

## **GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>13 FEBRUARY 2012</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 DECEMBER 2011</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION</b>

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### **1. INTRODUCTION**

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 01 November 2011 to 31 December 2011.

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

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

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	17
Other Reports (memoranda etc)	5
Grant Reviews	4
Follow-up Audits	1
Responsive Audits	2

Further details regarding this work are found in the body of this report and in the enclosed appendices.

## 2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 December 2011, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Health and Safety - school trips	Education	Schools	C	Appendix 1
Sickness Recording and Management Arrangements	Corporate		C	Appendix 2
Electronic Banking System	Finance	Investment and Treasury Management	A	Appendix 3
Payroll System - Manual Workers Monthly Salaries	Finance	Pensions and Payroll	B	Appendix 4
Benefits - Free School Meals	Finance	Revenue	B	Appendix 5
Benefits - School Uniform Allowance	Finance	Revenue	B	Appendix 6
Use of Handheld Computers by Home Carers	Provider and Leisure	Business and Administration Support	B	Appendix 7
Banking Arrangements in the Leisure Centres	Provider and Leisure	Leisure	B	Appendix 8
Gwynedd Museum and Art Gallery	Economy and Community	Archives, museums and the arts	B	Appendix 9
Lloyd George Museum	Economy and Community	Archives, museums and the arts	B	Appendix 10
Eryri Centre of Excellence Scheme	Economy and Community	Major Projects	B	Appendix 11
Smallholdings	Customer Care	Council Land and Property	C	Appendix 12
Social Services Complaints Procedure	Social Services	Business	B	Appendix 13
Youth Justice Service	Social Services	Children and Families	B	Appendix 14
Use of Sub-contractors, Works Unit	Highways and Municipal	Highways Works	B	Appendix 15
Environmental Enforcement Project	Highways and Municipal	Waste Management and Streetscene	B	Appendix 16

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Development Control - Delegated Decisions	Regulatory	Planning	A	Appendix 17

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 audits were undertaken where a memorandum was produced, rather than a full report, and an opinion category was not given:

- **Contract Management - Ysgol yr Hendre (Corporate)**. This is a scheme to build a new primary school in Caernarfon. The scheme is partly funded with the assistance of a £4.3 million grant from the Welsh Government’s Strategic Capital Investment Framework (SCIF). The main construction work was awarded to Wynne Construction through tender and the design and build contract is worth £7.4m. This audit looked at the project management of the school’s construction by undertaking tests on 21 internal controls. Tests showed that good or adequate internal controls were in place in 20 of these areas.
- **Pension Overpayments (Finance)**. The purpose of the audit was to review the arrangements in place for identifying and recovering pension overpayments (that have occurred mainly due to death). A sample of pension overpayments that occurred during 2011/12 was selected, and it was seen that that robust arrangements are in place. At the moment the Pensions Unit attempt to recover any pension overpayment over £50 and a significant amount of time is taken in endeavours to recover relatively small amounts. This threshold has been approved by the Pensions Committee. Further, the auditor enquired with other pension funds about their arrangements with respect to overpayments. As a result of the review of the arrangements for Gwynedd Pension Fund and the research work undertaken, some points which are, in the opinion of the auditor, good practice that has been adopted by other pension funds were suggested, to be considered as a tool to facilitate and streamline the process.

- **Anti-Fraud Arrangements - CIPFA "Red Book"** (*Corporate*). CIPFA have published two volumes of their "Red Book", which is a diagnostic tool for performing a self-assessment of the authority's resilience to the risk of fraud. An assessment of the Council was undertaken by Internal Audit, and on the basis of the "RAG" scoring system provided (i.e. Red, Amber, Green) the Council's overall score was amber, i.e. Medium Risk. An action plan was developed in order to close the gaps that were identified during the analysis. The implementation steps include:
  - Updating the Benefit Investigation Unit's Security and Anti-Fraud Strategy (Housing and Council Tax Benefit)
  - Update the Corporate Anti-Fraud and Anti-Corruption Strategy to include reference to the Bribery Act
  - More publicity to raise awareness of policies and strategies such as the Anti-Fraud and Anti-Corruption Strategy and the Whistle blowing Strategy and to emphasise the Council's hostility to fraud and thieves
  - To include the risk of fraud in the Cross-departmental Risk Register and to establish a methodology to estimate to potential losses by the Council as a result of fraud
  - Further work to consider the benefits of establishing a specific budget for corporate anti-fraud work
  - To consider the advantages and disadvantages of training an individual for a specific qualification in fraud investigation
  - Assess recruitment arrangements
  - Establish a protocol or arrangements with North Wales Police in order to investigate cases of fraud and undertake criminal proceedings
  - Raising awareness and a simple training course using the Council's CALMS system
  - Review and formalise investigation guidelines for Internal Audit staff.
  
