific Capital Grant for Renewal Areas (*Housing and Social Services*)
- Free Swimming Grant (*Provider and Leisure*)
- 5x60 Programme (*Provider and Leisure*)
- Benefit Take Up Scheme (*Finance*)
- Safe Communities (*Strategic and Improvement*)
- Crime Reduction and Anti Social Behaviour (*Strategic and Improvement*)
- Substance Misuse Action Fund (*Strategic and Improvement*)

2.3.2 Although these grants have been reviewed by Internal Audit, this does not mean that external auditors from the Wales Audit Office or other agencies may undertake audits of these grants. However, it is expected that the work that Internal Audit has undertaken, and the assurance that can be stated with regards to the control environment, means that less audit work will be needed by these organisations. This, in turn, should mean a reduction in the fees that the Council will have to pay for an external audit.

2.4 Follow-up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Escrow Agreements (Civica Flare System)	Regulatory	Public Protection	Unsatisfactory
Escrow Agreements (CareWorks RAISE, IDOX UNI Form & Capita Academy Housing)	Housing and Social Services		Excellent
Escrow Agreements (Talis System)	Customer Care	Libraries	Acceptable
Record Management Unit	Customer Care	Information	Acceptable
Plas Silyn Leisure Centre	Provider and Leisure	Leisure	Acceptable
Glan Wnion Leisure Centre	Provider and Leisure	Leisure	Acceptable
Escrow Agreements (Open Text DIP & Capita Academy Revenues)	Finance	Revenue	Acceptable
Bryn Afon	Provider and Leisure	Residential and Day	Acceptable
Managing Users of the GCSx Domain	Corporate		No Category

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Arrangements for Registering Births, Deaths and Marriages	Democracy and Legal	Registration	No Category

2.4.2 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.

2.4.3 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 September 2011

Traffic Orders
 Neuadd Chwaraeon Bro Ffestiniog
 Mobile Working and Perimeter Security
 Road Maintenance Framework Agreement
 Checks on Staff Lists

Completion Target: Quarter ending 31 December 2011

Updating the Website

Completion Target: Quarter ending 31 March 2012

Public Transport Unit
 Verification of Performance Indicator
 Control of Mobile Phones

2.5 Responsive Audits

2.5.1 Five responsive audit were completed during the period:

- **Social Services Debtors** (*Housing and Social Services*). At the request of the Head of Finance, a responsive audit into the arrangements for raising and monitoring Social Services debts was undertaken. This followed a request, pursuant to the Financial Procedure Rules, to write off substantial arrears. It was seen that communication needs to be improved across the Council in order to deal with this matter. The report's Executive Summary is contained in **Appendix 25**.
- **Hire of External Meeting Rooms** (*Corporate*). At the request of the Head of Finance, a responsive audit into the arrangements within the Council for hiring meeting rooms from the private sector, in considering the Authority's business needs, balanced with a need to find financial savings. The report's Executive Summary is contained in **Appendix 26**.
- **Agreement for Menai Centre Car Park, Bangor** (*Regulatory/Property*). This audit was undertaken at the request of the Leadership Team, following a budget report at the end of the 2010/11 second quarter that predicted much lower car park income than expected. This was due to the lessee (Cathco) having entered administration before paying the agreed rent to the Council for the period from 1 April 2009. The report's Executive Summary is contained in **Appendix 27**.
- **Payments for Recovery/Repair of Vehicles** (*Highways and Municipal*). At the request of a member of the Audit Committee, the payments made to vehicle recovery and repair providers. Payments made to the AA as well as to local garages were reviewed. When reviewing the Council's financial ledger, it was seen that the Council pays annual membership fee to a recovery agency in accordance with the size of the fleet, but that this was a relatively small amount. The purpose of this payment is for the registration of vehicles with the recovery agency so that the recovery agency will come out to repair vehicles that have broken down outside Gwynedd – the payment does not cover the repair work. It was seen that the Council receives an individual invoice for each callout, in accordance with the terms of membership. It was also seen that the Council uses local garages to recover large vehicles such as refuse collection lorries or graders as these garages have suitable low-loaders. From detailed examination of the payments, no evidence was seen of irregularities or of paying twice for the same service to more than one provider.
- **Duplicate Payment** (*Education*). The Payments Unit brought to Internal Audit's attention a high number of duplicate invoices that had been passed for payment by a school. Enquiries were made with the school's administrative officer, and it was found that she had sent photocopies of every invoice in a particular batch to the Payment Unit as she understood that the original batch had gone missing during the severe weather in December 2010. As a result, both the photocopies and the original batch arrived, with both batches being input to the payments system, which rejected the second batch as it had been picked up as a duplicate. A memorandum was sent to the Payments Unit and the Education Department outlining the Internal Audit findings. No further steps are deemed necessary.

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 June 2011.

3.2 Draft reports released

- Data Protection Act - CCTV (*Corporate*)
- Management of Flexible Hours Scheme and "TOIL" (*Corporate*)
- Winter Maintenance (*Highways and Municipal*)
- Highways and Municipal on call and on duty arrangements (*Highways and Municipal*)

3.3 Work in progress

- Wales Assembly Government Community-Focussed Schools Grant (*Education*)
- Primary Schools - Budgetary Control (*Education*)
- Health and Safety - school trips (*Human Resources*)
- Former Housing Stock - Retention Monies (*Corporate*)
- Administration of Travel Costs (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Payments System - Certification and Coding Accuracy (*Finance*)
- Payments System - Amendments to Static Data (*Finance*)
- Council Tax - Recovery and Enforcement (*Finance*)
- Council Tax - Collections and Refunds (*Finance*)
- Non-Domestic Rates - Recovery and Enforcement (*Finance*)
- Council Residential Homes - Financial Arrangements (*Provider and Leisure*)
- Council Residential Homes - Security Arrangements (*Provider and Leisure*)
- Sport Development (*Provider and Leisure*)
- National Referral to Exercise Scheme Grant (*Provider and Leisure*)
- Control of Unofficial Funds (*Provider and Leisure*)
- Members' IT arrangements (*Democracy and Legal*)
- Members' Expenses (*Democracy and Legal*)
- Museums (*Economy and Community*)
- Events (*Economy and Community*)
- Neuadd Dwyfor (*Economy and Community*)
- Asbestos Control (*Customer Care*)
- Social Services Revenue Contracts (*Social Services*)
- Intensive Supervision & Surveillance Programme Grant (*Social Services*)
- Social Care Workforce Development Grant (*Social Services*)
- Children - Fostering (*Social Services*)
- Social Services Complaints Procedure (*Social Services*)
- Follow-up - Traffic Orders (*Regulatory*)
- Council fleet - tachographs and Diesel key fobs (*Highways and Municipal*)
- Environmental - Maintenance of the Gazetteer (*Regulatory*)
- Reconciliation of Parking and Fine Income (*Regulatory*)
- Briwet Bridge Project (*Regulatory*)
- Food Hygiene, Health and Safety Inspection Programmes (*Regulatory*)
- Sustainable Procurement (*Strategic and Improvement*)
- Property Services - Contractor Appointment (*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 February 2011 to 31 May 2011, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

