

## **GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>15 JULY 2014</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF THE INTERNAL AUDIT SECTION FOR THE PERIOD TO 30 JUNE 2014</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION</b>

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### **1. INTRODUCTION**

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 April 2014 to 30 June 2014.

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

- 2.1 The following audit work was completed in the period to 30 June 2014:

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	9
Follow-up Audits	3

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 30 June 2014, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Leasing Arrangements in Schools	Education	Schools	C	Appendix 1
Benefits System - Closure 2013-14	Finance	Revenue	A	Appendix 2
Council Tax System - Closure 2013-14	Finance	Revenue	A	Appendix 3
NNDR System - Closure 2013-14	Finance	Revenue	A	Appendix 4
Plas Maesincla, Caernarfon	Adults, Health and Wellbeing	Residential and Day	B	Appendix 5
Plas Ogwen, Bethesda	Adults, Health and Wellbeing	Residential and Day	C	Appendix 6
Playgrounds	Highways and Municipal	Municipal Works	B	Appendix 7
Waste Disposal Contracts	Highways and Municipal	Waste Management and Streetscene	A	Appendix 8
Public Footpaths and Recreational Routes	Regulatory	Environment	B	Appendix 9

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.

## 2.4 Follow-up Audits

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

TITLE	DEPARTMENT	FOLLOW-UP OPINION
Use of Cetus - CALMS	Human Resources	<b>Acceptable</b>
Data Protection Clause in Job Descriptions	Corporate	<b>Acceptable</b>
Officers' Interests Policy	Corporate	<b>Acceptable</b>

2.4.2 The conclusion of follow-up work is placed in one of four categories:

**Excellent** – all recommendations implemented as expected.

**Acceptable** – most recommendations, including the majority of “essential” recommendations, implemented as expected.

**Unsatisfactory** – several recommendations not implemented.

**Unacceptable** – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

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

**Completion Target: Quarter ending 31 December 2013**

Contract Terms - DBS Checks  
Staff DBS Checks

**Completion Target: Quarter ending 30 June 2014**

Health and Safety Risk Assessments  
Software Licences (Schools)  
Direct Payments  
Subsidised Travel Tickets

**Completion Target: Quarter ending 30 September 2014**

Verification of Performance Measures  
Corporate Complaints Procedure  
Ports  
School Statistics and Censuses  
Country Parks  
Overnight Arrangements at Council Homes  
Bryn Blodau, Llan Ffestiniog  
Schools Effectiveness Grant and Pupil Deprivation Grant

**Completion Target: Quarter ending 31 December 2014**

Arrangements for Registering Births, Deaths and Marriages  
Overtime Claims Procedures  
Laptop Security  
Leasing Arrangements in Schools

**Completion Target: Quarter ending 31 March 2015**

Plas Ogwen

### **3 WORK IN PROGRESS**

3.1 The following work was in progress as at 1 July 2014.

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

- Secondary Schools - Governance (*Education*)
- Contribution to preparation of the Annual Governance Statements (*Corporate*)

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

- Staff Protection Register (*Corporate*)
- Mobile Phones (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Protocol for Member-Officer Relations (*Corporate*)
- Officers Gifts and Hospitality (*Corporate*)
- Sickness Arrangements - Referrals to Occupational Health (*Corporate*)
- Bank Reconciliation - Closure 2013-14 (*Finance*)
- Main Accounting System - Review of Key Controls (*Finance*)
- Debtors System - Review of Key Controls (*Finance*)
- CHAPS Payments (*Finance*)
- Communities First - The New Scheme (*Economy and Community*)
- Youth Service - Training Grant (*Economy and Community*)
- Youth Service - Revenue Grant (*Economy and Community*)
- Inclement Weather Plan (*Corporate*)
- Leisure Centres (*Economy and Community*)
- Homelessness (*Adults, Health and Wellbeing*)
- Families First Grant (*Children and Supporting Families*)
- Follow-up - Health and Safety Risk Assessments (*Corporate*)
- Sustainable Waste Management Grant (*Highways and Municipal*)
- Traffic Orders (*Regulatory*)
- Planning Service - time taken to make decisions (*Regulatory*)
- Joint Planning Policy Committee (*Regulatory*)
- Follow-up to Reviews on Gwynedd Consultancy (*Gwynedd Consultancy*)

### **4. RECOMMENDATION**

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 April 2014 to 30 June 2014, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## LEASING ARRANGEMENTS IN SCHOOLS

### Education

#### Purpose of the Audit

The purpose of the audit is to ensure that schools receive value for money when leasing equipment in the schools, and that the schools and the Council comply with the relevant financial regulations. Check that leasing terms and costs in schools are agreed with the suppliers and that leasing payments correspond with what was agreed.

