

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	12 JULY 2012
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 MARCH 2012
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 1 January 2012 to 31 March 2012.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 31 March 2012:

Description	Number
Reports on Audits from the Operational Plan	18
Other Reports (memoranda etc)	7
Grant Reviews	6
Follow-up Audits	6

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 March 2012, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
IT Security in Schools	Education	Resources	C	Appendix 1
School Organisation Project Management	Education	Across the department	A	Appendix 2
North West Wales Education Consortium	Education	Education Consortium	B	Appendix 3
Outsourcing of School Catering - Accountability	Education	Schools	B	Appendix 4
Blaenau Ffestiniog Leisure Centre	Education	Schools	B	Appendix 5
Primary Schools - Governance	Education	Schools	B	Appendix 6
Primary Schools - Arrangements for Reducing Teacher Workload	Education	Schools	C	Appendix 7
Bank Reconciliation - Review of Key Controls	Finance	Accountancy	B	Appendix 8
Main Accounting System	Finance	Accountancy	B	Appendix 9
Pensions - Annual Report	Finance	Pensions and Payroll	B	Appendix 10
Taxation Systems - Review of Key Controls	Finance	Revenue	A	Appendix 11
Supported Housing	Provider and Leisure	Residential and Day	B	Appendix 12
Village Halls - Action Plan	Economy and Community	Youth	A	Appendix 13
Information Security	Customer Care	Information	C	Appendix 14
Customer Relationship Management System	Customer Care	Information Technology	B	Appendix 15
Joint Commissioning with Betsi Cadwaladr University LHB	Social Services	Across the department	C	Appendix 16

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Social Services - Security of Files and Data	Social Services	Across the department	B	Appendix 17
Contractor Selection - Coastal Defence	Gwynedd Consultancy	Across the department	B	Appendix 18

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 - Physical Regeneration in North Wales** (*Regulatory*). This was a review of arrangements to manage the contract to undertake regeneration works in the centres of Bangor and Caernarfon. The administration of the grant has been the subject of a separate audit. Audit tests were performed on 21 areas of internal control, with good or satisfactory controls seen in 20 of these areas. Since the project has been partly funded by the European Regional Development Fund (ERDF) through the Convergence programme, the invoices need to be kept separately in the Payments Unit because of retention requirements. It was seen that the required indicator had not been used when instructions were sent to the Payment Unit to pay the contractor, which meant that the Payments Unit were not aware of the need to keep the them with other invoices that have been paid through European funding.
- **Promptness of Payments** (*Housing and Social Services*). The 2011/12 Internal Audit plan included an audit entitled “Promptness of Payments”, with an intention of performing a review in specific areas where the Payments Unit’s statistics suggested that there was a substantial delay – beyond statutory expectations – before undisputed invoices were paid. It came to Internal Audit’s attention that the processing of payment documents for one supplier by the Housing and Social Services Department had taken an unacceptably long time. As a result, it was decided that the resources that had been earmarked for the “Promptness of Payments” review would be used to investigated this case, and also to check if this case was a genuinely exceptional one within the Social Services administrative system. It could be confirmed that the substantial delay in processing credit notes for one supplier and caused the Council a financial loss as the company had gone into administration before the credit note could be processed, and several opportunities to do this had been missed.

From the perspective of the random sample of invoices, it was not possible to verify if

2 payments had been made within the appropriate time as the invoices had not been datestamped when they were received. It was seen that 5 of the invoices had been paid within the required time, but three invoices were late in being paid. The reasons for this was investigated further, but it was seen that there was not a systemic, inherent weakness within Social Services that was responsible for this.