- **Certification and Accuracy of Invoice Coding within Council Departments** (*Corporate*). A random sample of 11 batches processed during the 2010/11 financial year were checked, which was a total of 323 invoices. The tests undertaken included verifying:
  - That the invoices were original, i.e. on 'headed paper'
  - That the creditor's name and address had been included on the invoice
  - That sufficient information on the goods/services supplied had been included
  - The a valid VAT number had been marked on the invoice together with the VAT rate
  - That goods / services detailed on the invoices had been coded against the relevant expenditure code
  - That the invoices had been appropriately certified.

Overall, it was seen that the Council's treatment of VAT on the invoices it receives were correct and appropriate. Similarly, in the majority of cases the certification arrangements were correct. The main weaknesses found during this audit (and in other recent audits) was the incorrect coding of expenditure. The standard of expenditure coding needs to improve across all departments, in order to ensure that financial statements reflect correctly the Council's expenditure of various goods, services, activities or projects.

## **2.3 Grants**

2.3.1 The administrative procedures for the following grants were reviewed during the period:

- Post-16 Education Grant (*Education*)
- School Uniform Grant (*Education*)
- 14-19 Learning Pathways Grant (*Education*)
- Sustainable Development Fund Llyn AONB (*Regulatory*)

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
Updating the Website	Customer Care	Customer Contact	<b>Acceptable</b>

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 31 December 2011**

Reconciliation of Parking and Fine Income

**Completion Target: Quarter ending 31 March 2012**

CCTV Data Protection  
Public Transport Unit  
Verification of Performance Indicator  
Control of Mobile Phones  
Traffic Orders

**Completion Target: Quarter ending 30 June 2012**

IT for Members

## 2.5 Responsive Audits

2.5.1 A responsive audit was undertaken after a supplier made allegations of unfair and inappropriate ordering arrangements. The conclusion of the audit was that there was no evidence of irregularities as an individual who had a family connection with a supplier had declared an interest and had taken a step back from the procurement process. However, the auditor is of the opinion that competitive offers from 3 suppliers should have been invited before deciding to trial only one company.

2.5.2 Internal Audit also assisted the Economy and Community Department with due diligence work in relation to a potential contract.

### **3 WORK IN PROGRESS**

3.1 The following work was in progress as at 1 January 2012.

#### **3.2 Draft reports released**

- Promptness of Payments (*Corporate*)
- Supported Housing (*Provider and Leisure*)

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

- Blaenau Ffestiniog Leisure Centre (*Education*)
- North West Wales Education Consortium (*Education*)
- Pilot Projects Relating to Behaviour and Attendance Grant (*Education*)
- Primary Schools - Arrangements for Reducing Teacher Workload (*Education*)
- Former Housing Stock - Retention Monies (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Contract Management - Physical Regeneration in North Wales (*Corporate*)
- Main Accounting System (*Finance*)
- Payments - Employment Status (*Finance*)
- Control of Unofficial Funds (*Provider and Leisure*)
- Information Security (*Customer Care*)
- Customer Relationship Management System (*Customer Care*)
- Social Services - Security of Files and Data (*Social Services*)
- Project Management, Social Services (*Social Services*)
- Follow-up - Traffic Orders (*Regulatory*)
- Contractor Selection - Coastal Defence (*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 November 2011 to 31 December 2011, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## HEALTH AND SAFETY - SCHOOL TRIPS

### Education

#### Purpose of the Audit

The purpose of the audit is to ensure that the appropriate health and safety procedure is followed when arranging and going on school trips so that the risk of anything going wrong is mitigated.

#### Scope of the Audit

Check records from a sample of primary and secondary schools to ensure that they have conformed to the health and safety requirements when arranging school trips.

#### Main Findings

The main weaknesses found when undertaking this audit was the lack of awareness of the new health and safety procedures at one school, and no training had been received by that school. Otherwise, it was seen that some of the secondary schools did not always use the Evolve electronic system and had not followed the correct procedure of notification when using the paper procedure, however, in general, there was a systematic arrangement in the schools. It is also important to bear in mind that there are timescales for notification and receiving approval which need to be adhered to.

