



Gwasanaeth Democraidd
Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

1.00pm DYDD MAWRTH, 29 IONAWR 2013

1.00pm TUESDAY, 29 JANUARY 2013

Lleoliad / Location

SIAMBR ARFON/CHAMBER,
SWYDDFEYDD Y CYNGOR/COUNCIL OFFICES,
PENRALLT,
CAERNARFON

Pwynt Cyswllt / Contact Point

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Dosbarthwyd/Distributed: 22-01-13

**PWYLLGOR ARCHWILIO
AUDIT COMMITTEE**

AELODAETH/MEMBERSHIP (19)

Plaid Cymru (9)

Y Cynghorwyr/Councillors

Edward Dogan
Chris Hughes
Dilwyn Morgan

Huw Edwards
Charles W Jones
Michael Sol Owen

Aled Ll. Evans
Dafydd Meurig
Gethin G. Williams

Annibynnol/Independent (4)

Y Cynghorwyr/Councillors

Trevor Edwards

Tom Ellis

John Pughe Roberts

Angela Russell

Llais Gwynedd (4)

Y Cynghorwyr/Councillors

Anwen Davies

John Brynmor Hughes Aeron M. Jones

R.J. Wright

Llafur/Labour (1)

Y Cynghorydd/Councillor

Sion W. Jones

Aelod Lleyg/Lay Member

Mr John Pollard

Aelod Ex-officio/Ex-officio Member

Cadeirydd y Cyngor /Council Chairman

AGENDA

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT BUSINESS

To note any items that are a matter of urgency in the view of the Chairman for consideration.

4. MINUTES

The Chairman shall propose that the minutes of the last meeting of this committee, held on 22 November 2012, be signed as a true record.

(copy herewith - **white** paper)

5. 2012/13 BUDGET REVIEW – ACTION ON RECOMMENDATIONS REGARDING WASTE

a) To submit the report of the Head of Finance
(copy herewith – **blue** paper)

b) To submit the report of the Cabinet Member – Environment that was submitted to the Cabinet 22 January 2013
(copy herewith – **lilac** paper)

6. 2012/13 BUDGET REVIEW – ACTION ON RECOMMENDATIONS REGARDING CONSULTANCY

a) To submit the report of the Head of Finance
(copy herewith – **gold** paper)

b) To submit the report of the Cabinet Member – Environment that was submitted to the Cabinet 22 January 2013
(copy herewith – **grey** paper)

7. 2012/13 BUDGET REVIEW – ACTION ON RECOMMENDATIONS REGARDING PARKING

a) To submit the report of the Head of Finance
(copy herewith – **white** paper)

b) To submit the report of the Head of Regulatory Department
(copy herewith – **blue** paper)

8. OUTPUT OF THE INTERNAL AUDIT SECTION

To submit the report of the Senior Audit and Risk Manager outlining the work of the internal Audit Section for the period between 1 October and 31 December 2012 (copy herewith – **yellow** paper)

9. INTERNAL AUDIT PLAN 2012/13

To submit the report of the Senior Audit and Risk Manager on the progress of the Internal Audit Plan 2012/13 (copy herewith – **green** paper)

10. GWYNEDD COUNCIL'S ANTI- FRAUD, ANTI- CORRUPTION AND ANTI-BRIBERY STRATEGY AND RESPONSE PLAN

To submit the report of the Senior Audit and Risk Manager (copy herewith – **pink** paper)

AUDIT COMMITTEE 22-11-12

Present: Councillor Trevor Edwards (Chairman)
Councillor John Pughe Roberts (Vice-chairman)

Councillors: Eddie Dogan, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron Jones, Charles W. Jones, Sion W. Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, R.J. Wright and Peredur Jenkins (Cabinet Member for Resources)

Also Present: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Manager Audit and Risk), William E. Jones (Senior Finance Manager), John Reynolds (Senior Public Protection Manager), Sheryl Le Bon Jones (Operational Systems Manager – Public Protection Service), Amanda Hughes (Local Manager – Wales Audit Office) and Gwyn Parry Williams (Members Support and Scrutiny Officer).

Apologies: Councillors Anwen Davies, Huw Edwards, Selwyn Griffiths, Christopher Hughes, Gethin Williams and Mr John Pollard

Change in the membership of the Committee

The Chairman noted that Councillor Dafydd Meurig replace Councillor Dyfrig Jones on the committee.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 27 September 2012, as a true record.

3. THE HUMAN RESOURCES DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF INTERNAL AUDIT – RECRUITMENT – IDENTITY CHECKS

Submitted - the report of the Senior Manager Audit and Risk. The result of Internal Audit work on the Council's arrangements for performing identity checks during the recruitment processes had been reported to this committee on 27 September 2012. The report included the executive summary of the internal audit report, which had been placed in a 'C' opinion category. The committee resolved to invite the Head of Human Resources Department to this meeting to explain the situation. As the Head of Human Resources Department was unable to attend this meeting, he had met with the Chair and Vice-Chair of the Committee on 8 November 2012 along with the Head of Finance Department and the Senior Manager Audit and Risk in order to explain the latest development in the field, and submit evidence to show the progress that had been made to implement the report's recommendations.

The Senior Manager Audit and Risk noted that the internal audit had been undertaken as part of the 2012/13 audit plan, with the intention of ensuring that there were suitable arrangements for testing the identity of new appointments to the Council and that the arrangements were adhered to. The main findings of the audit were as follows -

A sample was taken of personnel files of officers that had been newly appointed during the 2011/12 financial year and it was seen that only a minority of them included evidence that identity checks had been carried out. In addition, the letters that had been sent to applicants referred to the incorrect legislation – the Asylum and Immigration Act 1996 rather than the Immigration, Asylum and Nationality Act 2006.

It appeared from the audit that no clear guidelines had been established for managers and officers who administrated personnel files on the arrangements, responsibilities and the importance of implementing and testing identity. Due to the lack of evidence and guidelines, the auditor considered that the Council did not have appropriate controls in place for managing the risk of illegal appointments.

The officer provided details of the report's action plan which included five recommendations.

The officer confirmed that the Head of Human Resources Department had submitted amended documents to the Chair and Vice-Chair of the Committee that addressed four of the recommendations. The next step was to distribute these documents among the Council managers and supervisors with the expectation that all relevant officers would act on them. In doing this, the fifth recommendation would also be implemented.

He noted that the Internal Audit intended to undertake a follow-up audit before the end of December 2012 in order to provide independent assurance to the committee that the recommendations had been implemented as expected. A report would be submitted to the Committee on 14 February 2013.

RESOLVED to accept the report as an explanation of the response of the Head of Human Resources Department to the Internal Audit report "Recruitment – Identity Checks".

4. THE REGULATORY DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF THE INTERNAL AUDIT – LICENSING UNIT

Submitted – the report of the Senior Manager Audit and Risk on this audit which had received an opinion category "C" by Internal Audit. It was noted that the Head of Regulatory Department had asked Internal Audit to include the matter in the work programme due to the management changes that were to take place within the department. The department wanted the assurance of Internal Audit of the management arrangements and matters regarding licensing, and a number of improvements needed to be put in place within the Licensing Section in order to manage risk etc. The Regulatory Department and the Senior Managers were aware of the necessary improvements and he referred to the report that was before the committee which listed the recommendations to improve the service.

The Senior Public Protection Manager reported that, following the retirement of the former Public Protection Manager (Licensing) in 2012, and the

allocation of his duties to two existing Public Protection managers, it had become apparent that the administrative arrangements within the Licensing Section of the Public Protection Service were not fit for purpose. To this end, the Internal Audit Service was asked to carry out an audit of the Licensing Unit. He provided details of the actions that were to be undertaken by the Licensing Unit which included 26 recommendations in order to respond to the audit's requirements. In relation to the third recommendation in the report, the officer noted that the Licensing Policy had been submitted to the Council on 16 December 2010 when errors were discovered in the policy. Since 2010, he referred to the staffing changes within the department and also some changes to the Licensing Policy and it was intended to submit an amended version of the policy to the Central Licensing Committee on 10 December 2012, but unfortunately due to the timescale and the work needed on the policy this had not been possible.

A member drew attention to the fact that four of the recommendations involved training and asked what was the situation with the training to date. In response, the Senior Public Protection Manager informed the committee that these matters had become apparent following the retirement of the Licensing Manager and the transfer of his duties to the new manager. He noted that there were more detailed arrangements in the pipeline regarding training and it was expected that these would be operational by 1 January 2013.

A member asked whether or not it was intended to have one CRB system within the Council as a separate check was needed for each activity. In response, the Senior Public Protection Manager noted that the reference to the administration fee of the CRB check in the recommendation was not relevant to the member's question, but he promised to address the matter.

The Head of Finance Department noted that school governors and the Cabinet Member for Education were required to have a CRB check but that this was a matter that was currently beyond the control of the Council. The member was of the opinion that each member of the Council should have a CRB check as they were required, as part of their duties, to visit people in their homes. It was agreed to draw the attention of the Head of Democracy and Legal Department to the matter.

The Senior Manager Audit and Risk noted that he had discussed CRB checks with the Head of Human Resources Department and that it was an area that was of great concern to him and it had been agreed to amend the Audit Plan and to undertake a thorough internal audit across the Council on the authority's arrangements in dealing with CRB checks. The main concern at present was that the arrangements were inconsistent.

The Senior Manager Audit and Risk noted that it was intended to undertake a follow-up audit in relation to the Licensing Unit prior to the end of March 2013.

RESOLVED to accept the report as an explanation of the response of the Head of Regulatory Department to the Internal Audit report "Licensing Unit".

5. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 30 September 2012

Submitted – the report of the Senior Manager Audit and Risk outlining the work of the Internal Audit Section in the period between 1 August and 30 September 2012. In submitting to the information on the work completed during the period, the officer referred to -

- 14 reports on audits of the operational plan with the relevant opinion category shown.
- two other reports (memoranda etc.)
- five grant reviews

Details of further work that Internal Audit had in the pipeline were reported upon. This included two draft reports which had been released and 17 audits which were ongoing.

Consideration was given to each report and during the discussion reference was made to the following matters -

Appointment of Management Consultants, Education Department

A member noted that he was pleased to see the report included in the audit.

Supply Appointments (Education)

The Senior Manager Audit and Risk informed the committee that one of the recommendations that derived from the audit was that the Education Department should renew CRB checks periodically.

Barclaycard Credit Cards

A member drew attention to the recent difficulties with one County Council in north Wales where one of the heads of department had used a credit card without the authority to do so. He asked for the assurance of the Internal Audit Section that the expenditure undertaken on these cards was completely valid and that there was a receipt for each item. In response, the Senior Manager Audit and Risk informed the committee that only a limited number of cards were available at present which meant that it was practical to check each item. It was noted that some items of expenditure had been drawn to his attention and that they would be addressed further in a separate audit. However, he noted that the majority of the expenditure on the card of the Support Unit did not leave the office and that it was used for convenience and to order goods online which enabled officers to check each item separately.

Supervision of Duty Managers

A member referred to a report that had been submitted to this committee during the past eighteen months on the county's leisure centres where it had been noted that there was no consistency between the managers of these centres in relation to banking and the audit had received a "C" opinion category. The member asked if this had been considered when undertaking the report on the audit that was before them today. In response the Senior Manager Audit and Risk informed the committee that the main focus of this audit was to audit the arrangements to ensure that the duty managers acted on their responsibilities in an appropriate way in the absence of the manager. This could include responsibility for banking arrangements.

Workshops – Health and Safety Supervision (Highways and Municipal)

A member asked whether or not seasonal workers had to comply with the Health and Safety requirements. In response, the Senior Manager Audit and Risk informed the committee that every worker employed by the Council was expected to adhere to the Health and Safety Act.

Appointment of Engineering/Bridges Contractors

In relation to the recommendation of the audit on bridges namely “Currently there are no arrangements for the rotation of contractors. It would be good practice if the Structures Unit were to keep a record of how much work it has appointed for all contractors to ensure that no company receives inappropriate preference”, a member asked if this had been acted upon. In response, the Senior Manager Audit and Risk informed the committee that the follow-up work had not been undertaken thus far.

RESOLVED to accept the reports on the Internal Audit Section’s work for the period between 1 August to 30 September 2012 and to support the recommendations already submitted to the managers of the relevant services for implementation.

6 . REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW (SEPTEMBER 2012)

Submitted – the report of the Head of Finance Department which noted that the Council, in the wake of some of the requirements of the Local Government (Wales) Measure 2011 had changed from “alternative arrangements”, namely the Council Board, to “executive arrangements” namely a Cabinet, since May 2012. He noted that the Measure had also changed the Audit Committee’s emphasis to scrutinise some financial matters that had been previously submitted to the Principle Scrutiny Committee, including quarterly budget monitoring reports and treasury management reports on borrowing and investment. The committee members had trialled this approach in 2011/12, and in the same manner, this item and the items “2012/13 Revenue Budget – Second Quarter Review” and “Capital Programme 2012/13 – End of Second Quarter Review” was submitted as new “Finance” items, rather than traditional “Audit” items.

The Cabinet Member for Resources reported that the first quarter budget review reports had been submitted to the Cabinet on 24 July 2012 and the second quarter review report that was before the committee today was much more detailed, namely the most thorough budget review during 2012/13. The Cabinet Member for Resources confirmed that the Cabinet had considered the report on 20 November 2012 and he submitted the following decisions to the attention of the committee to scrutinise -

- (a) Housing and Social Services Department:-
 - (1) Central Services – Transfer a budget of (£50k) on a one-off basis to ease the overspend position anticipated in the Children and Families Service budgets.
 - (2) Children and Families Service – Resources Service – Transfer (£50k) of the underspend seen on the Central Services heading, and

the under spend of (£200k) seen on the Older People heading on a one-off basis to ease the overspend position on the Resources Service.

- (3) Adults Service:-
 - (3.1) Older People Services – Transfer a budget of £200k on a one-off basis to ease the overspend position in the Children and Families budgets.
 - (3.2) Physical Disability Services – Transfer a budget of £250k on a one-off basis to ease the overspend position seen in the Learning Disability and Mental Health Services.
 - (3.3) Learning Disability – Transfer £250k of the underspend on the Physical Disability heading on a one-off basis to ease the overspend on the Learning Disability heading.
 - (3.4) Learning Disability – Transfer £100k of the underspend seen on the Physical Disability heading on a one-off basis to ease the overspend on the Mental Health budget.
- (b) Highways and Municipal Department – Summary of the department's position (including the Trunk Road Agency) – request that the Cabinet Member for the Environment reports back to the Cabinet on 18 December on the waste position as a whole along with the relevant financial implications.
- (c) Regulatory Department – Car Parks – request that the Cabinet Member for the Environment submits the expected report to the meeting of the Cabinet on 18 December on a comprehensive review of all the parking arrangements along with the implications in terms of relevant income in 2013/14.
- (ch) Consultancy Department – in light of the latest forecasts, that the Head of Department continues to review the position for this year, and also considers the forecasts for next year, and that the Cabinet Member for the Environment submits a detailed and comprehensive report to the Cabinet on 18 December, on measures to rationalise the Department's ability to cope with the latest work prospects.
- (d) Corporate Budgets – Provision in reserve for 2012/13 Pay Settlement – in light of the financial challenge facing the Council and the investment needed to ensure a successful and proper transfer, that £1,475k is kept in reserve for the time being until details of the relevant requirements become clearer towards the end of the financial year.
- (dd) To note the Chairman of the Audit Committee's intention to invite the Cabinet Member for Resources to the meeting of the Audit Committee on 22 November to scrutinise the overall report, along with the abovementioned Cabinet decisions.
- (e) To note the Chairman of the Audit Committee's intention to invite the Cabinet Member for the Environment to the meeting of the Audit Committee on 20 December to scrutinise the Cabinet Member's report to the Cabinet meeting on 18 December on the overall Waste position, Car Parks and the position of the Consultancy Department, along with the decisions of the Cabinet meeting held on 18 December on those matters.

In relation to Commercial Waste Collections, a member drew attention to the over expenditure of £152,000 and he believed that more monitoring work was needed and that the Cabinet Member for the Environment needed to address the matter. He also expressed concern about the over expenditure of £510,000 in the Consultancy Department and the need to address this matter also.