#### Scope of the Audit

Check that the Education Department has provided guidelines for schools, noting what is expected when leasing equipment. Select a sample of schools and check that they have received quotations from suppliers before agreeing to a lease, and that an agreement has been established with the supplier in relation to the conditions and costs of the lease. Check that schools inform the Finance Department before leasing any equipment and that the Finance Department approves the lease. Check that the Finance Department has a current register of equipment that is leased in schools. Compare the leasing costs of the several suppliers used by schools and check that schools are not paying high fees to specific suppliers. A sample of three secondary schools and seven primary schools were queried about their leasing arrangements as part of the audit.

#### Main Findings

It was seen that schools do not contact the Development Finance Unit beforehand in order to receive approval before leasing equipment in schools. This is contrary to the requirements of the Council's Financial Procedure Rules. In addition, it was seen that the Development Finance Unit does not have a current list of equipment that is leased by Gwynedd schools. This is contrary to the requirements of the International Financial Reporting Standards (IFRS). It was seen that some schools had not retained a signed copy of the agreement/s established with leasing equipment suppliers which notes the costs and terms and conditions of the lease, or that some schools had lost their signed copy of the leasing agreements with the suppliers.

#### Audit Opinion

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

- **It should be ensured that schools receive appropriate quotations in accordance with rule 8.4 of the 'Financial Regulations for Schools and Delegated Budgets' when leasing equipment in schools in the future, as well as keeping a copy of inquiries / quotations on file at the school.**
- **The importance for schools to establish and keep a copy of the signed contracts they establish with leasing equipment suppliers should be highlighted, as well as receiving a copy of the terms and conditions of contracts.**
- **It should be ensured that the Development Finance Unit's list of leased equipment in schools is updated and kept current in the future, with schools who do not submit their details of leased equipment being pursued.**

**BENEFITS SYSTEM - CLOSURE 2013-14**  
**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 closing down the financial year, by confirming that the appropriate reconciliations are conducted.

Scope of the Audit

Check that the reconciliations that are part of the exercise of closing the previous financial year are conducted in a timely manner and that they are complete and accurate.

Main Findings

It was found that the reconciliation processes expected for the end of the financial year have been completed

**Audit Opinion**

**(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the Benefits System as the controls in place can be relied upon and have been adhered to.**

## **COUNCIL TAX SYSTEM - CLOSURE 2013-14**

### **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, and therefore a review of this system is intended. The purpose of the audit was to ensure that the total amount of Council Tax bills have been recorded correctly in the system and are consistent with the amounts approved by Full Council as well as other authorities. Ensure that the total properties in Gwynedd have been properly recorded on the system and are consistent with the reports of the Valuation Office. 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 appropriate year-end procedures are in place for recording information.

#### Main Findings

Good practice exists in the process of reconciling and closing down at the end of the financial year. It was found that all the expected reconciliation processes are achieved in line with expectations.

The only weakness observed was that money remains in the suspense account at the end of the financial year. Information was received that a lack of means to identify to which account the money belongs is the reason for the majority. For the minority (£297.75), information was received that this was grant money to pensioners as a contribution towards their council tax. These pensioners received the full benefit that was backdated after receiving the grant money that led to the credit on their account. It was noted that it was inappropriate to repay the credit as it was grant money.

#### **Audit Opinion**

**(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the Council Tax System as the controls in place can be relied upon and have been adhered to.**

## **NNDR SYSTEM - CLOSURE 2013-14**

### **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 NNDR system is considered a "major financial system" in accordance with the Wales Audit Office's definition, and therefore a review of this system is intended. The purpose of the audit was to ensure that the NNDR bills have been processed correctly and in accordance with rateable values that are set by the Valuation Office, and that there are appropriate processes for collecting, recording and monitoring payments.

#### Scope of the Audit

Review and test that appropriate processes are in place for the year-end reconciliation.

#### Main Findings

It was seen that the year-end reconciliation has been completed in line with expectations.