#### Audit Opinion

**(C) The audit opinion is that assurance of financial propriety cannot be expressed in Health and Safety - school trips 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:**

- **Headteachers must ensure that they are aware of any changes to Health and Safety arrangements by reading the newsletter. Also, compliance with changes must be ensured.**
- **It must be ensured that at least one teacher from each school has been on the training course for Educational Visits Coordinators.**
- **It must be ensured that there is an appropriate risk assessment for every trip.**
- **It must be ensured that the relevant forms involving educational visits are forwarded within the specific timescale.**
- **It must be ensured that procedures are followed and that the relevant officers are informed where appropriate.**



## **SICKNESS RECORDING AND MANAGEMENT ARRANGEMENTS**

### **Corporate**

#### Purpose of the Audit

The purpose of the audit is to review the arrangements that are in place for managing sickness absences across the Council.

#### Scope of the Audit

The audit will focus on the measures that are in place to record and review sickness absences, the procedures for referring to the Occupational Health Service and the measures that have been established for managing and reducing absences resulting from sickness. The audit does not include a review of the implementation of salary amendments as a result of sickness absence.

#### Main Findings

It was seen that the Council has identified absence through sickness or injury as a factor that needs to be addressed for the benefit of both the Authority and its staff. Corporate policies and procedures have been drawn up with the objective of reducing the number of days of absence, and presentations and training have been arranged for managers so that the policies and procedures can be implemented. It was seen that statistics on absence are monitored and reported as a corporate performance indicator.

It was discovered that staff have not been referred to the Occupational Health Service as expected – in a high percentage of cases of absence due to stress or long-term illness the staff had not been referred in accordance with the policy that is in place. It was noted that an Absence Management Working Group has been established, and that it has measures in place to respond to the general lack of implementation in relation to absence due to stress among staff.

Some of the matters noted during the audit arose from weaknesses in the computer system that is used. The auditors are aware of the plans to purchase a new integrated human resources and payroll system, but examples were seen where a form of data transfer from one module to the other is already used, and the auditors are of the opinion that consideration should be given to expanding this.

Further, it was noted that the Occupational Health Service does not have a computer system for their records. It was seen that the main records of the unit are paper files, with a simple spreadsheet used as an indexing system for these files.

From the perspective of raising awareness of the procedures and policies they are in place, and in particular any amendments or developments, the auditor would suggest that hosting exclusively electronic copies in a prominent position on the Intranet, and providing paper versions only to those managers who do not have access to the Intranet.

#### Audit Opinion

**(C) The audit opinion is that assurance of financial propriety cannot be expressed in Sickness Recording and Management Arrangements 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:**

- **Electronic versions of the policies and procedures relating to recording and managing sickness should be kept in a prominent place on the intranet.**
- **Effort should be made to break the inefficiency pertaining to the establishment of sickness absence records by establishing arrangements of transferring the first record to each module and/or system that then need it, rather than passing the same information to a variety of officers for processing.**

## **ELECTRONIC BANKING SYSTEM**

### **Finance**

#### Purpose of the Audit

The purpose of the audit is to review the measures and arrangements that are in place in relation to the electronic banking system.

#### Scope of the Audit

To review the security arrangements of the system from the perspective of technology, access and authorised actions, ensuring that the system feed into the main accounting system and that there are adequate back-up arrangements in place to allow compliance with the bank's best practice guidance and the Council's Treasury Management Practices.

#### Main Findings

It was found during the audit that the IT Service's corporate security measures meet the bank's best practice requirements from the perspective of a firewall, the use of the latest version of applications such as the web browser together active anti-virus software. In addition, the IT Service has installed additional products on the computers used for electronic banking that offers the highest level of security through the use of public key cryptography. It was found that there is a clause in the banking contract that states that the Council must inform the Bank of any failures, viruses or deficiencies that become apparent when receiving or sending instructions. The system administrator explained that it is they, rather than the IT Service, that would inform the bank.

It was seen that appropriate officers have been appointed as administrators of the electronic banking system and that invalid officers did not have access to the system.

A sample of internal transfers (i.e. between various accounts) and CHAPS payments was checked, and it was discovered that the internal transfers had been input and verified appropriately, and the CHAPS payments made in accordance with point 5.10 of the Treasury Management Practices. Evidence was collected that confirmed that the internal transfers and CHAPS payments appear correctly on the main accounting system.

It was seen that the Council sends sensitive details to the Bank by email, but that the messages are not encrypted to protect the sensitive information. However, it was seen that adequate compensating controls exist and that only transfer between the Council's own accounts are dealt with in these emails.

#### Audit Opinion

**(A) The audit opinion is that assurance of financial propriety can be expressed in Electronic Banking System as the controls in place can be relied upon and have been adhered to.**

**PAYROLL SYSTEM - MANUAL WORKERS MONTHLY SALARIES****Finance**Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements and controls are in place for presenting the salary details of staff via spreadsheet.