**GRANT FOR UNLOCKING THE POTENTIAL OF GWYNEDD SPECIAL NEEDS
SCHOOLS
Education**

Purpose of the Audit

The purpose of the audit is to verify that grant money is used correctly and to its full potential, together with reviewing if service users are seeing resultant benefits.

Scope of the Audit

The arrangements for co-ordinating the work, and the arrangements for submitting and assessing claims, were reviewed.

Main Findings

Overall, it was seen that there were good controls in the arrangements for providing service through the Developing Potential Grant. Enquiries with the Heads of some schools showed that they are also very satisfied with the service and find it useful. However, from speaking to the Heads it was seen that the information contained in an interring report did not always correspond with the service that the schools actually received. The Assembly has placed a requirement on the Council to provide an interim report detailing the uses made of the grant.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Grant for Unlocking the Potential of Gwynedd Special Needs Schools as the controls in place can be relied upon and have been adhered to.**

YSGOL DYFFRYN OGWEN

Education

Purpose of the Audit

To ensure that arrangements at Ysgol Dyffryn Ogwen 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 100 internal controls. The tests showed that good internal controls exist in 95 of these areas. It was seen that excellent arrangements exist at the school in order to manage and mitigate risks. There are sound administrative procedures with the governing body playing a key role in any budgetary decisions made.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Ysgol Dyffryn Ogwen as the controls in place can be relied upon and have been adhered to. However, the auditor would like to offer the following recommendations:

- **Where possible, an official order should be raised when goods or services are ordered, not after receiving the invoice.**
- **Staff should change their passwords on a regular basis.**
- **The school should consider adopting a software licence policy, with each member of staff receiving a copy.**
- **The forms that denotes changes in year 12 and 13 courses should be completed when a pupil's status changes.**

YSGOL UWCHRADD TYWYN Education

Purpose of the Audit

To ensure that arrangements at Ysgol Uwchradd Tywyn 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 88 internal controls. The tests showed that good internal controls exist in 72 of these areas. The main findings derived from the audit is that the school has occasionally hired out the minibus to organisations that are not covered by the Council's insurance policy. Also, the school does not always comply with Estyn standards and the Financial Regulations for School, since the Head and the Administrative Officer were unaware of these requirements in those areas where weaknesses were seen. The Head and the Administrative Officer were both appointed to their current posts from September 2009 and both stated that they had not seen a copy of the internal audit report dated October 2007.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol Uwchradd Tywyn 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 written record should be kept of the duties and powers of the governing body and the Head with regards to financial decisions.**
- **The full governing body should review annually the fees that are under their discretion with the matter recorded in the minutes of the relevant meeting.**
- **A contract should be in place between the school and any hirer before the building is hired out.**
- **The school should contact Cynnal so that they can set up access rights where the Head and the Administrative Officer do not use the same username and password to access the FMS system. At the same time, they should ensure that at least one officer within the school is allowed to change staff access levels.**
- **The school should keep an electronic material inventory of all software that has been installed on school computers, and periodic internal checks should be undertaken to ensure that the installed software correlates with the inventory.**

YSGOL Y BERWYN Education

Purpose of the Audit

To ensure that arrangements at Ysgol y Berwyn 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 101 internal controls. The tests showed that good internal controls exist in 81 of these areas. The main finding derived from the audit was a high overspend on two headings in the FMS system as inadequate budgets had been set. Also, it was seen that the Governors do not review annually the fees for lettings and music lessons.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Ysgol y Berwyn 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 Governors should review annually the fees for community use of the school and music lessons.**
- **A copy of the agreement should be signed and returned to the school by the hirer before the period of hire commences.**
- **The school should ensure that the “Guided Contact Hours” for each learning activity claimed is correct as this element of the Annual School Census (post-16 PLASC) is used to calculate budget allocations.**
- **The Head should put arrangements in place to ensure that heads of departments confirm and approve any changes made to the learning activities of any pupil during the year.**
- **The head should produce a list of individuals qualified to drive the minibus and keep it up-to-date.**
- **The school should audit the drivers’ certificate twice a year, and keep a copy as a record.**

USE OF EXTERNAL TRANSLATORS Corporate

Purpose of the Audit

The purpose of the audit is to assist the Democracy and Legal Department in their review of the Council's Translation Unit. The audit will include a review of the Council's current translation requirements together with an assessment of the resources available to meet these need in the future.

Scope of the Audit

The scope of the audit is to review the overall expenditure on external translators together with an analysis of the expenditure of individual services on direct translation work from external companies for 2008-09, 2009-10 and 2010-11 up to the date of the audit.

Main Findings

It was found that approximately £125,000 of translation work had been awarded to external translators every year, with some companies receiving a substantial number of orders for work. The expenditure was analysed to individual services and attempts were made to discover if the Translation Unit was contacted before the work was outsourced. It was seen that a high percentage of this work was for simultaneous translation services. When undertaken the review, it was seen that there was no consistency across the Council with regards to the way that invoice expenditure is recorded in the ledger, which results in misleading and inconsistent statistics as well as diminishing the value of budgetary control reports.

The opinion of the audit is that there is inadequate control over the awarding of work to external translation companies because of a lack of clear Council policy, and in the current economic climate, every opportunity to make saving or to increase income should be taken advantage of.

