



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

Cyfarfod / Meeting

PWYLLGOR ARCHWILIO
AUDIT COMMITTEE

Dyddiad ac Amser / Date and Time

10.30am DYDD IAU, 18 EBRILL 2013

10.30am THURSDAY, 18 APRIL 2013

Lleoliad / Location

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

Pwynt Cyswllt / Contact Point

GWYN PARRY WILLIAMS

01286 679665

gwynparrywilliams@gwynedd.gov.uk

Dosbarthwyd/Distributed: 10-04-13

**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 meetings of this committee, held on 29 January and 14 February 2013, be signed as a true record. (copy herewith - **white** paper)

5. 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 January and 31 March 2013 (copy herewith – **yellow** paper)

6. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2012/13

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

7. ANNUAL FINANCIAL AUDIT OUTLINE 2012/13 OF GWYNEDD COUNCIL

To submit the report of the external audit (copy herewith – **pink** paper)

8. ANNUAL FINANCIAL AUDIT OUTLINE 2012/13 OF THE GWYNEDD PENSION FUND

To submit the report of the external audit (copy herewith – **blue** paper)

AUDIT COMMITTEE, 29.01.13

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

Councillors: Edward Dogan, Huw Edwards, Thomas Ellis, Aled Evans, John Brynmor Hughes, Charles Wyn Jones, Sion Jones, Dafydd Meurig, Dilwyn Morgan, Michael Sol Owen and Gethin Glyn Williams; Councillor Peredur Jenkins (Cabinet Member for Resources).

Lay Member: Mr John Pollard

Officers: Dafydd Edwards (Head of Finance Department), Gwyn Morris Jones (Head of Highways and Municipal Department), Huw Williams (Head of Gwynedd Consultancy), Dafydd Williams (Chief Engineer – Transportation and Street Care), Dewi Morgan (Senior Manager Audit and Risk), William E.Jones (Senior Finance Manager), Amanda Hughes (Local Manager – Welsh Audit Office) and Eirian Roberts (Member Support and Scrutiny Officer).

Apologies: Councillors Anwen Davies, Chris Hughes, Angela Russell and Robert J.Wright: Councillor Gareth Roberts (Cabinet Member for the Environment).

1. CHAIR'S ANNOUNCEMENTS

The following were welcomed to the meeting:-

Councillor Huw Edwards following his recent illness;
Councillor Dafydd Meurig following his appointment to this committee to replace Councillor Dyfrig Jones;
Gwyn Morris Jones (Head of Highways and Municipal Department) for the discussion on the Waste budget;
Councillor Peredur Jenkins (Cabinet Member for Resources).

The Chairman explained, as the Cabinet Member for the Environment had had to apologise from the meeting that the Cabinet Member for Resources was present to explain the relevant action and to respond to the members' enquiries in relation to the Waste budgets, the Consultancy Unit and Parking.

2. DECLARATION OF PERSONAL INTEREST

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

3. MINUTES

The Chairman signed the minutes of the previous committee meeting held on 22 November 2012 as a true record.

It was suggested to number the pages of the minutes in the future.

4. 2012/13 BUDGET REVIEW – ACTION ON RECOMMENDATIONS REGARDING WASTE

Submitted:-

(a) the report of the Head of Finance Department:-

- setting out what was reported to this committee in November 2012 on the second quarter review of the Council's revenue budget for 2012/13;
- reminding the members, although it was the responsibility of the Cabinet and the relevant Cabinet Member to take action as necessary, in order to secure appropriate control over the Council's budgets, the Audit Committee should seek to ensure that the Council's financial management was adequate and support the statutory finance officer by scrutinising and challenging the Cabinet's decisions and their leadership in relation to the departments' financial arrangements.

(b) the report of the Cabinet Member for the Environment that was submitted to the Cabinet on 22 January 2013.

The Cabinet Member for Resources noted:-

- That the Cabinet had received the recommendations of the Cabinet Member for the Environment on the way forward in terms of overspend and under spend anticipated in the field of waste.
- That the Cabinet wished to obtain assurance by the head of department that the solution was genuine and viable and that a close eye would be kept on what would be taking place from now until the end of the year and in the year to come.

The Head of Highways and Municipal Department then provided details on the reasons for the overspend and the action to remedy the situation. He noted that it had not been an easy year in terms of ensuring that they kept within the budgets, especially in the field of waste, considering that the department had a high number of targets to reach in addition to the Savings Strategy. He explained that there were variations every year, especially under the waste headings as it was a field that was facing a significant transformation. This year, the movements in terms of the half year profile of measuring was slightly higher than usual with some waste headings under spending and others overspending. In terms of the situation in the future, the department was taking large steps and the members would also have to take large steps. The most difficult heading in terms of delivery was commercial waste as it took time to implement the changes, but it was hoped that this service would be in a situation to create income in the coming year.

Members were given an opportunity to ask questions and the Head of Highways and Municipal Department responded appropriately to those questions.

The Head of Finance Department noted that he had been convinced that there were changes in the pipeline on the two main issues, namely Disposal Sites and Commercial Waste Collections, and that managerial attention was being given to improving the situation of those by the mid term.

RESOLVED to accept the action to overcome the overspend.

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

Submitted:-

(a) the report of the Head of Finance Department:-

- setting out what was reported to this committee in November 2012 on the second quarter review of the Council's revenue budget for 2012/13;
- reminding the members, although it was the responsibility of the Cabinet and the relevant Cabinet Member to take action, as necessary, in order to secure appropriate control over the Council's budgets, the Audit Committee should seek to ensure that the Council's financial management was adequate and support the statutory finance officer by scrutinising and challenging the Cabinet's decisions and their leadership in relation to the departments' financial arrangements.

(b) the report of the Cabinet Member for the Environment that was submitted to the Cabinet on 22 January 2013.

The Cabinet Member for Resources noted that the Cabinet had decided:-

- (a) To commission work from the Head of Finance Department to research the arrangements for financial management in Gwynedd Consultancy, whilst at the same time, establishing, in conjunction with the Head of Consultancy Department, the evidence behind what had exactly happened in 2012/13 and the likely position for 2013/14.
- (b) To ask the Head of Finance Department to ensure that his report was available by the end of this financial year or early in the new financial year in order to ensure that Gwynedd Consultancy started 2013/14 on a sound footing.
- (c) In the light of this research's conclusions, that the Cabinet Member for the Environment led a second piece of work to establish a new sustainable model which was responsive to the economic situation.

The Head of Gwynedd Consultancy then provided details on the reasons for the overspend and the action to remedy the situation. He outlined the usual procedure for commissioning work and explained that the Consultancy had been caught out this year as the work shortage had happened earlier than had been anticipated after April last year. YGC had won flood work from Flintshire and although this had brought some success to the Consultancy, it did not bring the full income in as the work had to be completed on a more competitive scale. Usually, the work would begin to come in around August, but this year this did not happen until very recently and by then the Consultancy had more work than people to complete that work. If this was going to be a pattern for the future, there was a need to profile income differently and restructure the Consultancy, and the work commissioned by the Head of Finance Department would address this.

Members were given an opportunity to ask questions and the Head of Gwynedd Consultancy and the Senior Finance Manager responded appropriately to those questions.

Concern was expressed that clients' programmes were causing plans to slip and that the money was not coming in for plans that needed to be achieved in Gwynedd.

The Cabinet Member for Resources emphasised that the report that had been commissioned by the Cabinet had to look in detail on the Consultancy's business procedure, because although the Head of Department had reported that a lot of work had come in towards the end of the year, what would be the forecasts for the next two to three years? The Welsh Government would have to cut down on its budgets as a result of receiving less funding from the Central Government. Therefore, the situation was not prosperous and there was a need to be very careful when running this business and not to be overconfident that there was a sufficient amount of work available.

The Head of Finance Department noted that the first report that had been commissioned by the Cabinet would be available to be discussed on a level for officers and relevant cabinet members by around the end of March and he suggested that the Chairman could be trusted to decide whether or not the report that would be submitted to the Cabinet at that time would be called in by this committee for a discussion.

RESOLVED to accept the action to overcome the overspend.

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

Submitted:-

(a) the report of the Head of Finance Department:-

- setting out what was reported to this committee in November 2012 on the second quarter review of the Council's revenue budget for 2012/13;
- reminding the members, although it was the responsibility of the Cabinet and the relevant Cabinet Member was to take action, as necessary, in order to secure appropriate control over the Council's budgets, the Audit Committee should seek to ensure that the Council's financial management was adequate and support the statutory finance officer by scrutinising and challenging the Cabinet's decisions and their leadership in relation to the departments' financial arrangements.

(b) the report of the Head of the Regulatory Department informing the committee of the latest situation in relation to the parking review.

The Head of Finance Department explained that the Head of the Regulatory Department and the Cabinet Member for the Environment had arranged a strategic day on 14 March to look in detail on the parking strategy.

The Cabinet Member for Resources noted that the Cabinet had discussed this matter on a number of occasions and had come to the conclusion that a broader discussion was needed as to what was the role of the Council's car parks.

The Chief Engineer – Transportation and Street Care provided details on the reasons for the deficiency and the action to remedy the situation. He noted that the original target income had already been reduced but that a deficiency of approximately £300k was foreseen for the year 2012/13, when disregarding back-payments for previous years. Rent arrears of £170,000 had been obtained in respect of the Dean Street, Bangor car park and this had meant that the deficiency for 2012/13 was approximately £100k. The department had drawn up a number of options in relation to parking control and it was intended to introduce them in the

first instance during the strategic day in March. In addition to this, the target income of £1m was being reviewed for 2013/14 as the department had failed to reach this target during 2012/13 and in recent previous years.

Members were given an opportunity to ask questions and the Chief Engineer – Transportation and Street Care responded appropriately to those questions.

It was noted that it was trusted that there would be an opportunity for the members to provide their input into the discussion on 14 March. In addition, calls were made to arrange an early meeting of all the councillors so that they could prepare questions for the officers in advance. In response, the Cabinet Member for Resources suggested that it would be useful to consult widely on the parking strategy before submitting it for a decision. He also suggested that the members send a list of their ideas, concerns etc regarding parking to the Cabinet Member for the Environment, or the cabinet member in their area, before the Cabinet discussed the matter.

It was suggested that the parking strategy was an appropriate matter to be submitted to one of the scrutiny committees after the Cabinet had discussed it as there were many aspects that they should address.

In reference to the current procedure of scrutinising items after the Cabinet had made a decision on them, it was suggested that it would be better if the scrutiny would take place first. In response, the Head of Finance Department explained that this was the new national procedure that had been placed on the Council. However, it was claimed that other counties operated differently on this and the Chairman agreed to raise the matter in the Scrutiny Chair and Vice-chairs Forum the following day.

RESOLVED to accept the report and the explanation.

7. OUTPUT OF THE INTERNAL AUDIT SECTION

Submitted – the report of the Senior Manager Audit and Risk outlining the work of the Internal Audit Section for the period between 1 October and 31 December 2012.

In the context of investigations that received a C opinion, it was suggested that the relevant officers should be called before the Audit Committee at an appropriate time to report on the progress of their efforts to solve internal management weaknesses.

In reference to the investigation of the arrangements involving correspondence, it was noted that the departments did not always note the correspondent's reference when responding to a letter. The Senior Manager Audit and Risk agreed to follow this up.

RESOLVED to accept the report and support the recommendations that have already been submitted to the managers of the relevant services for implementation.

8. INTERNAL AUDIT PLAN 2012/13

Submitted – the report of the Senior Manager Audit and Risk on the progress of the Internal Audit Plan 2012/13.

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

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

Submitted – the report of the Senior Manager Audit and Risk asking the committee to approve and adopt Gwynedd Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy for 2013-2016 and Response Plan.

RESOLVED

- (a) To approve the Anti-fraud and Anti-Corruption Strategy and the Fraud and Corruption Response Plan and formally adopt them.**
- (b) To express support to the documents and to support Council Members and officers in their implementation.**

The meeting commenced at 1.00pm and concluded at 2.50pm.

AUDIT COMMITTEE 14-02-13

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

Councillors: Anwen Davies, Eddie Dogan, Aled Ll. Evans, Aeron Jones, Charles W. Jones, Sion W. Jones, Dafydd Meurig, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Gethin G. Williams, R.J. Wright and Peredur Jenkins (Cabinet Member for Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), Dilwyn Williams (Corporate Director), Dewi Morgan (Senior Manager Audit and Risk Service), Caroline Roberts (Investment Manager), Janet Roberts (Senior Manager – Delivery and Support), Amanda Hughes (Local Manager – Wales Audit Office) and Gwyn Parry Williams (Committee Officer).

Apologies: Councillors Huw Edwards, Tom Ellis, Selwyn Griffiths, John B. Hughes.

1. DECLARATION OF PERSONAL INTEREST

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

2. 2013/14 BUDGET AND 2013/14 – 2016/17 FINANCIAL STRATEGY

The Cabinet Member for Resources set out the background and context of the report.

He noted that it was expected that on 19 February 2013, the Cabinet would propose a budget for the Council which would include a recommendation regarding the increase in the Council Tax for 2013/14. Bearing in mind that it was good practice to set the budget in the context of the longer-term position, it was also intended to propose a financial strategy for the lifetime of this Council (2013/14 – 2016/17). This continued the practice that had existed for some years and which had been praised by the Wales Audit Office. The Cabinet had already given consideration to what was proposed and the Cabinet Member drew the attention of committee members to those initial ideas. Prior to the Cabinet coming to a final conclusion, an opportunity had been given to this committee to consider whether the draft Financial Strategy addressed the risks which the Council faced between 2013/14 and 2016/17 so that the Cabinet could consider any observations it may have when drawing-up the final proposals.

Dilwyn Williams, the Corporate Director reported that the majority of members had taken advantage of the opportunity to attend sessions held recently to explain the strategy. He noted that the duty of the Audit Committee was to consider the strategy in light of financial propriety and to examine the risks specifically. He drew members' attention to the main risks. He noted that one of the principal risks to the Council was salary inflation. At one time there was a risk with the new Council Tax since until recently it was expected that 8,000

residents in Gwynedd, who were not paying any Council Tax (as they were in receipt of full Council Tax Benefits) would have to pay 10% from April onwards. The collection rate was adjusted down but following this, the Welsh Government changed its mind which permitted those in receipt of 100% Council Tax Benefits to continue to receive full relief. This was good news for Gwynedd residents and it meant that there was spare funding because it was expected that the tax collection rate figure would be higher than planned. He referred to reducing income budgets and how these would be reflected in the budget when appropriate. He drew attention to the bids submitted by services to address problems to safeguard continuity of service. He noted that £1.2m would be allocated towards those bids. He referred to the contingency budget of £1.6m which already existed since the preparation of the 2012/13 budget. He was of the opinion that this Council was one of the most prudent because of the long-term view taken. He noted that the Cabinet was of the opinion that the Council Tax should be increased by 3.5% for 2013/14 in order to reduce the level of cuts for 2015/16 and 2016/17. He drew attention to the Equality Impact Assessment which analysed the risk that the financial strategy would have a disproportionate effect on some sections of society.