Scope of the Audit

The arrangements that are in place for inputting the working hours of staff and transferring the details to the payroll system in order to create correct payments were verified. The arrangements for those units that presented details on the basis of an extraction of standing data from the payroll system at the time of the audit was reviewed. The arrangements for those units that present information in the form of a list on a spreadsheet was not reviewed as these units will also soon be adopting the process of presenting details in a data extraction.

Main Findings

From the perspective of salary payments, a sample of data transfers was tested from presentation to salary payments and they were found to be correct and complete.

It was seen that operational arrangements are in place within each of the units that present payroll data through an extraction-based spreadsheet, but rather than introducing a more efficient method of working, the arrangement has led to a substantial increase in work within the Youth Service (Economy and Community). In this case, the auditor feels that there is scope to develop the management system (that has been developed by the IT Service) in order to make the work of presenting payroll data more efficient and convenient.

Compensating controls have been set to mitigate the risks of presenting inappropriate data as a result of lack of supervision in the input process. The auditor is supportive of this principle. However, it was seen that there are circumstances where data is presented in a tab on the spreadsheet that is not subject to these controls. The auditor is of the opinion that in the long term, the factors that have led to the requirement to present data in a separate tab should be overcome, but in the short terms the controls should be introduced in all tabs to ensure appropriate data entry.

Audit Opinion

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

- **At present, it is necessary for the Youth Service to record details of youth club sessions in a management database separate from the payroll spreadsheet. The database should therefore be developed in a place that generates an output that is part of the payroll data presentation process. Consideration should be given to either creating an output that feeds directly from the database to the spreadsheet (consequently abolishing the need for duplication of work within the Youth Service) or that at least creates an output that facilitates the inputting process (therefore creating a more efficient arrangement that reduces time pressure).**
- **Since the arrangement's basis on an extraction from standing data is one of the principal controls of the arrangements for presenting payroll data in a spreadsheet, each item recorded should be from the extract which abolishes the need to present data on additional tabs, as this undermines the arrangements that are in place.**

## BENEFITS - FREE SCHOOL MEALS

### Finance

#### Purpose of the Audit

The purpose of the audit is to ensure that the Council act on applications for free school meals effectively, efficiently and accurately as a substantial part of providing a free school meals service to pupils at Gwynedd schools.

#### Scope of the Audit

To review a sample of applications received for children that receive free school meals and ensure that the applications have been assessed correctly and that they are eligible to receive the benefit, as well as ensuring that the assessments have been undertaken in a timely manner, with information distributed promptly.

#### Main Findings

It was seen that the service has transferred information from the Education Department's financial management system, 'SIMS', to the Benefit Unit's 'Academy' system as a starting point. From the sample audited, it was seen that applications had been assessed in accordance with the requirements of the free school meals scheme, except for two applications where the assessors should have revoked eligibility as appropriate.

It was seen that the system meets the requirements of the service and that educational benefits (i.e. free school meals and school uniform allowances) are administered appropriately as part of the housing and council tax benefit assessments. However, it was seen that some inconsistencies have appeared as a result of the transfer such as duplicate files, and references without any records of activity against them.

In addition, the Benefits Units explained that a claimant who lives outside the County as well as those who live with a relative / independent person have been included as part of the transfer, but it was not possible to confirm eligibility to free school meals by using the usual verification method, which is the Department of Work and Pension's Customer Information System (CIS). The 'FSM - Free School Meals' system provided by the Welsh Government is used to verify eligibility for these applicants. However, evidence was not seen that these checks had been performed. For two references it appears that an application has been approved after the transfer but before any appropriate checks had been undertaken. The Senior Benefits Office and the Benefits Manager explained that a review letter should have been sent to these claimants so that checks would be made on the 'FSM' system before the claim for free school meals was approved.

It was envisaged that difficulties would arise during the transfer and it was seen that the unit had been proactive in addressing these matters by ensuring that arrangements had been established in order to ensure the accuracy and completeness of records.

#### Audit Opinion

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

- **Checks should be undertaken for 'EdBens' claims as well as housing and council tax benefits as part of the service's quality and performance measures.**

## **BENEFITS - SCHOOL UNIFORM ALLOWANCE**

### **Finance**

#### Purpose of the Audit

The purpose of the audit is to ensure that school uniform grant payments are implemented appropriately, with the applications being assessed and paid accurately and promptly.

#### Scope of the Audit

To review a sample of school uniform grant applications and ensure that the grants awarded were eligible. Review the arrangements for awarding the grant and ensure that they are appropriate and efficient. To review a sample in order to ensure that payments are correct and claimed within the time limits.