#### **Audit Opinion**

**(A) The audit opinion is that assurance of financial propriety can be expressed in the 2013-14 Closure of the NNDR System as the controls in place can be relied upon and have been adhered to.**



**PLAS MAESINCLA, CAERNARFON**  
**Social Services, Housing and Leisure**

Purpose of the Audit

Ensure that the financial, security and medication arrangements at Plas Maesincla Home are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

Audit the main areas of expenditure and income according to the 2013-14 ledger, together with the management arrangements at the Home. Audit the medication arrangements at the Home to ensure they are in accordance with relevant regulations, legislation and guidelines.

Main Findings

Examples of good practice were found to exist in some of the arrangements of Home. However, it seems that there are examples of acting in contravention of the Council's administrative procedures and as a result of the Financial Procedure Rules. This was checked in different areas of the home such as budgetary arrangements, due process of ordering, receiving and paying for goods and services, the residents' pocket money arrangements and procedures for approving holidays. 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 financial propriety can be expressed in Plas Maesincla, Caernarfon as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:**

- **Where it becomes apparent from the monthly budget reports that an overspend is likely, this should be discussed with the Area Manager to try to agree on steps to improve / resolve the deficit.**
- **It should be ensured that timesheets are checked against records of the Home's rota before signing them to ensure that the salary costs of the Home are correct.**
- **Every effort should be made to ensure no overspend on the managed budget. The specific officers should be made aware of the budget and be careful with expenditure.**
- **All orders should always be certified by an authorised officer to ensure that the order has been agreed in advance and that a budget is available for the purchase. Staff should familiarise themselves with the Council's Financial Regulations to ensure that the correct process of ordering goods or services are being followed.**
- **The holiday agreement procedure should be used correctly and consistently all the time. The application form should be changed to reflect the way the holiday entitlement is calculated, which is in hours or days / nights.**
- **It should be ensured that there are two receipt signatures for any medication that is added to the MAR form.**

Further comments by the Service

***Noted. The Service will arrange to retrain the Clerk of the Home on all these issues.***

**PLAS OGWEN, BETHESDA**  
**Social Services, Housing and Leisure**

Purpose of the Audit

Ensure that the financial, security and medication arrangements at Plas Maesincla Home are appropriate and in accordance with the Council's Financial Procedure Rules.

Scope of the Audit

Audit the main areas of expenditure and income according to the 2013-14 ledger, together with the management arrangements at the Home. Audit the medication arrangements at the Home to ensure they are in accordance with relevant regulations, legislation and guidelines.

Main Findings

Examples of good practice were found to exist in some of the arrangements of Home. However, it seems that there are examples of acting in contravention of the Council's administrative procedures and as a result of the Financial Procedure Rules. This was checked in different areas of the home such as budgetary arrangements, due process of ordering, receiving and paying for goods and services, the residents' pocket money arrangements and procedures for approving holidays. Because of this, appropriate measures should be taken to strengthen the arrangements within the area examined.

Audit Opinion

**(C) The audit opinion is that assurance of financial propriety cannot be expressed in Plas Ogwen, Bethesda 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:**

- **Where it becomes apparent from the monthly budget reports that an overspend is likely, this should be discussed with the Area Manager to try to agree on steps to improve / resolve the deficit.**
- **Invoices should be sent to be paid on time i.e. within one month of the date of receipt of the invoice.**
- **There should be a better control over the safe key to ensure that access to residents' money is by authorised officers only.**
- **Holiday requests should be approved at all times.**
- **All relevant personnel should be trained, should confirm that they have received it, and if not relevant to the individual, a record of this is made on the list of staff training.**
- **Relevant staff should sign that they have read the Medication Policy and if it does not apply to them, is recorded on the form**
- **There should be a record of the movement of medication in or out, whether controlled or not, containing 2 signatures to avoid any suspicion of abuse.**

**Further comments by the Service**

***Noted. The Service will arrange to retrained the Clerk of the Home on all these issues.***

***Underperformance issues with some aspects of the report will be given attention.***

## **PLAYGROUNDS**

### **Highways and Municipal**

#### Purpose of the Audit

The purpose of the audit is to ensure that appropriate internal controls are associated with the arrangements for managing inspection work and ensuring the safety of Gwynedd playgrounds.

#### Scope of the Audit

The audit encompassed the planning and monitoring arrangements of the inspectors' work programme to ensure the safety of playgrounds.