In response to a question by a member regarding the substantial risks and the contingency budget of £1.6m, the Corporate Director informed the committee that 1% of salaries equalled £1.3m. Not only the £1.6m which had been earmarked for risks but also the reserve balances.

A member asked for an explanation of central education. In response the Corporate Director informed the committee that the schools' budgets were managed by individual schools but the central education budget was not devolved to schools as it was for matters such as transport.

A member drew attention to the fact that there was a need to create savings of £32m over the next three years and he asked whether an increase of 3.5% in the council tax would also be operational for the next four years. In response, the Corporate Director confirmed that this was what was proposed. He noted that inflation alone in next year's budget would be 1.4% and the Welsh Government grant would be 1%. The grant, which was 80% of the expenditure, was increasing less than inflation. Should more services be needed to be provided for the elderly, learning disabilities etc. the actual expenditure increase would be 2.2%. In light of this, either the services could be cut back or council tax could be increased and the Cabinet was of the opinion that the correct balance would be an increase of 3.5% per annum but then cuts of £25m would have to be made. Following holding the sessions on the financial strategy, the general feeling was that this was the correct balance for the Council.

A member was of the opinion that an increase of 3.5% in the council tax was too high and it should be reduced to 3%. In response, the Cabinet Member for Resources informed the committee that there was an attempt to safeguard the services offered to Gwynedd residents by setting this strategy. If an increase of 3.5% was not agreed, then there would be a need to cut back more on different services in the Council.

A member referred to a report published recently by the Welsh Government asking for Councils to use the balances rather than increasing council tax. In response, the Corporate Director informed the committee that the report did

not recommend this but rather it drew attention to the various balances and specific funds that Welsh councils had.

A member noted that a number of community / town councils had substantial balances and with this in view there was an opportunity for them not to increase the council tax so much. He enquired whether this Council would provide more guidance to town/community councils regarding the use of the balances. In response, the Corporate Director informed the committee that this Council had no right to interfere with town/community council matters as they were two completely separate statutory bodies. As the precept percentage of town/community councils was so small compared with the precept of this Council, it was the tax of this Council which had the greatest influence on council tax.

A member enquired that if an increase of 3.5% in the council tax was accepted, would that be sufficient to allow the Council to retain existing services or would cuts have to be made also. In response, the Corporate Director informed the committee that the expenditure increase requirements for 2013/14 were £17m and a grant of £13m would be received. Should the council tax raise £1.7m, namely a 3.5% increase, then the Council would be required to find £1.9m in savings. There would be an attempt not to have an effect on residents by offering services in an alternative way.

A member referred to the fact that there was no reference in the strategy to methods of raising income. In response, the Strategic Director drew attention to a reference in the financial strategy which noted an income increase of £0.1m in 2013/14. He noted that the Head of Finance Department had prepared a report for all Welsh councils to see whether there were opportunities for councils to increase their incomes.

The Head of Finance Department noted that this Council had been pricing at current rates over the years and the front-line services, in consultation with their accountants, had raised the fees where appropriate. He referred to a custom in Gwynedd which added inflation to the target income and then it was the responsibility of the service to increase fees or funding in the budget would be lost.

In response to a question by a member regarding school balances, the Corporate Director informed the committee that the Council had not until recently been able to interfere in school balances. School governing bodies were separate from the Council and it was a matter for them to decide how to deal with their budgets. Recently, the Welsh Government had adopted legislation which allowed councils to interfere and even take balances away from schools if it was found that they were higher than a certain point. He referred to the fact that the Schools Budget Forum, which had been established to discuss the financial issues in schools, was examining the situation of schools with balances over a certain figure. In addition, the Head of Education Department received directions from the Forum to examine whether it would be possible to look at changing the protection formula to ensure that those schools which received protection did not retain large balances.

A member noted that the Westminster Government had allocated funding for English councils which were not increasing council tax and the member asked what the situation was in Wales. In response, the Corporate Director noted

that the Westminster Government had informed councils in England that they would be compensated slightly if they decided not to increase the council tax but this could cause problems in the future when the assistance ended. This would not be implemented by the Welsh Government.

RESOLVED to accept that the Financial Strategy addresses the relevant risks and that due consideration is given to the risks faced over the coming four year period.

3. REVENUE AND CAPITAL BIDS

Submitted – the report of the Head of Strategic and Improvement Department on revenue and capital bids.

The Senior Manager – Delivery and Support reported that the Council, as part of the key process of recognising and agreeing the Council's priorities and budget for 2013/14, had invited revenue and capital bids. In accordance with the business planning framework, the bids had been identified by the services whilst considering their priorities and annual service plans. Once again this year, in light of the terribly challenging financial situation, bids were only invited under the essential category, namely unavoidable expenditure to keep a service at its current level or to respond to significant new legislative requirements that cannot be met by the Department. It was recommended that only two bids for two new posts should be approved.

It was noted that bids had been received that did not accord with the definition of essential, since they were of a developmental nature. The relevant developmental bids would be considered later within the arrangements for developing the Council's new Strategic Plan and the recommendations for funding those recommendations would be submitted to the Council in May 2013.

In relation to the prioritisation process, revenue bids had been received amounting to £2,410,373 (permanent) and £714,200 (one-off), along with capital bids of £1,003,600. She noted that the amounts recommended to be funded were as follows:

- a) Permanent Revenue Bids - £1,265,980
- b) One-off Revenue Bids - £394,250
- c) Capital Bids - £435,000

She provided details of the main stages of the process for prioritising the bids.

A member noted that there was a more administrative element rather than a service element to the bids noted in the report and he was of the opinion that there was a need to be more adventurous regarding them. In response, the officer informed the committee that only two new posts would be created and these would be in the Social Services Department – one in the field of children and the other in the field of disabled children. The two posts responded to the increase in demand and there would be a risk to those services should these two posts not be created.

A member drew attention to the fact that a bid had been submitted of £59,814 for the post of Data Officer in the Education Department. He was of the opinion that this amount was rather high considering the managerial level

within the Council. In response, the officer informed the committee that the bid for this post had not been approved.

In response to a question by a member regarding the bid to employ two officers to provide advice and guidance for ratepayers who would have to pay council tax for the first time in order to reduce the need to prosecute for very small amounts, the Head of Finance Department informed the committee that the bid had been submitted some months ago before the decision of the Minister in January 2013 to fund the deficit in the Council Tax Support Scheme budget. Following a late decision by the Minister, the Finance Department would not receive the additional budget in 2013/14 but the permanent bid would remain on the list and it was expected to be needed by 2014/15 and beyond.

In relation to the bid to upgrade the Council's software by arranging to lease Microsoft software, a member enquired whether it would be possible to have different information technology. In response, the officer informed the committee that this became effective in April 2013 as the old contract had expired and work would be undertaken across north Wales to ascertain what the best package would be for councils and what would be most cost-effective.

Dilwyn Williams, the Corporate Director noted that the assessment work for ascertaining whether it was value for money had been undertaken and it had been found that this was the best model.

RESOLVED to recommend to the Cabinet on 19 February 2013:-

a) To approve the revenue bids considered essential as they address the risk of lack of continuity of service and also to accept that the bids not recommended to be funded must not be funded.

(b) To approve the capital bids and recommendations outlined in the report of the Head of Strategic and Improvement Department.

4. REGISTER OF EXTERNAL AUDIT REPORTS

Submitted - the report of the Head of Strategic and Improvement Department on the register of external audit reports.

The Senior Manager – Delivery and Support noted that the requirements of the Local Government (Wales) Measure was that every external audit report was brought before this committee and for the committee to approve the benefits of implementing the recommendations noted by the external auditors. This would enable the committee to keep an overview of the implementation of the recommendations of the reports and provide the Cabinet with a brief summary. She provided details of examples from external audit reports.

She noted that reports could be exclusively relevant to Gwynedd or could be national reports that included a reference to Gwynedd Council. In addition to this, the Audit Committee had requested the Strategic and Improvement Department to maintain a corporate register of external audit reports and to submit this register to this committee every six months. She referred to the Register of External Audit Reports on the Council's services since 2009 which were a combination of annual reports, occasional reports and national reports where reference had been made to Gwynedd Council. No additional reports were to be considered at present but she drew attention to the 'live' audits

highlighted in yellow in the appendix to the report as they would be considered in due course.

RESOLVED to note the content of the Register of External Audit Reports and that those highlighted in yellow in the appendix to the report will be considered in due course.

5 . TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2013/14

The Head of Finance Department referred to the informal briefing meeting held on 29 January 2013 with Arlingclose, the Council's treasury consultants, to discuss Treasury Management. Members were reminded of the discussion with the consultants regarding the CIPFA Code of Practice on Treasury Management along with their functions and responsibilities regarding Treasury Management activity. It was noted that the consultants had highlighted various current risks to the treasury along with credit risks, counterparty risks, interest rate risks and inflation rate risks were discussed in detail. Also, members were reminded of discussions regarding the Council's debt portfolio, the net borrowing position and the prudential indicators.

The Head of Finance Department submitted his report formally asking the committee to scrutinise the policies in relation to the Council's borrowing and investment along with relevant restrictions on delegated powers. The committee was also asked to refer the Policy Statement and Strategies for 2013/14 and changes to the Treasury Management Schedules to the full Council for their adoption.

The Investment Manager noted that the consultants had reconsidered the type of specified and non-specified investment that could be invested in. In particular, organisations had been added that did not satisfy the criteria of specified investment that had been followed for years. This meant that any body in which investments were made would be given a comprehensive credit assessment and this would be assessed by the consultants to provide advice on whether it would be worth investing in them.

In response to a question from a member regarding the LOBO borrowing, the Head of Finance Department informed the committee that the borrower had a right for a call in every five years but this was unlikely at the moment because of the interest rate levels and the relevant forecasts.

RESOLVED to recommend that the full Council on 28 February 2013 adopts the Treasury Management Strategy Statement, the Minimum Revenue Provision Strategy and the Annual Investment Strategy for 2013/14 (Appendix A), the Prudential Indicators (Appendix B) and the Treasury Management Schedules (Appendix C).

6. INTERNAL AUDIT PLAN 2012/13

Submitted – the report of the Senior Manager Audit and Risk Service, 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 1 February 2013 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	9
Working Papers Created	3
Field work started	18
Field Work Ended	1
Awaiting Review	2
Draft Report	2
Final Report	63
Closed	1
Total	99
Cancelled	11

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 this continued to be challenging but that 88% of the audits (87 out of 99) had either been completed or at least the field work had commenced.

In relation to amending the plan, the officer noted that there were no further amendments in addition to those reported upon already to the committee at previous meetings.

In response to an enquiry from a member regarding the "Thin Client" audit, the Senior Manager Audit and Risk Service informed the committee that this was a computerised system that had been operational for about two years. An executive summary of the audit would be submitted to the next committee meeting.

A member enquired whether staff CRB checks had been completed. In response, the Senior Manager Audit and Risk Service notified the committee that much work had been undertaken in the Education Department. He noted that the initial findings of the audit were that too many data bases were being kept in different locations and there was a need to deal better with the data.

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

7. DRAFT INTERNAL AUDIT PLAN 2013/14

Submitted – the report of the Senior Manager Audit and Risk Service providing details of the draft plan of the Internal Audit Section's work for the 2013/14 financial year in order for members to voice their opinions on it and approve it, subject to further discussions with officers.

He noted that the 2012-2015 Internal Audit Strategy had been adopted by the Audit Committee in February 2012. This strategy formed the basis of Internal Audit work for the period in question and he explained how the Internal Audit work would offer assurance on the internal controls that were in place within

Gwynedd Council. The strategy also explained how the work of Internal Audit would be planned and prepared during the period in question and explained how it would assist the Council to improve in the interests of the citizen. Also, it outlined the resources expected to be available to it and stated the projections in relation to collaborating with others.

On the basis of analysing the available staffing resources, including the consideration of reasonable budgets for 'unproductive' work such as annual leave, illness, management and meetings, it had been anticipated that a resource requirement of approximately 1,680 audit days would be available to complete the audit plan. This was what remained after considering provisions for advising on controls and propriety, responsive work and follow-up work.

He noted that the strategy provided a detailed description of the steps that had been followed in order to create an operational audit plan for 2013/14. As a first step, consideration was given to matters which had to be included in the plan annually and then consideration would be given to other audits which needed to be planned for. A systematic procedure would be used to undertake an audit needs assessment and identify fields to be audited.

It was intended to hold discussions with the relevant heads of department and managers before commencing these audits and their suggestions would be incorporated in the final plan which would be submitted at the next committee meeting.

RESOLVED to approve the draft Audit Plan for the period 1 April 2013 to 31 March 2014, subject to minor amendments to be undertaken by the Senior Manager Audit and Risk Service, in consultation with the Head of Finance Department, following further discussions with officers.

The meeting commenced at 10.30am and concluded at 12.10pm

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 APRIL 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 MARCH 2013
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 01 January 2013 to 31 March 2013.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following audit work was completed in the period to 31 March 2013:

Description	Number
Reports on Audits from the Operational Plan	31
Other Reports (memoranda etc)	3
Follow-up Audits	6

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

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 March 2013, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Trunk Road Agency - invoices between councils	North and Mid Wales Trunk Road Agency		B	Appendix 1
Quality of Correspondence	Corporate		A	Appendix 2
Workforce Planning	Corporate		B	Appendix 3
Outcome Agreement	Corporate		B	Appendix 4
Staff DBS Checks	Corporate		C	Appendix 5
Contract Terms - DBS Checks	Corporate		C	Appendix 6
Use of Honoraria	Corporate		B	Appendix 7
Income System Bank Reconciliation	Finance	Financial	B	Appendix 8
Payments System - Review of Key Controls	Finance	Financial	B	Appendix 9
Payroll System - Review of Key Controls	Finance	Pensions and Payroll	A	Appendix 10
Discretionary Housing Benefits	Finance	Revenue	A	Appendix 11
Benefits System - Review of Key Controls	Finance	Revenue	A	Appendix 12
Paye.net System	Finance	Revenue	B	Appendix 13
Council Tax System - Review of Key Controls	Finance	Revenue	A	Appendix 14
Communities First - Exit Strategy	Economy and Community	Community Regeneration	B	Appendix 15
Communities First - Closedown Arrangements	Economy and Community	Community Regeneration	B	Appendix 16

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Genesis Cymru 2 Scheme	Economy and Community	Community Regeneration	B	Appendix 17
Young Apprentices Employment Route Project	Economy and Community	Community Regeneration	A	Appendix 18
Thin Client	Customer Care	Information Technology	B	Appendix 19
Evaluation of the Social Media Pilot	Customer Care	Information Technology	B	Appendix 20
Change Management for IT Systems	Customer Care	Information Technology	C	Appendix 21
Processing of Energy Supplier Data	Customer Care	Council Land and Property	C	Appendix 22
Contract Management - Bro Dysynni Area School	Customer Care	Council Land and Property	A	Appendix 23
Client Finance	Social Services, Housing and Leisure		B	Appendix 24
Social Services Contracting Arrangements	Social Services, Housing and Leisure	Business	B	Appendix 25
Accommodation for Young Persons leaving care	Social Services, Housing and Leisure	Children and Families	B	Appendix 26
Community Transport	Regulatory	Transportation and Street Care	B	Appendix 27
TraCC Partnership	Regulatory	Transportation and Street Care	B	Appendix 28
Pont Briwet Project	Regulatory	Transportation and Street Care	A	Appendix 29
Equipment with Former Members	Strategic and Improvement	Democracy	C	Appendix 30
Members' Salaries and Expenses	Strategic and Improvement	Democracy	B	Appendix 31