Audit Opinion

The following recommendations should be considered as part of the review:

- **The Democracy Service should establish a formal policy for the Translation Unit that is to be presented to the Leadership Group, and then considered and approved by the relevant committee, to be adopted as formal Gwynedd Council policy. The proposed policy should include guidance that every piece of translation work – whether written, simultaneous translation, etc. – should be referred to the Translation Unit in the first instance, with a decision on whether to send the work to an external translator made by the Translation Team Leader, based on staffing resources.**
- **Consideration should be given to the use of analysis code that reflect the actual type of work undertaken by external translators, i.e. the translation of written work, proof reading and simultaneous translation.**

VERIFICATION OF PERFORMANCE INDICATORS Corporate

Purpose of the Audit

The purpose of the audit is to ensure the accuracy of performance indicators for all Council departments by selecting a sample of indicators and verifying that working papers and any other relevant evidence exists to support the result. In addition, the audit will check that there is adequate challenge of indicators within departments, by the relevant Portfolio Leader and the Performance Account Managers to ensure that the indicator is relevant to the department's objectives, that the targeted is realistic and that the indicator reflects a true and fair view of the relevant area.

Scope of the Audit

The scope of the audit is to ensure the correctness of the performance indicators of all Council departments by selecting a cross-section of Council performance indicators, i.e. indicators on each level, namely Three-Year Plan, Department level or Unit level. The audit does not encompass the indicators of Adult Services within Social Services, as these have been the subject of a recent, separate review.

Main Findings

The main findings of the audit is that there are shortcomings within the organisation with regards to performance indicators. This includes the selection of inappropriate, subjective and worthless indicators; a failure to establish SMART (**S**pecific, **M**easurable, **A**ccurate, **R**ealistic and **T**imely) targets; resources and time wasted in collecting and recording indicators for the purpose of performance reporting rather than performance management; a lack of consideration for quality when setting targets such as those based on numbers; different methods used to calculate results; a suggestion of gaming - the skewing of figures to appear good rather than using the system to monitor, challenge and, ultimately, to ensure improvement. It was also seen that there was inadequate challenge of "green" indicators on the RAG (Red, Amber, Green) scale, and it was during the course of this audit that managers were first asked to produce any evidence to support the reported performance.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Verification of Performance Indicators 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:

- **Performance indicators that far exceed the target should be challenged, with checks made if the target is based on what is achievable and encourages viable incentives.**
- **Progress should be monitored constantly within the year in order to allow a better opportunity to reach the target, where reasonable practicable.**
- **It should be ensured that the time and resources taken to collect information for an indicator does not exceed the benefit of that indicator.**
- **Some indicators should be revisited to ensure their appropriateness and their usefulness (with the exception of statutory indicators).**
- **In order to defend the credibility of the Council's performance management arrangements, if no concrete data is available of a certain period of performance measurement, this should be noted on Ffynnon rather than using a spurious estimate.**

MOBILE PHONE CONTROL Corporate

Purpose of the Audit

The purpose of the audit is to ensure that controls are in place for the ordering, use and monitoring of the Council's mobile phones.

Scope of the Audit

To review administrative arrangements for mobile phones, ensuring that there is clear policy/guidance in respect of the proper use of mobile phones. To review the process for ordering mobile phones, reviewing invoices and ensuring that they are processed and monitored adequately. To identify if there are any cases of communications payments in addition to the issue of a mobile phone, and assess their appropriateness.

Main Findings

There was inadequate control in the procedures for ordering and controlling the use of mobile phones. The lack of policy and guidance for the ordering and for the allowed use of Council mobile phones. As a result, officers can continuously misuse the Council's mobile phones without being accountable for any financial losses suffered by the Council. It was also seen that managers are authorising requests for mobile phones without considering the business requirements for this.

It was seen that mobile phone ordering and bill processing was being undertaken with services other than the Support Unit, although there was a business case for this in some departments. In addition, the arrangements for ordering and bill processing are not being implemented consistently and in the most effective manner.

It was also discovered that a number of Council officers have ordered more than one mobile device such as a PDA, a cell phone and an iPhone, and this had been approved by their managers. It was also seen that the payment of historic phone allowances for home line rental was still being paid to some workers despite their having been issued with a mobile phone. In the opinion of the auditors these payments are no longer appropriate and their abolition would save the Council approximately £12,000 a year.

The auditors are of the opinion that significant financial savings are available if a thorough review of Council mobile phones is undertaken in order to assess if they are really need in by taking proper steps to hold discussion with the company about the electronic billing, which would reduce processing time, reduce errors and release staff resources.

Audit Opinion

(CH) The audit opinion is that assurance of financial propriety cannot be expressed in Mobile Phone Control as acceptable internal controls are not in place. Losses resulting from these weaknesses were discovered. The report's main recommendation is:

- **A comprehensive and inclusive review of the arrangements in relation to mobile phones and IT data equipment should be undertaken to ensure that the organisation operates in the most efficient and consistent manner and that any savings – whether financial or time – are identified and realised. The options with regards to the management of mobile phones should be considered carefully. The result of the review and the decision on the way forward must be reported formally to the Audit Committee before the end of the 2011/12 financial year.**

PENSIONS - EMPLOYER CONTRIBUTIONS

Finance

Purpose of the Audit

The purpose of the audit is to ensure that all contributions that are payable by external establishments and authorities are received at the correct rate and within an agreed timetable, and that any interest on late contributions are calculated and collected promptly.

Scope of the Audit

The scope of the audit is to review a sample of contribution payments by a variety of establishments / authorities for the 2010/11 financial year; this means visiting some bodies to verify their arrangements and records.

Main Findings

During the visits to the various establishments/authorities that had been selected, it was found that similar issues and weaknesses exist from the perspective of calculating employer and employee pension contributions. Generally, the greatest problems derived from a lack of awareness of what pay is pensionable and what is not, particularly with regards to overtime, honorarium payments, and standby payments. It was found that some establishments were not aware of how to deal with pension contributions with regards to salary sacrifice schemes such as bicycle schemes and childcare vouchers - this has resulted in under-contribution to the Fund. It was also discovered that the majority of establishments/authorities in the sample had not treated employer contributions correctly when the employee is on maternity leave, which has also resulted in underpayments to the Fund. In accordance with the Regulations, every employer that contributes to the Fund should have their own Pension Fund policy - this was seen not to be the case.