#### Main Findings

During the audit it was found that separation of duties is in place between the Education Department and the Benefits Unit in relation to administering school uniform grants. It was seen that the Benefits Unit is responsible for assessments and distribution of cheques awarded under the Welsh Government's school uniform grants scheme as well as the allowance payable by the Council. The Education Department claim the grant total from the Welsh Government.

The responsibility for administering the school uniform grants (as well as free school meals) has been transferred to the Finance Department as part of efficiency savings schemes. It was seen that a vast majority of the work pertaining to the transfer has been completed by the Benefits Unit under the direction of the Senior Benefits Officer. The additional module that was purchased for the benefit administration system, 'Academy Education Benefits - EdBens', has been configured and tailored to meet the requirements of the local scheme and has led to a reduction in the administration time, with a resulting reduction in costs.

It was explained that there had been some expected teething problems in the process and in the transfer. Some of the problems that require attention in order to improve and tighten the arrangements were highlighted during the audit. These matters were referred to the Senior Benefits Officer and these cases are already receiving attention. As a result of the findings of the audit, the Senior Benefits Officer identified errors that had been in place from the perspective of compliance with the grant conditions in the past that have continued. The Senior Benefits Officer is dealing with this matter, in particular by arranging improvements to the system so that it is tailored to the correct requirements, and has advised staff of the changes so that they can process payments correctly and advise the public with the correct information.

#### Audit Opinion

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

- **Guidelines for the recovery of overpayments should be established, and communicated between the Benefits Service and the Education Department when considering the obligations of the grant conditions.**

## **USE OF HANDHELD COMPUTERS BY HOME CARERS Provider and Leisure**

### Purpose of the Audit

Ensure that information and security arrangements for the use of handheld computers by home carers are appropriate.

### Scope of the Audit

Audit the main areas of information and security arrangements for the handheld computers, including compliance with Council guidelines.

### Main Findings

There are strong examples of good practice and control in the use of handheld computers by home carers. However, there are several matters that need some more attention, including discussions with the providers with regards to the latest software and how to restrict personal use of the device.

### **Audit Opinion**

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

- **It should be ensured that the Service's policy has been approved by the relevant senior officers.**
- **It would be good practice if the guidelines regarding misuse of the devices were cross-referenced to the Council's corporate Disciplinary Policy.**
- **Discussions should be held with the provider to discover if there is a way of obtaining software that prevent warnings from being made in error, in order to ensure that the warning received in the office are genuine and lead to the appropriate steps being taken.**
- **There should be consultations with the provider to attempt to find a solution that limits personal use of the devices.**

## **BANKING ARRANGEMENTS IN THE LEISURE CENTRES Provider and Leisure**

### Purpose of the Audit

To ensure that internal controls exist when banking money in the Leisure Centres so that the operational risks are mitigated, and that these controls are implemented.

### Scope of the Audit

The banking arrangements at a sample of five Leisure Centres throughout the county were checked. For these Centres, a sample of days from the financial year 2010/11 and the first half of the financial year 2011/12 were reviewed and the banking on these days was checked.

### Main Findings

There were strong examples of good practice and robust controls in place in the banking arrangements at the Leisure Centres that were verified. However, there is one area that needs more attention, which is to ensure that the banking procedures take place during the evening and not left to other officers to complete the following morning.

### Audit Opinion

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

- **Bangor Swimming Pool should investigate the reasons for making so much use of the surplus / deficit code, so that its use is reduced.**
- **The Centres should follow the IMS guidelines and complete the banking process in its entirety each evening.**

## **GWYNEDD MUSEUM AND ART GALLERY**

### **Economy and Community**

#### Purpose of the Audit

To ensure that arrangements at Gwynedd Museum and Art Gallery in order to manage and mitigate risks are appropriate, and in accordance with the Council's financial procedure rules and other relevant procedures.

#### Scope of the Audit

The main areas of expenditure and income according to the record in the Council's financial ledger for 2010/11 and 2011/12 were audited. Gwynedd Museum and Art Gallery's arrangements for managing a various range of risks were also tested.

#### Main Findings

The main findings of the audit is that arrangements are generally good at Gwynedd Museum and Art Gallery, but it was found that there had been some loss of income, as the incorrect percentage of commission had been charged since April 2011.