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:

- **Wales Government – Arrangements for Processing Student Finance (Education).** Following a critical review of the general procedures across Wales for safeguarding student finance arrangements (on the basis of a sample of 4 councils), the Deputy Director of the Higher Education Division of the Welsh Government wrote to all local authority Chief Executives in Wales requesting that authorities to write to him by the end of January 2013 with specific details from the Education Department with regards to the resilience of their arrangements. There was also a request for the Head of Internal Audit to confirm the accuracy of the information presented. It could be confirmed that the Education Department has provided the necessary information, and that Internal Audit had verified the accuracy of the response, before being passed on to the Welsh Government in accordance with the request. A full review of student funding arrangements has been included in the 2013/14 audit plan.
- **Contract Management – Sailing Academy (Economy and Community).** The 2012/13 Internal Audit Plan contained a review of the contract management arrangements for the Pwllheli Sailing Academy development. Due to the timing of this audit in relation to the development of the project, the scope of the audit was limited to ensuring that risk registers are in place for this significant scheme, the process of advertising works contracts for the various aspects of the plan, and verifying that the contractor selection methodology has been established before advertising. Audit tests showed that the internal controls were in place to mitigate these risks effectively, with the expected measures in place. It was noted that three risk registers have been established, namely a risk register for the plan in its entirety, a risk register for the Academy building and a risk register the maritime / harbour project. The process of selecting contractors for the different aspects of the work, the process of managing the various contracts and checking the continuing evolution of the internal risk registers will be the subject of a further internal audit in the 2013/14 financial year.
- **Corporate Risk Management (Corporate).** An exercise was undertaken to receive departmental risk registers by contacting with each head of department. The result of this work was that the existence and quality of the registers varies significantly across the Council. Further work will take place during April and May 2013, in conjunction with the Strategic and Improvement Department, in order to establish an action plan for improving the situation in 2013/14. A further report to the Audit Committee in July 2013 is intended, when the action plan is in place.

2.3 Follow-up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Administration of Travel Costs	Human Resources	Support Unit	Unsatisfactory
Licencing Unit	Regulatory	Public Protection	Excellent
Recruitment - Identity Checks	Human Resources	Support Unit	Acceptable
Joint Commissioning with BCULHB	Social Services		Excellent
Information Security	Corporate		Acceptable
Reducing Teacher Workload	Education	Schools	Acceptable

2.3.2 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.

2.3.3 The list below shows the ‘C’ or ‘CH’ opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 30 June 2013

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

Completion Target: Quarter ending 30 September 2013

Equipment with Former Members
Contract Terms - DBS Checks
Staff DBS Checks
Members' IT arrangements
Recording and Managing Leave

Completion Target: Quarter ending 31 December 2013

Processing of Energy Supplier Data

Completion Target: Quarter ending 31 March 2014
Change Management for IT Systems

3 WORK IN PROGRESS

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

3.2 Draft reports released

- Management of secondary school building maintenance – Value For Money (*Education*)
- Primary Schools - Dismissals due to redundancy (*Education*)
- Achievement of Savings Projects (*Strategic and Improvement*)
- Functions within the Capital Expenditure Monitoring Process (*Strategic and Improvement*)

3.3 Work in progress

- "Llwyddo'n Lleol" (*Economy and Community*)
- Corporate Complaints Procedure (*Corporate*)
- Officers' Interests Policy (*Corporate*)
- Proactive Anti-Fraud and Anti-Corruption Work (*Corporate*)
- NNDR Refunds (*Finance*)
- NNDR System - Review of Key Controls (*Finance*)
- Member Training (*Strategic and Improvement*)
- The Planning Service (*Regulatory*)
- Subsidised Travel Tickets - Payments to bus companies (*Regulatory*)
- Banking Arrangements in the Leisure Centres (*Social Services, Housing and Leisure*)
- Direct Payments (*Social Services, Housing and Leisure*)
- Support Workers Travel Costs (*Social Services, Housing and Leisure*)
- Enablement Schemes (*Social Services, Housing and Leisure*)
- Rechargeable Works (*Highways and Municipal*)
- Older / Disabled Persons - Adaptations to Homes (*Social Services, Housing and Leisure*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 January 2013 to 31 March 2013, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

TRUNK ROAD AGENCY - INVOICES BETWEEN COUNCILS

North and Mid Wales Trunk Road Agency

Purpose of the Audit

The purpose of the audit is to ensure that proper controls are in place for receiving and paying invoices from Authorities involved in the partnership.

Scope of the Audit

The scope of the audit is to verify the Trunk Road Agency's procedures for preparing and processing payments for work to the Authorities involved in the partnership.

Main Findings

Tests were undertaken on 11 internal controls. The tests showed that good internal controls were present in 7 of these areas. The main weakness found during the audit was that 3 authorities do not send their invoices on a monthly basis to the Trunk Roads Agency in accordance with the Service Provider Schedule of the partnership and that there are long periods before the Unit Trunk Roads Agency receives the invoices.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the arrangements of the Trunk Road Agency for processing invoices from other councils who are part of the partnerships as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Authorities within the North and Mid Wales Trunk Road Agency partnership should ensure that they submit invoices for reimbursement on a monthly basis to the Trunk Road Agency to comply with the requirements of the Agency Service Provider Schedule.**
- **The Trunk Road Agency Performance and Procurement Manager should correct the miscoding to ensure that the details in the Council's ledger agree with the Trunk Road Agency's systems.**
- **The boxes on the coding slip should be completed to confirm the accuracy of the invoice.**
- **Efforts should be made to try to process invoices within 10 days of receipt in order to comply with the partnership's Provider Service Schedule.**

QUALITY OF CORRESPONDENCE

Corporate

Purpose of the Audit

The purpose of the review was to ensure that external correspondence receive a response of high quality by Council officers as declared in the 'Response to Emails from External Customers Policy', whose aim is "to ensure that a high standard of Customer Care is put in the response to the enquirer ", and ensuring that the Council's customers receive help with any queries or complaints.

Scope of the Audit

A sample of 25 tracks from a range of Council departments between April 2012 and the time of this audit was reviewed. The officers who had been noted in the correspondence tracking system as being responsible for the response were asked for copies of the original correspondence received along with a copy of their response. The original correspondence and response were reviewed to conclude whether the response was of acceptable quality and met the requirements of the customer. In addition it was verified that customers receive help rather than being passed on from one officer to another without receiving any acknowledgement.

Main Findings

In some of the original letters enquirers requested that the response be sent bilingually or sent by e-mail; in these cases it was found that the applications have received a response in the form requested.

All correspondence in our sample was seen to have received a response either to acknowledge the original letter or to give a full response. We also found that employees of the Council ensure that the public receives a quality response. We found that the officers refer to the matter at hand and endeavour to provide the public with accurate information. In many cases it was found that officers also refer to other services within the Council or other organisations in order to offer more advice to them. In one case it was not possible to evaluate the quality of the response since the earlier correspondence was not available to audit. Nevertheless it is clear that the officers involved are aware of the policy letter / e-mail response and act accordingly.

Audit Opinion

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

WORKFORCE PLANNING Corporate

Purpose of the Audit

The purpose of this audit is to ensure that appropriate measures are in place by the Council to achieve its objective of planning its workforce in order to provide services of the expected quality today, and in the future.

Scope of the Audit

The audit was completed by holding meetings with appropriate officers from Human Resources, interviewing a sample of managers, and collecting relevant evidence.

Main Findings

It was found that workforce planning is a tool used by the Council to monitor the workforce as it is today as well as planning for the future. The workforce planning process provides an overview to managers of the relevant service. A report is provided that includes a variety of information, including age and level of staff turnover in a given year.

Information can be obtained such as sickness levels as well as types illnesses, presented simply in a document that should enable managers to identify any emerging patterns and if there are any issues that need attention.

Personnel officers will assist managers in the first year to make sure that managers are familiar with what is needed for the process. After the first year managers are expected to deliver their appropriate service workforce action plans independently, after receiving the relevant reports.

Audit Opinion

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

- **Personnel Officers should follow up with the managers and remind them to undertake the work annually.**

OUTCOME AGREEMENT Corporate

Purpose of the Audit

The purpose of the audit was to ensure that appropriate internal arrangements were in place to collect performance measures for the Outcome Agreement, as well as ensuring that monitoring mechanisms are able to identify any slippages so that the appropriate steps for dealing with them could be taken.

Scope of the Audit

A sample of the objectives of the Outcome Agreement were checked, and the arrangements that are in place to identify and collect evidence and to ensure that proper audit trails exist were verified. In addition to this, the Strategic and Improvement Department's arrangements in challenging and monitoring performance measures were reviewed.

Main Findings

When undertaking the audit it was seen that many internal controls already exist. The main weaknesses observed was that the September 2012 report on the Council's performance against the targets had been returned late to the Welsh Government. There is also a need to ensure that some of the definitions are less ambiguous.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Outcome Agreement 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 reasons for the delay should be assessed in order to mitigate the risk that further applications are returned late, and modify procedures if necessary.**
- **It should be ensured that the information sent to the Welsh Government is correct and that there is clear evidence to support it. In addition, description of performance should be clear and unambiguous.**
- **When work is commissioned to an external company, it should be ensured that robust evidence is received of the work they have completed. Inserting a clause in an agreement with the company could be considered.**

STAFF DBS CHECKS Corporate

Purpose of the Audit

Ensure that the Council has clear and specific arrangements with regards to Disclosure and Barring Service (DBS) checks, and that they comply with the relevant guidance / legislation.

Scope of the Audit

Audit a sample of services across the Council and check procedures and guidelines regarding Disclosure and Barring Service (DBS) verification.

Main Findings

The audit showed that good quality work has been done by the relevant departments to reduce the gaps in individuals within the Council without a DBS check. Significant progress has been made by the departments since October 2012. Also, it was found that work is in place to try to strengthen DBS monitoring systems, new appointment arrangements within the Council, and procedures regarding allegations of professional misconduct. However, some key issues in terms of preparing and distributing clear and consistent guidance require further attention and appropriate action should be taken to strengthen the arrangements within the area examined.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the arrangements for staff DBS checks 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:

- **To ensure consistent checks and reduce the risk of DBS checks being missed, a single corporate system should be agreed upon to ensure rigorous and accurate monitoring.**
- **It should be possible to demonstrate an official decision regarding the need for DBS checks for appointments before 2002 and evidence retained to support the decision.**
- **The latest correspondence should be sent out to schools regarding DBS checks on volunteers in schools to ensure that the correct decisions are made.**
- **Clear guidelines should be distributed to schools indicating that individuals should not work unsupervised until satisfactory DBS disclosures have been received.**
- **Clear guidance should be given by the Education Department to schools in the county in dealing with DBS checks and references.**
- **There should be measures to suspend officers from work or to ensure that they work under supervision until a satisfactory DBS check is received.**
- **Where there is concern with a DBS check a written record should be considered of any decisions taken by Heads of Service or a Senior Manager to reduce the risk of unsuitable officers making decisions.**

CONTRACT TERMS - DBS CHECKS

Corporate

Purpose of the Audit

Ensure that robust contractual arrangements are in place where Gwynedd Council commissions or regulates work with children and young people from agencies or other organisations.

Scope of the Audit

Audit a sample of services where Gwynedd Council has commissioned or regulated work with children and young people from other agencies / bodies and verify that procedures and guidelines on conducting Disclosure and Barring Service (DBS) checks are robust and in operation.

Main Findings

The audit highlighted the need to examine in detail arrangements where the Council commissions or regulates work with Children and Young People from other agencies or organizations as the current arrangements are inconsistent. Strong arrangements are seen in some departments for monitoring DBS checks and the staff of providers. Consistent arrangements are needed across the Council on undertaking and monitoring DBS checks and child protection training for providers.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Contract Terms - DBS Checks 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:

- **Clear guidance should be prepared to Council officers about which contracts should include the need to ask for DBS checks on providers' staff.**
- **Every contract with providers that relates to children and young people should be reviewed to ensure that they include a clause for DBS and child protection.**
- **Relevant clauses should be contained in the contracts to explain the consequences of not undertaking the expected DBS checks.**
- **Consistency should be ensured across departments in asking providers about safe recruitment procedures when contracts are awarded.**
- **Officers at the relevant departments should look for evidence of DBS checks, and evidence that staff of providers have attended safeguarding training, for relevant agreements.**
- **There should be regular monitoring arrangements in place to monitor agreements across the Council with providers.**
- **It should be emphasised to providers that they inform the Council of any change in the agreements in a timely manner.**
- **Consideration should be given to noting in the relevant contracts that Council officers should receive a list of employees who undertake the relevant work regularly.**

USE OF HONORARIA

Finance

Purpose of the Audit

The purpose of the audit was to ensure that appropriate and robust arrangements are in place for awarding honorarium payments and extending honoraria periods as well as ensuring the availability and completeness of policies and guidelines.

Scope of the Audit

The review included checking a sample of officers who have received honorarium payment in the current financial year and confirm that adequate documentation has been presented for each case, including extension of honorarium periods and changing rates of honorarium payments. Honorarium payments made to teachers did not fall into the scope of this audit.

Main Findings

Overall it was found that the use of honoraria is implemented in a fair, systematic and consistent manner in accordance with the Acting-Up and Honoraria Policy issued by the Human Resources Department in 2008 which is available on the intranet.

The business cases seen included the expected details and have been authorised by the appropriate officers, although these was not seen for the whole sample - according to the policy there is a need to submit a written business case. Nevertheless, there was clear evidence that all officers in the sample undertake additional duties and responsibilities. However, one group of officers receive honorarium payments since 2001 for circumstances that no longer appear to be "temporary", suggesting that more permanent arrangements should be introduced for these workers.

Audit Opinion

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

- **A business case should be presented before any payments are approved which is approved by authorised officers.**
- **There should be an official application will be submitted in all cases that is approved by the relevant authorised officer.**
- **The posts of officers who receive honoraria payments for undertaking duties relating to the A55 maintenance contract should be properly evaluated in accordance with the Council's job evaluation scheme.**
- **A formal justification for extending the payments should be kept on file.**

INCOME SYSTEM BANK RECONCILIATION

Finance

Purpose of the Audit

The purpose of the audit is to ensure that official procedures are in place and have been documented for undertaking bank reconciliations for the income system effectively, timely, completely and accurately and ensuring that adequate monitoring arrangements are in place, including an element of follow-up to the work carried out by Internal Audit and the Wales Audit Office (WAO) in relation to reconciliation arrangements for 2011/12. In addition, verify that adequate internal controls exist in the process of conducting monthly reconciliations.

Scope of the Audit

Review procedures in place for conducting bank reconciliations and ensure that guidance is available to officers. Select a sample of bank reconciliations in 2012/13 and ensure that they are consistent with the procedures. Ensure that bank reconciliations are reviewed and signed regularly.