The main recommendations arising from the report are as follows:

- **Establishments/authorities should be reminded of the importance of establishing a policy for pension contributions in accordance with the Pensions Administration Regulations.**
- **The Pension Fund should consider and prepare a leaflet that summarises the main weaknesses identified during the audit, such as how to treat employer contributions resulting from maternity/paternity/adoption leave, honorarium payments, salary sacrifice and what overtime is pensionable.**
- **The TR110 Monthly Employer Contribution Payments form should be redesigned to take into account the employer contributions in relation to employees who are absent on maternity, paternity or adoption leave.**
- **The spreadsheet should be redesigned to take into account the employer contributions in relation to employees who are absent on maternity, paternity or adoption leave.**

BENEFITS SYSTEM - INFORMATION MANAGEMENT AND CALCULATIONS

Finance

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements and controls are in place to manage the benefits information system and that system work has been allocated in an appropriate manner, and correspondence dealt with promptly and correctly.

Scope of the Audit

To review the effectiveness of the arrangements and controls within the benefits and workflow ('Document Image Processing') system by observing and interviewing officers who have responsibility for the administration and operation of the system, together with verifying a sample of records / documents from the systems and their cross-referencing, if relevant to the Academy system.

Main Findings

It was found that appropriate arrangements are in place for the administration and acting on documents pertaining to the benefits system. However, some weaknesses were seen in areas such as date-stamping documents used, duplicate reference numbers and failure to keep document under lock. It was also seen that the unit's workflow is open to abuse.

The Unit has invested in a performance management and quality assurance system which will facilitate the identification of training and development needs and of under-performance as well as mitigating risks in relation to the misuse of workflow allocations.

The Unit has not achieved its targets for the processing of claims as established in the Three-Year Plan. To this end, options such as investing in a "Risk-Based Verification" module, which has already been approved by the Department of Work and Pensions, is under consideration.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Benefits System - Information Management and Calculations 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 proposed review date / disposal date should be established for the documents contained on the DIP system, in addition to notifying the Records Unit of these dates.**
- **Records containing personal/confidential information should be secured and kept locked on all times.**
- **The message to relevant benefit officers about the importance to dating documents should be strengthened, together with the arrangements in relation to recording that the original documents have been seen.**

CASH COLLECTION PROCEDURES

Finance

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements and controls are in place for collecting money following the decision to close cash collection counters.

Scope of the Audit

To review how arrangements and income security that were most effected by the decision to close the cash offices have developed since April 2010, together with reviewing the procedures at the the Caernarfon cashiers' back office in relation to recording cheques.

Main Findings

The audit tests showed that Council services and establishments have coped relatively well with the reorganisation of their procedures as a result of the closure of the cash offices in April 2010. However, this audit has identified some issues that need urgent attention and the strengthening and formalisation of processes in relation to these will improve the controls that are in place.

The process for recording and investigating cases where the income summary forms (TR34) are received in the Income Service without a related income being recorded in the suspense account needs to be formalised, as it may be a case of missing income or fraud.

In addition, there is a need to formalise the process of enquiring with services and establishments when an income summary form is not received by the Income Service within a reasonable period after the money is banked.

At the time of the fieldwork it was seen that a laborious process was in place for recording cheques that had been received through the post. Following release of the draft version of this report, a far more streamlined process for processing cheques was designed and trialled. It was seen that the new arrangements were successful and that appropriate controls remain in place. As a result, the new procedure was approved.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in cash collection procedures 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 enquiring with establishments about cases where an income summary form (TR34) has not been received in the Income Service within a reasonable time after banking should be formalised, offering advice and assistance to the responsible staff in these establishments if necessary.**
- **Formal arrangement for investigating and recording the results in cases where income summary forms (TR34) are received, but a corresponding income has not been recorded in the bank account.**
- **The process of receiving cheques through the post should be redesigned as the current arrangements appear excessive in comparison with the costs, and as all cheques have not been subject to the same arrangement anyway.**

MANAGEMENT ARRANGEMENTS FOR THE ENABLEMENT PROJECT Provider and Leisure

Purpose of the Audit

To ensure that the Enablement Project has achieved its objectives and that it complies with the Council's Project Management Handbook.

Scope of the Audit

To ensure that the paperwork and relevant documents have been created in an appropriate manner and that they have been produced in accordance with the Council's Project Management Handbook. The project was look at from the first step to the last to ensure that it has been completed to the highest standards. The audit does not look at the results of the Enablement project, but rather at the project management arrangements.

Main Findings

Robust examples of good practice were seen within the Enablement project. It was seen that the project has achieved its objectives and has complied with the Council's Project Management Handbook. It was discovered that paperwork and relevant documentation had been created in the most appropriate manner. It was seen that the project had been completed to the highest standards.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Management Arrangements for the Enablement Project as the controls in place can be relied upon and have been adhered to.**

BRO FFESTINIOG SPORTS HALL AND SWIMMING POOL

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 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 conforms to any health and safety requirements.

Main Findings

Overall, it was seen during the audit that robust internal controls were not in place with regards to financial procedures, equipment checking and document certification. However, good controls were found in areas relating to refunds and to health and safety at the Centre.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Bro Ffestiniog Sports Hall and Swimming Pool 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:

- **It should be ensured that Daily Analysis, Point of Sale Transactions Cancelled and Record Refunded reports are produced and verified in accordance with guidance / procedures, and that the reports are signed and dated to confirm that the appropriate checks have been performed.**
- **It should be ensure that refund reports are produced and verified monthly, and signed and dated to confirm that the appropriate checks have been performed.**
- **Refund receipts should be kept and signed by the customer and the staff member on each occasion.**
- **It should be ensured that logging in and out reports are produced and verified monthly, and signed and dated to confirm that the appropriate checks have been performed.**
- **Two officers who are involved in the banking process should sign the Banking Record Sheet and the bank paying-in book to confirm that the information is correct.**
- **Every effort should be made by officers to ensure the accuracy of the money collected and refernce it to the correct ledger code, to reduce the use of the surplus / deficit account.**
- **Point of Sale Transactions reports should be produced and verified in accordance with guidance / procedures; the report should be signed and dated to confirm that the appropriate checks have been performed.**

ADULT PLACEMENT SCHEME Provider and Leisure

Purpose of the Audit

This audit was completed at the request of the Head of Provider and Leisure, in order to review the administration of the Adult Placement Scheme on the transfer of the management of the scheme from Social Services.