- **Undertaking Company Financial Assessment - NMWTRA Framework** (*Gwynedd Consultancy*). Officers from Gwynedd Consultancy were assisted in assessing the financial situation of companies that had expressed an interest in being on the contractor framework of the North and Mid Wales Trunk Road Agency.
- **Payments - Employment Status** (*Finance*). The term 'employment status' refers to whether a worker is employed or self-employed, in accordance with the definition of HM Revenue and Customs, and it effects tax and national insurance payments that are due. Employment status is dependent on several factors, and an error in dealing with a worker's status can lead to a requirement to pay additional tax, NI contributions, interest as well as penalties imposed by HMRC. The purpose of the audit was to ensure that the Council complies with the requirements and rules of HMRC by ensuring that payments to individuals are treated correctly and appropriately and that tax and national insurance deductions are paid correctly. For the audit, a sample of 82 invoices that had been coded to specific accounts in the ledger were audited. Following a review of the invoices, some were identified that should receive further attention by appropriate officers to ensure that these individuals have been allocated the correct employment status.
- **Payroll - Administration of Statutory Sick Pay** (*Finance*). Although it would only be necessary for the Council to pay statutory sick pay to employees in rare circumstances, it is a statutory requirement that records are kept of the sums that would be payable. A sample of 20 occurrences of sickness absence between April 2011 and the date of the audit was reviewed. The purpose of the audit was to ensure that SSP amounts appear to be correct and based on staff absence days, by comparing them with the expected amounts. However, it became apparent early in this review that there are a number of cases where the data within the Human Resources and Payroll modules did not correspond and, in some cases, records of sickness absence did not appear at all within the Payroll module. Weaknesses were seen in the current arrangements for presenting sickness absence details, and although financial loss was not identified in the sample, this showed that the reported amount of statutory sick pay is incorrect.
- **Backups and Service Continuity** (*Customer Care*). The back-up and business continuity arrangements of the Council's Information Technology Service had been identified as an audit in the Internal Audit annual plan for 2011/12. As the project for transferring systems to the virtual environment was ongoing at the time of the audit, with this being a substantial part of the long-term business continuity solution, it was agreed that the full audit would be undertaken after the end of the second quarter of 2012/13, in accordance with the project completion timetable. It was noted, when reviewing progress to the date of the audit, that there is an expectation that full documentation would be produced soon, to be used as an official plan and guidance for the Service. From the perspective of the main financial systems, it was noted that the revenue systems had been transferred, and that solutions had been outlined for the payroll and payment systems. The auditor is supportive of the objective of the project, and its results will receive further attention as part of the 2012/13 audit plan.
- **RAISE Financial Module** (*Housing and Social Services*). The purpose of the audit was to assist Social Services with the development of the financial module within the RAISE

system, by reviewing the tests that had been performed on the system and undertaking further tests if necessary. The opinion of the audit was that assurance could be placed in the controls that had been put in place for the RAISE financial module.

2.3 Grants

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

- Consulation Development Grant (*Education*)
- Pilot Projects Relating to Behaviour and Attendance Grant (*Education*)
- Tidy Towns Grant (*Highways and Municipal*)
- Physical Regeneration in North Wales ERDF Grant (*Regulatory*)
- WEFO Coastal Access Grant (*Regulatory*)
- TAITH Grant (*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
Reconciliation of Parking and Fine Income	Regulatory	Transport and Streetscene	Acceptable
CCTV Data Protection	Corporate		Acceptable
Public Transport Unit	Regulatory	Transport and Streetscene	Excellent
Verification of Performance Indicator	Strategic and Improvement		No Category
Control of Mobile Phones	Corporate		Acceptable
Social Services Debtors	Housing and Social Services		Acceptable

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 2012

IT Security in School

Joint Commissioning with Betsi Cadwaladr University LHB

Completion Target: Quarter ending 31 March 2013

Primary Schools - Arrangements for Reducing Teacher Workload

Information Security

3 WORK IN PROGRESS

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

3.2 Draft reports released

- Functions within the Capital Expenditure Monitoring Process (*Strategic and Improvement*)

3.3 Work in progress

- School Milk Service (*Education*)
- Administration of Car Loans (*Human Resources*)
- Recruitment - Identity Checks (*Corporate*)
- Benefits System - Review of Key Controls (*Finance*)
- Payroll System - Exception Reports (*Finance*)
- Control of Unofficial Funds (*Provider and Leisure*)
- "Potential" Project (*Economy and Community*)
- Protection from Legionella (*Customer Care*)
- Social Services Performance Measures - Accuracy of Core Data (*Social Services*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 January 2012 to 31 March 2012, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

IT SECURITY IN SCHOOLS Education

Purpose of the Audit

The purpose of the audit was to ensure that sufficient controls are in place to secure the schools' IT infrastructures and their files and data.

Scope of the Audit

This audit was conducted by holding discussions with representatives from the schools' IT Management company, Cynnal, and by reviewing practices and policies in place and report findings in the area of network security.

Main Findings

It was noted that there is no central IT security policy which can be enforced in all schools to ensure a high level of assurance. A policy has been drafted by Cynnal, but it doesn't appear that this has been discussed further. Internal Audit would encourage the Education Department to adopt formal security standard across all schools and consider the drafted policy as a suitable baseline.

The schools' networks are connected to the Gwynedd Council network, which is required to meet Code of Connection standards, and as such it is necessary for the schools' networks to comply with baseline requirements of these standards.

It has been noted that there are some devices purchased that do not meet suitable security standards and are a risk to schools' infrastructure. It is essential that all these devices are identified and replaced. These risks can be mitigated in the future by establishing a security baseline, as part of a policy, that all devices should meet.

There is a risk of data leakage as well as the prospect of transferring malware to the schools' networks due to a lack of end point control. It has been noted that Cynnal has made a proposal to the schools about acquiring end point control software, but it was not accepted by enough to benefit from the bulk-buy savings and so has not been implemented.