The Head of Finance Department noted that the Cabinet Member for Resources had set out the three fields where there were new concerns about their budgets namely, waste, parking and consultancy and an initial response had been given in the Cabinet by the Cabinet Member for the Environment. The Cabinet's decision was that the three relevant Heads of Department were to collaborate with the Cabinet Member for the Environment to prepare detailed reports for the Cabinet on 18 December 2012 and the report would then be submitted to the Audit Committee on 20 December 2012 when members would be given the opportunity to scrutinise the reports along with the Cabinet's relevant decisions and challenge the Cabinet Member and the three Heads of Department, namely, Regulatory Department, Highways and Municipal Department and Consultancy Department.

RESOLVED

- a) To note the position and the relevant risks in the context of the Council's budgets and its departments.**
- b) To accept the Cabinet's decisions and agree to invite the Cabinet Member for the Environment and the Heads of the Regulatory, Highways and Municipal and Consultancy Departments to the Audit Committee on 20 December 2012 in order to scrutinise the report of the Cabinet Member for the Environment that will be submitted to the Cabinet on 18 December 2012 and the decisions of that meeting, on the waste position, car parks and the Consultancy Department.**

7. CAPITAL PROGRAMME 2012/13 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2012)

Submitted – the report of the Head of Finance Department providing details of the revised programme and the relevant sources of finance.

The Cabinet Member for Resources reported that the report had been considered by the Cabinet on 20 November 2012 and submitted the following recommendations for the attention of the committee to scrutinise -

- (a) To accept the revised capital programme for 2012/13 and to approve the relevant sources of finance as noted in paragraphs 2.2 to 2.8 of the Cabinet Member for Resources's report and to include the solution to the situation of the Ysgol yr Hendre scheme.
- (b) To note the intention of the Chairman of the Audit Committee to invite the Cabinet Member for Resources to the meeting of the Audit Committee on 22 November, in order to scrutinise the report along with the above decision of the Cabinet.

The Cabinet Member noted that the Council had been successful in funding capital investments worth £113m in Gwynedd over the next three years and that £42m of this was to be spent during the existing financial year. This was very encouraging news for Gwynedd.

A member asked whether or not there were restrictions on the expenditure and whether the Cabinet was happy with the expenditure profiles. In response, the Head of Finance Department drew attention to clause 3.2 in the report which referred to the fact that re-profiling would not mean a loss in grant. He also noted another clause (4.2) which indicated an improvement in 2012/13 compared with the first six months of the previous year.

A member drew attention to the Hendre School Scheme, where the initial financing of this scheme included a contribution of £355,000 from a private developer as a result of a Section 106 agreement on Tyddyn Pandy. He expressed concern that the contributions that were to be received in instalments would not take place until between 2018/19 and 2023/24 which therefore meant difficulties for the Council. He asked why the Council had not put pressure on the developer to pay the £1.2m, in accordance with the agreement. In response, the Head of Finance Department informed the committee that if the Council had been aware beforehand of the difficulties there would still be a strong business case to proceed with this project, and in that context that it was successful, but a number of issues had been raised and lessons had been learnt when proceeding with the project.

In addition, the Head of Finance Department confirmed that £1.2m had been planned to come from selling the old school site, as explained in clause 2.4 of the report, not from the developer.

The members referred to the development of Victoria Dock when the site had been sold for £1, with a 106 agreement that the developer, when completing the flats would build 1/3 of the units as affordable ones on other land in the area. He was of the opinion that there was space for around 30 houses on the old Hendre School site that would come into the Council's ownership to be sold perhaps to a housing association. In response, the Head of Finance Department informed the committee that the development of Victoria Dock was not under consideration by this committee today, but he pledged to consider this matter further.

RESOLVED to note the situation and accept the Cabinet's decisions.

8. TREASURY MANAGEMENT 2012/13 – MID YEAR REVIEW

Submitted – the report of the Head of Finance Department on treasury management activity during the current financial year.

He noted that the CIPFA Code of Practice on Treasury Management recommended that members should be informed of Treasury Management activity at least twice a year. This mid year report ensured that the Council was embracing best practice.

He provided details of the contents of the report namely the economy, loans management, investment activity, compliance with prudential indicators and the outlook for interest rates. He referred in particular to Appendix A which detailed the tendencies of banks in terms of creditworthiness and provided an update on the situation of the investment in Heritable Bank, where it was anticipated to recover 88p/£ and 75p/£ had already been recovered.

In relation to business loans for local companies, a member referred to a loan a furniture company from Caernarfon had received from the Council and enquired about the latest situation. In response, the Head of Finance Department noted that the company had, by now, repaid the total amount of the loan to the Council.

The member was of the opinion that the Council should support more businesses in Gwynedd by offering short-term loans. In response, the Head

of Finance Department informed the committee that £3m had been earmarked for this purpose. A panel had been established which included the Cabinet Member for Resources and the Cabinet Member for the Economy to consider the applications that were received, and several loans had already been approved.

RESOLVED to accept the report for information.

9. TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14

The Head of Finance Department reminded the members of the training by Arlingclose Company on the matter noted above on 29 January 2013 at 2.00pm in Ystafell Glyder Fawr, Council Offices, Penrallt, Caernarfon.

He noted that four members had already confirmed their interest, but he wished to obtain information beforehand by the remainder of those members who wished to attend the training.

RESOLVED to note the information.

10. INTERNAL AUDIT PLAN 2012/13

Submitted – the report of the Senior Manager Audit and Risk providing an update of the current situation in terms of completing the 2012/13 internal audit plan.

He provided details of the situation as at 2 November 2012 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan -

Audit Status	Number
Planned	34
Working Papers Created	2
Field work started	14
Field Work Ended	8
Final Report	40
Total	98
Cancelled	3

He informed the committee that the 2012/13 performance target was to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2013. He noted that Internal Audit's actual achievement by 2 November 2012 was 40.8% and out of the 98 individual audits in the 2012/13 revised plan, 40 had been released finally. In order to meet with the quarterly profile, there would be a need to close or release the final report for the remaining 19 audits by the end of December, namely 59 out of 98, and it was expected that this would be achieved.

The Senior Manager - Audit and Risk submitted an explanation on the amendments made to the internal audit plan since the previous meeting.

RESOLVED to note the contents of the report as an update on progress against the 2012/13 audit plan.

The meeting commenced at 10.30am and concluded at 12.00pm.

The following report is submitted by the relevant Cabinet Member, Councillor Gareth W Roberts, who will be present at the meeting of the Audit Committee on 29 January in order to explain relevant action and respond to members' questions, along with the Head of Highways and Municipal, Mr Gwyn Morris Jones.

- 6.** With its role as a key part of the corporate governance system, the Audit Committee is independent of the Council's executive body.

The Audit Committee should seek to ensure that the Council's financial management is adequate and support the statutory finance officer by scrutinizing and challenging the Cabinet's decisions and their leadership in respect of the departments' financial arrangements.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

Summary Position Highways and Municipal Service (including Trunk Road Agency)	Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommend ed Changes and Adjustments	Net Overspend / (Underspend)
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Waste Disposal	3,857	3,869	4,034	165	0	165
Disposal Sites	1,840	1,879	2,102	223	0	223
Transfer and Treatment Sites	951	929	788	(141)	0	(141)
Civic Amenities Sites	890	864	764	(100)	0	(100)
Waste Collection and Recycling	3,949	3,994	3,960	(34)	0	(34)
Trade Waste Collection	207	223	375	152	0	152
Total Relating to Waste	11,694	11,758	12,023	265	0	265
Open Spaces	825	805	753	(52)	0	(52)
Crematorium	(85)	(87)	(120)	(33)	0	(33)
Other	15,245	14,907	14,882	(25)	0	(25)
Highways and Municipal Total	27,679	27,383	27,538	155	0	155

Recommendation:- The Cabinet Member for Environment has been requested to report to the Cabinet on the waste position as a whole along with the relevant financial implications.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

DEPARTMENT: HIGHWAYS AND MUNICIPAL

Relating to Waste

Area:- Waste Disposal

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,857	3,869	4,034	165	0	165

Explanation:- Higher costs of £121k as a result of depositing a higher amount of tonnage at landfill than the original target, together with higher costs of £44k in disposing timber and green waste.

Area:- Disposal Sites

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
1,840	1,879	2,102	223	0	223

Explanation:- Overspend of £223k is foreseen, which is an increase of £168k in the overspend position since the first quarter review, which includes employment costs and higher fleet costs of £123k to deal with the increase in waste at Ffridd Rasus, but also an underspend of (£29k) on property costs and supplies and services and an increase in trade waste income of (£61k). At Llwyn Isaf site, there is an overspend of £80k on leachate as a result of wet weather during the summer, together with an overspend of £28k on numerous headings, including extra way-leave and transport costs. In addition, there was a decrease in income of £77k from gas royalties in relation to the Cilgwyn site.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

DEPARTMENT: HIGHWAYS AND MUNICIPAL

**Relating to
Waste**

**Area:- Transfer and
Treatment Sites**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
951	929	788	(141)	0	(141)

Explanation:- An underspend position mainly as a consequence to the delay in opening of GwyrriAD, which is the food treatment site at Llwyn Isaf (£173k), but higher costs of £44k to Antur Waunfawr. Also, there is an underspend of (£38k) in operational costs at the Caerylchu centre, savings of (£11k) in costs following the delay in opening Coed Ffridd Aron transfer site on time, but extra costs of £37k as a result of insufficient capacity at Ffridd Rasus site for a period, which meant that waste had to be transferred out of the area.

**Area:- Civic Amenities
Sites**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
890	864	764	(100)	0	(100)

Explanation:- An underspend is forecast on this heading for the year, because of the savings as a result of a two month delay in opening Blaenau Ffestiniog amenities site, together with one-off staff turnover savings in the service.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

DEPARTMENT: HIGHWAYS AND MUNICIPAL

**Relating to
Waste**

**Area:- Waste Collection
and Recycling**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
3,949	3,994	3,960	(34)	0	(34)

Explanation:- Improvement of (£78k) from the overspend position of £44k that was anticipated in the first quarter review, which reflects an underspend of (£163k) on recycling collection as a result of the delay in introducing part of the service, but also higher net expenditure of £129k on various headings including higher operational costs and a reduction in grant income revenue.

**Area:- Trade Waste
Collection**

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
207	223	375	152	0	152

Explanation:- An overspend is forecasted on this service, which includes higher costs of £76k on disposal and landfill, and reduction in income of £110k from traders. The Department continues to seek ways to reduce operational costs, through route rationalisation, and attracting new contracts.

REPORT TO CABINET

22 January, 2013

Cabinet Member: Councillor W Gareth Roberts

Subject: Waste Management – Matters arising from the Second Quarter Budget Review

Contact Officer: Gwyn Morris Jones, Head of Highways and Municipal

The Decision Sought/Purpose of the Report

To consider what is recommended in order to address predicted over and under expenditure on waste budget headings, Highways and Municipal Department.

Local Members View

Not Applicable.

1 Waste Disposal (over expenditure £165k)

The Department produces a forecast (before the start of the financial year) of what is expected as the tonnage of municipal waste to be landfilled for the year. This is for the purpose of ensuring that the Council keeps within its Landfill Allowance and in order to estimate the total Landfill Tax due for the year.

On monitoring the first 6 months of the year, more is being landfilled than predicted which increases costs by £121k. This is likely to be due to:

- delay in introducing the new weekly collection of food service due to fleet procurement requirements
- delay in getting residents to familiarize/utilise the new service.

The forecast over expenditure could change with any increase in recycling, reuse and composting during the remaining 6 months of the year. The Council will have to decide which option to implement in terms of restricting the use of the residual bin (green) early in the new year in order to reduce landfill.

£44k of additional costs relate to disposal of timber. The cost of timber disposal was under control this year with an arrangement in-place for its use by a biomass company. Unfortunately, guidance received from the Welsh Government confirmed that disposal of waste by means of biomass technology does not count towards the recycling targets and figures. We have therefore changed this arrangement (since 1st October) to a more costly arrangement whereby the timber is recycled.

2 Disposal Sites (over expenditure £223k)

Significantly higher environmental requirements have caused an increase in the costs of operating landfill sites. Despite the Llwyn Isaf landfill site being closed earlier than programmed, the costs of treating the site's leachate continues and has proved to be very high this year due to the extreme wet weather.

All of the County's residual waste to be landfilled, is sent to the Ffridd Rasmus site at Harlech, and the cost of operating the site has increased as a consequence.

Efforts are being made to reduce labour and fleet costs at the site. The Cabinet is aware of the measures being considered in terms of the future of this landfill site (re: Report to the Informal Cabinet dated 28 November, 2012).

3 Waste Management (under expenditure £141k)

The delay in opening the GwyriAD facility for the treatment of food waste is mainly responsible for this under expenditure. GwyriAD is now on programme to be operational September, 2013.

4 Civic Amenity Sites (under expenditure £100k)

The delay in opening the new Blaenau Ffestiniog site is mainly the cause of this under expenditure. The Blaenau Ffestiniog site became operational in July, 2012.

5 Waste and Recycling Collection (under expenditure £34k)

A delay in introducing part of this new service is the main cause of this under expenditure.

6 Commercial Waste Collection (over expenditure £152k)

This service is undergoing a major transformation with the introduction of the collection of recyclates and food waste in addition to glass and residual waste. It was intended for this service to be closer to being self-financing at the end of this financial year, before changing to a situation whereby £50k of savings would be achieved in order to contribute to the Council's Savings Strategy.

The main reason for this over expenditure is due for the loss of £90k of expected income this year, due to businesses ceasing to trade (due to the economic situation) and that some businesses have gone to other providers of the service.

Due to the delay in introducing the new service (due to fleet procurement requirements), and because traders are slow in adapting to the change, there is more being landfilled than programmed (£76k of higher costs).

A Task Team exists and is responsible for leading on the transition to this service. Significant efforts are being made to reduce the forecasted over expenditure this year e.g.

- reduction in labour costs – a reduction of 8 N^o posts in the service
- reduction in fleet costs – rationalization of collection routes
- campaigns to increase what is collected in terms of food waste and recyclates – in order to reduce landfill costs (recycling this year has increased from 11% to 25.11% in the first 6 months of the year)
- maintaining clients.

A business case has been developed in order to substantially reduce or even abolish the over expenditure and to achieve the savings required for the Savings Strategy next year. It is mainly aimed at reducing disposal costs and increasing recycling. It is proposed that differential fees be introduced in 2013/14 for the purpose of increasing recycling/composting of commercial waste and in order to reduce what is landfilled.

Officer's Views

The Chief Executive:

‘The Cabinet, no doubt, will need confirmation from the Head of Service that the elements of over expenditure while continuing, will, as expected every year, be rationalized in terms of the Budget by the end of the financial year. There will also be a need to consider whether the problems this year can be solved or will there be a recurrence next year.’

Monitoring Officer:

‘The report was requested by the Cabinet on 20 November, 2012 in order for members to be able to be satisfied with the financial situation facing waste management in general. I have no comment regarding propriety’.

Head of Finance:

‘As reported to the Cabinet in November, there is significant over expenditure of £540k in matters relating to waste this year, which is marginally offset by various slippages to schemes this year, for various reasons, and which gives an overall net position of £265k.

There appears to be solutions to the overspend for some of the elements – depending on decisions already taken/further decisions to be taken. However, it is likely that a proportion of the over expenditure will remain for a period and into next year at least.

The Highways and Municipal Department has several reasonable strategies to tackle the issue, some of them long term. It will be expected of the Department to finance the over expenditure from other services’ underspend, or from other sources, in order to keep within budget by the end of the 2012/13 financial year.

It is anticipated that a proportion of the over expenditure will remain for a period in 2013/14 and this will help reduce the over expenditure noted this year. It will be necessary to monitor the development of any measures taken to ensure the Highways and Municipal Department keeps within its budget next financial year.’

Attachments

The following report is submitted by the relevant Cabinet Member, Councillor Gareth W Roberts, who will be present at the meeting of the Audit Committee on 29 January in order to explain relevant action and respond to members' questions, along with the Head of Consultancy, Mr Huw Williams.

6. With its role as a key part of the corporate governance system, the Audit Committee is independent of the Council's executive body.