Scope of the Audit

Verify the administrative arrangements pertaining to the Adult Placement Scheme and where appropriate to review a sample of files in order to ensure:-

- that policies/procedures have been documented and approved in the correct manner;
- that functions and responsibilities have been clearly defined;
- that steps are being taken that ensure that carers of the correct standard are being commissioned;
- that steps ensure that service users achieve the correct criteria and are paired with the most appropriate carer;
- that the quality of the service is monitored regularly;
- that there is adequate budgetary control;
- that appropriate procedures are in place for ordering, receiving and paying for the service,
- and that records and documents are protected.

Main Findings

Overall it was seen that appropriate arrangements are in place, but some aspects need attention. Audit tests were performed on 35 areas of internal control within the service. The tests showed that good internal control were in place in 32 of these areas, but there were some matters in relation to defining responsibilities that need attention.

Audit Opinion

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

- **Relevant officers from Social Services and Provider and Leisure should meet to agree who is responsible for managing and monitoring the personal monies of service users in different circumstances, and then agree on definite guidelines after this meeting to record clearly the responsibilities of officers.**
- **It is suggested that the new process for ordering is shared with all relevant officers before the end of the 2010/11 financial year, to ensure that there is no misunderstanding.**
- **Adult Placement Scheme officers need to receive written permission confirming their powers as authorised officers as soon as possible, by signing an approved signatory form.**

CIST GWYNEDD

Economy and Community

Purpose of the Audit

To ensure that appropriate internal controls exist for the administration and payment of Cist Gwynedd grants.

Scope of the Audit

To audit a sample of grants that were administered in the 2009/10 and 2010/11 financial years.

Main Findings

The main findings of the audit was that there are generally good internal controls in the administration of Cist Gwynedd grants as a database systems has now been established within the Unit for recording details of grant claims, payments and monitoring work. Despite this, it was seen that some further strengthening is required in the arrangements for following-up on groups that have not submitted the appropriate documents within the specified time.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Cist Gwynedd 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 database system should be amended to prevent a member of staff from being able to input a date in the “Completed Date” field that is earlier than the date noted in the “Scheme Commencement” field in the Grant Monitoring screen.**
- **It should be checked if it is possible to keep copies of original letters on the database system. If not, a field should be added to the ‘Letters Sent’ screen to record when correspondence has been produced.**
- **It should be ensured that arrangements are in place to follow up on cases where appropriate insurance certificates have not been received.**
- **It would be good practice, if groups have noted any output targets on their monitoring forms, if they were to supply supporting evidence with the monitoring forms and not wait until the scheme has been completed. If the appropriate evidence is not received, arrangements should be in place to liaise with the groups to ask for the information.**
- **It would be good practice to add a clause to the monitoring forms noting that it is necessary for the groups to send in any evidence of how the grant has been used, if relevant to the scheme, to ensure bilingual service to the public.**

"LLWYDDO YNG NGWYNEDD"

Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that adequate internal control is in place in the process of offering grants to claimants, paying grant monies to contractors and for submitting claims to the Assembly.

Scope of the Audit

Review the Council's files and claims from contractors, ensuring that there is proper internal monitoring by the Department. It is also intended to review the Council's arrangements for claiming money from the Assembly.

Main Findings

Overall, it was seen that good internal control is in place in the administration of the Llwyddo yng Ngwynedd scheme. The main area where the control was somewhat less robust than expected was in the arrangements for keeping files that contain personal details of applicants such as names, addresses, bank details etc. It was seen that these files are not kept under lock and that unauthorised individuals could have access to them.

Audit Opinion

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

- **Meetings of the scoring panel should be minuted.**
- **Individual scores should be transferred correctly to the table that is used to calculate the average score.**
- **There should be consistency in the way that the grant money paid out is calculated, i.e. that the least expensive total on an invoice is used – either the estimate or the actual cost.**
- **The de minimis form should be completed correctly by each applicant.**
- **The de minimis form should be updated to show the correct rule.**
- **The earliest date to be stamped on the invoice should be used as the tax point date when filling the payment instruction (pink or yellow coding slip).**
- **It must be ensured that correct figures are used in Assembly claims.**
- **Files that contain applicants' personal details should be kept locked.**
- **Officers should attend Data Protection training.**

GALW GWYNEDD CONTACT CENTRE

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that the Council's contact centre, 'Galw Gwynedd', has appropriate procedures in place for managing and dealing with call that are received.

Scope of the Audit

Review the arrangements in place at the contact centre for managing and dealing with call from the public and for recording activities of services that have transferred their enquiry / request functions to the contact centre.

Main Findings

It was found that appropriate controls are in place for managing calls to the Council at the contact centre and that there are effective arrangements for managing and monitoring the targets of the contact centre. Appropriate controls over staff activities and information security were seen. In addition, it was seen that the contract centre has complete and appropriate systems in place for dealing with requests on behalf of other services that have transferred to the centre such as Highways and Municipal, Registrars Service etc. However, a lack of service level agreements between services is noted; this was acknowledged by the Contact Centre Manager who expressed that he would proceed to establish service level agreements for these services to ensure that all officers involved are aware of their responsibilities, and to allow better service provision for the public.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Galw Gwynedd Contact 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:

- **Agreements should be established with services that include elements such as targets for the completion of requests/activities that have been created so that the contact centre is aware of the expected action dates in order to allow them to monitor that request are receiving prompt attention and to ensure a quality service to the public.**
- **It should be ensured that service level agreements are established with all services that have transferred their requests across to the contact centre, and that these agreements are reviewed annually.**

MOBILE DEVICES AND PERIMETER SECURITY

Customer Care

Purpose of the Audit

The purpose of this audit is to review the controls in place to mitigate the security risks posed by the use of mobile devices (PDAs and laptops) to access the corporate network.

Scope of the Audit

This audit included a review of access methods, mobile device configuration, user and device authentication, device security and record maintenance.

Main Findings

The audit noted areas of risk which will need attention.