Some schools employ technicians to provide on-site support to users. It has been noted that reviews of high privilege accounts in schools by Cynnal, on occasions, contain a variety of users, including the on-site technicians and others. Account permissions should be granted as is required to fulfil the job roles of individuals, and, in line with this fundamental principle, the high privilege accounts should be reserved for as few individuals as is necessary. In their IT management role, only Cynnal officials require to be members of groups such as Domain Admins and Enterprise Admins for school networks.

Cynnal have planned to invest in a hardware and software inventory tool which would, among other things, enable them to ensure that all necessary patches have been acquired and installed on school networks. Internal Audit would suggest that Cynnal are encouraged to implement further controls, possibly by acquiring open-source solutions, for aspects such as intrusion detection and log monitoring.

A back-up and disaster recovery strategy exists, and has been proven successful in some real-life system failures. However, no formal comprehensive testing of the measures have taken place, and, as some of the devices used are not necessarily long-term solutions, periodic restore of files is required to ensure that the controls remain adequate.

Audit Opinion

(C) The audit opinion is that assurance cannot be placed upon security of IT in schools as the controls in place cannot be relied upon. The main recommendation in the action plan is as follows:

- **The current draft IT security policy should be discussed with schools, and adopted as a basic framework for IT security and control.**

SCHOOL ORGANISATION PROJECT MANAGEMENT

Education

Purpose of the Audit

The purpose of the audit is to observe the arrangements of the Schools Organisation project by reviewing the project management arrangements and the process in place to decide upon the reorganisation of catchment areas.

Scope of the Audit

To observe the project management arrangements and the processes for statutory consultation, and any consultation prior to this.

Main Findings

It was seen that good control measures were in place within the process of managing Gwynedd's school reorganisation project, and no need was found to suggest recommendations on the arrangements that are in place.

It was understood that errors had been made in the process of releasing papers for statutory consultation and in releasing statutory notices on a previous occasion and that statutory notices had to be re-released in that particular catchment area. Since then, more staff had been appointed for the project team and the structure of the team has changed. It is understood that this has allowed the team to be more correct in its work. Information was also received that the team – following a review of the process – now hold more discussions with other relevant departments e.g. Property and Finance, to discuss options and models before commencing meetings of the Catchment Review Panel.

Audit Opinion

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

NORTH WEST WALES EDUCATION CONSORTIUM Education

Purpose of the Audit

To ensure that there are appropriate procedures in the administration of the North-West Wales Education Consortium in order to manage and mitigate the risks appropriately, and in accordance with the Council's financial procedure rules and other relevant procedures.

Scope of the Audit

To audit the work undertaken by the Consortium in order to manage and administer the areas of performance management and continuous professional development within schools.

Main Findings

The main findings derived from the audit is that the Education Consortium Office has good overall arrangements for managing the work undertaken by the North-West Wales Education Consortium. Despite this, it was seen that there is a need to tighten a little on some controls such as ensuring that if schools do not receive an annual performance management visit, an explanation is given and noted on the database. Also, from the perspective of the professional establishment programme for head teachers it was seen that there is a need to ensure that an annual expenditure form and progress report is prepared annually for the Welsh Government.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in North West Wales Education Consortium 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 a visit is made to every school in order to assess performance management annually, and if a school does not receive an annual visit an explanation should be received from the Advisor, which should be noted on the database.**
- **It should be ensured that the annual expenditure form that is audited by the local authority auditor is presented to the Welsh Government in accordance with the terms and conditions of the National Professional Qualification for Headship Grant.**
- **From now on, a progress report should be provided to the Welsh Government in accordance with the terms and conditions of the National Professional Qualification for Headship Grant.**

OUTSOURCING OF SCHOOL CATERING - ACCOUNTABILITY Education

Purpose of the Audit

The purpose of the audit is to ensure that value for money, quality standards and adequate accountability are maintained within secondary schools in relation to their catering service.

Scope of the Audit

The audit will encompass visits to the school that are not part of the standard catering contract with the Provider and Leisure Department, in order to check their food ordering arrangements to ensure that requirements are being met, such as the Council's procurement rules, hygiene rules and quality standards, statutory healthy eating requirements and health and safety rules.

Main Findings

Audit tests were completed on 14 internal controls. The tests showed that good internal controls were in place in 5 of these. The main matter observed during the audit that should be noted is that evidence was not apparent that the schools had used buy4wales to inspect or to advertise for suppliers for food or goods for the canteen in accordance with the Council's Contract Procurement Rules and the Financial Regulations for Schools with Delegated Budgets. However, there was evidence that schools compared prices from day-to-day and are aware of which suppliers provide them with the best prices.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Outsourcing of School Catering - Accountability 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 Chair / Governors take part in any procurement arrangement when it is forecast that any agreement is likely to be higher than the expenditure threshold for the Head.**
- **Governors should take part in any developments to provide a contract with suppliers of goods or food for the canteen.**

BLAENAU FFESTINIOG LEISURE CENTRE

Education

Purpose of the Audit

To ensure that internal controls exist at the Centre in order to mitigate operational risks, and that these controls are being operated.