The Audit Committee should seek to ensure that the Council's financial management is adequate and support the statutory finance officer by scrutinizing and challenging the Cabinet's decisions and their leadership in respect of the departments' financial arrangements.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

DEPARTMENT: CONSULTANCY

Area:- Consultancy

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(526)	(452)	58	510	0	510

Explanation:- The latest forecasts, namely the overspend position of £510k reflects a serious reduction in the fee income level that the Department has attracted up to now this year, and from the information available, the level which is estimated until the end of the current financial year. This is mainly due to a reduction in the level of work which was anticipated from the Assembly, roads improvement works by the Council, external works, for example, road works related to Wylfa 'B' scheme and extra essential statutory works, for example Water and Flood Act. The Department has already reviewed its Business Plan to reduce operational costs, including, the relevant staffing level to meet the current and anticipated work level, and trying to attract new contracts and commissions, which would bring extra fee income to the Department. This process, of course, introduces new challenges, and reflects the importance of seeking to balance the loss of staff with specialist skills, and then the ability to attract and perform new works. It is noted that the Department has a back up provision for redundancy costs and a previous underspend fund of £216k. Up to now, it appears that the relevant forecasts for the next financial year, 2013/14 does not look promising either.

Recommendation:- In the circumstances, it is recommended that the Head of Consultancy Department continues to review the position for this year, and also considers the forecasts for the next year, and the Environment Cabinet Member presents a detailed and comprehensive report to the 18 December Cabinet, on measures to rationalise the Department's ability to cope with the latest works prospects.

REPORT TO CABINET
22 January 2013

Cabinet Member: Councillor W Gareth Roberts

Subject: Gwynedd Consultancy Overspend

Contact Officer: Huw Williams , Head of Gwynedd Consultancy

Required decision

- 1 In the light of concerns identified in this report, that work be commissioned from the Head of Finance into the arrangements for financial management in Gwynedd Consultancy, whilst at the same time, establishing, in conjunction with the Head of Service, the evidence behind what has happened in 2012/13 and the likely position for 2013/14.
- 2 To ask the Head of Finance to ensure that the report is available by the end of this financial year in order to ensure that we start 2013/14 on a sound footing.
- 3 In the light of the review's conclusions, and implementing any findings, that I then lead a second piece of work to establish a new sustainable business model for Gwynedd Consultancy which is responsive to the prevailing economic conditions.

This should not concentrate solely on financial considerations, but they must be in place if we are to give appropriate consideration to other elements which we may wish to support such as jobs.

View of the local members

Not a local issue.

Introduction

1. As a result of a report submitted to the Cabinet on 20 November where concern was expressed regarding Gwynedd Consultancy's financial performance for this year and its sustainability for the future, it was agreed that I would report to the Cabinet after having had the opportunity

- to investigate the reasons behind the current problems.
2. For a business with turnover of £4.5m, the timetable was challenging bearing in mind that the Christmas holidays were upon us and I would like to thank the officers for their ready cooperation.
 3. Having discussed the matter with officers and given the matter further consideration, it was agreed that we should divide the work into the short and medium term and then the longer term.
 4. This report relates to the first part.
 5. Having looked at the situation it became obvious that establishing reasons for this year's problems and establishing the exact financial position would not be a simple process and this has raised questions regarding the service's business processes.
 6. As a result, I have agreed with the Cabinet Member for Finance (Councillor Peredur Jenkins) that I should make the above recommendations to the Cabinet.

Reasons for making the recommendations

7. First of all, I would like to emphasise that Gwynedd Consultancy is not a burden upon the Council. Despite the fact that it is unable to meet this year's financial target, over the years, they have made a positive contribution to the Council.
8. It could be argued of course that this could have been better if we had stronger financial control but I have not yet seen any evidence of this.
9. On average, Gwynedd Consultancy contributes around £507,000 annually towards the Council's central support costs which would otherwise fall upon other services.
10. Over the last 4 years they have made a total profit of £ 787,000 and considering the current economic climate this is to their credit.
11. They employ 98 professional employees in Gwynedd and have managed to keep an annual financial spend of £4.5m in the county which also has a beneficial impact on our communities.
12. They offer other less obvious benefits which arise from having an in house provision which is difficult to quantify but exists nevertheless.

13. The current position has been investigated and evidence has been sought to support the statements made as to what has gone wrong this year.
14. It soon became evident that the general problem was not a lack of work on the books but it has been suggested that the problem was the unevenness of that work, and as a result, there has been an increase in costs.
15. There is certainly an element of a lack of work in the second and third quarters of the year due to clients being slow to release work and this has contributed to the problem, but it should be noted at the moment that the service is overflowing with work in the final quarter and is unlikely to be able to undertake it all with the current staffing complement.
16. The consultancy is vibrant and vigorously pursues work, and in general is held in a positive light with clients who continue to come back to them year on year.
17. However, I am a little concerned with some elements which have come to light in investigating the 2012/13 position which suggests to me that we need to look deeper for evidence of secure financial control as I am concerned that there could be an element of a " wing and a prayer " in their financial management.
18. Carrying on with the current arrangements are not acceptable and we need to arrive at a position where factual evidence and financial management is based on an agreed level of acceptable risk being adopted in order to protect the Council in the longer term whilst at the same time protecting as far as possible the valuable jobs provided. This will be a core element of my considerations.
19. It is difficult to come to concrete conclusions based on the evidence currently available to me and as a result, this could lead to greater problems in the longer term.
20. There is little point in chastising and allocating blame amongst officers who are supportive and enthusiastic as it is likely that the situation has arisen from pressure to meet challenging financial targets and the resultant focus having shifted to finding work.
21. I make the above recommendations as I do not believe that the current situation is ideal nor acceptable but at the same time I believe that with help, the situation can be recovered.

22. Doing nothing is not an option.

23. Gwynedd Consultancy's future and the ambition of supporting local jobs is key. There is no indication of maladministration nor attempts to hide information and I have therefore come to the conclusion that this is an "honest" problem which deserves our help in order to find a solution.

Relevant considerations

24. Establishing the probable 2013/14 position for Gwynedd Consultancy is essential in order to ensure that the Council has a budget on which it can rely, but it is also essential that there is substance to such a projection.

25. The Cabinet Member for Finance has noted that we already have a provision in the budget to recognise some element of the reduction in Gwynedd Consultancy income and he would prefer us to spend further time in order to get to the bottom of the situation rather than offer an answer in which we have little confidence.

Next steps and timetable

26. Assuming that the Cabinet agrees I shall submit the Head of Finance's conclusions before the end of the financial year and shall report further on the longer term conclusions before the end of September 2013.

Statutory Officers' Observations

Chief Executive:

Obviously, appropriate financial management in the services is an important matter for the Cabinet and I welcome the Cabinet Member's wish to present the matter for the Cabinet's consideration. I agree with the recommendation to ask the Head of Finance to investigate the matter and to report back before the end of the financial year.

Monitoring Officer:

The report derives from the decision of the Cabinet on 20 November that there should be a formal report on measures to rationalise Gwynedd Consultancy'

department's ability to cope with the latest work projections. Although the report does not do so fully it offers a way forward. It is therefore a matter for the Cabinet to decide whether or not they are satisfied with the progress made and the proposals contained therein.

Head of Finance:

Based on the forecasts at the time, it was reported in the second quarter review that the Consultancy Service would show a net expenditure position of £58,000 by the end of the financial year, against an expected surplus target of (£452,000), which mean't an "overspend" position of £510,000. Significant work has been carried out by the Consultancy Department and with support from the Finance Department, to try and establish the reason for this position, and this work is continuing.

Although this picture could change of course with perhaps success in attracting more income sources and so forth, but for the time being it is estimated that the final position could show over-expenditure in the region of £600,000.

For the purpose of planning the 2013-14 budget it has been necessary to try and estimate the related position in terms of costs and income. Again, this picture could change significantly by the new financial year, but for the time being and for planning purposes, it has been estimated that the income target would be reduced by £250,000.

We will be working closely with the Consultancy Department over the next few months to review their financial and budgetary control arrangements with the intention of completing the work by the end of the current financial year

Appendices

The following report is submitted by the relevant Cabinet Member, Councillor Gareth W Roberts, who will be present at the meeting of the Audit Committee on 29 January in order to explain relevant action and respond to members' questions, along with the Head of Regulatory, Mr Aled Davies.

6. With its role as a key part of the corporate governance system, the Audit Committee is independent of the Council's executive body.

The Audit Committee should seek to ensure that the Council's financial management is adequate and support the statutory finance officer by scrutinizing and challenging the Cabinet's decisions and their leadership in respect of the departments' financial arrangements.

REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW

DEPARTMENT: REGULATORY

Area:- Car Parks

Opening Budget 2012/13	Revised Budget 2012/13	Forecasted Position 2012/13	Estimated Gross Overspend / (Underspend)	Recommended Changes and Adjustments	Net Overspend / (Underspend)
£'000	£'000	£'000	£'000	£'000	£'000
(1,026)	(1,000)	(902)	98	0	98

Explanation:- An increase of £19k in the net overspend position of £79k which was forecast in the first quarter review, including a reduction of income from parking fees, parking fines and season tickets of £306k, savings in operational costs of (£38k), and previous years' rent income revenue of (£170k).

MEETING	Audit Committee
DATE	29th January 2013
TITLE	Parking Issues
PURPOSE OF REPORT	To Inform the Committee of the Latest Position with Regard to the Parking Review
AUTHOR	Aled Davies, Head of Regulatory Department

1. BACKGROUND

- 1.1 At the end of Quarter 1, it was reported that the projected income from car parks suggested a deficit of close to £300k for the 2012/13 financial year with the actual deficit for the 1st Quarter standing at around £82k. It was considered that there were 3 specific elements contributing towards this situation which are the cost of fuel, extremely wet weather during the period April through to the end of July and the general position of the economy. The majority of the deficit was a result of a reduction in parking income from the costal car parks in Meirionnydd.
- 1.2 At the end of the 2nd Quarter the projected deficit stood at £270k with the problem now also apparent in the Arfon and Dwyfor Areas.
- 1.3 By the end of the 3rd Quarter the projected deficit had reduced slightly to £239k.
- 1.4 Unfortunately, the Council does not have any influence over the three factors which has lead to this situation.
- 1.5 For some months now, on the request of the Cabinet Member, the Regulatory Department has been undertaking a review of elements of the parking services provided by the Council. After the initial findings and a series of options were presented to the Cabinet Member and the Informal Cabinet, it was decided that the Cabinet required a wider discussion on the issues with the service as to consider some of the options further. Although a specific date for this discussion has not yet been set, work is underway to make arrangements. It is hoped that the discussion will be held during February. The aim would be to report back to the Cabinet Member before submitting further options and more formal recommendations to the Cabinet.
- 1.6 With regard to dealing with the income deficit this year, the Department is in a position where it can use "one off" resources to reduce the deficit without having a detrimental effect on other services within the Department or asking for an additional contribution from the Council's Corporate Budget. This opportunity arises because a significant percentage of a debt to the Parking Service has been settled during the financial year. The Department shouldered the burden of the debt over the last three years with the intention of earmarking the resources towards road safety, minor improvements and car park improvements once the debt would be settled. The current position means that priority needs to be given to managing the budget and therefore these projects cannot now be brought forward.

- 1.7 In addition, the Regulatory Department and Finance Department have been reviewing the appropriateness of the income target for 2013/14. Considering the context noted, it has been recommended that the target should be reviewed in the budgetary process for the next financial year.
- 1.8 In the meantime, the Parking Unit is making an effort to assess opportunities to improve the parking services efficiency and to identify potential income sources to improve car parks and undertake minor improvement projects.

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	29 JANUARY 2013
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 31 DECEMBER 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 October 2012 to 31 December 2012.

2. WORK COMPLETED DURING THE PERIOD

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

Description	Number
Reports on Audits from the Operational Plan	16
Other Reports (memoranda etc)	2
Grant Reviews	1
Follow-up 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 2012, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Primary Schools - Information Security	Education	Schools	B	Appendix 1
Recording and Managing Leave	Corporate		C	Appendix 2
Administration of Invoices before passing to the Payments Unit	Corporate		C	Appendix 3
Site Manager Functions	Corporate		B	Appendix 4
Arrangements for Dealing with Correspondence	Corporate		C	Appendix 5
Main Accounting System - Upgrade Project	Finance	Accountancy	A	Appendix 6
Income collection at offices	Finance	Revenue	B	Appendix 7
Contract Management - Blaenau Ffestiniog Regeneration	Economy and Community	Community Regeneration	B	Appendix 8
Youth Clubs	Economy and Community	Youth	B	Appendix 9
Backups and Service Continuity	Customer Care	Information Technology	C	Appendix 10
Social Services - Implementing Savings	Social Services		B	Appendix 11
Social Services Performance Measures - Accuracy of Core Data	Social Services		C	Appendix 12
Street Cleaning	Highways and Municipal	Municipal Works	B	Appendix 13
Works - A55 Contract	Highways and Municipal	Highways Works	A	Appendix 14
GwyrAD Scheme	Highways and Municipal	Waste Management and Streetscene	B	Appendix 15
Members' IT arrangements	Strategic and Improvement	Democracy	C	Appendix 16

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:

- **Standard 7 of the Commissioning Framework** (*Social Services*). Standard 7 of the statutory framework states that the Council needs to have "ensured that its Financial and Contract Standing Orders allow social care commissioners to be efficient and effective in developing the local social care market". Consideration was given to the statutory requirements of Standard 7 when preparing for a review of the Financial Procedure Rules.
- **Inclement Weather Policy** (*Customer Care*). As part of wider work on the Corporate Risk Management system, particular attention was given to the Inclement Weather Policy, taking into account the mitigation measures offered with regards to Service Continuity Risks, Risks to staff Safety, Health and Welfare and the risk that individuals could abuse the right to special leave at times of severe weather. Internal Audit supports the Service Continuity During Bad Weather Policy as a means of ensuring clear and unambiguous arrangements for officers. As only a year has passed since the adoption of the Policy, and as the Management Group has reiterated its support for the policy in December 2012, Internal Audit accepts that the Policy will not be updated in the near future. However, some modifications suggested by the Internal Audit would be beneficial for consideration when the policy is being reviewed.

2.3 Grants

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

- Post-16 Education Grant (*Education*)

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
Coastal Defence Contractor Selection	Gwynedd Consultancy		Acceptable
IT Security in Schools	Education	Schools	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

Recruitment - Identity Checks
Joint Commissioning with BCULHB

Completion Target: Quarter ending 31 March 2013

Licensing Unit
Information Security
Reducing Teacher Workload

Completion Target: Quarter ending 30 June 2013

Social Services Performance Measures - Accuracy of Core Data
Administration of Invoices before passing to the Payments
Backups and Service Continuity
Arrangements for Dealing with Correspondence

Completion Target: Quarter ending 30 September 2013

Members' IT arrangements
Recording and Managing Leave

3 WORK IN PROGRESS

3.1 The following work was in progress as at 1 January 2013.

3.2 Draft reports released

- Social Services Contracting Arrangements (*Social Services*)
- Equipment with Former Members (*Strategic and Improvement*)
- Functions within the Capital Expenditure Monitoring Process (*Strategic and Improvement*)

3.3 Work in progress

- Trunk Road Agency - invoices between councils (*North and Mid Wales Trunk Road Agency*)
- Workforce Planning (*Corporate*)
- Outcome Agreement (*Corporate*)
- Staff CRB Checks (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Discretionary Benefits (*Finance*)
- Use of Honoraria (*Finance*)
- Consultancy Work - Finance Department Intranet Site (*Finance*)
- Corporate Risk Management (*Finance*)
- Benefits System - Review of Key Controls (*Finance*)
- Paye.net System (*Finance*)
- Genesis Scheme (*Economy and Community*)
- Evaluation of the Social Media Pilot (*Customer Care*)
- Contract Management - Bro Dysynni Area School (*Customer Care*)
- Accommodation for Young Persons leaving care (*Social Services*)
- TraCC Partnership (*Regulatory*)
- Pont Briwet Project (*Regulatory*)

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 October 2012 to 31 December 2012, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

PRIMARY SCHOOLS - INFORMATION SECURITY Education

Purpose of the Audit

The purpose of the audit is to ensure that Primary Schools comply with the Data Protection Act and that Heads, Teachers, School Governors and Support Staff are aware of their responsibilities regarding the processing, storage, security and disposal of information, in particular sensitive personal data.