There is a need to adopt end-point checking measures for devices that are accessing the network, so that it can be certain that these devices have all the baseline requirements (e.g. up-to-date anti malware software) installed. The IT Service has identified the main issues and are in the process of evaluating their requirements and resources before acquiring suitable software.

There is a need to adopt a procedure for reviewing access logs for mobile devices so that any lost devices can be identified and any unused devices can be recovered and redistributed.

Mobile phones with internet access need to be reconfigured so that they are subject to the same filtering as all other users.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Mobile Devices and Perimeter Security as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendation of the report is as follows:

- **If it is necessary for individuals to access the network using non-Gwynedd equipment which have a capability to upload material to the network, such access should only be granted via a remediation server which would load or update the necessary properties (anti-virus etc.) required of a Gwynedd device prior to connection.**

THIRD PARTY USERS' ACCESS TO THE NETWORK

Customer Care

Purpose of the Audit

The purpose of the audit was to evaluate the controls in place for third party network access.

Scope of the Audit

The policy and procedures were reviewed for external suppliers' access to the network.

Main Findings

The audit noted that a policy and procedures have been established for third party users' network access. Formal methods are in place to request and grant access.

Some aspects were found which would need further attention so that the controls could be improved.

Audit Opinion

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

- **An end of day check should be performed to identify Citrix connections that remain open, and these should be checked against the TopDesk change request to determine whether the connection is still required. Any connections that are identified as being no longer required should be terminated, to make the most efficient use of the available Citrix licenses.**
- **The Citrix AUDITLOG tool should be used to check the times that remote users log on and off from servers in the Citrix farm. These times should be compared occasionally with the access requests made by the external suppliers, to check that they are remaining connected for no longer than necessary.**
- **External suppliers should be required to give more specific details about which system objects will be modified in the course of a maintenance or support session.**
- **File integrity checking processes should be implemented to verify that only the expected files and directories have been created, deleted or modified during third party sessions.**

DIRECTOR OF SOCIAL SERVICES ANNUAL REPORT Social Services

Purpose of the Audit

The purpose of the audit is to give assurance that the arrangements followed when preparing the Director of Social Services' Annual Report complies with legislation and is based upon good practice and demonstrates a clear process for collecting evidence.

Scope of the Audit

The scope of the audit will be to review the processes in place when preparing the Annual Report for 2009/10 and subsequent years, in order to ensure that it complies with legislation and is based upon good practice. This will include comparing comparative reports across councils in Wales.

Main Findings

During the audit it was seen that the process for constructing the Director of Social Services' Annual Report has been completed in accordance with the SSIA Wales's Framework for Annual Reports. However, the final report does not contain all the background work that was undertaken by Social Services when preparing the report in the areas of access to service and promoting independence and social inclusion.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Director of Social Services Annual Report as the controls in place can be relied upon and have been adhered to. However, the following recommendations are suggested:

- **In order to extend performance management processes, reference could be made to internal audit reports that have been completed during the year.**
- **The misspellings in the 2009/10 report should be corrected, and checks made before the publication of the final report in future.**

QUALITY MANAGEMENT ARRANGEMENTS

Social Services

Purpose of the Audit

Quality can be defined as "providing a service that is suitable for everyone". It is important to remember that "quality" is influenced by the resources that are available to a service. The purpose of this audit is to ensure that good practice is being achieved for quality assurance within Social Services and that all steps are being achieved within the resources that are available within the services.

Scope of the Audit

To ensure that arrangements and officers are in place, which means that the work of internally auditing quality is appropriately prioritised. Ensure that the quality assurance cycle has been appropriately prioritised, e.g.

- Setting clear standards for the work and outcomes for service users;
- Monitoring the quality of the work and obtaining the opinion of service users;
- Collecting messages where standards are not being achieved and identifying examples of good practice;
- Implementing improvements that are based on findings / promulgating good practice across the service; and finally
- Messages being fed back to users, carers and staff.

Main Findings

It was seen that Children's Services and Adult Services mainly had their own quality management arrangements. It is seen that the quality of Children's Services work was of a good standard as there is an officer in a full-time post who is responsible for undertaking the quality audit work. On the other hand, it is seen that quality is influenced by the resources available to the service. It is seen that the resources available to Adult Services consists of file audit and supervision. However, it is seen that there are weaknesses in some matters across the service but that the process of renewing quality issues are discussed in a newly formed group - the Audit, Quality and Performance Group.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Quality Management Arrangements 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 service should create a formal structure for officers who are involved in quality management arrangements.**
- **The Service should establish arrangements for lines of accountability that have been distributed to all officers.**
- **It is suggested that officers that undertake quality assurance work are independent of the work that is being audited.**
- **The service should use clear criteria when undertaking quality assessment work.**

PUBLIC FOOTPATHS

Regulatory (Planning, Transportation and Public Protection)

Purpose of the Audit

The purpose of the audit is to review the work processes of the Rights of Way Unit by ensuring that procedures are in place to deal with the Unit's responsive correspondence, and that the footpath repairs and maintenance budget represent best value for the Council.

Scope of the Audit

To review the process for administering and taking action of correspondence that reaches the Unit, including the arrangements for recording, filing and responding to requests. Also, to review the efficiency of expenditure from the footpath repairs and maintenance budget to ensure that the Unit has a specific plan for the efficient use of the budget and that best value is obtained from the expenditure on the Council's public footpaths.