#### Audit Opinion

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

- **Two officers should count the money when the gifts box is emptied, and a record should kept that is signed and dated by two officers.**
- **A standard hiring form should be created and completed each time anyone rents a room in the Museum.**
- **Effort should continue to ensure the return of signed contracts from the artists before the exhibitions take place.**
- **Employees should claim travelling expenses in the appropriate way, by completing a travel claim form.**
- **Imprest money should be reclaimed when 2/3 of the level has been spent.**
- **The Archives, Museums and Arts Service should collaborate with the Accountancy and Financial Service to ensure that the value of the heritage assets are included in the 2011/12 balance sheet.**
- **Regular checks should be made on the fire alarms.**



## **LLOYD GEORGE MUSEUM**

### **Economy and Community**

#### Purpose of the Audit

To ensure that arrangements at the Lloyd George Museum in order to manage and mitigate risks are appropriate, and in accordance with the Council's financial procedure rules and other relevant procedures.

#### Scope of the Audit

The main areas of expenditure and income according to the record in the Council's financial ledger for 2010/11 and 2011/12 were audited. The Lloyd George Museum's arrangements for managing a various range of risks were also tested.

#### Main Findings

The main findings of the audit is that arrangements at the Lloyd George Museum are generally good.

#### **Audit Opinion**

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

- **On those occasions when schools forget to bring a cheque with them to pay for an educational visit, staff at the Lloyd George Museum should email the Support Unit detailing the internal transfer that should be made.**
- **It would be good practice if the Museum had a process for recording the reasons for refunds made and that there is a system that allows the Principal Museums and Arts Officer to verify the reports made from time to time in order to monitor refunds.**
- **Fire drills should be performed regularly at the Museum.**
- **The Archives, Museums and Arts Service should collaborate with the Accountancy and Financial Service to ensure that the value of the heritage assets are included in the 2011/12 balance sheet.**

## **ERYRI CENTRE OF EXCELLENCE SCHEME**

### **Economy and Community**

#### Purpose of the Audit

To ensure that appropriate administrative arrangements are in place for administering the Eryri Centre of Excellence Scheme.

#### Scope of the Audit

To verify claims and other arrangement to ensure that they comply with terms and conditions that are noted in the offer letters and in WEFO policies.

#### Main Findings

It was seen that appropriate internal controls are in place for the majority of processes relating to the administration of the Eryri Centre of Excellence Scheme, and meet the requirements of the terms and conditions agreed with Visit Wales. However, there are certain areas where these controls could be tightened. In addition, there is a need to review the current arrangements with one partner where they receive money from the Council in full on their expenditure on the project before the Council receives the money from WEFO. Clearly, there is a risk to the Council if WEFO or Visit Wales were to reject any element of the claim.

#### **Audit Opinion**

**(B) The audit opinion is that partial assurance of financial propriety can be expressed in Eryri Centre of Excellence 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:**

- **Financial checks should be made on companies that receive a grant before a contract is made with them, especially when there is a need to ensure that the companies have the necessary cashflow to pay for the work before the grant is received.**
- **Claims for grant money should be received from partners in a timely manner.**
- **Claims should be sent punctually to Visit Wales.**
- **A column should be added to the asset register to include information about the total grants that have funded the asset. In addition, it is suggested that confirmation is sought from Visit Wales if there is a need to include biking trails and similar on the asset register.**
- **A full copy of the Forestry Commission's procurement policy should be obtained.**
- **A copy of the insurance policy, showing public liability and asset cover, should be obtained for the active parts of the project.**

## SMALLHOLDINGS Customer Care

### Purpose of the Audit

The purpose of the audit is to ensure that an adequate management system and policy is in place for smallholdings, and that they comply with the Agricultural Holdings Act 1986 and the Agricultural Tenancies Act 1995.

### Scope of the Audit

To review policies, ledger transactions and supporting files for the smallholdings during the 2010/11 and ensure that an adequate management system is in place for the letting of smallholdings, establishing and collecting rent, expenditure on services and keeping supporting records.

### Main Findings

It was found that the Property Unit has established procedures for the management of smallholdings with standard arrangements in place for advertising smallholding for letting and a points system is used to evaluate applications, but these have not been recording by the Property Unit in a policy. Applicants that are to be interviewed are selected by a Smallholdings Panel, which also conducts interviews to select the successful candidate. It was seen the decisions of the Smallholdings Panel are in conflict with the points system, with candidates not being invited to interview despite scoring highly. This finding raises doubts about the worth of the point system in its current form.

The auditor saw that the Property Unit has produced a standard contract for the smallholdings and that contracts are in place between the Council and the tenants. The contract includes pertinent conditions with regards to the rent amount, rent payment arrangements and the arrangements for conducting rent reviews. It was discovered that the Council has not invoiced for rent payments in a timely manner. For a sample of invoices selected, it appears in some cases that the Property Unit has paid for supplies to some smallholdings without an attempt to receive a contribution from the tenant.