#### Main Findings

When reviewing the playground inspection arrangements, it was found that strong arrangements of good practice are shown by the Department which is in line with the safety arrangements of the Council, Zurich and RoSPA. We looked at arrangements that are in place to ensure that all play areas are being inspected and that any replacement work has been completed within the expected timeframe. It was observed that the work was of a high standard, work was completed on time and records are kept in a neat organised filing system. However, three amendments to the good practice are proposed, which are to monitor inspections regularly, retain records meetings and add an inspection retention policy to the corporate policy. However, the arrangements in place are effective.

#### Audit Opinion

**(B) The audit opinion is that partial assurance of financial propriety can be expressed in the Playground inspection 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 creation of a regular monitoring system should be considered to ensure that the inspections are completed correctly and that the paperwork is complete at all times.**
- **Consideration should be given to keeping records of meetings where important information was communicated to ensure that there is a record of who is present and receive the message.**
- **The addition of the record-keeping requirements of documentation regarding playground inspections to the corporate retention policy should be considered, to ensure that there is consistency should there be a change in officers.**

## **WASTE DISPOSAL CONTRACTS**

### **Highways and Municipal**

#### Purpose of the Audit

Ensure that the Waste Disposal Agreements are of an acceptable quality / detail so that they can be enforced. In addition ensure that the agreement is monitored so that the service received is consistent and of the expected quality for the needs of the service.

#### Scope of the Audit

Check the internal controls for tendering and monitoring the Waste Disposal Agreement.

#### Main Findings

We found that there was good practice in the administration and monitoring of the Waste Disposal Agreements. We looked at the tendering process and found that the appropriate rules and the decisions taken were transparent and fair. We examined the agreement between the Council and the company in detail and it was seen to be of an acceptable standard. A check of the costs, invoices and performance indicators shows that the monitoring is carried out regularly and in detail including monthly reports. It was seen that there are regular discussions between the Council and the company, e.g. on-site monitoring of turnaround time because the agreement still fairly new. It was seen that the arrangements for managing the Waste Disposal Agreement is of a very high standard. As a result there is no recommendation for consideration following this review.

#### Audit Opinion

**(A) The audit opinion is that assurance of financial propriety can be expressed in the administrative arrangements of the Waste Disposal Contracts as the controls in place can be relied upon and have been adhered to.**

## **PUBLIC FOOTPATHS AND RECREATIONAL ROUTES**

### **Regulatory**

#### Purpose of the Audit

The purpose of the audit was to ensure that the Council's statutory duties of maintaining a network of public footpaths in Gwynedd are met, and that appropriate internal controls are attached to the process.

#### Scope of the Audit

The audit encompassed the verification of the Council's proactive and reactive arrangements for the maintenance of the County's public rights of way network. The audit also reviewed collaborations with other relevant authorities such as the National Park, Community Councils and volunteers, as well as examining the practice of keeping the Definitive Map and Statement current.

#### Main Findings

Overall, when considering the arrangements in place to strengthen the Service's administrative procedures and record keeping, it was seen that the arrangements for maintaining public footpaths in Gwynedd were adequate. By also considering the available resources, the need to prioritise routes to get the best value from the resources available was recognised, and so it is not practical to maintain every route proactively. Unfortunately, the further reductions in staffing numbers of the Service in 2015/16 will increase the risks of not being able to fully meet their obligations, although there is an effort to try to plan ahead.

However, it was found that the current arrangement in which Community Councils are reimbursed by Gwynedd Council for expenditure on maintenance on paths means that at times the Council funds the VAT element paid to the contractor but it is not possible to reclaim this from HMRC as Community Councils do not provide VAT invoices.

#### Audit Opinion

**(B) The audit opinion is that partial assurance of propriety can be expressed in the maintenance of Public Footpaths and Recreational Routes 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 ensure best use of resources, community councils should be reminded to apply for a refund on maintenance work on category 1 and 2 footpaths only. If a contractor invoices for work noting costs for more than one route, a breakdown of costs per route should be included in order to highlight what is eligible for reimbursement.**
- **For VAT reasons, the Council should consider paying invoices directly to contractors rather than reimbursing Community Councils. Should this procedure be adopted, it will require invoices to be received and checked by the Community Councils - but would require the contractor to note the name of Gwynedd Council on the invoice and not the Community Councils.**
- **The recommendations identified in the action plan of the recent review of the arrangements of Service should continue to be implemented.**