Scope of the Audit

A sample of Primary Schools in Gwynedd was chosen. We visited the schools to carry out checks to ensure they comply with the main principles of the Data Protection Act.

Main Findings

The main findings arising from the audit were that there were good overall arrangements for the protection of personal information in the schools, but some controls need tightening. Schools need to ensure that they are re-register with the Information Commissioner annually. It is necessary that no personal data is transported from the school on a memory stick without encryption of the memory stick.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Information Security 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:

- **Ideally, the Education Department would produce a template for Primary Schools detailing the type of 'Data Protection' document they expect to see in a Primary School.**
- **It should be ensured that appropriate training is available on the Data Protection Act and the Freedom of Information Act for new Heads as well as any others heads who wish to attend such training.**
- **Consideration should be given to holding courses for Governors on the Data Protection Act and the Freedom of Information Act.**
- **At the beginning of each Autumn term, every school should send out a privacy notice detailing what the school intends to do with the personal information they collect.**
- **Guidance should be provided for schools on how to prepare an emergency plan to manage the impact of any incident where personal information may be disclosed contrary to the Act.**

RECORDING AND MANAGING LEAVE Corporate

Purpose of the Audit

The purpose of the audit was to ensure that officers' annual leave has been allocated correctly and in accordance with the Council's Conditions of Service and the National Conditions of Service. Check that annual leave has been properly approved by managers / supervisors and that an adequate record of the holidays is held in an appropriate and safe manner. In addition, ensure that holidays due are transferred accurately at the end of the leave year and that any transfer has been approved and recorded.

Scope of the Audit

A sample of units / services / establishments from a cross-section of all Council departments was selected covering full-time staff, part-time, seasonal, casual etc. in order to establish that officers have received the correct days / hours of annual leave in accordance with Council's Conditions of Service. Teachers and classroom assistants were excluded from the audit because they receive standard holidays, and catering and cleaning staff schools because they get paid the average salary.

Main Findings

Good practice was found in several departments, and that the Human Resources Department has prepared guidelines on annual leave entitlement, available on the intranet. In addition, the former Provider and Leisure Department had prepared a handbook which contains the procedures and formulas for calculating holiday entitlement for different types of staff working within the Department.

It was further noted:

- All managers (except one) are aware of the correct number of days of annual leave to be granted.
- It was verified as far as possible, that the total recorded holidays correlate with that recorded in the work contract, but arrangements for preparing holiday cards varies across the Council.
- In general no line managers / supervisors allow workers to transfer holidays except in special circumstances or following a period of long term sickness. However, one exception was discovered where 90 days leave had accrued over several years and carried from one year to the next.
- We found that most departments use a holiday card to record and approve annual leave, but a standard leave card is not used, with some continuing to use the cards of the former directorates and Gwynedd Commercial Services.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Recording and Managing Leave 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:

- **Managers and employees under their supervision should be aware of the need to use an appropriate card to record their annual leave absences.**
- **Consideration should be given to designing a standard procedure (whether electronic or card-based) for recording absences including annual leave, sickness etc, and present the system as a corporate solution (unless there is a strong business case to suggest otherwise).**
- **That annual leave absences are being recorded should be ensured by holding random tests on a regular basis.**

ADMINISTRATION OF INVOICES BEFORE PASSING TO THE PAYMENTS UNIT Corporate

Purpose of the Audit

The purpose of the audit was to review the appropriateness and effectiveness of the use of the invoice tracking system.

Scope of the Audit

The audit included a review of the invoice tracking system which is a module within the corporate correspondence tracking system. The audit did not include a review of the Payments Unit's arrangements and processes, or the payments module within the main accounting system.

Main Findings

It was found that the invoice tracking system has been constructed and developed with various options to generate reports about the invoices that have been recorded on it, including the number of processing days, number of invoices per department and details of invoices that have not been certified. A number of boxes need to be filled in by users to get the information needed to create meaningful and useful reports for monitoring purposes.

However, it was seen that no use is made of these functions since there is no formal procedure in place to monitor invoices. As a proportion of all invoices paid, only a very low percentage is recorded in the invoice tracking system. The use that is being made of the invoice tracking system is to create invoice batch header sheets (TR257) for invoices that are ready to be transferred to the process of creating a payment. In addition, the system is used to produce the statistic of the number of days it takes to process an invoice in order to report on performance measurement, although this is not necessarily representative of the Council's invoices since only a low proportion is tracked. There is a need to modify the measure in place as it does not match the Gwynedd Economic Recovery Action Plan.

When considering the use of the system to track invoices, it appears that unnecessary data is recorded, and if there are no plans to use it in the future, there is no value in recording it.

In reviewing the timeliness of the payment of invoices that have been entered in the invoice tracking system, it is seen that they have on the whole been paid on time. Since the system does not itself add efficiency or punctuality measures, it is likely that this result is based on the invoice processing procedures specific services that use it.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the efficiency of the invoice tracking arrangements before they are passed to the Payments Unit as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **The performance target for the number of days to process invoices should be reviewed by either abolished it or reducing it to a reasonable number of days which would enable the Council to pay invoices within 10 working days in accordance with the Action Plan to Respond to the Recession.**
- **The current use of the invoice tracking system and any plans for it for the near future should be reviewed, and if there is no intention to use them for any further facet other than to create batch header sheets, the unnecessary collection and recording of information on the system should be terminated.**

SITE MANAGER FUNCTIONS Corporate

Purpose of the Audit

The purpose of the audit was to ensure that Site Managers are aware of their duties in respect of the Council's Fire Management, Asbestos and Legionella Plan and that Site Managers undertake their duties properly. These duties include the responsibility to obtain permission from the Property Unit or Consultancy Department prior to any work taking place and to ensure contact with the contractors by providing an introduction to the building and to inform them of any asbestos risks.

Scope of the Audit

A sample of 13 Council establishments was selected, and were checked that Site Managers had been designated who have received appropriate training and are aware of their duties in relation to fire safety, asbestos and legionella. It was verified that fire safety, asbestos and legionella tests are completed regularly, with adequate records kept.

Main Findings

It was found that internal control arrangements are in place, but there may be some weakness in following the guidelines or procedures introduced. The biggest weakness was that educational establishments do not undertake water hygiene tasks during the school holidays. These tasks need to be completed on water sources that are not often used to mitigate the risk of growth of Legionnaires' disease bacterium. This means therefore that the tasks should be completed during the school holidays.

It was also found that there is a lack of a generic Emergency Evacuation Plan in establishments that are open to the public eg leisure centres, libraries. One needs to be created so that a scheme exists that sets out how to ensure that everyone, including members of the public with disabilities, leave the building safely and effectively in an emergency.

A member of staff from each establishment have attended the Safe Site Management course and as a result have received a copy of the relevant documents and policies to be retained, though not all policies are included in the blue box. Information was also received from site managers that the Health, Safety and Welfare Advisors are ready to visit assist them with their health and safety arrangements.

An example of good practice was seen in one school where the Caretaker in Charge was responsible for completing safety tests. To ensure that all tasks are completed, a weekly checklist has been produced which sets out all the tasks to be completed.

Audit Opinion

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

- **Relevant officials i.e. fire marshals and fire co-ordinators, should receive fire training periodically. In addition, this should be recorded in the Fire Log Book. Also, consideration should be given to holding Safe Site Management refresher courses.**
- **Site Managers should ensure that policies and guidelines are present in the blue box as well as ensuring that they are current.**
- **A record should be kept when water hygiene tasks are completed.**

ARRANGEMENTS FOR DEALING WITH CORRESPONDENCE**Corporate**Purpose of the Audit

The purpose of the audit was to review the arrangements in place across the Council for ensuring that each item of correspondence from an external source is treated properly, and to ensure that the response is sent in a timely manner, if applicable. This work stems from a report submitted to the Management Group in December 2011 by the Head of Customer Care raising concerns about the arrangements for responding to correspondence when it was decided to undertake work to better understand the nature of the problem.

Scope of the Audit

The audit included a review of measures for recording and managing paper and electronic correspondence across all Council services, including a review of the correspondence tracking system that has been established by the Customer Care Department.

Main Findings

Significant weaknesses were found with regards to the correspondence tracking database. Some of the major weaknesses had been identified in the last review conducted in 2006/07 and include a lack of audit trail, specifically the ability to delete or edit track details with no track record or log being created. We found that complaints are recorded in the database despite the specific indicator box not having been selected. It was also seen that any user can see details of complaints when using the search facility and that sensitive details are contained in the information recorded. We found that problems exist in terms of what is being recorded and tracked, there is failure to distinguish between what should be tracked or not, and the ability to change track status, eg removing the "track" to improve apparent performance. We found that internal correspondence is recorded by some while some external establishments comply with the Letter Response Policy but did not log them because they were not aware of the system.

The arrangements for electronic enquiries are operating satisfactorily - these enquiries are received at Galw Gwynedd and it was seen that suitable arrangements exist for either responding directly to a query or be referred to the relevant service.

In short, the Council's performance reports and statistics are not accurate and reliable because there is no control over what is being recorded and officers may take steps to skew statistics because of the deficiencies that exist in the system.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the arrangements for dealing with correspondence 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:

- **Officers across the Council should be reminded (via an arrangement such as Internal Communications) about the importance of responding to external correspondence in accordance with the Letter Response Policy. Only external correspondence needs to be tracked and there is no need to waste resources entering details of internal correspondence which can have an impact on the Council's performance indicators for responding to letters.**
- **Performance reporting on responses to external letters should be evaluated because despite the fact that the performance is good, it is not a true reflection of the real situation because of the variation in what is being tracked, items are removed from the system and no consideration is given to correspondence received by e-mail to officers directly.**

MAIN ACCOUNTING SYSTEM - UPGRADE PROJECT

Finance

Purpose of the Audit

The purpose of the audit is to ensure that the upgrade of the main financial system in the summer of 2012 has been completed in a successful and appropriate manner.

Scope of the Audit

Project documents, including the monitoring and testing work and risk management, were reviewed along with measures for contacting system users.

Main Findings

We found that the upgrade of the accounting system has been carried out successfully, within the revised schedule and authorised budget. It was noted that the principles of formal project management methodology have been accomplished as part of the activities, with roles defined and specific actions achieved. Evidence was received of briefing documents and monitoring as well as testing the success and accuracy of the upgrade. We found that users have received guidance on how the upgrade has affected them.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in the arrangements of the project to upgrade the Main Accounting System as the controls in place can be relied upon and have been adhered to.**

INCOME COLLECTION AT OFFICES

Finance

Purpose of the Audit

The purpose of the audit was to ensure that appropriate controls and arrangements are in place for receiving money at the Council offices and that adequate records are kept of income; ensuring that the money is being banked consistently and completely as well as checking that adequate security arrangements exist.

Scope of the Audit

Check a sample of services that receive money from the public to ensure that adequate records are kept of income, and that the arrangements are in accordance with the Council's Financial Procedure Rules. In addition, verify that income records match the ledger. Check security arrangements for the money that is kept overnight in offices, and the frequency and completeness of bankings. The audit focused primarily on establishments that previously paid income in the cash office, but the investigation was not limited to those establishments.

Main Findings

Officers in the sample of establishments / units selected confirmed that they are satisfied with their duties and the process of receiving and banking income in offices, and guidelines are provided to assist in the process. However, the guidelines have not been updated for a significant period and are dated when considering the requirements of receiving and banking income at the establishments today. A number of officers expressed that they were unable to comply with current guidelines because of their other job duties and lack of resources within their establishments.

The auditor found that the official Council receipt book was present at the majority of establishments, with officers distributing receipts to their customers, and the information appears and matches the income banking forms (TR34). In addition, it was found that the majority of the establishments in the sample completed TR34 forms correctly and completely, with the forms being submitted to the Income Unit / Cash Office promptly. However, instances were identified where establishments do not distribute receipts to their customers for payments to the Council.

The Income Unit has arrangements for clearing income from the suspense accounts and it was seen that establishments have arrangements for safe keeping any income overnight.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in income collection arrangements at offices 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 'Official Receipts - Notes to Consumers' guidelines should be updated to reflect the current situation.**
- **Guidance should be prepared and sent to the relevant establishments reminding them of the importance of banking each item of income that is received in the establishments to the Council's accounts promptly.**

CONTRACT MANAGEMENT - BLAENAU FFESTINIOG REGENERATION Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that payments to contractors with the Blaenau Ffestiniog Centre Regeneration grant comply with the Financial Procedure Rules and to ensure that the payments are calculated accurately, with adequate documentation to justify payments.

Scope of the Audit

To select a sample of payments to contractors that have been completed, by checking that the payments are correct and authorised and that the Council has adequate documentation to justify the payments. Verify that any variations to the contract are reviewed, that the treatment of value added tax is correct and that no payments have been made for assets not used on the contract.

Main Findings

It was seen that the consultants on the Blaenau Ffestiniog Centre Regeneration scheme carry out regular reviews of the work of the main contractor, with signed interim certificates, net of VAT, received and with adequate appraisal to justify the payments that are provided. In addition, retention money was taken out of interim certificates correctly.

The main weaknesses identified was the retention money was not taken out of payments to the plan's artist in accordance with the contract and some variation orders were found that had not been signed when there were modifications to the original contracts with the artist and the consultant.

Audit Opinion

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

- **Following a review of the artist's work, the Senior Strategic Regeneration Officer should complete a signed and dated Activity Register in order to support the payments made.**
- **Arrangements should be in place in the future so that agreed 'Variation Orders' are signed by a Gwynedd Council representative or consultant and a representative of the contractor pursuant to an agreement for the price of the work between the relevant parties.**
- **Retention money should be deducted from any payments to contractors following a review of their work in accordance with the agreement.**

YOUTH CLUBS

Economy and Community

Purpose of the Audit

To ensure that arrangements are in place in Gwynedd Youth Clubs, in order to manage and mitigate risks appropriately and in accordance with the Council's Financial Procedure Rules and other relevant procedures.

Scope of the Audit

To audit the main areas of expenditure and income in the Council's ledger for 2011/12 and 2012/13. Also test the arrangements of the central Youth Service and the Youth Clubs themselves for managing a diverse range of risks.

Main Findings

The main findings from the audit was that the arrangements are generally good overall at Gwynedd's Youth Clubs. However, it was found that some of the clubs need to improve their system of administrating their accounts books and need to bank more regularly.

Audit Opinion

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

- **Valuable equipment at the clubs should be marked using the appropriate device to show that they are owned by the clubs.**
- **Youth workers should have the opportunity to attend the 'Weight Handling and Lifting' course from the Council's training and development matrix.**
- **Development of the database should proceed so that it is possible to create output which can be part of the payroll data presentation process.**
- **The person who banks should sign the entry in the account books on each occasion.**
- **From now on the Leaders should keep more thorough records by ensuring that the correct details of the actual dates and amounts banked appear in the accounts books.**
- **If any building is hired out by the Youth Service to an external company in the future, a contract should be created between the company and the Youth Service.**
- **Current copies of driving licenses of minibuses drivers should be kept on file and drivers should be aware that they must disclose any changes to their driving licenses immediately to the Youth Service.**

BACKUPS AND SERVICE CONTINUITY

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that appropriate plans are in place to provide robustness within the Information Technology Service, so that it can continue to provide services to its clients in cases of event(s) that interfere with the normal procedures.

Scope of the Audit

To review the documentation that has been prepared for business continuity by assessing their appropriateness. The audit also reviewed the measures in place to create and maintain backup copies of data.

Main Findings

It was seen that the IT Service has provision in place, and further measures are planned, to enable business continuity for services and systems that have been identified to be crucial. It is understood that the Information Technology Service is in the process of documenting a plan based on a template that has been produced by a collaboration forum between the services of North Wales authorities and is designed to be completed for the Council's infrastructure and systems.

Some tests of the functionality of the service continuity measures have been carried out successfully, and further exercises can be undertaken following upgrades of specific software. Although the service continuity measures in place are reasonable, with substantial investment having been made to establish them, there are some aspects that need to be completed to mandate these measures as being the Council's official corporate plan.