### Audit Opinion

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

- **The Smallholdings Policy should be updated to incorporate all the relevant elements such as officer and member responsibilities and appointment, monitoring details etc.**
- **A comprehensive scoring system should be established for the process of establishing a new tenant, that incorporates the dismissal of an application of core elements (e.g. five years' experience) are not achieved, and other elements should be weighted in accordance with specific benchmarks. Consideration of such an arrangement should be included in the Smallholding Letting Policy that is presented to the relevant committee.**
- **Reports should be prepared for the Senior Estates Surveyor that include only arrears for Smallholdings, including notes on the current situation in relation to any recovery procedures.**

## **SOCIAL SERVICES COMPLAINTS PROCEDURE**

### **Social Services**

#### Purpose of the Audit

To assure that there is control and appropriate procedure for the complaints procedure within Social Services.

#### Scope of the Audit

Verify sample of recent Social Services complaints and follow up on the procedure from the beginning to closure, to assess the internal control that exists and to ensure that the aim of the process has been achieved.

#### Main Findings

It was seen that overall there were sufficient and appropriate arrangements in place but there was certain aspects that need attention. Audit tests were carried out on 21 internal control within the service. The tests showed that good internal control existed on 13 of the controls, but further attention was needed to ensure that complaints are responded to in a timely matter in accordance with the policy, and that any lessons learned are formally monitored to ensure that mistakes do not happen again in the future.

#### **Audit Opinion**

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

- **On each occasion, it should be ensured that the complainant has received a response within the timescale as contained in the policy “Social Services Complaints and Representation Procedures”. When there is a need to extend the timetable, a holding letter should be used promptly, ensuring that a reply is sent before the new deadline.**
- **At the end of a Stage 1 reply, it is essential that the complainant is given formally an opportunity to proceed the matter to Stage 2 (a more formal complaint) if desired.**
- **It would be good practice if an arrangement for resolving any dispute between the investigator and the Authority were included in the agreement that is signed by both parties.**
- **A report should be received from the investigator before the date on which their agreement with the authority comes to an end.**
- **Although lessons to be learnt are noted in a quarterly and annual report, there is a need to formalise the arrangements for monitoring that these lessons are actually being learnt and implemented, to ensure that the same mistakes are not repeated in future.**

## YOUTH JUSTICE SERVICE Social Services

### Purpose of the Audit

The purpose of the audit is to ensure that sufficient internal control exists within the governance and administration arrangements of the Gwynedd and Anglesey Youth Justice Service to ensure that they are in accordance with good practise and protect the interests of Gwynedd Council.

### Scope of the Audit

The scope of the audit is to check the governance and administration arrangements within the Gwynedd and Anglesey Youth Justice Service partnership. The scope of the audit will not include a detailed audit of the financial administration arrangements because it has been a subject of another audit recently, namely the Intensive Supervision & Surveillance Programme Grant.

### Main Findings

The main findings of the audit are that the partnership have met successfully the required performance standards and that external inspectors have noted that there had been substantial improvements in multi-agency work. However, Gwynedd Council contributes more than its fair share towards the partnership's budget, a situation that has already come to the attention of Gwynedd officers up to Chief Executive level. Also, no evidence was seen that the partnership's documents and policies, such as legal agreements and the memorandum of understanding, had been agreed and signed by members of the Management Board.

### Audit Opinion

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

- **Although the memorandum of understanding and terms of reference are not legal documents, consideration should be given to noting in the 'legal contract' that it is an expectation for members of the Management Board to agree to commit to the principles contained in the document.**
- **It should be ensured that Gwynedd Council are represented in every meeting of the Management Board.**
- **Every document / record should be kept, signed by all members of the Board, confirming that they have accepted the legal contract, memorandum of understanding, terms of reference and mission statement.**
- **It would be best practice if members of the Management Board were to complete declaration of interest forms.**

## USE OF SUB-CONTRACTORS, WORKS UNIT Highways and Municipal

### Purpose of the Audit

The purpose of the audit will be to ensure that the Highways Works Unit appoint subcontractors in accordance with Gwynedd Council's Financial Procedure Rules and good practice.

### Scope of the Audit

The scope of the audit will be to assess the arrangements for the use of subcontractors by the Highways Works Unit, by reviewing the relevant files to ensure that evidence exists to demonstrate the work has been allocated in accordance with procurement rules.

### Main Findings

There are two main findings, which is the lack of reasoning over the selection of particular companies to undertake the work, and the lack of adherence to the Council's Contract Procedure Rules when following advertising arrangements and maintaining an approved list.