Main Findings

It was confirmed that an officer receives training on the reconciliation process so that an officer is available to complete the work in the absence of the designated officer, however no current guidelines have been created that explain the daily and monthly process. It was also found that there is now an additional step to the process of reconciliation, with the Senior Revenues Manager certifying the reconciliation sheets as well as the Senior Income Officer. It was also explained that further steps have been taken within the Income Unit to ensure that they receive personal copies of bank statements and that a change in the filing system has facilitated reconciliation.

Audit Opinion

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

- **Up to date guidelines should be prepared for the daily and monthly reconciliation processes.**
- **Procedure should be able to identify obstacles to monthly reconciliation, in order to mitigate the obstacles as soon as possible.**

PAYMENTS SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

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

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

The payments system is considered a "major financial system" in accordance with the Wales Audit Office's definition.

The purpose of the audit was to ensure that appropriate controls are in place for the processing, implementation and reconciliation of payments.

Scope of the Audit

The audit reviewed a sample of payments made to creditors of the Council during 2012/13.

Main Findings

It was found that appropriate procedures and processes are in place for the majority of key controls reviewed for the Payments System. Systems are in place to ensure that key duties for processing and reconciling payments are allocated between officers, there is accountability for key operations, and there is no conflict in the responsibilities and rights of officials.

However, there was no proper procedure for updating the file that contains the signatures of officials who can authorise batch header forms (TR257). It is obvious that a number of the lists that are in place are not accurate and current, and that this, together with the number of lists in the possession of the Payments Service, makes them impractical for use and unreliable as a comprehensive and authoritative source of data. It was noted that some members of staff of the Payments Service can identify appropriate signatures through their experience in their job but that is not the case for new staff. It should be arranged for the Payments Service to receive new lists of authorised signatures for TR257 forms that are accurate and current, ensuring that the lists that are superseded are disposed of.

Audit Opinion

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

- **Services should state in all appropriate cases that they have received the items for which they have been billed.**
- **There should be a procedure in place to update the file that contains evidence of signatures of the officials who are authorised to complete TR257 form.**

PAYROLL SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

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

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

The payroll system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and it is therefore intended that a review of the key controls of this system is undertaken.

Scope of the Audit

This review focuses on the controls for maintaining the payroll system for the year 2012/13.

Main Findings

Overall it was found that strong internal control exists within the Payroll Unit in the process of administering and paying salaries. The roles of the officers concerned have been clearly outlined, with a Payroll Manual available.

Clear and detailed arrangements are in place to verify accuracy before running payrolls, and a clear process to implement changes, with appropriate separation of duties in place.

A copy of the Payroll Contingency Plan, which would have ensured that appropriate plans are in place should an emergency arise, was not obtained. However, there is a Service Continuity Plan for the whole Finance Department and the Payroll Manager confirmed that a backup of the payroll system is made daily and kept on a server off the main site. This means that system can continue to be worked upon through access from any Council server.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Payroll System - Review of Key Controls as the controls in place can be relied upon and are being implemented. However, one recommendation is suggested:

- **The Contingency Plan should be current and on hand with relevant officials being aware of its contents.**

DISCRETIONARY HOUSING BENEFITS

Finance

Purpose of the Audit

The purpose of the audit is to ensure consistency and transparency in the way that discretionary housing payments is allocated and that the Council complies with legislation and DWP best practice guidance.

Scope of the Audit

Review a sample of applications for discretionary housing payments granted during the 2012/13 financial year and review the process of allowing of discretionary housing payments by ensuring that decisions made are based on the general principles of a strong decision-making process, and review a sample of claims submitted but rejected and ensure that sufficient justification exists for the decision not to grant. The main objective is to ensure that all applicants are treated equally in administering the scheme.

Main Findings

Overall it was seen that good internal controls exist in the administration of discretionary housing payments. Ensuring that applicants are notified promptly and that a record sets out how each decision was made would be a means of strengthening the internal controls that already exist.

Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in Discretionary Benefits as the controls in place can be relied upon and have been adhered to. However, the following recommendation is presented in order to further strengthen the arrangements:**
- **Efforts should be made to keep a more detailed record of the decision to allocate discretionary housing payments so that a consistent procedure for making decisions can be demonstrated.**

BENEFITS SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

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

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

The benefits system is considered a "major financial system" in accordance with the Wales Audit Office's definition.

The purpose of the audit is to ensure that appropriate arrangements are in place for assessing and processing benefit claims, that the system calculates amounts of benefits correctly and that these are paid in a timely manner. Confirm that appropriate reconciliations are carried out, reviewing the performance management arrangements of the unit and verify that adequate data protection arrangements are in place.

Scope of the Audit

Audit a sample of applications of benefit to ensure that appropriate assessments are carried out. Check that reconciliations are maintained and that the benefit payments are calculated and paid in an accurate and timely manner. Assess the performance status of the service in acting on applications and benefit notices benefit and verify that the benefit system is being managed effectively and that all data is properly safeguarded.

Main Findings

It was found that good internal controls exist in the process of administering benefits with applications assessed and processed correctly. The time taken to process applications was at the same level as the all Wales average for the first six months of the year 2012/13. It was also found that the system is properly safeguarded with arrangements to maintain backups and the system is protected against unauthorised access. There are a few issues in the reconciliation process where a problem that is outside the control of the Finance Department prevents reconciliation, but this is a small issue as it is a matter of ensuring that everything is running through the systems.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Benefits System - Review of Key Controls as the controls in place can be relied upon and have been adhered to. However, one recommendation is presented in order to further strengthen the arrangements:

- **The barriers that prevent reconciliation should be resolved i.e. that relevant officials look into any problems and that the relevant systems are working as expected.**

PAYE.NET SYSTEM

Finance

Purpose of the Audit

The purpose of the audit was to ensure that the Paye.net system is used appropriately and that officers' access to the system is in accordance with what is relevant to their job e.g. read-only rights. It was checked that all transactions are processed correctly, that the payments are regularly reconciled, that adequate security arrangements are in place and that any refunds are approved by authorised officers.

Scope of the Audit

A copy of the Council's guidelines that relate to the Paye.net system was obtained, and ensured that all users are aware of and complying with the requirements. It was checked that there are controls over establishing users and that a list of the system's current users is available and it was checked that they have appropriate access rights. Also, it was checked that daily reconciliations are carried out between the details received from the bank along with AIM system reports, as well as details of cheques. It was confirmed that refunds are properly authorised and that there are restrictions on the officers who can process refunds.

Main Findings

On the whole it was found that the Paye.net System is being used appropriately. It was found that an independent officer within the Information Technology Service is responsible for setting up new users on the system and is responsible for changing officers' rights if necessary. Other appropriate officers have been appointed for system administration - these officers have additional rights that include performing refunds and resetting passwords. The Chief Cashier monitors the system, by creating daily reports and checking them. The right to perform refunds is limited to a small number of officers.

Although new members of the Contact Centre team are trained fully, and guidelines have been created for them, the level of training and guidance is not consistent for other users.

All users of the system Paye.net are aware of the correct procedure to follow when informing customers about fees, and tests showed that this was being implemented correctly.

Audit Opinion

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

- **There should be up to date guidelines for all users of the system that are updated when necessary.**
- **It should ensured that all new users of the system receive training on how to use the system before use it and taking payments from the public.**
- **Supervisors should be reminded that need to e-mail the Chief Cashier with a reason for every refund to ensure an audit trail.**

COUNCIL TAX SYSTEM - REVIEW OF KEY CONTROLS

Finance

Purpose of the Audit

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

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

The Council Tax system is considered a "major financial system" in accordance with the Wales Audit Office's definition.

The purpose of the audit is to ensure that Council Tax amounts have been set correctly and in accordance with the amounts that were approved by Full Council as well as other local authorities.

Ensure that the total of properties in Gwynedd has been recorded properly on the system and match Valuation Office reports. Confirm that the financial account has been updated appropriately and that appropriate arrangements are in place for council tax debt recovery as well as ensuring that arrangements are in place for monitoring and managing the performance of the Unit.

Scope of the Audit

Review and test that guidelines, records and appropriate procedures are in place for managing, collecting and distributing 2012-13 Council Tax.

Main Findings

It was seen that appropriate procedures and processes are in place for all key controls reviewed for local taxation system. Appropriate reconciliations are carried out to ensure the accuracy of the bills that are created, in number and value. The system parameters were checked against the value of the taxes approved by Full Council on 01/03/2012 for every parish, and found them correct. It was noted that there are appropriate processes for sending timely summonses for recovery purposes. There is proper authorisation for the tax debt has been written off up to the time of the audit, in accordance with Financial Procedure Rules. There is daily reconciliation between the system of local taxation and other sources of revenue, along with monthly reconciliation with the Valuation Office data. It was seen that appropriate investigation is undertaken to any inconsistencies that arise. There is monthly monitoring of collection against the target, with officers reporting according to a quarterly profile, in accordance with the Council's corporate performance monitoring arrangements.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Council Tax System - Review of Key Controls as the controls in place can be relied upon and have been adhered to.

COMMUNITIES FIRST - EXIT STRATEGY

Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements are in place for administering funds for activities of the Communities First Program Exit Strategy 01/10/12 - 31/03/13.

Scope of the Audit

The audit focused on the arrangements and controls in the following areas:

- That an appropriate officer accepts the grant offer on behalf of Gwynedd Council.
- Compliance with the grant offer letter as well as the terms and conditions of the grant.
- Appropriate evidence exists to support the use made of the grant money.
- Appropriate applications are made to the Welsh Government for the grant money.

Main Findings

There were some issues to be addressed by the officials administering the grant, but overall it was found that the Senior Cist Gwynedd Officer follows up regularly with the relevant organisations, to ensure that the appropriate evidence is received to support the expenditure.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Communities First 01/10/12 – 31/03/13 Exit Strategy as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Organisations should submit invoices, not statements, when presenting evidence of their expenditure.**
- **Any travel expense forms used to claim money should have been checked and certified by an officer other than the employee as well as the employee themselves.**
- **Only money eligible under the grant terms and conditions should be paid out to the organisations.**

COMMUNITIES FIRST - CLOSEDOWN ARRANGEMENTS Economy and Community

Purpose of the Audit

The purpose of the audit is to ensure that appropriate arrangements are in place for closing down the Communities First program.

Scope of the Audit

The audit focusses on the arrangements and controls in the following areas:

- Appropriate procedures are in place for dealing with Communities First staff where the offices are closed.
- Appropriate arrangements are in place for closing offices and dealing with property and contents of the offices.
- Appropriate procedure are in place for payment of any outstanding invoices after the offices have closed.
- Appropriate procedure are in place for closing the office imprest accounts.

Main Findings

We found that the Communities First Monitoring Officer has made appropriate arrangements to ensure that the program was shut down in line with expectations but a few matters, in terms of imprest accounts and phone contracts, continue to require attention.

Audit Opinion

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

- **The Communities First Monitoring Officer should contact the Desk Support again, in order to ensure that phone contacts are terminated and confirmation should be sought from the Orders Support Desk that the contracts have been cancelled.**
- **The Accounting Assistant should ensure that the imprest funds are paid into the Council account, that the imprest applications are processed and that the accounts are closed down as soon as possible.**

GENESIS CYMRU 2 SCHEME

Economy and Community

Purpose of the Audit

Ensure that there are appropriate internal controls for administering the Genesis Cymru 2 Scheme in accordance with the requirements of the Welsh Government and WEFO.

Scope of the Audit

Verify that an agreement is in place between the relevant parties on terms, conditions and guidelines for Genesis Cymru 2 and that the Council complies with these requirements, and that the grants with which the services are offered are targeted to the relevant individuals. Verify that there is control over expenditure from the grant, that the Council complies with the Data Protection Act, and verify that only appropriate institutions that are used to meet the grant targets.

Main Findings

It was seen that definite arrangements are in place for referring individuals to the scheme, with criteria in place to ensure that the correct individuals are supported, in line with the objectives of the scheme. In addition, it was found that arrangements are in place to keep the confidential details of participants safely on file, and that the EU logo and relevant wording appear on Genesis 2 documents in Gwynedd. The arithmetic on sample of invoices for payment from the scheme was correct.

The main weaknesses identified was that there was scope to strengthen IT security systems to further protect the scheme's sensitive electronic documents. In addition, there was no system in place for monitoring spending against the expenditure profile. Regular checks were not completed to ensure that mobile child care providers used were insured and that their employees have received DBS checks.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Genesis Cymru 2 Scheme as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Efforts should be made to deliver performance and financial reports to the Welsh Government in accordance with the claims table Genesis 2.**
- **The Gwynedd Genesis expenditure spreadsheet should be updated so that it can be used to monitor the scheme's actual expenditure against the expenditure profile.**
- **A list containing the staff details of mobile childcare providers used with the scheme should be requested, including the date on which workers received a DBS check, as well as requiring child care providers to notify Genesis Gwynedd immediately if there is any change to this information. If the childcare providers refused co-operate with this, their service should not be used in future.**

YOUNG APPRENTICES EMPLOYMENT ROUTE PROJECT

Economy and Community

Purpose of the Audit

Ensure that there are appropriate internal controls for administering the 'Young Apprentices Employment Pathway Project'.

Scope of the Audit

Check arrangements for administering the project and ensure that the arrangements comply with the agreement. Check also that expected controls are in place to mitigate any risk involved in the project.

Main Findings

The main findings arising from the audit was that apprentices in Gwynedd are trained in the field of engineering and related skills in accordance with the agreement. Up to October 2012, 46 apprentices were employed with the target in the agreement stating up to 90 apprentices by the end of the program on 30/03/14. It is not possible at the moment to see if the company will achieve this target, and the auditor understands that the company has had difficulties in registering new learners in 2012 due to poor interest from employers. However, it is understood that efforts have been made by the company to attract new apprentices by contacting employers on the current program and by writing to new employers.

The final accounts for Cwmni Prentis Menai for the year ending 31/07/12 had not been received on the day of the audit.

Audit Opinion

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

THIN CLIENT Customer Care

Purpose of the Audit

The purpose of the audit was to review the thin client implementation at Gwynedd and ensure that relevant security and management considerations have been implemented.

Scope of the Audit

The audit was undertaken by reviewing the policies, settings and access controls as well as discussing the implementation with staff.

Main Findings

The thin client environment has been built and configured according to good practice, and is well secured. Some minor configuration issues were identified during the audit, which have already been addressed by IT. The only outstanding control issues now relate to IT's ability to monitor and review the thin client configuration, as the appropriate software tools have not yet been deployed. None of these issues represents a high risk and do not require any urgent action to address them.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the thin client 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:

- **Administrator access should be restricted to those members of IT who are directly responsible for XenApp administration.**
- **Dormant accounts should be locked or deleted if no longer required.**
- **All Citrix policies should be re-located to the Active Directory.**
- **The XenApp configuration logging option should be enabled and a suitable SQL Server instance created to hold the log data for periodic review.**
- **IT should make use of the Powershell tool provided by Rimell Associates to list basic information about published applications and server configuration.**
- **The auditlog command should be evaluated to assess its usefulness in tracking user logons and logoffs.**

EVALUATION OF THE SOCIAL MEDIA PILOT

Customer Care

Purpose of the Audit

The purpose of the audit is to review the use of social media networks by Gwynedd Council.