Scope of the Audit

To review a sample of financial transactions and observe the controls that are in place for controlling stock. Also ensure that the Centre complies with any relevant health and safety requirements.

Main Findings

The main findings deriving from the audit is that the school has good overall control for managing the Centre. However, it was seen that the controls need to be strengthened further by producing the appropriate reports from the ProEPOS system in order to monitor transactions made by staff members.

Audit Opinion

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

- **The manufacturers of the ProEPOS system should be contracted and guidance obtained on how to produce a daily report showing sales analysis per item/session. The report should then be produced and kept on file to support the amounts banked.**
- **The manufacturers of the ProEPOS system should be contracted and guidance obtained on how to produce a report showing any refund made from the system; this report should then be produced regularly and monitored.**
- **The individual who open the sealed money bag in the school safe should ensure that other employees are present when the bag is opened and the cash counted, in case there are any inconsistencies in the money.**
- **A contract should be established with an appropriate company to service the Centre's vending machines on a regular basis.**

PRIMARY SCHOOLS - GOVERNANCE Education

Purpose of the Audit

The purpose of the audit is to ensure that the governors of Gwynedd's primary schools are carrying out their duties in accordance with statutory requirements, and guidance from Governors Wales and Estyn.

Scope of the Audit

A sample of 9 primary schools in Gwynedd was selected to be audited.

Main Findings

The main finding of the audit is that overall there is good arrangements for the governance of primary schools within the sample of schools selected, but some arrangements need to be tightened. There is a need to ensure that a business interest declaration form is completed annually by every member of the governing body.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in governance arrangements at Primary Schools 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 school handbooks contain the relevant information such as recent comparative reports on the performance in teacher assessments at the end on key stages as well as attendance and absence figures.
- Schools should continue in their effort to recruit governors and evidence of the process should be kept to demonstrate a reasonable effort to comply with the Instrument of Government.
- Minutes should be made and kept of every committee meeting, including every decision made and who are to implement these decisions.
- It should be ensured that if school governing bodies discuss budgets and accept the budget, a record is taken of the meeting at which the decision is made.
- It should be ensured that every school has a current interest declaration form for every member of the governing body, by distributing the forms at the first meeting of the year.

PRIMARY SCHOOLS - ARRANGEMENTS FOR REDUCING TEACHER WORKLOAD Education

Purpose of the Audit

To ensure that teachers and heads receive that which is due to them in accordance with the national agreement that deals with teacher workload and the need to have a reasonable work-life balance.

Scope of the Audit

To verify that an officer has been appointed to undertake administrative work at the school and that the teachers received non-contact time every week in order to plan and prepare. To verify also that heads have non-contact hours in order to carry out management work. A questionnaire was sent to the teachers at each school in the sample so that anonymous answers could be given about their feelings about their workload.

Main Findings

The main findings of this audit is that some teachers do not receive non-contact time to allow them to meet additional management and leadership responsibilities and that supply teachers' timesheets had not been authorised appropriately in one school.

To facilitate the completion of this audit a questionnaire was sent to the teachers who work at the schools in the sample audited to allow them to give anonymous replies. From the 23 questionnaires sent out, 17 were returned. From the replies, 59% noted an opinion that they did not have a reasonable balance between their work and home life, with many noting reasons for this as being work before an inspection and much more paperwork, with some noting after-school expectations such as community work and sports.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the arrangements for reducing teacher workload at primary schools 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:

- **A Head should not ask a teacher to fill-in during their Planning, Preparation and Assessment (PPA) time, unless there is a genuine need and if so, the teacher's PPA time should be rescheduled.**
- **If a teacher's training happens to coincide with the day of their PPA, efforts should be made to reschedule the PPA time. In addition, if training is more likely to be held on a particular day of the week, consideration should be given to avoid scheduling teachers' PPA time on this day in order to ensure equity to all teachers.**
- **No-one should sign a document in the name of another person on any occasion. It should be ensured that another member of staff is authorised to sign the timesheets of supply teachers when the Head is not available.**
- **A record should be kept of supply teacher hours at a school, which should be compared with a report from the SIMS system showing the number of supply teacher hours that have been paid each month.**

BANK RECONCILIATION - REVIEW OF KEY CONTROLS**Finance**Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts will rely, where possible on the work of Internal Audit (and others). As a result, the *Joint Protocol between External Audit and Internal Audit*, approved by the Audit Committee on 17 November 2011, states:

“As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis”

The bank reconciliation process is considered a “major financial system” in accordance with the Wales Audit Office's definition, and there is consequently an intention to perform a review of the key controls of this system.