There is a need to ensure that individuals with responsibility for the provision of Council services are given an opportunity to discuss and consider the continuity measures available to them so that they can assess whether they are adequate or appropriate. As part of establishing an appropriate scheme, the individuals involved are as critical as the technology, so there is a need to identify specific roles for authorisation and implementation of certain aspects of it. To ensure the viability of the scheme, it is necessary to ensure that the criteria for its implementation are clear to individuals who have responsibility for it.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the backups and service continuity 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:

- **As part of the planning process for services continuity in terms of information technology, appropriate representative of each Service should have the opportunity to express their views about the provision in place for them and an opportunity to consider what additional resources would be needed to improve it**
- **Since the Information Technology Service provides services for Council departments, representatives of the Departments should use the relevant forum, the IT Governance Group, to discuss and comment on the provision for continuity service so that there is an appropriate mandate for the plans that are in place.**
- **As part of achieving the service continuity plan, specific roles should be established for appropriate individuals who have the authority to implement various aspects of it, along with the appropriate criteria for that activity.**

SOCIAL SERVICES - IMPLEMENTING SAVINGS

Social Services

Purpose of the Audit

To ensure that internal controls are in place to mitigate the risks that may prevent the achievement of the savings objectives of the Social Services, Housing and Leisure Department, and the risk of missed targets.

Scope of the Audit

Check a sample of savings plans to be completed over the next 3 years. A sample of six savings plans to be delivered within the next 3 years was reviewed: Enablement, Review of Home Care Packages, Day Services - Older People, Learning Disability Day Care Service Review, Efficiency of Foster Placements and Re-modeling Support Services for Children and Families.

Main Findings

Examples of good practice were seen in the control of the savings plans. When looking at the sample of schemes, variation was found in the approach for managing these savings plans. However there was evidence that all savings plans are managed in one place by the Financial Resources Manager. It was seen that the Financial Resources Manager prepares progress reports and keeps a spreadsheet that shows if the plans are on track to achieve the total savings. It was seen that plans are in place for trying to achieve the savings target for all plans in the sample. Evidenced was seen from the 2012-13 Housing and Social Services Department budget spreadsheet that the savings targets aimed for in 2012-13 have been reflected in the budget for the year. In examining a sample of schemes, it was found that one of these schemes has followed the Project Management Handbook although there is no expectation to do so, and it was found that this savings plan is structured clearly as a result of this. We found that some of the management issues of the plans need further attention, namely to ensure that risks are identified and that clear structures have been prepared for the plan. Because of this, appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(B) The audit opinion is that partial assurance can be expressed in the propriety of savings implementation 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 would be good practice to prepare a brief for the savings plans so that there is written scope and structure that gives focus to the plan.**
- **It would be good practice to prepare a business plan for the savings plans in the form of a Gantt chart to clearly identify the tasks and associated timelines and how the project objectives are to be achieved.**
- **A risk register should be prepared for all savings plans, to identify all the risks and threats that may hinder the savings plan from succeeding. It is important to identify the risks and put plans in place to mitigate these risks.**
- **It is suggested that a lessons learned log should be prepared for all savings plans to identify anything that went wrong in the plan or anything material that has arisen during the plan so that the same mistakes are not repeated in future.**

SOCIAL SERVICES PERFORMANCE MEASURES - ACCURACY OF CORE DATA

Social Services

Purpose of the Audit

To ensure that accurate and appropriate arrangements, processes and systems are in place by the Performance and Data Unit of the Social Services Department for data and information collection which can be measured in order to manage and monitor performance.

Scope of the Audit

To ensure the accuracy of the performance measures of the Social Services, Housing and Leisure Department by selecting a sample of indicators from 2011/12 and new ones.

Main Findings

Some examples of good practice were found within the Unit Performance Data in the area of data integrity. Progress was seen in the controls for data collection in Children's Services in particular which was seen to be further advanced than Adults' Services. However, when looking both areas the need to keep a little more evidence and records for some measures was observed, and there is a need to move forward to put the information on a single system and to provide feedback to relevant officers for confirmation of data integrity. Because of this, appropriate steps should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(C) The audit opinion is that assurance in the propriety of data integrity cannot be expressed for in Social Services Performance Measures 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:

- **Consideration should be given to sending national definitions and guidelines, or relevant the link, to every officer responsible for inputting data / data collection, and a record kept of who has received them.**
- **Requests that have been made to attend courses / training with the Data Unit Wales should be followed-up to try to ensure specialised training to enable officers to undertake their tasks more effectively.**
- **As much evidence as possible should be collected to confirm the accuracy of the data received for the performance measures.**
- **The department should make every effort to collect all the information about the clients in one place (eg RAISE), where possible, and that this information is checked for accuracy which will ensure that the reports from the system provide accurate information for the performance measures.**
- **A record should be kept of any information that has been challenged as confirmation that it is accurate and reliable.**
- **Information on the record cards should be kept current.**

STREET CLEANING Highways and Municipal

Purpose of the Audit

The purpose of the audit was to ensure that the street cleaning strategy and work programme is based on relevant legislation and good practice to ensure that the services achieves its objective of keeping Gwynedd tidy effectively.

Scope of the Audit

The report is compiled by ensuring that controls are in place to guarantee that the agreement contributes effectively to Gwynedd's Community Strategy.

Main Findings

Tests were undertaken on 19 internal controls. The tests showed that good internal controls are in place in 17 of these controls. It shows that Gwynedd's cleanliness index (a measure of hygiene) has improved steadily since 2008/09, and continues to improve. Based on Keep Wales Tidy's independent surveys for 2011-12, Gwynedd's cleanliness index was the highest in Wales at 72%. The Waste Management and Commissioning Unit needs to review the Street Cleaning Agreement so that it is consistent with the Code of Practice on Litter and Refuse and Associated Guidance 2007.

Audit Opinion

- (B) The audit opinion is that partial assurance of propriety can be expressed in the arrangements of the Waste Management and Commissioning Unit and Municipal Works Unit for achieving their objectives of keeping Gwynedd tidy 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 Street Cleaning Agreement should be reviewed to ensure that it complies with the Code of Practice on Litter and Refuse and Associated Guidance 2007.**
 - **The Waste Management and Commissioning Unit should receive monthly reports that highlight complaints that have been identified as still being open.**
 - **The Waste Management and Commissioning Unit should contact the Information Technology Unit to arrange to receive monthly reports that highlight areas that need attention and to help them plan a programme of work for those areas.**

WORKS - A55 CONTRACT Highways and Municipal

Purpose of the Audit

The purpose of the audit is to review the controls and procedures in place to ensure that the A55 Project contract between Gwynedd Council and Highways A55 UK Ltd is administered and maintained in a profitable manner and in accordance with the agreement.

Scope of the Audit

To review arrangements within the A55 Project to ensure that provisions have been made to maintain the highway in accordance with the contract.

Main Findings

The controls and procedures that are in place ensure that the A55 Project agreement between Gwynedd Council and Highways A55 UK Ltd is administered and maintained in a profitable manner and in accordance with the agreement. We found strong examples of good practice within the A55 project. It was also seen that there is collaboration and a good relationship between the Council and Highways Ltd UK. The "Operational Phase Project Health and Safety Plan" which are specific to the project has been revised recently.

Audit Opinion

(A) The audit opinion is that assurance of propriety can be expressed in the arrangements of the A55 Contract as the controls in place can be relied upon and have been adhered to.

GWYRIAD SCHEME Highways and Municipal

Purpose of the Audit

The purpose of the audit is to review GwyriAD's risk register in order to ensure that it is comprehensive and that it is kept up to date and that it is updated regularly to ensure that all the projects risks have been accounted for. Ensure that the risk register is used as a guideline in order to make decisions.

Scope of the Audit

Review the content of the risk register in order to ensure that it is comprehensive and current. Ensure that adequate controls are in place for the GwyriAD Project to mitigate the risks.

Main Findings

It was discovered that a Risk Register exists for the GwyriAD project, and that it is comprehensive. However there is a need to ensure that it is reviewed regularly. There was evidence that the register has been updated recently. It was seen that there are efficient procedures in place to identify modifications and additions that have been made to the risk register. We found that robust arrangements are in place in order to discuss progress with the project, with meetings of the GwyriAD Liaison Committee held monthly. When looking at a sample of the risks that are included in the risk register we found that appropriate controls have been taken to try to protect against these risks. We found that some risks in the register need to be amended and for this reason appropriate steps should be taken to strengthen the controls already in place with GwyriAD Project risk register.

Audit Opinion

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

- **The Project Manager should ensure that they regularly assess the Risk Register to ensure that it is up to date. The risk register should be assessed regularly to ensure that the risks have received appropriate risk score and that all risks are included. It should be ensured when the draft risk register is approved by the management team that changes made to the register are recorded.**
- **It is suggested that the risk of the weather disrupting the construction of facility is included in the risk register and the potential impact on the schedule reflected.**
- **It is suggested that comments should be amended in the 'Actions' for risk number 26 as the level of risk has now been amended following the renewal of the risk register.**

MEMBERS' IT ARRANGEMENTS

Strategic and Improvement

Purpose of the Audit

The purpose of the audit was to ensure that IT arrangements for members comply with that approved by the Council Board in March 2012. Ensure that members have received training and instructions of what is expected with regards to the Council's IT arrangements and that an agreement in place which states that members accept the Gwynedd Council's IT Usage Policies.

Scope of the Audit

During the audit, it was verified that the IT arrangements comply with those approved by the Council Board in March 2012 by inquiring what instructions and training members of the Council had been received. It was checked whether the IT equipment that members have received is adequate to fulfill their duties, and that there is contract in place which states that members accept ownership of IT equipment and the policies involved.

Main Findings

Many resources have been assigned to implement the ambitious IT Plan for Members. A significant provision for training and support is in place and it is clear that officers are determined for the plan to proceed successfully.

At the time of the audit, it was not possible to state that all objectives of the Plan will be achieved because the new plan has not been fully implemented nor the previous arrangements terminated. It was not possible to assess financial savings in relation to printing costs because their production has not come to an end. It appears that there had not been an arrangement of collecting and evaluating quotations in advance.

The assessment of which technology to invest in is based on a review by another authority in an effort to avoid duplication of work but there are aspects, such as the sample size assessed, that limit the usefulness of that assessment for Gwynedd Council.

It seems that a high percentage of Members is endeavouring to adopt the new plan, but some are reluctant to use the Council's e-mail and others are struggling to cope with the technology. These cases impair the ability of the Council to achieve its objectives and undermine the security measures that the Plan offers. The current Plan replaces the previous plan that had failed partly because of lack of participation of Members in it. The Council needs to assess why such a situation arises and take practical steps to respond to any issues or worries so that the current plan does not fail.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Members' IT 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:

- **A review should be undertaken to assess why individuals are not willing to use the technology in which the Council has invested for them and take steps to respond to any issues and allay any concerns to ensure that the existing Plan, and any subsequent plans, does not fail.**
- **Cases where there is a significant order of IT hardware or software in order to fulfill the requirements of a specific plan should be foreseen and a process of gathering quotes carried out with an agreement established with suppliers.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	29 JANUARY 2013
TITLE	INTERNAL AUDIT PLAN 2012/13
PURPOSE	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2012/13 INTERNAL AUDIT PLAN
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2012/13 internal audit plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2012/13 internal audit plan is included in the appendix with the status of the work as at 31 December 2012 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	22
Working Papers Created	4
Field Work Started	10
Field Work Ended	3
Draft Report Issued	2
Final Report Issued	57
Closed	1
Total	<u>99</u>
Cancelled	11

2.2 The performance target for 2012/13 is to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2013. The quarterly profile of this indicator is as follows:

End of quarter 1	15%
End of quarter 2	35%
End of quarter 3	60%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit's actual achievement up to the end of the third quarter was **58.59%** against a target of 60%. The actual achievement was therefore slightly lower than the quarterly target.

3. AMENDMENTS TO THE PLAN

- 3.1 In addition to amendments that have been reported to previous meetings of the Audit Committee, following a review of the development of certain projects within the Council, and discussions with heads of department and other key officers, a number of modifications were made to the Audit Plan during the period up to 31 December 2012.
- 3.2 The tables below summarise these adjustments, as well as presenting reasons for the changes.

Table 1: Audits that have been removed from the plan:

Title	Reason	Effect (Days)
Local Budgets (<i>Corporate</i>)	At the time of drawing up the original audit plan, there was an expectation that Local Budgets would have been introduced in accordance with the original Three Year Plan 2011-2014. They have not yet been adopted, so the area is not suitable for auditing.	-10
eProcurement System (<i>Finance</i>)	Although the eProcurement system has been introduced, in the opinion of Internal Audit further development is needed before a full system audit would offer added value.	-20
Data and Information Quality Assurance (<i>Provider and Leisure</i>)	This involved further development of the CACI system. There has been a decision by the Department not to proceed with these steps for the time being, so there is no benefit in undertaking an internal audit of the area.	-20
Learning Disabilities Rationalisation of Provision Project (<i>Provider and Leisure</i>)	There have been many changes in the care field since production of the original internal audit plan, and these changes continue. As a result, it was decided that it would be a better use of resources of Internal Audit to review other areas, as set out in Table 3 below.	-10
Asset Management Plan (<i>Customer Care</i>)	As the Asset Management Plan will continue to be reviewed during 2012/13, it was decided to move the audit to 2013/14 in order to release resources to conduct new audits of higher priority, as indicated in Table 3 below.	-20
Occupational Therapy Service Partnership (<i>Housing and Social Services</i>)	Although this has been included in the original audit plan at the request of the Department, there has been insufficient progress to warrant the use of Internal Audit resources on it.	-10
Joint Commissioning with BCULHB (<i>Housing and Social Services</i>)	There have been successful joint audit with the Health Board during 2011/12. However, after discussions with officials of the Health Board's Internal Audit service it was concluded that there is limited scope for further work in 2012/13 given the work already achieved.	-25
Care Systems Support Unit (<i>Housing and Social Services</i>)	There was a proposal to establish a joint unit between Gwynedd Council and Anglesey County Council. The scheme has not progressed, so there is no scope for an audit at the moment.	-10

Table 2: Audits where the planned days have been reduced:

Title	Reason	Effect (Days)
Evaluation of the Social Media Pilot (<i>Customer Care</i>)	It was reported to the meeting of the Audit Committee on 22 November that 20 days have been allocated for this audit. Following requests for other investigations, and after researching further the extent of this audit, it was decided that 15 days is sufficient for the work.	-5
Corporate Risk Management (<i>Finance</i>)	Two days have been used for a short, specific review of the Inclement Weather Policy.	-2

Table 3: Audits that have been added to the plan:

Title	Reason	Effect (Days)
Quality of Correspondence (Corporate)	The audit has been added to the plan following an assessment of a request from the Head of Customer Care, after the audit <i>Arrangements for Dealing with Correspondence</i> .	+5
Staff CRB Checks (Corporate)	The audit has been added to the plan as part of a wider review of the Council's arrangements for safeguarding and protecting children and young people. An independent review of the Council's position with regards to the procedures for undertaking the relevant CRB checks on staff as part of the recruitment and appointment process is intended.	+25
Contract Terms - CRB Checks (Corporate)	As a further development of the above investigation, a request was received by the Head of Social Services, Housing and Leisure to conduct a review to ensure that contractors who work for the Council also meet their obligations in terms of CRB checks on their staff too. The process of scoping this audit is currently underway.	+25
Wales Government - Arrangements for Processing Student Finance (Education)	A request was received from the Welsh Government that Internal Audit conduct a review on the Education Department's arrangements for administering Student Finance. It is noted this is a request that has been sent to every council in Wales, and is not a reflection of the Government's perception on Gwynedd's arrangements.	+10
Consultancy Work - Finance Department Intranet Site (Finance)	After the appointment of temporary officers in Internal Audit during the summer of 2012, it was decided to incorporate this task into the audit plan, and identified as consultancy work (rather than employing another person to undertake the task).	+10
Income System Bank Reconciliation (Finance)	Further to Internal Audit's review of key controls of the Bank Reconciliation System in February 2012, and the Wales Audit Office's report on the Audit of Financial Statements presented to the Audit Committee meeting on 27 September 2012, it was decided that a further review would be conducted by Internal Audit during 2012 / 13 to ensure that the controls are now working effectively.	+10
Inclement Weather Policy (Customer Care)	As part of wider work on the Corporate Risk Management system, it was decided that it would be timely to address specifically the Inclement Weather Policy.	+2
Client Finance (Housing and Social Services)	This audit had been programmed to take place during 2013/14, but since other investigations have been cancelled for the reasons stated above, it has been moved forward to 2012/13.	+15
Members' Salaries and Expenses (Strategic and Improvement)	This was also an audit had been programmed to take place during 2013/14, but due to significant changes in the political arrangements has increased the risk of error, it was decided that it would be an appropriate use of internal audit time to conduct this review during 2012/13.	+20
Achievement of Savings Projects (Strategic and Improvement)	This is a key area for the Council. A review of the arrangements within the Department of Social Services, Housing and Leisure was undertaken separately, but it was concluded that undertaken a review of the arrangements in the rest of the Council during 2012/13 as well would be beneficial.	+10

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2012/13 audit plan, offer comments thereon and accept the report.