Scope of the Audit

The audit will include a review of policies and usage in relation to social media networks and means of engagement with the public. Internal communication equipment is outside the scope of this audit.

Main Findings

It was noted that Gwynedd Council's Communications Team are focusing on Facebook and Twitter accounts at the moment. At the time of the audit, Gwynedd Council's Social Media Policy was at a draft stage. After this policy has been approved, it will be possible to promote its existence and its contents to staff and to enforce it. The Council should seek to raise public awareness about the social media accounts by displaying their addresses on all public documents and publications.

It was noted that good feedback had been received from members of the public in the use of social media by the Council during the floods of November 2012 and the period of severe weather in January 2013, with regular updates on the roads closed as well as which roads were being gritted and so on.

Audit Opinion

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

- **Efforts should be made to raise awareness of the Council's social media sites by displaying the addresses of these sites on all Council publications and documents, including letters and forms.**
- **Gwynedd Council's social media policy should be approved and implemented as soon as possible.**
- **Every service / department should be notified that the Council has a social media policy in place to enable staff to comply with the Council's objectives.**

CHANGE MANAGEMENT FOR IT SYSTEMS

Customer Care

Purpose of the Audit

The purpose of the audit is to ensure that appropriate controls are in place for managing changes to the Council's IT systems.

Scope of the Audit

The audit will review the processes in place for receiving, recording and monitoring changes along with arrangements for incorporating changes to live systems. The effectiveness of the controls in place will be evaluated by reviewing documents relating to a sample of changes that were completed during the last two financial years.

Main Findings

Within the Council, change management measures are defined in an official process, and actions are documented. At the time of the audit, the document that describes the process has draft status. A working group of officers has been established, with responsibility for assessing and authorising changes, and the information system in place gives the IT Service scope to implement a comprehensive process for managing change.

However, there is no wide implementation of the procedure across the IT Service. It seems that the idea of recording and waiting for each change to be authorised before it can be implemented is considered by some staff as an administrative process which adds delay and workload rather than elements of control. The IT Service needs to establish an action plan for implementing the procedure that has been designed as general practice for staff, taking into account steps such as assessing existing barriers and presenting practical solutions together with the introduction of enforcement action where appropriate. The draft process expresses that the working group has a role to identify any changes that have been implemented without following the expected steps. As the working group is aware of such cases it would be appropriate to establish a proper action plan for them.

Audit Opinion

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

- **IT Service Management should expand on their description of the changes they would expect to be subject to the official process for managing change, by providing examples where necessary, so that staff are clear about the requirements upon them and to remove elements of ambiguity in how the requirements can be defined at the time of the review.**
- **Efforts should be made to identify any barriers that prevent IT Service staff from complying with the official process for managing changes and establish a workable plan to overcome them through co-operation with individuals so that the process is adopted as a daily procedure rather than as an afterthought or unnecessary administrative task.**
- **After establishing a change management process that managers consider to be practical and executable to the level expected from IT Service staff, the change management working group (of officers) should act on their role of enforcing the procedure by monitoring any changes that are undertaken outside the official procedures, and take appropriate action to correct it.**

PROCESSING OF ENERGY SUPPLIER DATA

Corporate

Purpose of the Audit

The purpose of the audit is to review the arrangements in place to process energy consumption data for all Council properties and that payments made for energy consumption are accurate.

Scope of the Audit

The audit will include a review of the meters that are in place to record the energy use of all Council property, and ensure that arrangements are in place to enable the Council to issue reports that are complete and accurate.

Main Findings

It was seen that a system is in place for recording energy consumption readings at all Council properties, but many cases of estimated readings are received and the process is not automated. Because of the work required in processing and inputting readings to the system, there is no time left to undertake adequate exercises to identify and investigate exceptions.

Since the estimates are based on energy consumption trends, it would not be possible to identify any exceptions by using these figures. This undermines any process of identifying exceptions.

There is scope for site managers to be proactive by informing suppliers of energy true readings.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in processing of energy supplier data 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 Property Unit should evaluate the costs and benefits of ordering module for the 'Stark' system that enables the input of data received from energy suppliers automatically into the system.**
- **Steps should be taken to encourage site managers to send actual readings to energy suppliers to ensure data integrity and to enable energy conservation officers to identify exceptions earlier.**
- **Automatic Meter Readers should be installed in every building where this can be justified, eg where a building uses more energy than a certain threshold, to ensure the integrity of data from energy suppliers.**

CONTRACT MANAGEMENT - BRO DYSYNNI AREA SCHOOL

Customer Care

Purpose of the Audit

The purpose of this review is to examine Ysgol Ardal Bro Dysynni contract payments to ensure adequate contract management in this particular area.

Scope of the Audit

Review arrangements for authorising and paying the contractor by ensuring that appropriate arrangements are in place to ensure accuracy.

Main Findings

We found that on the whole good internal control exists for managing the Ysgol Ardal Bro Dysynni contract. The only weakness observed was that one interim payment had been made a few days late and that there was no VAT invoice to coincide with the first interim payment.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Contract Management - Bro Dysynni Area School as the controls in place can be relied upon and have been adhered to. One recommendation is suggested in order to further strengthen controls:

- **It should be ensured that all VAT certificates have been received.**

CLIENT FINANCE

Social Services, Housing and Leisure

Purpose of the Audit

The purpose of the audit is to review the measures and procedures that are in place in relation to requests by clients who attend residential / nursing homes for financial assistance in order to ensure compliance with CRAG (Charging for Residential Accommodation Guide) rules.

Scope of the Audit

Check a sample of client financial assessment forms to ensure that adequate financial support will be given to clients by Gwynedd Council in order to pay for their care. Ensure that Client Finance officials comply with CRAG rules when undertaking financial assessments and that the financial assessments are calculated correctly. Ensure that robust arrangements are in place by Client Finance officers to ensure that the information provided by clients on their assessment form is correct. A sample of 20 Gwynedd clients folders were audited - 12 clients from Arfon and 4 each from Dwyfor and Meirionnydd.

Main Findings

It was discovered that Client Finance Officers comply with CRAG rules when calculating residents' ability to pay for their care in residential / nursing homes. We found that appropriate forms have been designed for assessing the ability of residents to pay for care and found that appropriate steps are taken to explain to clients how their contribution towards their care will be calculated. Client complete E33 forms - "Application for Financial Assessment Residential / Nursing Care" when entering care; the details of their income, capital, property and details of their nearest relatives are included in these forms in order to allow Client Finance Officers to assess the contribution of the client towards the cost of their care. We found no robust controls in place for verifying client financial assessments. Appropriate steps should be taken to check client contributions towards the cost of their care. We found that minor errors had been made in some financial assessments when transferring figures to the 'Resident Capability Assessment to Pay for their Care' form, but controls are in place by Client Finance Officers to verify figures included on E33 forms. We found that officers need to take care when calculating the contribution of clients towards their care as there are some minor errors in client folders of the sample examined. 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 of propriety can be expressed in Client Finance as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **It is suggested that the Declaration for Self Funders form is included the folders of all clients who fund their own care.**
- **Evidence of any correspondence with clients should be included in clients' folders. It is suggested that letters and calculations are checked to ensure that the information on the letters is correct.**
- **A written record should be included in clients' folders of phone calls made to check the details of clients.**

SOCIAL SERVICES CONTRACTING ARRANGEMENTS

Social Services, Housing and Leisure

Purpose of the Audit

To ensure that contracts / agreements exist across the department for each piece of work and for all providers, and that these are of acceptable quality / detail that they can be enforced. In addition ensure that the contract / agreements are monitored to ensure that the service received is consistent and of the quality expected to meet the needs of the user.

Scope of the Audit

Check internal controls that exist for a sample of contracts / agreements within the Social Services. The audit does not encompass the contractual arrangements of the Provider and Leisure services.

Main Findings

Several strong examples of good practice were found within the Commissioning and Contracts Unit and in the area of contracting arrangements. Progress is seen in the controls and procedures for monitoring contracts / SLA in particular. However, when looking at contracts across the Social Services, weaknesses in some arrangements were seen and as a result, appropriate steps should be taken to strengthen the arrangements within the area audited.

Audit Opinion

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

- **To protect the interests of the Authority, it should be verified that contracts exist with every provider, and where there isn't one, arrangements should be made to have one signed as soon as possible.**
- **Definite procedures should be agreed upon of who is responsible for keeping some contracts e.g. drugs and alcohol contracts.**
- **There should be regular contact between Social Services and the Legal Unit to establish that the contracts that are used are lawful and that evidence of approval exists.**
- **The contracts should include the need for providers to be registered with standards where appropriate e.g. ISO 9000 and should ensure that the Authority receives evidence of this at all times.**
- **Consideration should be given to changing point four in the volunteering monitoring framework if questionnaires are not going to be given out to service providers.**
- **The monitoring framework should be modified to reflect the changes in the new contract, and providers and officers then trained about the changes.**

ACCOMMODATION FOR YOUNG PERSONS LEAVING CARE

Social Services, Housing and Leisure

Purpose of the Audit

The purpose of the audit is to ensure that suitable providers have been identified on a shortlist and that the agreement with the providers is robust and appropriate. In addition it was verified that savings within the service have been achieved and are permanent.

Scope of the Audit

The short list of providers was checked, and on a sample basis it was verified that the tender process had been followed and that contracts have been appropriately completed and authorised. It was also verified that the savings plan had been achieved as expected.

Main Findings

Examples of good practice were seen in the arrangements for Accommodation for Young People Leaving Care, and success was seen in attracting companies on to a short list which consequently means that the unit cost has decreased, which has been reflected in the budget. However there was some weakness in internal controls. Because of this, appropriate steps should be taken to strengthen the arrangements within these areas as highlighted.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Accommodation for Young Persons Leaving Care as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Rule 7 of the Contract Procedure Rules should be followed at all times when awarding work to the value of less than £50,000, in order to demonstrate the integrity of the process, which will protect officers from allegations of improper arrangements.**
- **Since the contract has been newly adopted, legal assurance should be sought that it is robust enough to protect the Council should a legal challenge arise.**
- **The auditor acknowledges that risks are identified and mitigated in this plan, but there should be an official risk register for any plan / project of this kind in the future in order to facilitate monitoring and ensuring that all steps to mitigate risks are implemented.**
- **It would be useful to have a log of lessons learned prepared to ensure that no mistake is repeated in a scheme / project of the kind in the future.**

COMMUNITY TRANSPORT Regulatory

Purpose of the Audit

The purpose of the audit is to ensure that community transport provision fulfils the objectives that have been included in Gwynedd Council's Strategic Plan for 2012/13.

Scope of the Audit

The scope of the audit was to receive confirmation that the Transport and Street Care Unit has undertaken a review of their provision for community transport and that the applications for the provision have been realised in 92% of cases. It was checked whether 2 new community transport agreements has been designated for on-call taxis and that residents within one community in the County have benefited from a pilot scheme to promote car sharing for local journeys.

Main Findings

The Council receives a Local Transport Services Grant from the Welsh Government to provide local transport services, with 10% of the grant going towards providing and promoting Community Transport. The way in which this grant is administered along with a need to develop a regional strategy in the near future is going to have an impact on the way the Transport and Street Care Unit administer grant funds for Community Transport.

According to Gwynedd Council's Strategic Plan for 2012/13 one of the benefits to be implemented during 2012/13 by the Transport and Street Care Unit for Community Transport was that "We will understand users' satisfaction with regard to the community transport provision for the year". The Ffynnon Performance Management system shows that the Transport and Street Care Unit has conducted a survey in September / October 2011 on satisfaction with the provision of Community Transport. It was seen from the notes on the Ffynnon Performance Management system that performance for 2011/12 is good but that work is needed to ensure that data for 2012/13 is more robust. No evidence was seen that a survey has been carried out in 2012/13 but confirmation was received that a survey is to be held in April 2013. In addition there was need for the Transport and Street Care Unit to promote a car sharing pilot in one community in Gwynedd. Confirmation was received from the Transport Coordinator, Transport and Street Care Unit that members of the public have expressed interest in developing a car-sharing scheme in the Harlech area in 2012/13 but this has not been developed further.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Community Transport 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 Transport and Street Care Unit should strive to conduct a survey on the satisfaction with the community transport provision in accordance with Gwynedd Council's Strategic Plan.**
- **The Transport and Street Care Unit should consider how to develop a pilot scheme to promote car sharing in one community in Gwynedd.**

TRACC PARTNERSHIP Regulatory

Purpose of the Audit

To ensure that the TraCC Partnership has met its objectives and that Gwynedd Council selects projects to be submitted to TraCC for funding. To ensure that arrangements for monitoring projects have been established within the Transport and Street Care Unit.

Scope of the Audit

The report is compiled by reviewing the agreement between Gwynedd Council, Ceredigion County Council, Powys County Council and TraCC and ensuring that the Transport and Street Care Unit is aware of the requirements and expectations of the agreement.

Main Findings

Tests were undertaken on 16 internal controls. The tests showed that good internal controls are in place in 12 of these. The main issue to note seen during the audit was that Gwynedd Council has not developed a link on Council's website in accordance with the requirements of the Welsh Government review. There was no specific arrangements to monitor and record documents and correspondence for the projects, and there is a need to establish a protocol for commissioning work from Gwynedd Consultancy.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in the arrangements within the Transport and Street Care Unit to respond to the requirements and expectations of the TraCC Partnership as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Gwynedd Council should create a link on its website that provides access to TraCC website and to TraCC meeting papers.**
- **There should be a procedure to file the documents and any correspondence in chronological order per piece of work for each project, including the project monitoring sheet on the front of the file.**
- **When any work is commissioned from Gwynedd Consultancy, they should be notified when they are expected to complete the work and submit a report.**
- **A protocol should be established in order to receive regular feedback on project planning and managing that has been commissioned by Gwynedd Consultancy.**
- **The Transport and Street Care Unit should produce a standard form to be used to invite Gwynedd Consultancy to price for any piece of work.**

PONT BRIWET PROJECT Regulatory

Purpose of the Audit

The purpose of the audit was to ensure that Gwynedd Council has robust and sufficient arrangements for the management and delivery of the Pont Briwet renewal.

Scope of the Audit

The scope of the audit was to examine the appropriate arrangements for the tendering process by ensuring that an agreement has been established between Gwynedd Council and Network Rail and that the expenditure on the project is reviewed regularly and that the project's risk register is updated continuously.

Main Findings

The controls and procedures that are in place ensure treatment of the risks that have been identified in the Risk Register for the Pont Briwet Project, or are in the process of receiving attention following the Pre Contract Meeting held on the 14 February 2013.

A Project Manager was appointed in August 2012 to manage the project and it is understood that he will consider and approve and authorise any additional work in accordance with Delegated Powers that are currently being developed. The Project Manager is responsible to the Chief Engineer, Transportation and Street Care and the Project Board. It should be noted that the Pont Briwet Project Board meets quarterly but did not meet on January 15, 2013 due to non-availability of members to attend the meeting. A Pont Briwet Organisational Chart shows that arrangements had been made to appoint representatives to be responsible for resolving any dispute that may arise; this team has not yet been established. The Transport and Street Care Unit expects to receive the names of officers from Gwynedd Council and Network Rail that will be available to resolve any disputes that may arise.