The purpose of the audit is to ensure that arrangements are in place to perform bank reconciliations effectively, timely, completely and correctly and to ensure that adequate monitoring arrangements are in place.

Scope of the Audit

To review that procedures that are in place in order to undertake bank reconciliations and ensure that guidance is available to officers. Select a sample of 2011-12 reconciliations and ensure that they correspond with these procedures. Ensure that bank reconciliations are reviewed and signed regularly.

Main Findings

The auditor observed that the Central Accountancy Unit has controls in place within the process of reconciling the bank account and reviewing un-presented cheques, with reconciliations performed regularly, on a daily, monthly and quarterly basis. The Unit has prescribed officers to carry out the bank reconciliations, with adequate arrangements in place to complete the work during periods of absence. The bank reconciliations are reviewed by a senior officer or a manager within the unit, and adequate evidence is kept to support the reconciliation. The Unit has guidance available to officers to assist them with the reconciliation process.

For the Income Unit, the auditor saw that bank reconciliations are performed on a daily and monthly basis, with a prescribed officer within the unit performing the reconciliation duties. The Unit also has arrangements for dealing with cheques that are refused by the bank. Following changes within the Income Unit, they are in the process of training an officer in the reconciliation process who can deputise during periods of absence. The Unit has guidance to assist officers in the reconciliation process, but not for the monthly process. It was discovered that there are inconsistencies with the monthly reconciliations performed by the Income Unit, and that the Senior Income Officer is certifying the reconciliation whilst noting that he is aware of the inconsistency and the need to resolve it. This inconsistency is already receiving the attention of officers within the unit with a view to resolving it before the end of the financial year.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Bank Reconciliation - Review of Key Controls as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendation of the report is as follows:

- **Guidance should be provided on completing monthly reconciliations in the Income Unit.**

MAIN ACCOUNTING SYSTEM

Finance

Purpose of the Audit

The purpose of the audit is to review the main financial system and the accounting processes that encompass it.

Scope of the Audit

To review the main accounting arrangements for the general ledger, budgetary control, ledger coding, feeder systems, journals and the computer system. The account closure process is not part of this audit.

Main Findings

It was seen that day-to-day administration duties for the main accounting system remain with prescribed officers within the Finance Department. There is a facility in the system that keep and audit trail of any amendments made to the system. One of the weaknesses that were found was the lack of detailed guidance if the administrator of the main system were absent. The administrator is responsible for establishing and deleting officers on the main accounting system. It is necessary that officers provide a password and username to obtain access. The current user list was audited and cases were seen where officers remain to have access to various aspects of the main accounting system despite the fact that they have moved to other posts within the authority or have left the Council's employment.

The Finance Department has controls in place in order to ensure the accuracy of journals that are input to the main accounting system, with a restriction in place to prevent officers from inputting one-sided journals, and it was checked that journals in 2011-12 balanced to zero. Journals are not approved by a senior officer or a manager before they are posted to the main accounting system. Instances were discovered where Finance managers provide details of opening budgets late to the administrators of the main accounting system at the start of the financial year. The result of this was that budget were late in being inputted to the main accounting system, with most being input after the deadline.

The Finance Department has an enquiry facility to provide current information on various aspects such as expenditure/payments, income, budgets etc. This facility allows the Finance Department to prepare reports for the relevant committees.

Evidence was seen that the Finance Department performs reconciliations on the some aspects of the main accounting system on a monthly basis and on others on a quarterly basis and it was seen that appropriate for verifying and balancing the data that feeds from other systems to the main accounting system. It was noted that appropriate measures are in place for developing the main accounting system, but there is scope to formalise these arrangements.

Audit Opinion

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

- **Managers should be reminded of the need to inform the System Manager if any CedAr user leaves the Council or changes posts.**
- **The System Manager should reiterate the importance of presenting budgets on time.**
- **Information of how to administer the CedAr system that is currently documented in several places should be combined in one manual.**

PENSIONS - ANNUAL REPORT

Finance

Purpose of the Audit

The purpose of the audit is to ensure that the Gwynedd Pension Fund complies fully with Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

Scope of the Audit

The audit will include verifying that all essential elements as detailed in Regulation 34 was included in the 2010-11 Annual Report of the Gwynedd Pension Fund, and best practice as published by the CIPFA/PRAG¹ working group was followed. Verification of the accounts was not included in this audit.