Main Findings

Overall it was seen that good internal controls are in place when administering Rights of Way duties. The principal areas where tightening of the arrangements were seen to be required were:

- That the Unit puts arrangements in place to deal with cases that are difficult to resolve and have been open for several years.
- Managers in the Regulatory Department need to try to integrate the Rights of Way Unit into the department as much of the work systems and indeed the thought processes of the officers remain with the Highways and Municipal Unit.
- An approved list of contractors should be maintained in accordance with the Council's Contract Procedure Rules.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Public Footpaths 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 most appropriate and efficient way of tracking the correspondence of the Rights of Way Unit should be decided upon, to avoid duplication of work; this could be done either corporately or on a proprietary spreadsheet within the Unit. The date received should continue to be stamped on correspondence.**
- **Every officer should be aware of what should be noted on the enquiries spreadsheet. In addition, this should contain requests for service, e.g. the temporary closure of a footpath, so that order can be kept on requests or enquiries that need to be answered.**
- **A spreadsheet should be created that lists all the Unit's files, recording reference, file opened date, title / short description, date closed and location.**
- **Steps should be taken to close old cases. In addition, consideration should be given to reporting to the Management Team or the Environmental Services Manager on any request that has been open beyond a certain period (e.g. 6 months), so that progress can be monitored.**
- **There should be consistency in the administrative arrangements between the areas.**

PUBLIC TRANSPORT UNIT

Regulatory (Planning, Transportation and Public Protection)

Purpose of the Audit

The purpose of the audit is to ensure that arrangements for awarding de minimis transport contracts are in accordance with the Wales Transport Act, that there is justification for the contracts and that formal contracts have been signed between the council and the service providers.

Scope of the Audit

The scope of the audit will be to review a sample of de minimis public transport contracts to ensure that they are legal and have been awarded in a transparent manner. The audit commenced in August 2010, but due to a number of matters pertaining to the Public Transport Unit that were brought to the attention of the auditor by officers from the Unit, this report encompasses the findings of the auditor and the information that has been shared by officers with the auditor.

Main Findings

What is apparent from the audit is that the Unit is currently going through a substantial transformation in terms of officers and direction. Previously the Unit had been staffed and managed by officers who were former workers in the bus industry and had expertise in that area; by today by staff dynamic and skills mix are totally different.

Although the audit has highlighted the weaknesses seen in awarding contracts through de minimis arrangements, the auditor acknowledges that a number of the recommendations will take some time to implement, mainly due to the length of the current contracts. As the report notes, the public transport cover in Gwynedd appears favourable - what is absent is the evidence and justification to show how officers have been able to achieve this.

The Unit will have to ensure that its short-term strategy and detailed work plans have been developed in order to ensure that the Unit is able to respond efficiently to the challenge. A report to the Environment Scrutiny Committee (27/01/2011) showed that the Department has set priorities for the Unit:

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Public Transport 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:

- **De minimis contracts should be reviewed to ensure that the offer the Council best value for money.**
- **There should be adequate justification for the awarding of a de minimus subsidy to companies, so that Gwynedd Council is not accused of favouring some companies.**
- **Officers should be reminded of the Unit's internal arrangements for completing contracts (i.e. only the Chief Engineer Transportation and Street Care should sign contracts under £50,000), and the Council's arrangements for sealing contracts over £50,000. When calculating the value a contract, the length of the contract should be used, not the value of the contract in one year.**

SELECTION OF CONTRACTORS

Gwynedd Consultancy

Purpose of the Audit

The purpose of the audit is to ensure that the procedures in Gwynedd Consultancy for selecting contractors is effective and transparent.

Scope of the Audit

The scope of the audit is to review the work that has been commissioned in Civil Engineering and the Property and Structures discipline. The arrangement for procuring high value contracts (over £50,000) and minor works (up to £50,000) will be reviewed.

Main Findings

From this audit, it is seen that a number of adequate risk management measures are in place, but it was also seen that the internal controls need to be strengthened under some circumstances. The main areas where the need to tighten arrangements were noted are:

- The need to advertise the short list in a relevant place.
- That estimates that are far lower than the tender prices are reviewed
- That tenders are advertised appropriately with at least a fortnight allowed for contractors to return their tenders.

Audit Opinion

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

- **Estimates for work should be seen as a necessary requirement is a procurement process, and officers should be able to justify their analysis of the estimated price.**
- **A tender report should be produced for every project so that the client is aware when tender prices are return that differ from the estimate.**
- **The Gwynedd Consultancy should ensure that clients within the Council are aware of the need to follow the Council's Contract Procedure Rules when creating a tendering short list.**
- **Every tender should be appropriately advertised.**
- **It should be ensure that companies that have been selected to work for Gwynedd Council are financially viable.**
- **Companies who accept work from the Council should be registered with CHAS or equivalent.**
- **Only suitbale companies should be selected to complete work for Gwynedd Consultancy.**

THE BUILDING CONTROL SERVICE - FEES

Gwynedd Consultancy

Purpose of the Audit

The purpose of the audit is to ensure that the arrangement of Gwynedd Council's Engineering and Building Control Unit is consistent and that there is adequate internal control in the receipt and processing of Building Control fees.

Scope of the Audit

The report has been drawn up by completing audit tests on a sample of Building Control applications received and processed by the Engineering and Building Control Unit during the 2010/11 financial year, the APAS computer system and Gwynedd Council's financial ledger.

Main Findings

Audit tests were undertaken on 24 internal controls. The tests showed that good internal controls are in place in 16 of these areas. The main weaknesses that were seen was that the two most recent changes to the Building Control fees had not been approved by the Council Board, and there were occasions where the monies had not been paid in promptly. A delay was also seen before invoices were raised for Inspection Fees and Build Notice Fees.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in The Building Control Service - Fees 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 Building Control Manager should consider establishing a system for recording the time taken by the Unit's officers to work on each application to ensure that they are acting within the hours assigned to each task.**
- **Any changes to the Building Control fees should be approved in accordance with the Council's Financial Procedure Rules.**
- **The Engineering and Building Control Unit should receive monthly reports to allow them to monitor applications that have been referred back.**
- **If there is a need to monitor separately the income generated for Building Control work for each area, it should be ensured that the correct Cost Centre is used for each area. Otherwise, one Cost Centre should be used for the whole of Gwynedd.**
- **The Technical Administrative Assistants should pay in the income collected at least once a week.**
- **The Income/Debtors Unit should allocate income from the suspense account to the relevant account in the ledger as soon as possible as the Engineering and Building Control Unit depends on the information in the ledger being up-to-date so that the income generated can be monitored.**
- **An invoice should be raised immediately when notice is received that work on a site/building has started.**

RESPONSIVE AUDIT SOCIAL SERVICES DEBTORS Housing and Social Services

Purpose of the Audit

A special investigation was undertaken at the request of the Head of Finance on the Council's administration and recovery arrangements with regards to Social Services arrears in order to discover the reasons that invoices and debts remain outstanding. The audit will seek to identify any difficulties in the recovery process and will make recommendations to strengthen control weaknesses.