Internal Audit Plan 2012/13

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-03/2013	Arrangements for Dealing with Correspondence	30.00	0.00	30.00	32.89	Final Report Issued
1-CORFF-03/2013ans	Quality of Correspondence	0.00	5.00	5.00	0.81	Planning
1-CORFF-08/2013ynni	Energy Use	20.00	0.00	20.00	10.02	Planning
1-CORFF-09/2013gw	Workforce Planning	20.00	0.00	20.00	18.46	Field Work Started
1-CORFF-11/2013CRB	Staff CRB Checks	0.00	25.00	25.00	9.74	Field Work Started
1-CORFF-14/2013	Site Manager Functions	20.00	0.00	20.00	28.67	Final Report Issued
1-CPGV-01/2013	Contribution to preparation of the Annual Governance Statement	10.00	0.00	10.00	5.62	Final Report Issued
1-CTRT-02/2013	Undertaking Company Financial Assessment - NMWTRA Framework PQQ2	5.00	0.00	5.00	4.70	Final Report Issued
1-CTRT-03/2013tai	Former Housing Stock - Retention Monies	5.00	0.00	5.00	2.51	Planning
1-CTRT-06/2013	Contract Terms - CRB Checks	0.00	25.00	25.00		Planning
1-GRANT-AMG/2013cmac	Grant - Wales Coastal Monitoring Centre	10.00	0.00	10.00	7.97	Final Report Issued
1-GRANT-AMG/2013fial	Grant - National Framework for Animal Health and Welfare	10.00	0.00	10.00	9.77	Final Report Issued
2ADN-ADY-GWY/2013	Recording and Managing Leave	25.00	0.00	25.00	28.00	Final Report Issued
AE-TAL-04/2013tr	Administration of Invoices before passing to the Payments Unit	10.00	0.00	10.00	14.78	Final Report Issued
AN-ACY-03/2013II	Local Budgets	10.00	-10.00	0.00		Cancelled
AO-ARL-01/2013	Barclaycard Credit Cards	14.00	0.00	14.00	16.66	Final Report Issued
AO-ARL-05/2013	NFI (National Fraud Initiative)	25.00	0.00	25.00	28.45	Field Work Started
BC-PER-07/2013	Recruitment - Identity Checks	15.00	0.00	15.00	14.20	Final Report Issued
BE-POL-07/2013	Outcome Agreement	20.00	0.00	20.00	19.73	Field Work Ended
EDUCATION						
Resources						
4-DAT-X-ADD/2013ases	Welsh Government Development Programme Extension for Thinking and Assessment for Learning Grant	6.00	0.00	6.00	6.09	Final Report Issued
4-DAT-X-ADD/2013bao	Appetite for Life Grant	10.00	0.00	10.00	17.97	Final Report Issued
4-DAT-X-ADD/2013brec	Primary Schools Free Breakfast Initiative Grant	8.00	0.00	8.00	8.99	Final Report Issued
4-DAT-X-ADD/2013ffg	Community Focused Schools Childcare Allocation	10.00	0.00	10.00	13.09	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
4-DAT-X-ADD/2013ks23	Foundation Stage 2011-12 Revenue Grant	5.00	0.00	5.00	6.45	Final Report Issued
4-DAT-X-ELWa/2013	Post-16 Education Grant	1.00	0.00	1.00	0.95	Final Report Issued
EADDA23/2013	School Milk Service	10.00	0.00	10.00	9.40	Final Report Issued
EADDA26/2013	Management of secondary school building maintenance - VFM	10.00	0.00	10.00	2.26	Planning
EADDU01/2013	Wales Government - Arrangements for Processing Student Finance	0.00	10.00	10.00	0.27	Planning
Across the department						
EADDA33/2013	Appointment of Management Consultants, Education Department	10.00	0.00	10.00	11.21	Final Report Issued
Schools						
EADDA16/2013	Supply Appointments	15.00	0.00	15.00	23.75	Final Report Issued
EADDAYC/2013a	Primary Schools - Dismissals due to redundancy	22.00	0.00	22.00	0.00	Planning
EADDAYC/2013b	Primary Schools - Information Security	22.00	0.00	22.00	24.11	Final Report Issued
EADDAYC/2013c	Primary Schools - Teacher Allowances and Conditions of Service for Heads	20.00	0.00	20.00		Planning
HUMAN RESOURCES						
Support Unit						
BC-PER-05/2013	Administration of Car Loans	10.00	0.00	10.00	16.38	Final Report Issued
NORTH AND MID WALES TRUNK ROAD AGENCY						
3-AMG-ACGC/2013	Trunk Road Agency - invoices between councils	15.00	0.00	15.00	5.86	WP Created
FINANCE						
Across the department						
AO-ARL-09/2013	Consultancy Work - Finance Department Intranet Site	0.00	10.00	10.00	1.42	Field Work Started
Audit and Risk						
AM-YS-03/2013	Corporate Risk Management	10.00	-2.00	8.00	4.65	WP Created
Financial						
AD-DY-01/2013br	Income System Bank Reconciliation	0.00	10.00	10.00	0.00	Planning
AD-DY-01/2013kc	Debtors System - Review of Key Controls	10.00	0.00	10.00	14.38	Final Report Issued
AE-TAL-01/2013e	eProcurement System	20.00	-20.00	0.00		Cancelled
AE-TAL-01/2013kc	Payments System - Review of Key Controls	10.00	0.00	10.00		Planning
Accountancy						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AN-ACY-02/2013kc	Main Accounting System - Review of Key Controls	10.00	0.00	10.00	10.19	Final Report Issued
AN-ACY-02/2013pr	Main Accounting System - Upgrade Project	15.00	0.00	15.00	10.74	Final Report Issued
Pensions and Payroll						
AL-CYF-01/2013bacs	Payroll - BACS runs	5.00	0.00	5.00	5.57	Final Report Issued
AL-CYF-01/2013er	Payroll System Exception Reports	5.00	0.00	5.00	5.43	Final Report Issued
AL-CYF-01/2013hon	Use of Honoraria	0.00	10.00	10.00	8.18	Field Work Ended
AL-CYF-01/2013kc	Payroll System - Review of Key Controls	10.00	0.00	10.00	0.37	Planning
AL-CYF-01/2013par	Payroll System - Parameters and Algorithms	15.00	0.00	15.00	11.77	Final Report Issued
AL-CYF-07/2013	Payroll System - Deductions of Tax and National Insurance	15.00	0.00	15.00	10.73	Final Report Issued
AL-CYF-14/2013caci	Home Carer Wages - Cyborg - CACI Interface	10.00	-10.00	0.00		Cancelled
Revenue						
AA-AR-01/2013paye	Paye.net System	10.00	0.00	10.00	4.59	Field Work Started
AA-AR-03/2013	Income collection at offices	10.00	0.00	10.00	16.20	Final Report Issued
AB-BD-01/2013dis	Discretionary Benefits	15.00	0.00	15.00	6.46	Field Work Started
AB-BD-01/2013kc	Benefits System - Review of Key Controls	10.00	0.00	10.00	7.70	Field Work Started
AC-TR-01/2013kc	Council Tax System - Review of Key Controls	10.00	0.00	10.00		Planning
AC-TR-01/2013sac	General IT Controls: Council Tax, Benefits and NNDR (Follow-up to WAO audit)	10.00	0.00	10.00	4.43	Final Report Issued
AC-TR-11/2013kc	NNDR System - Review of Key Controls	5.00	0.00	5.00	8.42	Final Report Issued
PROVIDER AND LEISURE						
Business and Administration Support						
M-GMG-GW01/2013	Data and Information Quality Assurance	20.00	-20.00	0.00	2.87	Cancelled
Cleaning and Caretaking						
M-GMG-J02/2013	Supervision of Duty Managers	15.00	0.00	15.00	17.00	Final Report Issued
Residential and Day						
GDARP-D07/2013	Supported Housing - Imprest Accounts and Income	20.00	0.00	20.00	21.79	Final Report Issued
GDARP-D08/2013	Learning Disabilities Rationalisation of Provision Project	10.00	-10.00	0.00	2.97	Cancelled
ECONOMY AND COMMUNITY						
Community Regeneration						
1-CTRT-04/2013c	Contract Management - Blaenau Ffestiniog Regeneration	10.00	0.00	10.00	23.14	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
BE-POL-10/2013gen	Genesis Scheme	15.00	0.00	15.00	17.68	Field Work Ended
BE-POL-10/2013pre	Young Apprentices Employment Route Project	15.00	0.00	15.00	2.77	Planning
BE-POL-10/2013tiw	New Work Connections Scheme	10.00	0.00	10.00	12.85	Final Report Issued
T-TAI-C04/2013	Communities First	20.00	0.00	20.00	0.66	Planning
Youth						
EADDI01/2013clwb	Youth Clubs	20.00	0.00	20.00	32.01	Final Report Issued
Major Projects						
1-CTRT-04/2013a	Contract Management - Sailing Academy	10.00	0.00	10.00	0.36	Planning
Skills and enterprise						
DDAT-AD06/2013	"Llwyddo'n Lleol"	20.00	0.00	20.00	0.89	Planning
DDAT-AD06/2013pot	"Potential" Project	10.00	0.00	10.00	9.55	Final Report Issued
Strategy and development Programmes						
4-DAT-X-GRANT/2013r	Youth Club Grants - Revenue Grant	5.00	0.00	5.00	5.82	Final Report Issued
CUSTOMER CARE						
Emergency Planning						
BC-PER-01/2013tyw	Inclement Weather Policy	0.00	2.00	2.00	1.64	Final Report Issued
Information Technology						
AW-TG-01/2013	Evaluation of the Social Media Pilot	0.00	15.00	15.00	4.66	Field Work Started
AW-TG-04/2013	Change Control	15.00	0.00	15.00	1.26	Planning
AW-TG-06/2013a	Thin Client	10.00	0.00	10.00	0.47	Planning
AW-TG-08/2013	Backups and Service Continuity	10.00	0.00	10.00	5.76	Final Report Issued
AW-TG-09/2013	Network Convergence	20.00	-20.00	0.00		Cancelled
Council Land and Property						
1-CTRT-04/2013b	Contract Management - Bro Dysynni Area School	10.00	0.00	10.00	3.34	WP Created
BA-EID-02/2013	Asset Management Plan	20.00	-20.00	0.00		Cancelled
BA-EID-02/2013leg	Protection from Legionella	20.00	0.00	20.00	22.53	Final Report Issued
SOCIAL SERVICES						
Across the department						
5-GOF-GCY-PART/2013a	Occupational Therapy Service Partnership	10.00	-10.00	0.00		Cancelled

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
5-GOF-GCY-PART/2013c	Extra Care Housing	20.00	0.00	20.00	9.73	Final Report Issued
5-GOF-PaPh-1/2013	Social Services Performance Measures - Accuracy of Core Data	25.00	15.00	40.00	46.86	Final Report Issued
5-GOF-X-CYLL/2013	Social Services - Implementing Savings	20.00	0.00	20.00	25.66	Final Report Issued
5-GOF-X-CYMD/2013	First Steps Improvement Package Grant	5.00	0.00	5.00	3.89	Final Report Issued
GCC-01/2013	Commissioning Framework Standard 7	0.00	5.00	5.00	6.37	Closed
GCC-05/2013	Joint Commissioning with BCULHB	25.00	-25.00	0.00		Cancelled
GRH-GW01/2013ff	Social Services - Security of Files and Data	20.00	-20.00	0.00		Cancelled
GRH-GW02/2013br	Client Assets Management Unit - Internet Banking	10.00	0.00	10.00	6.28	Final Report Issued
GRH-GW02/2013cc	Client Finance	0.00	15.00	15.00		Planning
GTG-SYS01/2013	Care Systems Support Unit	10.00	-10.00	0.00	1.86	Cancelled
Business						
5-GOF-BUS/2013all	Social Services Contracting Arrangements	40.00	0.00	40.00	41.93	Draft Report Issued
GGWAS-D02/2013	Brokerage Service	15.00	0.00	15.00	17.93	Final Report Issued
Children and Families						
GGWAS-P05/2013lley	Accommodation for Young Persons leaving care	15.00	0.00	15.00	3.89	Field Work Started
HIGHWAYS AND MUNICIPAL						
Fleet						
PGW-TR-02/2013	Workshops - Health and Safety Supervision	10.00	0.00	10.00	14.64	Final Report Issued
Municipal Works						
PBW-07/2013	Street Cleaning	15.00	0.00	15.00	17.02	Final Report Issued
Highways Works						
PPR-A55-01/2013	Works - A55 Contract	25.00	0.00	25.00	26.84	Final Report Issued
Waste Management and Streetscene						
PBW-03/2013	GwyriAD Scheme	20.00	0.00	20.00	17.03	Final Report Issued
REGULATORY						
Public Protection						
BB-YSG-11/2013	Licencing Unit	12.00	0.00	12.00	20.61	Final Report Issued
Transportation and Street Care						
1-GRANT-AMG/2013gtc	Grant - Local Transport Service	10.00	0.00	10.00	7.97	Final Report Issued

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
3-PROJ-TRAF/2013briw	Pont Briwet Project	10.00	0.00	10.00	6.86	WP Created
3-PROJ-TRAF/2013trac	TraCC Partnership	15.00	0.00	15.00	11.38	Field Work Started
DDAT-CC-01/2013cy	Community Transport	20.00	0.00	20.00		Planning

STRATEGIC AND IMPROVEMENT

Democracy

BB-YSG-18/2013ex	Equipment with Former Members	15.00	0.00	15.00	8.14	Draft Report Issued
BB-YSG-18/2013tg	Members' IT arrangements	15.00	0.00	15.00	6.62	Final Report Issued
BE-POL-14/2013	Members' Salaries and Expenses	0.00	20.00	20.00	3.88	Planning

Performance and Scrutiny

1-CORFF-05/2013a	Achievement of Savings Projects	15.00	10.00	25.00	1.74	Planning
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GWYNEDD CONSULTANCY

Engineering and Building Control

3-YMG-CTRRT/2013fa	Comparison of Final Accounts with Original Tender	10.00	0.00	10.00	9.59	Final Report Issued
3-YMG-CTRRT/2013pen	Appointment of Engineering Contractors	20.00	0.00	20.00	21.32	Final Report Issued
3-YMG-CTRRT/2013pont	Bridges	10.00	0.00	10.00	12.65	Final Report Issued

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	29 JANUARY 2013
TITLE	GWYNEDD COUNCIL'S ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY STRATEGY AND RESPONSE PLAN
PURPOSE OF REPORT	TO PRESENT ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY AND FRAUD, BRIBERY AND CORRUPTION RESPONSE PLAN TO THE AUDIT COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO ADOPT THE STRATEGY AND PLAN AND DECLARE SUPPORT FOR THEIR CONTENTS

I. INTRODUCTION

- I.1 The previous Anti-Fraud and Anti-Corruption was adopted by the Audit Committee in June 2009. The Strategy superseded previous strategies that had been in place for many years.
- I.2 The previous strategy recognised that Gwynedd Council, like any other public organisation that deals with a substantial amount of money, could be subject to attempts to defraud or to influence officers and / or members in a corrupt manner. This can be undertaken or attempted by individuals from outside the Council, by staff, by members or by a combination of these conspiring with each other. As a result of the Bribery Act 2010, there is a need to update the Strategy in order to recognise the latest requirements.
- I.3 The Strategy forms a key part of the authority's governance framework, and its adoption, its promotion and its implementation are essential steps in gaining the confidence of the public with regards to protecting taxpayers' money. It reflects the Council's determination to protect itself from fraud and corruption and its intention is to ensure high standards of public accountability.
- I.4 The 2013-2016 Strategy contains an Action Plan to promote the document and the messages contained within it, so that the responsibilities contained therein are known to all relevant persons.
- I.5 These documents reflect the determination of the Council to protect itself from fraudulent and corrupt practices and its commitment to ensure high standards of public accountability.

2. ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

- 2.1 The purpose of the Anti-Fraud and Anti-Corruption Strategy is to provide an overview of the Council's policy towards fraud and corruption and those who perpetrate, or seek to perpetrate, fraud and corruption against Gwynedd Council and the taxpayer. It is designed to achieve the following:
- Explain what the Council means by fraud, bribery and corruption;
 - Set out the standards that the Council expects from its Elected Members and employees;
 - Encourage fraud prevention;
 - Promote fraud detection;
 - Show how the Council will investigate fraud, bribery and corruption;
 - Promote fraud awareness.
- 2.2 To ensure that the Strategy is effective in achieving its objectives, the Audit Committee will receive regular reports, every approximately 6 months, on the Council's anti-fraud, anti-bribery and anti-corruption efforts.

3. FRAUD AND CORRUPTION RESPONSE PLAN

- 3.1 The Fraud and Corruption Response Plan is to be read in conjunction with the Strategy, and sets out what staff and/or managers should do when they suspect that fraud or corruption is occurring, and the practical steps that the Council shall follow to deal with the matter. The document sets out what the following should do when discovering or suspecting fraud, bribery or corruption:
- Staff
 - Managers
 - Auditors
- 3.2 The plan has been developed to give due attention and consideration to a number of other policies and working practices within the Council in order to ensure consistency, including:
- The local conditions of service
 - Disclosure Policy ("Whistleblowing")
 - Disciplinary Policy
 - Financial Procedure Rules
 - Internal Audit Terms of Reference
- 3.3 The Response Plan explains how the Council will act in order to investigate allegations of fraud, bribery or corruption, including how this connects with the Authority's Disciplinary Policy.
- 3.4 The plan also outlines how the Council will act and the options which must be considered, when sufficient evidence has been collected to support the allegation of fraud, bribery or corruption, including internal discipline and/or criminal or civil prosecution, or a combination of these.

4. RECOMMENDATIONS

- 4.1 The Audit Committee is asked to approve the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy and the Fraud and Corruption Response Plan, and formally adopt them.
- 4.2 The Audit Committee is asked to express support to the documents and to support Council Members and officers in their implementation.

GWYNEDD COUNCIL
ANTI-FRAUD, ANTI-BRIBERY AND ANTI-CORRUPTION STRATEGY
2013 – 2016

1. INTRODUCTION

In carrying out its functions and responsibilities, the Council has always adopted a culture of openness and fairness. The Council expects that Elected Members, employees, consultants, suppliers, contractors and other partner organisations will adopt the highest standards of propriety and accountability.

The Council is therefore firmly committed to dealing with fraud, bribery and corruption and will deal equally with perpetrators from inside and outside the Council. Wherever fraud of any description is uncovered it will be investigated and appropriate prosecution, disciplinary and recovery action will be taken.

Gwynedd Council will adopt and maintain a zero-tolerance attitude to Fraud, Bribery and Corruption.

An important part of this approach is maintaining an Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy, which the Council will use to advise and guide Elected Members and staff on its approach to the serious issues of fraud, bribery and corruption.

2. PURPOSE

This document provides an overview of the Council's policy in this matter and is to read in conjunction with the Fraud, Bribery and Corruption Response Plan which provides more detailed guidance on how to deal with fraud, bribery and corruption. It is designed to achieve the following:

- Explain what the Council means by fraud, bribery and corruption;
- Set out the standards that the Council expects from its Elected Members and employees;
- Encourage fraud prevention;
- Promote fraud detection;
- Show how the Council will investigate fraud, bribery and corruption;
- Promote fraud awareness.

3. DEFINITIONS

Fraud

The Fraud Act 2006, which came into force in January 2007, introduced a new general offence of fraud and three ways of committing it:

- **Fraud by false representation** – where an individual dishonestly and knowingly makes a representation that is untrue or misleading.
- **Fraud by wrongfully failing to disclose information** – where an individual wrongfully and dishonestly fails to disclose information to another person when they have a legal duty to disclose it, or where the information is of a kind that they are trusted to disclose it, or they would be reasonably expected to disclose it.
- **Fraud by abuse of position** – where an individual who has been given a position in which they are expected to safeguard another person's financial interests dishonestly and secretly abuses that position of trust without the other person's knowledge.

Common types of fraud to which the Council could fall victim would include (the lists are not exhaustive):

Fraud by false representation:

- false or exaggerated travel claims or overtime claims,
- invoices presented for services not received,
- having alternative employment when "signed off" work by a GP,
- recording incorrect hours on the flexible hours scheme.

Fraud by wrongfully failing to disclose information

- Failure to disclose a relevant or unspent criminal conviction on an application form for a job,
- Contractors failing to disclose Health and Safety prosecutions on tender documents,
- Understating the value of Council assets before disposal to family, friends or one's self.

Fraud by abuse of position

- It can be argued that most fraud concerning Council money falls into this category since Council members and employees are entrusted with the care of public money, and their position within the organisation has facilitated the offence (see "Internal Fraud" below). Particular offences under this section would include theft from home care clients by their carers, or fraudulently awarding contracts to friends and / or family members.

In all of the above, the Fraud Act outlines two basic requirements which must be met before any of the above can be charged: the defendant's conduct must be dishonest and his/her intention must be to make a gain or cause a loss (or the risk of a loss) to another. Therefore, in terms of the behaviour that is pertinent to this Strategy:

- No loss or gains need to materialise – an intent to make a gain or cause a loss will be construed as an act of fraud
- A gain does not have to be for the person committing the act of fraud – it could be for another
- "Gain" and "loss" are as defined by Section 5 of the Fraud Act – it could be money or other property (whether real or personal, tangible or intangible), it could be permanent or temporary and:
 - a "gain" includes a gain by keeping what one has, as well as gain by getting what one does not have, and a "loss" includes a loss by not getting what one might get, as well as a loss by parting with what one has.

Internal and External Fraud

In this strategy, "Internal Fraud" is defined as fraud perpetrated by the Council's own employees or members, with an intention of causing a loss to Gwynedd Council, and where the fraud has been perpetrated or facilitated as a result of an individual's or group of individuals' position within the organisation. "External fraud" is defined as fraud committed by individuals from outside the organisation, or from outside an employee's normal area of work, with a view to causing a loss to the Council.

In most cases, any fraudulent act would be easily identifiable as "internal" or "external" fraud, but in some cases the situation may be more ambiguous since an employee or member of the Council can commit external fraud as well as internal fraud against the authority. For example, a Council employee making a claim for a means-tested grant but deliberately withholding certain information that would affect the amounts of grant paid would be viewed as an "external fraud". However, should a member of staff who plays a part in the process of administering the grant take advantage of their employment to fraudulently divert grant monies to themselves, this would be seen as an "internal fraud".

Benefit Fraud

Gwynedd Council's strategy for dealing with benefit fraud will differ from its approach to dealing with other kinds of fraud committed against the Council, and is outside the scope of this Strategy.

There will be significant changes in the area of benefits over the lifetime of this Strategy, which will mean changes in the powers available to investigate benefit fraud, and the introduction of the Council Tax Support Scheme in 2013 means that this support will no longer be considered a benefit that can be investigated using powers under the Social Security Administration Act 1992.

Corruption and Bribery

Corruption is defined as “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”.

The Bribery Act 2010, which came into force in July 2011, is the legislation relating to bribery which is based on the Public Bodies Corrupt Practices Act 1889 and the Prevention of Corruption Act 1916. Under this Act, the offering, the following are offences:

- **Active bribery:** offering, promising or giving a bribe (Section 1).
- **Passive bribery:** requesting, accepting or agreeing to accept a bribe (Section 2).
- **Bribing a foreign public official** (Section 6).
- **Corporate offence of failing to prevent bribery:** commercial organisations which fail to prevent persons associated with them from bribing on their behalf (Section 7).

To be able to fully defend this offence, the Council will put adequate procedures in place to prevent persons associated with it from bribing on their behalf.

The six principles of the procedures which should be in place are as follows:

1. **Proportionate procedures:** the procedures that are introduced should be proportionate to the bribery risks faced and to the nature, scale and complexity of the Council’s activities. These procedures should also be clear, practical, accessible, effectively implemented and enforced.
2. **Top level commitment:** the Council and Cabinet should be committed to preventing bribery by persons associated with the Council. A culture in which bribery is never acceptable should be fostered.
3. **Risk assessment:** The nature and extent of exposure to potential external and internal risks of bribery is assessed. This assessment should be periodic, informed and documented.
4. **Due diligence:** due diligence procedures are applied in a proportionate and risk-based method, in respect of persons who perform or will perform services for, or on behalf of the Council to mitigate identified bribery risks.
5. **Communication (including training):** seek to ensure bribery prevention policies and procedures are embedded and understood throughout the Council.
6. **Monitoring and review:** procedures designated to prevent bribery are monitored and reviewed with improvements made where necessary.

Proceeds of Crime

The Proceeds of Crime Act 2002 provides for the confiscation or civil recovery of the proceeds from crime, which requires payment from the convicted individual based on the benefit obtained from their crimes. The Act allows the confiscation of money, material assets and hidden assets.

Examples of where this Act can be used by the Council are as follows:

- Planning enforcement.
- Environmental Health – fly tipping, illegal dumping of tyres.
- Housing – false claims from landlords.
- Animal Health – dog breeding licence.
- Trading standards – selling of fake goods.
- Staff – expenses fraud.

In order to proceed with a case under the Proceeds of Crime Act 2002, an individual (or group of individuals) must have been found guilty of an offence in court. Consideration must then be made on the ability of the individual to pay and the amount concerned.

CULTURE

The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. There is an expectation and requirement that individuals and organisations associated in whatever way with the Council will act with integrity and that elected members and employees at all levels will lead by example.

Various Codes of Conduct

“The Code of Conduct (Qualifying Local Government Employees) (Wales) Order 2001” sets out an approach to work that is both honest and fair. Employees must act in line with the code at all times which includes:

- General Principles;
- Accountability;
- Political Neutrality;
- Relations with Members, the Public and Other Employees;
- Equality;
- Stewardship;
- Personal Interests;
- Whistleblowing;
- Treatment of Information;
- Appointment of Staff;
- Investigations by Monitoring Officers.

The Council has also a Code of Conduct for Members that sets out the following principles:

- Selflessness
- Honesty
- Integrity and Propriety
- Duty to Uphold the Law
- Stewardship
- Objectivity in Decision-making
- Equality and Respect
- Openness
- Accountability
- Leadership

together with the duty to disclose and register interests.

All Elected Members and staff are required to declare any offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the Council in accordance with the Code of Conduct regarding Gifts and Hospitality which has been adopted by the Council.

Whistleblowing Policy

Employees have an important role to play in dealing with fraud and corruption and the Council will encourage staff to warn and provide information if they suspect a case of fraud or corruption. Staff can do this in the knowledge that such concerns will be treated in confidence and properly investigated. Reporting procedures are outlined in the Council's Whistleblowing Policy. This scheme gives staff a safe and reliable method for reporting honestly any concerns regarding illegal, fraudulent or corrupt behaviour, financial malpractice, endangering the public or the environment, abuse of clients, etc. Whilst the areas covered by the Council's Whistleblowing Policy will be far wider than fraud, bribery and corruption, the encouragement to report such behaviour is an essential part of this policy.

Members and the general public are also encouraged to report concerns of fraudulent or corrupt behaviour by contacting the Senior Manager Audit & Risk via the Council's website or occasional publicity drives.

Systems of Internal Controls

In order to safeguard public funds, it is essential that employees comply with internal controls and systems that have been put in place by management to prevent fraud and corruption. When fraud or corruption has occurred due to weakness in the Council's systems and procedures, Heads of Department will ensure appropriate controls are implemented to prevent recurrence. In most cases, Internal Audit will review such controls as part of its overall assurance review, and should be given the support and co-operation of all managers and staff.

Managers have an additional responsibility for:

- Ensuring that staff for whom they are responsible are aware of the risk of fraud and corruption.
- Taking steps to prevent fraud and corruption through the use of appropriate internal controls and monitoring.
- Implementing agreed Internal Audit recommendations.
- Encouraging staff to report suspected fraud, bribery and corruption as directed in the Council's Whistleblowing Policy.

Co-operation with Investigators

All elected members and employees are expected to provide investigators with all assistance requested, and will provide a statement to the Police should they be required to do so.

5. PREVENTION OF FRAUD, BRIBERY AND CORRUPTION

The Council seeks to prevent fraud, bribery and corruption by:

- Raising awareness of the risk of fraud, bribery and corruption;
- Making Members and employees aware of their roles and responsibilities;
- Working with other agencies and bodies.
- Creating a culture where corruption and fraudulent behaviour is unacceptable behaviour.
- Seeking, where appropriate and in a proper manner, to publicise cases of fraud, bribery or corruption perpetrated against the authority

All Members and employees should be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and be able to share their concerns with the appropriate people.

It is essential that the policies and procedures for raising concerns are clearly set out and made available to Members, employees and the public. The Council must regularly review and update these policies and procedures.

Both Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Examples of such situations would include:

- Externalisation of services;
- Internal tendering;
- Planning; and
- Land issues.

Internal Controls and Audit Assurance

Managing the risk of fraud, bribery and corruption is the responsibility of management, who must make sure that suitable levels of internal check are included in working procedures, in particular financial procedures. It is essential (where practically possible) that duties are specified and segregated, so that individuals cannot carry out a complete transaction without input and/or verification by another appropriate officer.

The Senior Manager Audit & Risk is to be notified of all suspected or detected fraud, bribery, corruption or impropriety (see Section 6, "Detection and Investigation of Fraud, Bribery and Corruption"), to inform his opinion on the internal control environment and Internal Audit's work programme as well as to allow him to ensure appropriate action is taken.

Internal auditors are alert in all their work to minimise risks and exposures that could allow fraud, bribery or corruption to occur. Internal auditors are also alert to any indications that fraud, bribery or corruption may have been occurring and will advise the appropriate officers accordingly. However, audit procedures alone, even when performed with due professional care, cannot guarantee that fraud, bribery or corruption will be detected.

Recruitment

The Council must follow safe recruitment procedures when employing new staff or agency staff. This includes reviewing the previous employment records of potential staff with regard to their propriety, integrity and identity. This applies to both temporary and permanent staff. This may be done by the use of references from previous employers and review of qualification.

Inter-agency Co-operation

The Council is also committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, the Council will be prepared to develop and encourage the exchange of information (on national and local fraud and corruption activity) with other local authorities and external agencies, such as the Police, inter-authority audit officer groups, the Wales Audit Office and Government departments (including the Department of Work and Pensions). A leading example of this is the National Fraud Initiative (NFI) exercise that occurs every 2 years.

Due care in protecting the integrity and confidentiality of data is particularly important when exchanging information. Internal Audit will control and help exchanges of information.

6. DETECTION AND INVESTIGATION OF FRAUD, BRIBERY AND CORRUPTION

Under the Code of Conduct for Employees¹ and the Council's Financial Procedure Rules² employees must report any suspected cases of fraud or corruption to the Head of Finance or the Senior Manager Audit & Risk, either directly or through their line manager. Reporting cases in this way is essential to the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy and makes sure that:

- Suspected cases of fraud, bribery and corruption are investigated properly;
- The Fraud, Bribery and Corruption Response Plan is carried out properly;
- There is a standard process for dealing with all suspected cases of fraud, bribery and corruption;
- The public and the Council's interests are protected;
- Any possible sanction (criminal, civil, disciplinary or a combination of all three) is not compromised.

The 'CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom' states that, at the request of management, Internal Audit may go beyond the work needed to meet its assurance responsibilities and assist with the investigation of suspected fraud or corruption.

In order to maintain compliance with both the Internal Audit Code of Practice and the Council's Financial Procedure Rules, Gwynedd Council's strategy for investigating suspected fraud, bribery and corruption is that all cases are to be referred to Internal Audit for investigation. The Senior Manager Audit & Risk will work with management and other agencies to decide on the type and course of investigation. All investigations will be conducted pursuant to the Fraud and Corruption Response Plan.