Main Findings

The Annual Report of the Gwynedd Pension Fund was presented to the Fund's annual meeting that was held in July 2011. It was seen that the contents of the report complied with most of the legislative requirements, with the exception of the inclusion of a actuarial statement and some other statements in relation to the accounts. These statements exist, but due to the timing of the annual meeting, it is not possible to include the report by Wales Audit Office in the report. It was seen that the Fund had adopted good practice as recommended by PRAG, but not for every element. However, the practicality and added value provided by completing every aspect of the guidance must be considered, and it is also essential to bear in mind that the document in its current form is already bulky and that further additional pages would increase production and distribution costs.

Audit Opinion

(B) The audit opinion is that partial assurance can be expressed in the Annual Report of the Pension Fund, but there are some aspects that could be strengthened. The main recommendations of the report are as follows:

- **A statement / certificate by the acutary should be contained in the annual report.**
- **Consideration should be given to delaying and holding the annual meeting later in the year, around October, to ensure that the Statement of Accounts are correct and contain the external auditor's report. A statement of responsibilites and full notes should be kept with the accounts.**

¹ Pensions Research Accountants Group

TAXATION SYSTEMS - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

The Code of Audit Practice of the Auditor General for Wales, April 2010, states that the external auditors, when carrying out their audit of the Council's accounts will rely, where possible on the work of Internal Audit (and others). As a result, the *Joint Protocol between External Audit and Internal Audit*, approved by the Audit Committee on 17 November 2011, states:

“As part of their key role in reporting upon the adequacy of internal control, and providing a basis for the authority's Annual Governance Statement, which is required to be published with the Council's annual statement of accounts, it is expected that Internal Audit will test key controls of the Council's major financial systems on an annual basis”

The bank reconciliation process is considered a “major financial system” in accordance with the Wales Audit Office's definition, and there is consequently an intention to perform a review of the key controls of this system.

The purpose of the audit is to ensure that the values of Council Tax bills have been set correctly and in accordance with the sums approved by the full Council and by other local authorities. To ensure that property totals in Gwynedd have been recorded correctly and in accordance with reports by the Valuation Office. Confirm that the financial account has been updated appropriately and that proper arrangements are in place to recover council tax debts as well as ensuring that arrangements are in place for monitoring and managing performance by the Unit.

Scope of the Audit

To review and test that appropriate guidance, records and procedures are in place for the management, collection and distribution of Council Tax in 2011-12.

Main Findings

The propriety of key controls such as the accuracy of bills raised, the collection and reconciliation of Council Tax in 2011-12 was reviewed together with performance management arrangements. As a result, it was seen that appropriate controls are in place for approving and setting taxation for 2011-12, that there is control over reconciliation with the number of bills and property and with the ledger and that there are suitable arrangements for sending information to the Valuation Office. It was seen that there are controls to ensure that arrears are targeted, that checks of bad debts are performed and assessed and that there are arrangements for recording and monitoring performance and work targets. Further, a sample of tax amounts raised and amounts written off was checked, along with property reconciliation and ledger reconciliation. It appears from the checks that the Taxation Unit has acted correctly on every case.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Taxation Systems - Review of Key Controls as the controls in place can be relied upon.

SUPPORTED HOUSING Provider and Leisure

Purpose of the Audit

To ensure that the financial and security arrangements at a sample of Supported Houses are appropriate and in accordance with the Council's rules and procedure whilst allowing the clients to live semi-independently.

Scope of the Audit

To audit the main areas of expenditure and income in 2010/11 and 2011/12 according to the ledger, together with the arrangements for managing the houses.

Main Findings

Following a recent staff restructuring, the number of Supported House managers in Gwynedd has reduced. To achieve this, the house managers are now area managers and are responsible for more houses than they were prior to the restructuring. This means that managers have taken responsibilities over houses that are unfamiliar to them. As a result, concerns have been raised by the managers that the administrative arrangements at their 'new' houses did not meet the expected standards, and that arrangements are generally inconsistent across the houses.

However, it was seen from this audit that appropriate steps have been taken by the area managers to start introducing adequate internal controls at these houses, based on the arrangements at their 'original' homes.

When considering that at the time of the audit, managers remained relatively new in their posts as the managers of additional homes, it was discovered that acceptable progress has been made to date, with room for further improvement with time. Examples were seen where arrangements had been introduced by managers, but that there had been a lack of full implementation by carers. It was seen that filing and document retention arrangements continue to be an area of concern, as it was not possible to carry out some audit tests due to missing documents, but it is expected that weakness such as these will be addressed as employees are familiarised with the new arrangements.