Audit Opinion

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

EQUIPMENT WITH FORMER MEMBERS

Strategic and Improvement

Purpose of the Audit

The purpose of the audit is to ensure that former Council members return items of IT equipment such as laptops and mobile phones to the ownership of the Council and that an adequate record exists so that it can account for each item of equipment and that controls exist over software installed on equipment sold to former members.

Scope of the Audit

Check the relevant Council contact lists and analyse them to ensure that the list is valid and current. Enquire which officers are responsible for collecting IT equipment, and review the equipment collection process. Inquire if the Council has policy / guidelines for IT equipment which are sold to former members and check that arrangements are in place to ensure that the software installed on the items comply with software licensing legislation.

Main Findings

It was not possible to produce evidence that there were appropriate controls for the processes of collecting IT equipment from former members. It was stated that many of the items in question have been returned and have been allocated to other users, but records were not available to identify which individuals (former members) returned what items, so it is not possible to follow up on any cases where this would not have happened.

It appears that one of the circumstances that have led to this is that the responsibilities transferred from the Democracy and Legal Department to the Strategic and Improvement Department following the last election, and records for former members were not given priority at that time. Since it was not possible to state that each item has been returned as expected, there is no way to for the auditors to give assurance in the process of collecting IT equipment from former members of the Council.

There is no IT security risks because the accounts of former members have been disabled.

In terms of financial losses, the purchase price of the original items would need to be considered as well as replacement costs, this would apply for identity verification tokens (Citrix).

It is noted that individual devices for the current plan has been formally recorded against individuals by the Information Technology Service, which will facilitate the process of accounting for their location. An agreement has been prepared and signed by all Members who have received these devices which includes a clause stating that the items are owned by the Council and would be returned at the end of the period. These records are in the possession of the Information Technology Service and the Strategic and Improvement Department.

Audit Opinion

(C) The audit opinion is that assurance of financial propriety cannot be expressed in the procedures for collecting IT equipment from former members 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:

- **When the time comes to collect the IT equipment relating to the previous IT Plan back from current Members, each return should be acknowledged by using a method such as an official central checklist to identify individuals and / or individual appliances to allow a review of any items that need to be follow up.**
- **It should be assessed if there is any way to know which IT items continue to be unreturned, and follow up on any cases where this can be done.**

MEMBERS' SALARIES AND EXPENSES

Strategic and Improvement

Purpose of the Audit

Significant changes came into force for Gwynedd Council's governance arrangements as a result of the Local Government (Wales) Measure 2011. The previous governance arrangements were not an option under the Measure, and so there were many changes in the system of paying salaries and expenses to members following the election of May 2012, including mandatory changes within the structure of Council officers. It is inevitable that a period of significant changes such as this increases the risk of error, so it was appropriate to conduct an internal audit review of the arrangements that are now in place to provide assurance that the new arrangements are working effectively.

Scope of the Audit

Evidence was received that expense claim forms are being reviewed by an appropriate officer and in accordance with the regulations. A sample of wages was verified in order to ensure that the payments made corresponded to the duties of Members and with the appropriate guidance. It was also verified that the claims submitted are approved by an authorised officer at all times. Confirmation was sought that claims are submitted on time, and queries were raised with regards to dealing with any incomplete or late submissions.

Main Findings

Guidelines were published in 2012 for the Members; these clarify the salaries and expenses for which members can claim. All Members have received training on how to complete the form during their induction week following their election in May, but the guidelines also provide an explanation.

The Members' Remuneration Panel for Wales rather than the Council is responsible for setting salaries and travel and subsistence rates. These rates are only actioned by the Council.

A designated officer checks all claims and ensures that the appropriate details are recorded as well as ensuring that VAT receipts and evidence have also been presented. They also check claims against Members' and committee and meetings attendance register. On the whole, the payments are correct - only a few minor errors were found in the sample; these did not have a material effect on the payments.

On several occasions, members presents many months of claims together.

Audit Opinion

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

- **Councillors should be reminded that applications need to be submitted monthly.**

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	18 APRIL 2013
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2012/13
PURPOSE OF REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
ACTION	TO RECEIVE THE REPORT

I. INTRODUCTION

- 1.1 As the “Head of Internal Audit” of Gwynedd Council pursuant to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, I am required to provide the authority with assurance on the whole system of internal control of the Authority. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the governing body is a reasonable assurance that there are no major weaknesses in the whole system of internal control.
- 1.2 In assessing the level of assurance to be given, I have taken into account all audits relevant to 2012/13 and any follow-up action taken in respect of audits from this and previous periods.

2. OVERALL ASSURANCE

- 2.1 **On the basis of Internal Audit work completed during 2012/13, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory. However, there is a need to further develop the formal processes with regards to recording risks within the Council's business units.**

2.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, or otherwise were considered by the Audit Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

3. AUDIT WORK

Audit Plan

- 3.1 A total of 100 assignments were contained in the final revised audit plan for 2012/13. Of these, 95 were completed by 31 March 2013, which represents **95.00%** of the plan. For the purposes of this indicator, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it.
- 3.2 This performance compares with the 2011/12 performance of 99.12%, against a target of 95%.
- 3.3 The audits from the 2012/13 plan that were not finalised before 31 March 2013 were:
- **“Llwyddo'n Lleol”**. The field work remained underway on 31 March. It will be completed as soon as possible in 2013/14.
 - **Management of secondary school building maintenance – Value for Money**. The draft report was released on 20 March 2013. Time did not allow officers from the Customer Care Department and the Education Department to provide comments before 31 March.
 - **Primary Schools - Dismissals due to redundancy**. The draft report was released on 18 March 2013. Due to other commitments and Easter holidays, key officers were unable to respond to the draft before 31 March.
 - **Primary Schools - Teacher Allowances and Conditions of Service for Heads**. No work has started on this audit. It will be undertaken during the first quarter of 2013/14.
 - **Achievement of Savings Projects**. The draft report was released on 25 March 2013. Time did not allow for officers from the Strategic and Improvement Department to provide comments before 31 March.
- 3.4 The audits from the 2012/13 plan that have contributed to the opinion contained in this annual report are listed in Appendix I
- 3.5 Where relevant, internal audit reports are categorised to give an overall audit opinion of the control environment for that particular system or establishment:
- | | |
|--------------|--|
| 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. |
- 3.6 All recommendations that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.

3.7 Of the 95 completed assignments in the 2012/13 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	18
B	45
C	13
CH	0
No Category	19
Total	95

3.8 Of the reports relating to the 2012/13 plan that were given an 'A' to 'CH' opinion category, 82.9% obtained an 'A' or 'B' opinion, which is slightly higher than the equivalent figure of 81.5% in 2011/12.

3.9 No audit received an 'CH' opinion.

3.10 The executive summaries of full reports are presented to the Audit Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no opinion category, the Audit Committee is presented with a summary of the findings of the relevant audits. The only exception to this is where certain assignments are undertaken continuously throughout the year, such as the reviews of contract final accounts.

3.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2012/13 plan. The dates of the relevant meetings of the Audit Committee are also shown in Appendix I.

Date of release of Final Report or Memorandum	Date of Report to the Audit Committee
I April 2012 – 31 July 2012	27 September 2012
I August 2012 – 30 September 2012	22 November 2012
I October 2012 – 31 December 2012	29 January 2013
I January 2013 – 31 March 2013	18 April 2013

Revisions to the Plan

- 3.12 Revisions to the audit plan were reported regularly to the Audit Committee during the year.

Follow-up Work

- 3.13 A final memorandum was issued for 9 follow-up audits between 1 April 2012 and 31 March 2013. Only one of these audits was given an “Unsatisfactory” opinion – the others (apart from one where an opinion category was not given because arrangements had changed) was given an “Acceptable” or “Excellent” opinion. This suggests that robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risk.

4. INTERNAL AUDIT RESOURCES

Staffing and qualifications

- 4.1 The Senior Manager Audit & Risk and two team leaders have a full CIPFA qualification, and the Senior Auditor (IT) has an ISACA computer audit qualification.

Utilisation of staff resources

- 4.2 Appendix 2 contains an analysis of the use made of the time of Internal Audit officers during the period between 1 April 2012 and 31 March 2013. The Committee’s attention is drawn to the following:

- The table demonstrates a reduction in the number of productive days available to provide audits for Gwynedd Council, from **1,821** days between 1 April 2011 and 31 March 2012 to **1,571** days for the same period in 2011/12, a reduction of 250 days. The main reason for this was three vacant posts at the beginning of the period, two due to secondments to another part of the Finance Department, and the other due to the resignation of an auditor to accept a similar post in another local authority.
- One of these vacancies has been planned for, and therefore there was an expectation that fewer days would be provided for Gwynedd Council during 2012/13 than in the previous year. The target for the number of days provided to Gwynedd Council was 1,118, but due to the success in temporary recruitment in order to achieve the plan, actual performance exceeded the target, although it was lower than the previous year.
- Despite this, we were able to meet the target of achieving 95% of the plan. A significant reduction in the number of days that had to be used to complete special investigations or responsive audits (down from **133** in 2011/12 to **39** in 2012/13) was helpful in that regard.
- There has been some increase in the number of days used to supply audits to our external customers.
- In terms of professional training, one Auditor was studying for the ACCA qualification.
- There has been a slight decrease in the number of days lost due to illness, from **62** in 2011/12 to **55** in 2012/13.

5. AUDIT PERFORMANCE

5.1 The results of the internal audit service's performance measures in 2012/13 were as follows:

Description	2011/12 Performance	2012/13 Ambition	2012/13 Results
% of the audits in the Audit Plan that has either been closed or the final report has been issued	99.12%	95%	95%
% productive days to actual available (excluding holidays)	73.0%	70.9%	70.9%
Number of Audit Standards with full compliance according to the Wales Audit Office annual review	10	9	10
Number of audit days provided for Gwynedd Council	1,816	1,118	1,571
Number of audit days provided for external customers	74	85	137
% of Internal Audits with a "B" opinion or better (corporate indicator)	81.48%	70%	82.9%
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	92.86%	80%	88.9%

5.2 All targets were met.

6. COMPLIANCE WITH THE CODE OF PRACTICE

6.1 The Wales Audit Office measures Internal Audit against the requirements of the 2006 CIPFA Code of Practice for Internal Audit. The Wales Audit Office reported in July 2012 that Gwynedd Council has an effective Internal Audit Service that complies in most respects with the standards of the Code of Practice.

6.2 The external auditor's report noted that Internal Audit has met the following standards:

- Scope of Internal Audit
- Ethics for internal auditors
- Audit Committee
- Relationships
- Staffing, training and continuing professional development
- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance quality and effectiveness

It was reported that Internal Audit only partly met the Independence standard, due to other responsibilities of the Senior Manager Audit and Risk in addition to Internal Audit. This is a matter that has now been reported to and noted by the Audit Committee for several years.

6.3 The report did not contain recommendations.

7. WORK PLANS AND TARGETS 2013/14

- 7.1 A draft internal audit plan for 2013/14 was presented to the Audit Committee in its meeting on 14 February 2013. The latest plan is included in Appendix 3.
- 7.2 The Public Sector Internal Audit Standards came into force on 1 April 2013, replacing the Code of Practice for Internal Audit in Local Government in the United Kingdom. No significant changes are expected in Internal Audit's working practices as a result, but the service will continue to assess its compliance with the new standards during the year.
- 7.3 Internal Audit's performance measures for 2013/14 are:

Description	2013/14 Ambition
% of the audits in the Audit Plan that has either been closed or the final report has been issued	95%
% productive days to actual available (excluding holidays)	74.3%
Number of Audit Standards with full compliance according to the Wales Audit Office annual review	10
Number of audit days provided for Gwynedd Council	1,650
Number of audit days provided for external customers	80
% of Internal Audits with a "B" opinion or better (corporate indicator)	70%
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	90%

8. RECOMMENDATION

- 8.1 The Committee is asked to accept this report as the formal annual report of the Senior Manager Audit & Risk pursuant to the Code of Practice for Internal Audit in Local Government in the United Kingdom for the year 2012/13.



Internal Audit Plan 2012/13

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Arrangements for Dealing with Correspondence	C	29 January 2013
Quality of Correspondence	A	18 April 2013
Workforce Planning	B	18 April 2013
Staff DBS Checks	C	18 April 2013
Site Manager Functions	B	29 January 2013
Contribution to preparation of the Annual Governance Statement	No Category	27 September 2012
Undertaking Company Financial Assessment - NMWTRA Framework PQQ2	No Category	27 September 2012
Former Housing Stock - Retention Monies	No Category	
Contract Terms - DBS Checks	C	18 April 2013
Grant - Wales Coastal Monitoring Centre	No Category	22 November 2012
Grant - National Framework for Animal Health and Welfare	No Category	22 November 2012
Recording and Managing Leave	C	29 January 2013
Administration of Invoices before passing to the Payments Unit	C	29 January 2013
Barclaycard Credit Cards	B	22 November 2012
NFI (National Fraud Initiative)	No Category	
Recruitment - Identity Checks	C	27 September 2012
Outcome Agreement	B	18 April 2013
EDUCATION		
Resources		
Welsh Government Development Programme Extension for Thinking and Assessment for Learning Grant	A	27 September 2012
Appetite for Life Grant	B	22 November 2012
Primary Schools Free Breakfast Initiative Grant	B	27 September 2012
Community Focused Schools Childcare Allocation	B	22 November 2012
Foundation Stage 2011-12 Revenue Grant	B	27 September 2012
Post-16 Education Grant	No Category	29 January 2013
School Milk Service	B	27 September 2012
Wales Government - Arrangements for Processing Student Finance	No Category	18 April 2013
Across the department		
Appointment of Management Consultants, Education Department	B	22 November 2012
Schools		
Supply Appointments	B	22 November 2012
Primary Schools - Information Security	B	29 January 2013
HUMAN RESOURCES		
Support Unit		
Administration of Car Loans	B	22 November 2012
NORTH AND MID WALES TRUNK ROAD AGENCY		
Trunk Road Agency - invoices between councils	B	18 April 2013
FINANCE		
Across the department		