The investigation will be undertaken in compliance with the Council's Disciplinary Policy and Procedure. Whereas the policy states that a formal investigation is not necessary for what the relevant line manager considers to be minor offences, no manager will view fraud, bribery, corruption or financial impropriety as a minor offence. Further, the Disciplinary Policy and Procedure also states that "how detailed the investigation is will be entirely dependent on the seriousness of the allegations". There will always be a presumption of formal action in cases of alleged fraud, bribery and corruption, and they will always be deemed as being sufficiently serious to warrant an official Internal Audit investigation.

The Disciplinary Policy and Procedure gives the following as examples of acts that constitute gross misconduct:

- Theft from the Council or any of the Council's clients.
- Serious fraud that would make the employee unsuitable to work with for the Council.
- Deliberate falsification of any records.
- A serious breach of confidence.

Steps under the Proceeds of Crime Act 2002 will also be considered where applicable.

¹ **Section 9:** In the event that a qualifying employee becomes aware of activities which that employee believes to be illegal, improper, unethical or otherwise inconsistent with this Code, the employee should report the matter, acting in accordance with the employee's rights under the Public Interest Disclosure Act 1998, and with the relevant authority's confidential reporting procedure, or any other procedure designed for this purpose.

² **Rule 12.9:** Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or any arrangement to claim an inappropriate payment from the Council, or other property of the Council, the Head of Service or other officer making the discovery shall comply with the Council's Anti-fraud and Corruption Strategy and immediately notify the Head of Finance and/or Senior Manager Audit & Risk, who shall take such steps as he/she considers necessary by way of investigation and report.

7. TRAINING

The Council recognises that the continuing success of this Strategy and its general credibility will depend, in part, on the effectiveness of programmed training and responsiveness of employees throughout the organisation.

During the lifetime of the Strategy, training and events will be held that have been specifically tailored to increase staff awareness and understanding on the characteristics of fraud, bribery and corruption within their areas of work, and their responsibilities when dealing with suspicions.

Amongst the intended methods to achieve this are:

- To develop a summary of the Strategy and Response Plan in order to communicate effectively the main points
- The use of CALMS policy promulgation software to raise awareness
- Develop a Fraud Awareness course that is to be included in the officers' training matrix
- A presentation to the Senior Managers' College.

A specific timetable is included in the Implementation Plan on page 12.

The Council is also committed to training and developing employees who are involved in investigating fraud, bribery and corruption, and will provide suitable training.

8. CONCLUSION

Gwynedd Council is committed to tackling fraud, bribery and corruption; its response will be effective, organised and based on the principles included in this document.

The Council shall continue to review its rules and procedures, therefore it is essential that this Strategy is regularly reviewed to maintain its effectiveness and continued compliance with legislation.

Implementation Plan 2013-2016

To ensure that the objectives and vision of this Strategy are achieved and backed up, the following steps are intended during 2013 – 2016

Action	By whom?	Timetable
Include proactive anti-fraud work in the Internal Audit Plan	Senior Manager Audit & Risk	14 February 2013 and annually thereafter
Review quarterly the self-assessment of the Council's resilience against fraud (CIPFA's "Red Book")	Senior Manager Audit & Risk	31 March 2013 ten quarterly until 31 March 2016
Prepare a summary of the Strategy and the Fraud Response Plan in a format that makes it more interesting and "user-friendly"	Senior Manager Audit & Risk	31 May 2013
Present a request to include an item on fraud awareness on the agenda of the Senior Managers' College	Senior Manager Audit & Risk	30 June 2013
Develop a quiz in CALMS (policy promulgation software) for all relevant staff	Senior Manager Audit & Risk	30 September 2013 and every 6 months thereafter until 31 March 2016
Include an item on anti-fraud work on the agenda of the Audit Committee twice a year, including the result of the self-assessment	Senior Manager Audit & Risk	30 September 2013
Develop a Fraud Awareness course for relevant managers within the Council, in collaboration with the Learning and Development Unit	Senior Manager Audit & Risk	31 December 2013
Attend training courses provided by professional bodies, and/or provide courses jointly with other authorities to maximise efficiency	Internal Audit Team Leaders	Continuously, as they become available

GWYNEDD COUNCIL
FRAUD, BRIBERY AND CORRUPTION RESPONSE PLAN

1. INTRODUCTION

Gwynedd Council is committed to sound corporate governance and to protecting the public funds with which it has been entrusted. However, the determined perpetrator will sometimes find a way around systems and procedures. Minimising any losses to fraud is an essential part of ensuring that the Council's resources are used for the purposes they are intended. To this end, the Council's Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy has been developed and maintained.

All managers need to be aware of what is required in the event of being notified of a suspected fraud. This Fraud Response Plan should be read in conjunction with the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy which sets out the process for staff who wish to notify any suspicions and notes how the Council's officers should respond. This Plan provides guidance on the action to be taken when a fraud is suspected or discovered and covers areas such as: to whom the fraud will be reported, responsibilities for actions, who will investigate the incident and how employees under suspicion will be dealt with.

It is vitally important that the Plan is followed by all concerned in order to ensure that the situation is handled professionally and to safeguard against the case being compromised. The use of the Plan may enable the Council to:

- prevent further loss,
- establish and secure evidence necessary for criminal and disciplinary action,
- notify the relevant authority, funding body and the Police,
- minimise and recover losses,
- take disciplinary action against those involved,
- review the reasons for the incident, the measures taken to prevent a recurrence and implement actions needed to strengthen procedures.

Further, this Plan aims to ensure that any investigation complies with the following Council policies and procedure:

- The Council's Staff Code of Conduct,
- The Council's Financial Procedure Rules,
- The Council's Whistleblowing Policy,
- The Council's Disciplinary Procedures.

Definitions

The definitions of "Fraud", "Internal and External Fraud", "Benefit Fraud" and "Corruption" are as found in the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy

Benefit Fraud

This Plan is not relevant to Benefit Fraud (as defined in the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy), for which separate procedures exist.

2. REPORTING A SUSPECTED FRAUD

Actions by Staff

Suspected fraud can be discovered in a number of ways. Examples are:

- A Council employee, by virtue of their post within the Council, becoming suspicious of time sheets, expenses claims, grant certificates, invoices etc presented for payment.
- A Council employee becoming suspicious of the activities of one or more of their colleagues.
- Irregularities discovered by an internal or external auditor during routine audit work.
- A Council member or employee being informed of an alleged fraud by external agencies or members of the public.

In all cases, it is important that staff feel able to report their concerns and that they are aware of the means by which they are able to do so. Suspicion of fraud will be treated seriously and will be reviewed and analysed in accordance with relevant legislation and the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy.

All staff should be aware that the Staff Code of Conduct and the Financial Procedure Rules (both of which are part of Gwynedd Council's Constitution) between them place an obligation on all employees to report suspected cases of fraud, corruption and irregularities to the Head of Finance and/or the Senior Manager Audit & Risk:

Staff Code of Conduct, Section 9: In the event that a qualifying employee becomes aware of activities which that employee believes to be illegal, improper, unethical or otherwise inconsistent with this Code, the employee should report the matter, acting in accordance with the employee's rights under the Public Interest Disclosure Act 1998, and with the relevant authority's confidential reporting procedure, or any other procedure designed for this purpose.

Financial Procedure Rule 12.9: Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or any arrangement to claim an inappropriate payment from the Council, or other property of the Council, the Head of Service or other officer making the discovery shall comply with the Council's Anti-fraud and Corruption Strategy and immediately notify the Head of Finance and/or Senior Manager Audit & Risk, who shall take such steps as he/she considers necessary by way of investigation and report.

However, the Council is fully aware that reporting these suspicions can be extremely stressful and traumatic (especially if the person under suspicion is the employee's line manager, or a colleague with whom they work on a daily basis, and/or with whom they share an office). As a result, a number of measures are in place in order to protect employees who report genuine concerns. In particular, the Public Interest Disclosure Act encourages people to raise concerns about malpractice in the workplace and helps ensure that organisations respond by:

- addressing the message rather than the messenger; and
- resisting the temptation to cover up serious malpractice.

Further guidance can be found in the Council's Whistleblowing Policy, which outlines the way in which any employee can report suspicions. However, the Whistleblowing Policy covers a far wider range of malpractice than fraud, corruption and financial irregularities. These other matters must be dealt with on their own merits and reported to the most appropriate place – usually to the relevant Senior Manager or Head of Department.

Any initial concerns and discussions that an employee may have will be treated sensitively and in complete confidence, and no-one should be afraid to raise them. There may be an innocent explanation for whatever the employee is concerned about - if this proves to be the case, then no further action will be needed and at least the concerns will have been aired.

A member of staff may choose to report their concerns anonymously and such anonymity will be respected. It should be noted that, if the report suggests criminal activity, and the case is to be pursued by police, the identity of the person reporting the details will be needed at a later date if criminal proceedings are to be pursued effectively; identification is preferred and will assist the investigation.

If anyone becomes aware of a suspected fraud or irregularity, their concerns should be written down as soon as is practically possible. A note should be made of all relevant details, such as what was said in phone or other conversations, the date, the time and the names of anyone involved. The matter should be reported immediately either:

- **to their own Line Manager, Head of Service or Strategic Director who will contact the Head of Finance and/or the Senior Manager Audit & Risk, or**
- **direct to the Head of Finance or Senior Manager Audit & Risk.**

When reporting their concerns, staff should arrange to hand over any notes they may have taken and any evidence gathered to the appropriate investigator. Confidentiality for all parties will be maintained in respect of reports made in good faith which cannot be substantiated following investigation.

Staff must not do any of the following:

- contact the suspected perpetrator in an effort to determine facts or demand restitution,
- discuss the case facts, suspicions, or allegations with anyone outside of Gwynedd Council (including the Press) unless specifically asked to do so by the Senior Manager Audit & Risk,
- discuss the case with anyone within the Council other than their own Line Manager, Head of Service, Strategic Director, Head of Finance or Senior Manager Audit & Risk,
- attempt to personally conduct investigations or interviews or question anyone, unless asked to do so by the Senior Manager Audit & Risk (acting in accordance with relevant legislation and codes of practice).

Action by Managers

If managers have reason to suspect fraud or corruption in their work area, they should do the following:

- Listen to the concerns of staff and treat every report received seriously and sensitively, making sure that all staff concerns are given a fair hearing. Managers should also reassure staff that they will not suffer because they have told them of their suspicions.
- Obtain as much information as possible from the member of staff, including any notes and any evidence they have that may support the allegation. Managers should not interfere with any evidence, and should and make sure it is kept in a safe place.
- Report the matter immediately to the Head of Finance and/or the Senior Manager Audit & Risk. They must not try to carry out an investigation themselves or ask an individual to covertly obtain further information, as this may compromise evidence (thus preventing appropriate disciplinary or criminal action in due course).

Action by Auditors

If the council's internal auditors discover what they suspect to be fraud, corruption or improper conduct during the course of an audit, they must secure all evidence and make detailed notes of all evidence collected. They should then report their suspicions immediately to their team leader, who must in turn inform the Senior Manager Audit & Risk at the earliest possible opportunity. The investigation process (section 4 below) will follow.

3. MALICIOUS ALLEGATIONS

If an allegation is made frivolously, maliciously or for personal gain, disciplinary action may be taken against the person making the allegation.

4. INVESTIGATION PROCESS

Internal Audit is responsible for initiating and overseeing all fraud investigations. Internal Audit will comply with its Fraud Investigation Plan to ensure that all investigations conform to the same standard and in accordance with legislation.

Under the Council's Disciplinary Policy and Procedure (Part 7.3 of the Local Conditions of Work), all alleged breaches of the Council's rules and standards will require an investigation to be held as soon as possible, unless the relevant line manager is of the opinion that the alleged offence is minor. However, in accordance with the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy, no manager should view allegations of fraud, corruption or financial irregularities as "minor offences", therefore an investigation will be held in all cases. The Disciplinary Policy and Procedure gives the following as examples of acts that constitute gross misconduct:

- theft from the Council or any of the Council's clients,
- serious fraud that would make the employee unsuitable for work with the Council,
- deliberate falsification of any records, or
- a serious breach of confidence.

Further, as outlined in the Strategy, a gain or loss does not have to materialise – an intent to defraud is sufficient to prompt an investigation.

The investigation procedure is **not** part of the disciplinary procedure; it is merely a process of gathering all of the facts related to the allegations, and this will be explicitly stated to any employee who is assisting the Council with such an investigation.

Investigation results will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct, and to protect the Council from potential civil liability.

In cases where an individual is suspected of fraud which a subsequent investigation does not substantiate, it is important that the potential damage to the individual's reputation is minimised. Whoever originally reported the suspected fraud or irregularity will be informed that the investigation has revealed no wrongdoing.

Any necessary investigative activity will be conducted without regard to any person's relationship to the Council, position or length of service.

Once the investigation has been completed, Internal Audit will prepare a written report which states the facts discovered by the investigation. The report will avoid speculation and no statement shall be made that cannot be supported by the facts.

5. PROCEEDINGS

Where evidence exists to support the allegation of fraud or corruption, consideration will be given to “triple-tracking” the enquiry. That is, whether the steps to be taken should be criminal, civil, disciplinary or a combination of all three.

Disciplinary Action

Where evidence of fraud or corruption has been gathered, the Internal Audit report described above will always be used as a formal record of an investigation as defined in the Council’s Disciplinary Policy and Procedure. Disciplinary procedures will be conducted by the relevant line manager, who will use the Internal Audit investigation report as major evidence; the investigating auditor(s) should be required to present the evidence at a disciplinary hearing. However, Internal Audit investigators will not form part of a disciplinary panel.

Criminal Action

In accordance with the Council’s Financial Procedure Rules where, on consideration of the Internal Audit investigation report, the Monitoring Officer is of opinion that there is a breach of the criminal law, at the discretion of the Head of Finance the matter shall be reported to the Police for further investigation.

If an employee is involved, disciplinary action shall be taken as a matter of urgency in accordance with the Council’s Disciplinary Procedures whether or not the matter is referred to the Police.

If the police decide that a formal investigation is necessary, all staff are expected to co-operate fully with any subsequent requests or recommendations. All contact with the police following their initial involvement will usually be via Internal Audit.

Civil Action

Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) responsible for fraud.

As a first step the individual concerned will be asked to make good the loss. It may be appropriate to consider recovering the loss from any monies due to the individual on termination (if the perpetrator is an employee). The advice of the Head of Finance and Legal Services should be sought before attempting to make recovery.

Where an employee is a member of Gwynedd Council’s pension scheme, and is guilty of fraud, the Council may be able to recover the loss from the capital value of the individual’s accrued benefits in the Scheme, which are then reduced as advised by the actuary.

If the individual will not make good the loss, consideration should be given to taking civil action to recover the loss, subject to legal advice received. Since the misappropriated funds are taxpayer’s money, the civil recovery can be as important as a successful prosecution.

Civil remedies can be used even if a criminal case fails, or if criminal charges have not been pursued, due to the differing burden of proof.

As a last resort, if on the basis of legal advice a civil remedy action is not pursued, the Council’s Fidelity Guarantee Insurance Policy may be enacted to recover losses. However, in cases where fraud has occurred following particularly poor management or supervision the full amount may not be recovered. In any event, the Insurance & Risk Management Section must be kept informed from an early stages in the investigation in order to ensure that the insurance claims are dealt with as effectively and efficiently as possible.

Parallel Sanctions

There is no legal reason why the three types of proceedings listed above should not proceed at the same time, or at least overlap. The general approach of the courts is not to give automatic precedence to criminal proceedings. Other forms of proceedings should not be postponed until after the conclusion of the criminal hearing unless there is a real – not merely notional – danger that the disclosure of the defence in the civil action would, or might, lead to a potential miscarriage of justice (by, for example, enabling prosecution witnesses to prepare a fabrication of evidence). For case law, see *Jefferson v Betcha* [1979] 1 WLR 898, 904 and *R v BBC, ex p. Lavelle* [1983] 1 WLR 23, 39.

6. LEARNING FROM EXPERIENCE

Where a fraud has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds will not recur. Where appropriate, Internal Audit will publish a “lesson learnt” report to highlight where there has been a failure of supervision, or a breakdown / absence of control. Such reports will provide recommendations to avoid further occurrences, both in the specific area where the fraud occurred and, where appropriate, within the wider context of the Council’s administration.