Audit Opinion

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

- **Two members of staff should be present when administering medication, whenever possible; the records should be signed, rather than ticked.**
- **For consistency, a decision should be taken if there is a need to maintain a signing in & out book for carers, as a control over hours that are claimed.**
- **It would be good practice if the latest tenancy agreement for each tenant is kept at the house.**
- **Fire guidance should be drawn up and displayed prominently at each house.**
- **The safe combination should be changed regularly.**

VILLAGE HALLS - ACTION PLAN

Economy and Community

Purpose of the Audit

The purpose of the audit is to verify the arrangements for reallocating and closing the grant to village halls by reviewing the action plan and how it was transferred to the Youth Service. The support that was given to village hall committees to cope without the grant was also reviewed.

Scope of the Audit

To observe the closure arrangements and ensure that officers have followed to action plan for revoking and transferring an element of the grant to the responsibility of the Youth Service.

Main Findings

It was seen that the proposed arrangements had been followed, with surgeries provided to village hall committees and contact provided with the relevant area Regeneration Officer. A study was undertaken by an external consultant on how to maximise the sustainability and feasibility of the halls. It was confirmed that the executive summary of this assessment had been sent to the village halls, including recommendations for assistance. Confirmation was also received that the Economy and Community Department has started a work programme on the recommendations that have been forwarded to them.

In addition, the procurement process of the consultancy service for the study was reviewed; it was seen that Gwynedd Council's rules had been followed.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Village Halls - Action Plan as the controls in place can be relied upon and have been adhered to.

INFORMATION SECURITY

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that the Council complies with the Data Protection Act and that Council staff are aware of their responsibilities in relation to the processing, retention, security and disposal of information, whether this is in an electronic form or on paper, and that there is vigilance over personal data and in particular over sensitive personal data.

Scope of the Audit

To select a random sample of Council department that collect and process personal data, and undertake checks to ensure that departments comply with the main principles of the Data Protection Act, specifically:

- The importance of processing personal data fairly and lawfully
- Information standards – keeping personal data accurate and current
- Access controls and information security arrangements
- Arrangements for emergencies, data recovery and deletion and information disposal

Enquire with departments about their arrangements for securing equipment used by staff who work from home.

The audit will not include a review of the arrangements within Housing and Social Services as these will be the subject of separate audits in 2011/12 (paper files) and 2012/13 (electronic files).

Main Findings

It was seen that the Council has appropriate corporate policies in place for information protection arrangements. Officers within the Council are aware of their responsibilities and attention is given as appropriate, however it also appears that there is inconsistency in implementing arrangements for the protection of personal data. It was seen that not every establishment adheres to IT security arrangements, and keep personal data under lock and key. It was seen that there is a lack of business continuity in place for dealing with unforeseeable event, and there are not back-up procedures for paper documents where the loss of these documents can affect the Council's services. It was seen that there are robust arrangements in place for managing electronic systems, but a lack of controls when dealing with paper documents.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the administration of the Council's Information Security 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:

- **Arrangements should be made to renew CETIS training so that current information security matters receive attention.**
- **The awareness of all staff should be raised about the need to provide a Data Protection Act statement / privacy notification of information collection forms that are distributed by the Council.**
- **Council services should have an appropriate storage provision for paper files that need to be retained.**

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEM

Customer Care

Purpose of the Audit

The purpose of the audit is to review the arrangements that are in place to process and manage the provision of services to the Council's customers through the customer relationship management (CRM) system.

Scope of the Audit

The audit will include a review of the measures in place to record requests for the services that are part of the CRM system, the arrangements established to ensure that the requests are presented to the service provider completely and correctly, and the steps for ensuring that there are ways of maintaining an acceptable relationship with customers as part of the services that are received.

Main Findings

It was seen that there are appropriate arrangements in place for providing a service through the customer relationship management (CRM) system, but there are variations across services. It was seen that service providers are able to act on requests and can redirect enquiries back to Galw Gwynedd where necessary. It was noted that there is scope to review some of the activities of Galw Gwynedd in order to improve the services provided to customers. In addition, it was noted that there is a possibility to develop the CRM system further to incorporate individual system functions that are currently in use which would supplant the costs of maintaining these systems.

Audit Opinion

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

- **Procedures should be in place to facilitate the method of identifying requests for service that have been raised.**

JOINT COMMISSIONING WITH BETSI CADWALADR UNIVERSITY LHB Social Services

Purpose of the Audit

To ensure that there are robust arrangements between the Council, the Local Health Board and the service users, including confirming that the Health Board receives feedback on the clients toward whom they are making a financial contribution.

Scope of the Audit

Review the arrangements and implementation with regards to the contract between the Local Health Board, the Council and the service user.