When the Service competes for work, it has to act in the same manner as any other commercial company, and following procurement rules can cause difficulties due to the tight timetable of the commission. Of course, private companies who compete for the same work do not have the same obligations to follow procurement rules. Commercially, this could be a disadvantage, but on the other hand the Service does have guaranteed work which is an advantage to them over other private companies. But as part of a public authority the Service must follow the principles of European procurement rules.

### Audit Opinion

**(B) The audit opinion is that partial assurance of financial propriety can be expressed in the use of Sub-contractors by the Highways Works Unit 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 Highways Works Service needs to take care that its pricing strategy for external commissions ensures that it remains competitive in the marketplace.**
- **The Highways Works Service should establish and maintain a list of approved contractors that is suitable and complies with the Contract Procedure Rules.**
- **If the Highways Works Service establishes and maintains a current list of approved contractors, it needs to ensure that it selects contractors through an open procedure (i.e. inviting all companies that have expressed an interest in tendering after publishing a notice) or the restricted procedure (inviting companies that have been selected by the Council after advertising and maintaining a pre-qualification procedure).**
- **Quotes for subcontracting works should be received and recorded independently of the offer who arranges the work.**

## **ENVIRONMENTAL ENFORCEMENT PROJECT**

### **Highways and Municipal**

#### Purpose of the Audit

The purpose of the audit is to ensure that the Highways and Municipal Department have robust arrangements in place in order to achieve the enforcement work under the Quality Environment Project.

#### Scope of the Audit

The scope of the audit was to review the main areas of the enforcement scheme, which is to ensure that the Service has been built on robust foundations, that the Service is acting in accordance with its original objectives, that there are robust arrangements for implementing the penalty process, that duplication of duties is avoided and that the Service is a success and achieves its objectives.

#### Main Findings

Audit tests were undertaken on 34 internal controls. The tests showed that good internal controls exist for 27 of these areas. The main weaknesses that were seen during the audit was that there is appropriate use is not made of the MCS Enforcer system to record and manage enforcement activities. It was also seen that the commitment of the Police to the Quality Environment Joint-working Protocol has waned, which has led to less income being collected.

#### Audit Opinion

**(B) The audit opinion is that partial assurance of financial propriety can be expressed in Environmental Enforcement Project 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 Highways and Municipal Department should reinforce the protocol between Gwynedd Council and North Wales Police in order to ensure that environmental offences receive due attention.**
- **The Streetscene Manager should use the “Enforcement Summary Sheet” report to monitor coverage across the County. A monthly work programme that guarantees attention to all regions within Gwynedd should be considered.**
- **Arrangements should be in place to reconcile the income that has been recorded on the MCS Enforcer system with the income that has been committed to the Council’s ledger.**
- **The Environment Group Finance Unit or the Senior Waste Manager and Commissioning Manager should receive a monthly report of cases where enforcement officers have cancelled penalties. A sample of cancellations should be chosen in order to obtain an explanation and justification for cancelling the penalty.**

## **DEVELOPMENT CONTROL - DELEGATED DECISIONS**

### **Regulatory**

#### Purpose of the Audit

The purpose of the audit was to ensure that the Planning Service has adequate arrangements in order to enact delegated decisions on planning applications.

#### Scope of the Audit

The scope of the audit was to review evidence that was the basis for making delegated decisions by verifying the staff register of interests, the Department's guidelines and the justification seen on the files of planning applications. 27 internal controls within the planning process were tested.

#### Main Findings

The main findings of the audit were:

- That there is transparency and integrity in the way that Gwynedd Council makes decisions on delegated planning applications. The uniformity of the reports display integrity and professionalism and ensure that planning considerations are balanced and assessed, and placing the reports on the public website ensures the transparency of the decision.
- Planning case officers have support in order to assess and decide on planning applications, e.g. the Unitary Development Plan, regular training on current matters and administrative support for advertising and acknowledging fees. The process for ensuring that applications are referred to the Planning Committee is reliant on professional officers identifying applications that need to be referred to the Committee in accordance with the Planning Code of Practice and Officer Delegated Powers, but each application is checked by the Development Control Manager or the Planning Service Manager.
- There is a risk of appeal for "non-determination" under section 78 of the Town and Country Planning Act 1990 if the Authority does not come to a decision on an application within 8 weeks, or 13 weeks for substantial developments. During 2010/11, only 57.8% of Gwynedd Council applications were determined within this specific period. The report does not present a recommendation on this matter as it is already receiving attention within the scrutiny and performance management arrangements.

#### Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Development Control - Delegated Decisions as the controls in place can be relied upon and have been adhered to.**