Scope of the Audit

Analyse all invoices that remain in arrears to Social Services to 31/03/2010 in order to verify administrative arrangements and recover Council debts.

Main Findings

Details of Social Services debtors were extracted from the financial ledger and it was found that approximately £1.9m of arrears were due to the Council by former and current clients. Enquiries were made on a sample of debtors to discover why the debts remain outstanding and any action taken to recover the debts. It is acknowledged that several of the cases are complex and that many are unique due to the nature of the area. However, it was found that a lack of communication between services had been a key factor in the failure to recover and act promptly and efficiently on debts, together with a failure to comply with service level agreements. Despite efforts to improve communication in the past, including the purchase of specialist software, it appears that much work needs to be done to establish efficient arrangements and procedures.

Audit Opinion

The audit opinion is that assurance cannot be given in the arrangements for administrating the recovery of Social Services arrears. The main recommendations are as follows:

- **Appropriate officers from Social Services and Legal should establish a meeting to discuss the process of setting a legal charge on properties so that all parties are aware of their responsibilities and the operative steps.**
- **It is essential that the Council works as a team, across different departments, when dealing with the recovery of arrears. An arrears framework should be established that outlines the duties of everyone involved with the recovery process.**
- **A culture must be nurtured where efficient communication between services ensures that officers are updated on the current situation of each case, and in particular the next step, by developing a system that records the details of each debt that remains outstanding and the steps that have been, and need to be, taken and who is responsible. In the absence of a formal recording system, a series of timely meetings between units could be established so that the situation of each case could be discussed.**
- **Once a decision has been taken to write a debt off, it should be included promptly on the Head of Finance's write-off schedule.**

**SPECIAL INVESTIGATION
HIRE OF EXTERNAL MEETING ROOMS
Corporate**

Background

Further to the comments of some members, a special investigation was undertaken at the request of the Head of Finance into the arrangements and costs attached to holding meetings in establishments outside the Council, and in particular the use made of a meeting room that is in the ownership of a private company.

Purpose of the Audit

To review the use made of external rooms, the attached costs and if a alternative option of a Council meeting room is available on the relevant dates, as well as analysing the expenditure on holding meetings in external establishments.

Scope of the Audit

To extract from the financial ledger the expenditure on the hiring of a specific meeting room, together with finding if a suitable room was available within the Council's buildings at the time. In addition, to extract the details of expenditure made in the 2008/09, 2009/10 and 2010/11 up to the date of the audit on holding meetings in external establishments.

Main Findings

Various Council officers favour paying for the hire of external meeting rooms rather than using the Council's rooms. It was seen that this expenditure has reduced over the last three years, but when considering the pressure on the Council to reduce costs, all of the expenditure cannot be justified.

Audit Opinion

The audit opinion is that assurance of propriety cannot be given in the arrangements for hiring meeting room in external establishments. No evidence of fraud arising from the control weaknesses was found, but it was observed that much unnecessary expenditure had been made when hiring external rooms when the Council's rooms were available. The main recommendations are:

- **In view of the current economic climate, Council officers should be reminded to hold meetings and conferences, where possible, within Council offices rather than in external establishments, especially as many of the Council's meeting rooms have received substantial investment recently.**
- **The Training Unit should continue to attempt to reduce the use made of rooms from private sector companies by using Council offices as far as possible.**
- **Officers should be reminded to book internal rooms that are adequate for their purpose, i.e. to hire a room that hold 20 people for an event of 15-20 people, and to hold meeting in an office rather than a meeting room if the number of people that are to attend is relatively low.**
- **The message to officers of the importance of not paying in advance for goods or services where possible should be strengthened due to the potential effect on the Council's cashflow.**

AGREEMENT FOR MENAI CENTRE CAR PARK, BANGOR

Regulatory/Property

Purpose of the Audit

A second-quarter revenue budget review was presented to the Leadership Group in its meeting on 10/11/2010 by the Head of Finance. It was reported that the loss of £108,000 of rent income as a result of the failure of Cathco had caused an expect overspend of £81,000 in the Car Parks income. Because of this, Internal Audit were asked to review the nature of the contract for the Menai Centre Car Park, Bangor.

Scope of the Audit

The report reviews that lease agreement but – in order to give a comprehensive picture - also audits the process that led to the contract with Cathco, and the subsequent arrangements.

Main Findings

There is no evidence to suggest a lack of transparency in the negotiation process. The Council had used a specialist valuer and the relevant officer had communicated with the Head of Service and/or the Strategic Director at each step. It was seen that logical options had been considered in the report presented to the Council Board in 31/01/2006. The final decision lay with the elected members on the Arfon Area Committee, in accordance with the Constitution. However, the following weaknesses were seen when reviewing the wider process:

- No-one had taken responsibility for the contract following the retirement of the former officer despite a clause in the agreement noting that the Council was to share in any capital savings from building the car park;
- There is no evidence to show that a through financial assessment had been undertaken on Cathco in order to assess the viability of the company;
- There is a fundamental weakness in the lease in that it does not include that date on which the Council was to invoice the tenant for the rent;
- There was a deficiency in the assessment by officers of the risk of the contract in that the lease give the impression in law that the rent for the car park was to be paid in arrears. Also, the agreement does not contain a clause dealing specifically with the asset on the land (i.e. the new multi-storey car park) if the company were to enter liquidation;
- It is a weakness that invoices for long-term rent is the responsibility of an officer rather than being generated from the financial system as a cyclical invoice;
- There is currently a lack of co-ordination within Gwynedd Council in the discussions about the future of the Menai Centre car park.

Audit Opinion

The audit opinion is that there was a fundamental weaknesses in legal lease between Gwynedd Council and Cathco and in the arrangements for raising an invoice for the leasehold rent. It was not possible to foresee the failure of the company although there was some doubt about its financial strength during the negotiation process. However, the Dean Street car park in Bangor is a better asset today than it was in 2007. The main recommendations in the action plan are as follows:

- **The date on which rent is due should be included in any lease agreement between Gwynedd Council and a third party.**
- **To comply fully with the Financial Procedure Rules, a standard clause should be included in Gwynedd Council lease agreements to receive rent in advance, unless there is adequate reason to receive the rent in arrears.**