Main Findings

It was discovered that there were some examples of acting in accordance with service provision principles for vulnerable individuals, with contracts between the Council and the service provider. However, it was seen that these contracts were not being correctly monitored which increases the risk of an appropriate service not being provided to the individual, or a risk to the individual themselves. It was seen that contract was not in place between the Council and the Health Board with regards to financial contributions towards providing services to vulnerable individuals. The appropriate steps should be taken to strengthen the controls within the area audited.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in Joint Commissioning with Betsi Cadwaladr University LHB 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:

- **There should be a signed contract between the Council and the Health Board, clearly noting the terms and conditions, including a statement of how much is being contributed by each authority towards the costs of individuals. The contract should also include the requirement for feedback to be given to the Health Board on the service received by the individual.**
- **It should be ensured that the terms and conditions of the PAN Wales contract are monitored by the relevant officers.**
- **Further, it should be ensured that the terms and conditions (in part 'D') of the PAN Wales contract are also monitored by the relevant officers, as well as the equivalent part of the Learning Disabilities contract. A record of the review should be kept and feedback about the service provided should be given to the Health Board (in those cases where they have contributed to the costs).**
- **It is suggested that when drawing up a contract between the Council and the Health Board, it should include the need to provide feedback to the Health Board about the service received by the individual.**

SOCIAL SERVICES - SECURITY OF FILES AND DATA

Social Services

Purpose of the Audit

The purpose of the audit was to review the security arrangements for files and information held in paper form within the Housing and Social Services Department, by scrutinising where records, files and information are kept within the Department.

Scope of the Audit

The method and location for keeping paper files was verified. Also, the access that officers have to files and confidential information was checked, and if the information is kept in a secure place. The audit does not include a review of computer files; this is under review by Social Services at the time of the audit and will be the subject of an audit during 2012/13.

Main Findings

Examples of acting in accordance with file and information security arrangements were discovered. It is seen that there are robust arrangements for keeping files under lock and key security, and that there is consistency for file security in some areas. However, it was seen that there are weaknesses in terms of recent guidance and retention policies which have caused some confusion to officers.

Audit Opinion

(B) The audit opinion is that partial assurance of operational propriety can be expressed in Housing and Social Services for the security of paper files and data 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 is suggested that generic guidance is adopted for the security of the files of all teams within the department, that complies with the Data Protection Act and leads to consistency across the department.**
- **Every effort should be made to ensure that every member of staff attends the Data Protection course as soon as possible.**
- **It is suggested that written instructions are provided for staff who take files out of the office, and the procedures for returning them.**
- **It is suggested that consistency is maintained across services in the arrangements for logging files in and out of the offices.**
- **It is suggested that clear guidance is provided for files reviews so that consistency is maintained across the service. The auditor should sign and date the file to confirm that the review has taken place.**
- **It is suggested that the RAISE system is checked quarterly to ensure that there are no duplicate records for clients.**
- **The RAISE system should note the location of any paper files.**
- **The Department's retention policy should be reviewed / updated, approved by relevant officers and circulated to relevant officers to ensure that these staff are aware of and understand its contents.**

CONTRACTOR SELECTION - COASTAL DEFENCE

Gwynedd Consultancy

Purpose of the Audit

The purpose of the audit was to review the procurement arrangements of the Coastal Protection Unit in order to ensure that the Unit complies with procurement rules and demonstrates good practice when selecting contractors to complete works.

Scope of the Audit

The scope of the audit was to review individual working files of the Coastal Protection Unit in order to ensure that there is sufficient evidence to warrant that the Unit's tendering arrangements follow the essentials of procurement. Gwynedd Consultancy have adopted electronic working practices and therefore, with the expectation that the main documents will have been filed electronically, the audit was undertaken by verifying the files that had been placed on the Department's computer drive.

Main Findings

As noted in the scope, the audit was undertaken by verifying electronic files only, and as a result the auditor can only review that available evidence. It was seen that there are gaps in the procurement process for some projects, but the auditor cannot give assurance whether this is due to flaws in the Unit's arrangements or in the electronic filing system. Although the audit has reviewed projects of the Coastal Protection Unit, several of the recommendations are relevant to other units within Gwynedd Consultancy.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in the arrangements of the Coastal Defence 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:

- **Consideration should be given to creating a standard "Procurement" file.**
- **It is recommended that the Unit obtains three quotations if the are considering placing work with companies that are managed by or are in the ownership of former officers of Gwynedd Council, in order to display integrity and transparency in the decision to commission them.**
- **Gwynedd Consultancy should undertake a cost benefit analysis of the requirement to provide retention money for low-value contracts.**
- **The tender opening register should be a correct record of the prices that have been returned to the Council.**
- **It should be ensured that there is evidence to show that the Unit has sought quotations for work with an estimated value of over £5,000.**
- **Gwynedd Consultancy should ensure that a procurement strategy has been prepared before any decision to purchase work in order to ensure that the most effective procurement method is utilised (e.g. "spot pricing", framework etc).**