Audit Name	Opinion Category	Date Presented to Audit Committee
Consultancy Work - Finance Department Intranet Site	No Category	
Audit and Risk		
Corporate Risk Management	No Category	18 April 2013
Financial		
Income System Bank Reconciliation	B	18 April 2013
Debtors System - Review of Key Controls	A	22 November 2012
Payments System - Review of Key Controls	B	18 April 2013
Accountancy		
Main Accounting System - Review of Key Controls	A	27 September 2012
Main Accounting System - Upgrade Project	A	29 January 2013
Pensions and Payroll		
Payroll - BACS runs	A	27 September 2012
Payroll System Exception Reports	B	27 September 2012
Use of Honoraria	B	18 April 2013
Payroll System - Review of Key Controls	A	18 April 2013
Payroll System - Parameters and Algorithms	A	22 November 2012
Payroll System - Deductions of Tax and National Insurance	A	22 November 2012
Revenue		
Paye.net System	B	18 April 2013
Income collection at offices	B	29 January 2013
Discretionary Housing Benefits	A	18 April 2013
Benefits System - Review of Key Controls	A	18 April 2013
Council Tax System - Review of Key Controls	A	18 April 2013
General IT Controls: Council Tax, Benefits and NNDR (Follow-up to WAO audit)	No Category	22 November 2012
NNDR System - Review of Key Controls	A	27 September 2012
ECONOMY AND COMMUNITY		
Community Regeneration		
Contract Management - Blaenau Ffestiniog Regeneration	B	29 January 2013
Genesis Cymru 2 Scheme	B	18 April 2013
Young Apprentices Employment Route Project	A	18 April 2013
New Work Connections Scheme	B	27 September 2012
Communities First - Closedown Arrangements	B	18 April 2013
Communities First - Exit Strategy	B	18 April 2013
Youth		
Youth Clubs	B	29 January 2013
Major Projects		
Contract Management - Sailing Academy	No Category	18 April 2013
Skills and enterprise		
"Potential" Project	No Category	27 September 2012
Strategy and development Programmes		
Youth Club Grants - Revenue Grant	B	27 September 2012
CUSTOMER CARE		
Emergency Planning		
Inclement Weather Policy	No Category	29 January 2013
Cleaning and Caretaking		
Supervision of Duty Managers	B	22 November 2012

Audit Name	Opinion Category	Date Presented to Audit Committee
Information Technology		
Evaluation of the Social Media Pilot	B	18 April 2013
Change Control	C	18 April 2013
Thin Client	B	18 April 2013
Backups and Service Continuity	C	29 January 2013
Council Land and Property		
Processing of Energy Supplier Data	C	18 April 2013
Contract Management - Bro Dysynni Area School	A	18 April 2013
Protection from Legionella	B	22 November 2012
SOCIAL SERVICES, HOUSING AND LEISURE		
Across the department		
Extra Care Housing	No Category	22 November 2012
Social Services Performance Measures - Accuracy of Core Data	C	29 January 2013
Social Services - Implementing Savings	B	29 January 2013
First Steps Improvement Package Grant	No Category	27 September 2012
Commissioning Framework Standard 7	No Category	
Client Assets Management Unit - Internet Banking	A	22 November 2012
Client Finance	B	18 April 2013
Business		
Social Services Contracting Arrangements	B	18 April 2013
Brokerage Service	B	22 November 2012
Children and Families		
Accommodation for Young Persons leaving care	B	18 April 2013
Residential and Day		
Supported Housing - Imprest Accounts and Income	B	27 September 2012
HIGHWAYS AND MUNICIPAL		
Fleet		
Workshops - Health and Safety Supervision	B	22 November 2012
Municipal Works		
Street Cleaning	B	29 January 2013
Highways Works		
Works - A55 Contract	A	29 January 2013
Waste Management and Streetscene		
GwyriAD Scheme	B	29 January 2013
REGULATORY		
Public Protection		
Licencing Unit	C	27 September 2012
Transportation and Street Care		
Grant - Local Transport Service	No Category	22 November 2012
Pont Briwet Project	A	18 April 2013
TraCC Partnership	B	18 April 2013
Community Transport	B	18 April 2013
STRATEGIC AND IMPROVEMENT		
Democracy		
Equipment with Former Members	C	18 April 2013
Members' IT arrangements	C	29 January 2013

Audit Name	Opinion Category	Date Presented to Audit Committee
Members' Salaries and Expenses	B	18 April 2013
GWYNEDD CONSULTANCY		
Engineering and Building Control		
Comparison of Final Accounts with Original Tender	No Category	27 September 2012
Appointment of Engineering Contractors	B	22 November 2012
Bridges	B	22 November 2012

Summary of the number of reports in each opinion category, 2012/13 Plan:

	Number of Audits
A	18
B	45
C	13
No Category	19
Total	95

Analysis of Internal Audit Use of Time | April - 31 March:

2011/12		2012/13
3,060	Cyfanswm Dyddiau	2,814
467	Less Holidays (Statutory and Non-Statutory)	404
2,593	Total Available Days	2,410
	Less:	
36	Special Leave	22
62	Illness	55
35	Professional Training	22
35	Job Training	94
2,425	Available Days	2,217
	Less Unproductive Time:	
13	Performance Review (Appraisal)	15
15	Medical Appointments	6
39	Time Recording and Management	34
108	Meetings and Committees	90
7	Meetings - Joint working with WAO	2
5	Training Presentation	4
0	Conducting interviews	2
61	Background Work	55
53	Admin etc.	62
23	Audit Committee	21
134	Internal Audit Management	137
5	Absence Management	5
15	North Wales Joint-working Tasks	17
5	IT problems	6
0	Galileo Upgrade	10
1	Fire Drills	0
51	Less: other management work (Senior Manager)	43
1,890	Total productive days	1,708
40	Work for SNPA	57
29	Work for CTE	80
1,821	Total productive days, Gwynedd Council	1,571

Analysis of the use of Gwynedd Council productive days:

2011/12	Type of work	2012/13
1,523	Work on current year's plan	1,424
5	Completion of previous year's work	1
38	Commencement of next year's work	20
60	Advice and Consultancy	39
62	Follow-up work	48
133	Responsive Work / Special Investigations	39
1,821		1,571



Internal Audit Plan 2013/14

Audit Code	Audit Name	Days
CORPORATE		
	Exemptions from the corporate training arrangements	15.00
	Support for "Systems Thinking" Reviews	15.00
	Health and Safety Risk Assessments	25.00
	Health Improvement Strategic Project	20.00
	Corporate Complaints Procedure	15.00
	Local Code of Governance	10.00
	Corporate Governance - Delegation Arrangements	20.00
	Officers' Interests Policy	10.00
	Proactive Anti-Fraud and Anti-Corruption Work	40.00
	Data Protection - Clauses in Job Descriptions	10.00
	Budgetary Control	25.00
	NFI (National Fraud Initiative)	30.00
	Verification of Performance Indicators	25.00
EDUCATION		
Resources		
	Primary Schools Free Breakfast Initiative Grant	7.00
	Schools Effectiveness Framework Grant	7.00
	Community Focused Schools Childcare Allocation	10.00
	Pupil Deprivation Grant	10.00
	Post-16 Education Grant	1.00
	Health and Safety Assessments in Schools	15.00
	Administration of Student Grants and Loans	20.00
GwE		
	GwE	25.00
Schools		
	School Statistics and Censuses	10.00
	Leasing Arrangements in Schools	10.00
	Secondary Schools - Budgetary Control	20.00
	Secondary Schools - Information Security	20.00
	Primary Schools - Teacher Allowances and Conditions of Service for Heads	20.00
HUMAN RESOURCES		
Training		
	Use of Cetus - CALMS	10.00
FINANCE		
Financial		
	Debtors System - Review of Key Controls	10.00
	eProcurement System	20.00

Audit Code	Audit Name	Days
	Payments System - Review of Key Controls	10.00
	Accountancy	
	Main Accounting System - Review of Key Controls	10.00
	Bank Reconciliation - Review of Key Controls	10.00
	Pensions and Payroll	
	Payroll System - Review of Key Controls	10.00
	Payroll - Maternity Pay	10.00
	Payroll - Overtime	10.00
	Payroll - Advances	6.00
	Gwynedd Pension Fund - Review of Key Controls	15.00
	Pensions - Contributions from employers	25.00
	Revenue	
	Risk-Based Benefit Verification	20.00
	Benefits System - Review of Key Controls	10.00
	School Uniform Grant	10.00
	Council Tax - Discounts and Exemptions	20.00
	Council Tax System - Review of Key Controls	10.00
	NNDR Refunds	10.00
	NNDR System - Review of Key Controls	10.00

DEMOCRACY AND LEGAL

Registration

Arrangements for Registering Births, Deaths and Marriages 20.00

Monitoring Officer

Members' Gifts and Hospitality 20.00

ECONOMY AND COMMUNITY

Community Regeneration

Local Regeneration Officers 10.00

Communities First - Extension to the Old Scheme 10.00

Record offices, museums and the arts

Neuadd Buddug, Y Bala 4.00

Maritime and country parks

Ports 20.00

Country Parks 15.00

Major Projects

Contract Management - Sailing Academy 15.00

Sailing Academy Establishment Arrangements 10.00

Strategy and development Programmes

Youth Club Grants - Revenue Grant 5.00

Wales Rural Development Plan Projects 12.00

Tourism, marketing and customer care

"Our Heritage" Project 22.00

Tourist Information Centres 15.00

CUSTOMER CARE

Emergency Planning

Audit Code	Audit Name	Days
	Emergency Planning and Business Continuity	15.00
	Customer Contact	
	One-Stop Shops	10.00
	Libraries	
	"Gwynedd Ni"	10.00
	Information Technology	
	Logging and Monitoring	8.00
	Network Convergence	20.00
	Laptop Security	10.00
	Software Licences (Corporate)	15.00
	Software Licences (Schools)	15.00
	Council Land and Property	
	Asset Management Plan	30.00
	Council Properties - Firefighting Equipment	10.00

SOCIAL SERVICES, HOUSING AND LEISURE

Across the department

Third Sector - Grants, Commissioning and Contracts	25.00
Support Workers Travel Costs	15.00
Social Services - Security of Files and Data	20.00
Results-Based Accountability	7.00

Business

Regional Collaboration Project – Care Commissioning Hub	20.00
---	-------

Supporting People

Supporting People	20.00
-------------------	-------

Homelessness and Supported Housing

Public Sector Housing Leasing Scheme	15.00
--------------------------------------	-------

Leisure

Banking Arrangements in the Leisure Centres	20.00
Sport Council Grants	15.00

Adults

Direct Payments	15.00
Enablement Project Implementation	15.00
Telecare	20.00
Enablement Schemes	20.00

Children and Families

Youth Justice Service	10.00
Children - Post-care Allowances	15.00

Private Sector Housing

Older - Disabled Persons - Adaptations to Homes	20.00
Empty Houses back into use Project	12.00

HIGHWAYS AND MUNICIPAL

Fleet

Fleet Management - NWPP Parts Contract	10.00
--	-------

Highways Works

Rechargeable Works	20.00
--------------------	-------

Waste Management and Streetscene

Audit Code	Audit Name	Days
	Community Gangs	10.00
	Trade Refuse	30.00
REGULATORY		
Environment		
	Payments to Taxi Firms	20.00
Planning		
	The Planning Service	25.00
	Development Control - Enforcement	15.00
Public Protection		
	Trading Standards	20.00
Transportation and Street Care		
	Enforcement and Transport	10.00
	Subsidised Travel Tickets - Payments to bus companies	25.00
STRATEGIC AND IMPROVEMENT		
Procurement and Efficiency		
	Procurement Strategy	25.00
Strategic Direction		
	SMAP Fund	15.00
	Community Safety	15.00
	Children and Young People Strategic Partnership	15.00
	Health, Social Care and Welfare Partnership	20.00
Democracy		
	Member Training	20.00
	The Gwynedd Standard - Exempt Papers and Confidentiality	15.00
Performance and Scrutiny		
	Project Management Arrangements	26.00
	Channel Migration Project	20.00
	Risk Management of Projects of the Childrens and Young People Programme	15.00
	Total Place Project	15.00
GWYNEDD CONSULTANCY		
Buildings and Environmental		
	Follow-up to Reviews on Gwynedd Consultancy	20.00
		1,682.00



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline

Gwynedd Council

Audit year: 2012-13

Issued: March 2013

Document reference: 212A2013

Status of document

This document has been prepared for the internal use of Gwynedd Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

Contents

Annual Financial Audit Outline

Roles and responsibilities	4
The audit approach	5
Reporting	8
Audit fee	9

Appendices

Key elements of the audit engagement	10
Financial audit team	11

Annual Financial Audit Outline

Roles and responsibilities

1. This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides Gwynedd Council (the Council) with an outline of the financial audit work required for the 2012-13 financial statements.
2. Under the provisions of the Public Audit (Wales) Act 2004, the Auditor General is responsible for appointing external auditors (appointed auditors) to local government bodies.
3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act, this involves giving an opinion on whether the accounts give a true and fair view of the Council's financial position and of its income and expenditure for the year. The act also requires me to satisfy myself of these things:
 - that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
 - that the accounts comply with the requirements of all other statutory provisions applicable to them;
 - that proper practices have been observed in the compilation of the accounts; and
 - that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
4. I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.
5. The audit does not relieve the Council of its responsibility to:
 - establish systems of internal control to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare a Statement of Accounts in accordance with relevant requirements; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
6. The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.
7. The key elements of the audit are set out in [Appendix 1](#).
8. A separate document, *the Auditor General's Regulatory Programme for Performance Audit*, will be issued setting out the work to be delivered by the Auditor General under the Local Government (Wales) Measure 2009.
9. A separate Annual Financial Audit Outline for the audit of the 2012-13 accounts of the Gwynedd Pension Fund has been issued.

-
10. The Auditor General is required to certify certain grant claims and returns. The Appointed Auditor, acting as an agent of the Auditor General, undertakes the audit work relating to those claims and returns.

The audit approach

The audit team

11. Information regarding the financial audit team is provided in [Appendix 2](#).

Audit of financial statements

12. I understand that internal controls are designed, implemented and maintained by the Council to address identified business risks that threaten the achievement of an audited body's objectives regarding:
- the reliability of its financial reporting;
 - the effectiveness and efficiency of its operations; and
 - its compliance with applicable laws and regulations.
13. I will:
- assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
 - assess the effectiveness of Internal Audit;
 - review and seek to place reliance upon work undertaken by Internal Audit, as appropriate; and
 - develop substantive procedures to respond to risks of material misstatement in the accounting statements.
14. I do not seek to obtain absolute assurance that the financial statements and related notes are true and fair, but adopt the concept of materiality. Therefore in planning and conducting the audit, I seek to identify material misstatements in the accounting statements and related notes, that is, those that might result in a reader of the accounts being misled.
15. The levels at which I judge such misstatements to be material will be reported in my report to the Audit Committee prior to completion of the audit.

Risks of material misstatement in the accounting statements

16. **Exhibit 1** provides information regarding the main operational and financial risks faced by the Council that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit risks and proposed responses

Risks	Action proposed
Control environment risks	
<p>Overall Risk that financial management and governance controls are insufficient, or are not operating as intended. In particular, the Council continues to face significant financial pressures within the wider difficult economic climate.</p>	<p>We will assess the robustness of the Council's arrangements for:</p> <ul style="list-style-type: none"> ensuring effective budgetary control and financial planning; and providing internal audit coverage which meets the professional standards set by The Chartered Institute of Public Finance and Accountancy (CIPFA).
Financial systems risks	
<p>Overall Risk that the Council's high level financial controls are not designed or operating effectively to prevent and detect material misstatements in the financial statements.</p>	<p>We will review the design and test the operation of high level controls in the:</p> <ul style="list-style-type: none"> main accounting system; budgetary control system; and the accounts preparation process.
Preparation of the accounts risks	
<p>Overall Risk that changes to the financial statements to comply with the 2012-13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), may be incorrectly completed.</p>	<p>We will review the draft financial statements to ensure that it has been prepared, in all material respects, in accordance with the Code.</p>

Risks	Action proposed
<p>Issues arising from my previous audits</p> <p>There are risks arising from issues raised in my previous audits where improvements were required. In particular, the need to:</p> <ul style="list-style-type: none"> ensure that the bank reconciliation is properly prepared; ensure that the classification of creditor balances is in accordance with the Code of Practice; and ensure that all Council members submit details of related party interests to ensure that the related party disclosure note is complete. 	<p>We will:</p> <ul style="list-style-type: none"> assess the controls in place during 2012-13 and conduct audit testing to consider their design, existence and maintenance; and conduct follow-up work in respect of recommendations arising from our previous audits.
<p>Financial statements risks</p>	
<p>Overall</p> <p>Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.</p>	<p>We will undertake a programme of audit testing to address risks identified as part of our planning work and review of the draft financial statements.</p>
<p>Accounting for obligations relating to Landfill Sites</p> <p>As we have previously identified, where a local authority operates or has operated landfill sites for which it has a responsibility, there is a duty to restore the site and undertake appropriate aftercare and monitoring for several decades after closure. As a result, financial obligations arise and these must be recognised in the Council's financial statements.</p> <p>There is a risk that insufficient accounting provision is set aside for the liabilities associated with landfill sites.</p>	<p>We will obtain an understanding of the Council's responsibilities in relation to landfill sites and consider whether the authority has made appropriate accounting provision within its financial statements.</p>
<p>Joint committees, pooled budgets and collaboration</p> <p>The Council is working collaboratively with other organisations in a number of areas and leads some projects.</p> <p>There are potential risks (eg, financial, reputational, governance) to the Council if it does not effectively manage these relationships and account for them correctly in its Accounts.</p>	<p>I will review the Council's processes and systems to collaborate with others.</p> <p>I will also review the accounting and disclosures made in respect of such arrangements to ensure compliance with the Code for 2012-13.</p>

Use of resources

17. To discharge my responsibilities regarding the arrangements that the Council has established to secure economy, efficiency and effectiveness in its use of resources, I shall place reliance upon:
- the results of the audit work undertaken on the financial statements;
 - the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
 - the results of work carried out by the Auditor General, including work carried out under the Local Government (Wales) Measure 2009, certification of claims and returns, and data-matching exercises;
 - the results of the work of other external review bodies where relevant to my responsibilities; and
 - any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

Reporting

18. The Code of Audit Practice issued by the Auditor General requires appointed auditors to comply with relevant auditing and ethical standards. These standards require formal reporting at various stages during the audit to those charged with governance.
19. In particular, auditors must report:
- relationships that may affect the auditor's independence;
 - audit planning information; and
 - certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.
20. [Appendix 1](#) highlights the key elements of the audit engagement at the Council, and I confirm that there are no known threats to my independence as Appointed Auditor or on the independence of staff or contractors working for me.
21. This document provides information regarding the planning of the audit.
22. I will submit reports to the Audit Committee, and where necessary, to the Cabinet/Council in a timely manner.

-
23. I will provide other reports or output as agreed. The key milestones are set out in [Exhibit 2](#).

Exhibit 2: Key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	March 2013	April 2013
Audit of Financial Statements (ISA 260) Report	August 2013	September 2013
Audit Opinion on the 2012-13 Financial Statements	September 2013	September 2013
Annual Audit Letter	October 2013	November 2013

Audit fee

24. The proposed fee for 2012-13 financial audit work is £168,036 (plus VAT) and will be charged in equal instalments between November 2012 and October 2013. This fee is set at the same level as in 2011-12 and is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit. We have recently received a ruling from HMRC regarding changes in the VAT status of the Auditor General which will take effect from 1 April 2013. We are currently liaising with HMRC regarding the precise scope of this ruling and will shortly be writing to you separately to explain the implications of this ruling.
25. In previous years, there have been few formal objections to the Council's financial statements. However, I do receive a number of queries and items of correspondence from members of the public and other interested parties. A small amount of time has been included within the fee to deal with minor queries, as part of the overall management of the audit.
26. Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Council, prior to undertaking the work.
27. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. The fees will reflect the size, complexity and particular issues relating to the specific grants.
28. Although grant certification work fluctuates from year to year, based on past experience and initial indications of changes in grant schemes and conditions, I estimate that the total fee for grant work will be in the range of £100,000 to £130,000.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the [Council/Authority]
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of appointed auditors are outlined above and in this appendix. The full Statement of Responsibilities can be found at: http://www.wao.gov.uk/assets/english_documents/statement_of_responsibilities_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an engagement lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
Discretionary work by agreement	The Auditor General has set out clear criteria for approval of any discretionary work requested by audited bodies.	No discretionary agreement work has been requested or is proposed.
Ethical considerations		
Independence	Appointed auditors are required to consider the following: <ul style="list-style-type: none"> • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body (see Wales Audit Office rotation of audits policy); and • contentious or difficult issues. 	I can confirm that there are no known threats to my independence as the Appointed Auditor or to the independence of staff or contractors working for me, and I have complied with the Wales Audit Office rotation policy. In instances where other audit staff have relations with the Council mitigating arrangements will be put in place to ensure independence is maintained.
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for the audit, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

The Appointed Auditor is Anthony Barrett, the audit team are:

Name	Role	Contact number	E-mail address
Derwyn Owen	Financial Audit Engagement Lead	029 2032 0500	derwyn.owen@wao.gov.uk
Amanda Hughes	Audit Manager	01244 525970	amanda.hughes@wao.gov.uk
Alan Hughes	Financial Audit Team Leader	01244 525970	alan.hughes@wao.gov.uk



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: info@wao.gov.uk

E-bost: info@wao.gov.uk

Website: www.wao.gov.uk

Gwefan: www.wao.gov.uk



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline

Gwynedd Pension Fund

Audit year: 2012-13

Issued: March 2013

Document reference: 198A2013

Status of document

This document has been prepared for the internal use of Gwynedd Pension Fund as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This document was produced by Anthony Barrett on behalf of the Auditor General for Wales

Contents

Annual Financial Audit Outline

Roles and responsibilities	4
The audit approach	4
Reporting	7
Audit fee	8
Other matters	8

Appendices

Key elements of the audit engagement	9
Financial audit team	10

Annual Financial Audit Outline

Roles and responsibilities

1. Gwynedd Council (the Council) is the administering authority of the Gwynedd Pension Fund (the Pension Fund). This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2012-13 Pension Fund accounts.
2. Under the provisions of the Public Audit (Wales) Act 2004, the Auditor General is responsible for appointing external auditors (appointed auditors) to local government bodies.
3. As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Pension Fund. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act, this involves giving an opinion on whether the accounts give a true and fair view of the Pension Fund's financial transactions and of the amount and disposition of the fund's assets and liabilities. The act also requires me to satisfy myself of these things:
 - that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
 - that the accounts comply with the requirements of all other statutory provisions applicable to them; and
 - that proper practices have been observed in the compilation of the accounts.
4. I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.
5. The audit does not relieve the Council of its responsibility regarding the Pension Fund to:
 - put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
 - maintain proper accounting records;
 - prepare accounts in accordance with relevant requirements; and
 - establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
6. The key requirements of the Auditor General and the Appointed Auditor are set out in [Appendix 1](#).

The audit approach

7. Information regarding the financial audit team is provided in [Appendix 2](#).

Audit of Pension Fund accounts

8. I understand that internal controls are designed, implemented and maintained by the Pension Fund to address identified business risks that threaten the achievement of an audited body's objectives regarding:
 - the reliability of its financial reporting;
 - the effectiveness and efficiency of its operations; and
 - its compliance with applicable laws and regulations.
9. I will:
 - assess the effectiveness of high-level internal controls and key system-level internal controls in preventing and detecting material errors in the accounting statements;
 - assess the effectiveness of Internal Audit; and
 - develop substantive procedures to respond to risks of material misstatement in the Pension Fund accounts.
10. I do not seek to obtain absolute assurance that the Pension Fund accounts and related notes are true and fair, but adopt a concept of materiality. Therefore in planning and conducting the audit, I seek to identify material misstatements in the Pension Fund accounts and related notes, that is, those that might result in a reader of the accounts being misled.
11. The levels at which I judge such misstatements to be material will be reported in my report to those charged with governance for the Council as a whole (the Audit Committee) prior to completion of the audit.

Risks of material misstatement in the Pension Fund accounts

12. **Exhibit 1** provides information regarding the main operational and financial risks faced by the Pension Fund that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance.

Exhibit 1: Summary of main audit issues and proposed responses

Issues	Action proposed
Control environment risks	
<p>Local Government Pension Schemes are required to produce compliance statements. These statements form part of the overall governance arrangements of the authority. There is a risk that the authority fails to keep the statement under review and, as a result, the Annual Governance Statement does not appropriately cover the Pension Fund's governance arrangements.</p>	<p>I will review the content of the Annual Governance Statement and ensure that its contents are not inconsistent with our knowledge and understanding of the authority's governance arrangements, including those arrangements covering the pension fund.</p>
Financial statements risks	
<p>External investment managers are appointed to manage the investment portfolio. Their own systems and records will generate account entries made to the Pension Fund account and net assets statement.</p> <p>External fund managers provide internal control reports on the investments held on behalf of the Pension Fund. These typically provide the Pension Fund with assurance on a wide range of controls eg, valuation of the investment portfolio held. From an external audit perspective, these controls are important, particularly in respect of Levels 2 and 3 type investments where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active.</p>	<p>I will obtain direct confirmation from the fund managers of year-end investment balances, and consider whether investment managers' internal control reports indicate specific risks to these balances.</p> <p>I will also assess whether the investment manager's internal control reports provide assurance over a wide range of relevant controls including valuation of investments held.</p>
<p>In my previous audits it has been identified that there is a need to improve the process to independently calculate the change in market value to ensure that a balancing figure does not mask underlying errors in the account balances and disclosures.</p>	<p>We will assess the arrangements in place for the preparation of the 2012-13 accounts and conduct audit testing to specifically follow up this issue.</p>

Issues	Action proposed
<p>The Local Government Pension Scheme Regulations 2009 made some significant changes to the Regulations that were previously in place. Prior to 1 April 2010, under the 1998 Regulations, administering authorities could borrow money from the pension fund to meet their financing needs. Many administering authorities pool their pension fund cash surpluses with the authority's own money for the purposes of making an investment.</p> <p>Where pooling arrangements exist, it is incumbent on administering authorities to secure pooling arrangements which are in accordance with regulation 3(4) of the 2009 regulations.</p>	<p>I will review the pension fund's cash flow management and investment procedures and review compliance with the pension fund's statement of principles to ensure that they comply with the requirements of the 2009 regulations.</p> <p>I will also review the Council's treasury management practices and procedures to ensure consistency of implementation with the pension fund.</p>

Reporting

13. The Code of Audit Practice issued by the Auditor General requires appointed auditors to comply with relevant auditing and ethical standards. International Standards on Auditing (ISAs) require formal reporting at various stages during the audit to those charged with governance.
14. In particular, auditors must report:
 - relationships that may affect the auditor's independence;
 - audit planning information; and
 - certain matters to those charged with governance (as distinct from management) before they give an opinion on the financial statements.
15. **Appendix 1** highlights the key elements of the audit engagement at the Pension Fund, and I confirm that there are no known threats to my independence as Appointed Auditor or on the independence of staff or contractors working for me.
16. This document provides information regarding the planning of the audit.
17. I will submit reports to the Audit Committee and where necessary, to the Cabinet/Council in a timely manner.
18. I will provide other reports or outputs as agreed. The key milestones are set out in **Exhibit 2**.

Exhibit 2: Key milestones

Planned output	Planned start date	Report finalised
Annual Financial Audit Outline	March 2013	March 2013
Audit of Financial Statements (ISA 260) Report	July 2013	September 2013
Audit Opinion on the 2012-13 Financial Statements	June 2013	September 2013

Audit fee

19. The proposed fee for 2012-13 financial audit work is £25,095 (plus VAT) and will be charged in equal instalments between November 2012 and October 2013. This fee is in line with the Auditor General's fees letter and is based on the zero-based fee model for financial audit. We have recently received a ruling from HMRC regarding changes in the VAT status of the Auditor General which will take effect from 1 April 2013. We are currently liaising with HMRC regarding the precise scope of this ruling and will shortly be writing to you separately to explain the implications of this ruling.
20. The 2012-13 financial audit fee has not changed from my 2011-12 fee of £25,095.

Other matters

Pension Fund annual report

21. In addition to including the Pension Fund accounts in their main Statement of Accounts, administering authorities are required to publish a Pension Fund annual report which must include the Pension Fund accounts.
22. I am required to read the Pension Fund annual report and consider whether the information it contains is consistent with the Pension Fund accounts.
23. I also issue an audit statement confirming the consistency of the accounts included in the annual report with the audited Pension Fund accounts included in the administering authority's Statement of Accounts.

Appendix 1

Key elements of the audit engagement

Key elements	Requirements	Position at the Pension Fund
Engagement activities		
Terms of the audit engagement	The Public Audit (Wales) Act 2004 sets out responsibility for appointment of local government external auditors in Wales.	Roles and responsibilities of appointed auditors are outlined above. The full Statement of Responsibilities can be found at: http://www.wao.gov.uk/assets/english_documents/statement_of_responsibilities_of_auditors_eng.pdf
Appointment of auditors and engagement leads	It is the Auditor General's responsibility to appoint local government external auditors and to assign responsibility for each engagement to an engagement lead.	Details of the Appointed Auditor and the Engagement Lead are provided in Appendix 2 of this document.
Discretionary work by agreement	The Auditor General has set out clear criteria for approval of any discretionary work requested by audited bodies.	No discretionary agreement work has been requested or is proposed.
Ethical considerations		
Independence	Appointed auditors are required to consider the following: <ul style="list-style-type: none"> • threats to auditor independence (including litigation); • family and other personal relationships; • long association with the audited body (see Wales Audit Office rotation of audits policy); and • contentious or difficult issues. 	I can confirm that there are no known threats to my independence as the Appointed Auditor or to the independence of staff or contractors working for me, and I have complied with the Wales Audit Office rotation policy.
Engagement performance	Engagement leads need to consider what level of quality assurance and review levels are appropriate.	Wales Audit Office quality control review mechanisms are in place for the audit, and the Engagement Lead has established appropriate review levels based on the experience of the staff undertaking the audit work.

Appendix 2

Financial audit team

The Appointed Auditor is Anthony Barrett, the audit team are:

Name	Role	Contact number	E-mail address
Derwyn Owen	Financial Audit Engagement Lead	02920 320651 07909 882609	derwyn.owen@wao.gov.uk
Amanda Hughes	Audit Manager	07969 919986	amanda.hughes@wao.gov.uk
Alan Hughes	Financial Audit Team Leader	07791 411985	alan.hughes@wao.gov.uk



WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: info@wao.gov.uk

E-bost: info@wao.gov.uk

Website: www.wao.gov.uk

Gwefan: www.wao.gov.uk