

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	25 SEPTEMBER 2014
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 5 SEPTEMBER 2014
AUTHOR	JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1 Executive summaries of 9 reports were submitted to the meeting of the Audit Committee on 15 July 2014, namely final reports that had been issued between 1 April and 30 June 2014. Two of these reports had received a 'C' audit opinion and, therefore, it was decided that both reports should be considered by the Working Group.

2 WORKING GROUP MEETING

2.1 A meeting of the Working Group was held on 5 September with the Chairman of the Committee and Councillor Trefor Edwards and Dewi Morgan, Senior Manager Audit and Risk present.

2.2 The reports that received a category 'C' audit opinion during the period in question were:

TITLE	DEPARTMENT	SERVICE
Leasing Arrangements in Schools	Education	Schools
Plas Ogwen, Bethesda	Adults, Health and Well-being	Provider Services

2.3 Officers attended to discuss the two reports.

2.5 Leasing Arrangements in Schools

2.5.1 The main findings of this audit were as follows:

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 equipment leasing suppliers noting the costs and terms and conditions of the lease or some schools had lost their signed copy of the leasing agreements with the suppliers.

2.5.2 Owen Owens, Senior Schools Manager was welcomed to the meeting.

2.5.3 The Senior Manager Audit and Risk submitted the background to the audit and the reason why it was undertaken. It was explained that there were risks involved with leasing arrangements for equipment. Cases outside Gwynedd had received national prominence after schools had committed themselves to expensive contracts that did not offer value for money.

2.5.4 In addition to this, there are accounting rules that must be adhered to – although leasing appears an attractive option for procuring equipment, rather than using capital funding, it must be ensured that the accounts reflect the cost of these items.

2.5.5 Therefore, the purpose of this audit was to ensure that Gwynedd schools have taken reasonable steps to mitigate the risks associated with leasing equipment. One key method of ensuring this is that schools, in accordance with the regulations set out by the Council, must contact the Development Finance Unit prior to committing to leasing agreements. It was seen that this did not happen every time and consequently the Development Finance Unit did not have an up-to-date register of leases. As a result, the auditor was of the opinion that the Finance Unit must be proactive when contacting the schools.

2.5.6 The Senior Schools Manager explained that photocopiers were the items that were usually leased – the Education Department has a different scheme of offering loans to schools to purchase computer equipment by using interest on balances.

2.5.7 The Senior Schools Manager was eager for the working group to understand that the Development Finance Unit (which is part of the Finance Department not the Education Department), was very supportive of schools and offered useful guidance and the two Senior Accountants who supported schools provided much guidance to them. The Unit has identified a different way of engaging with schools because of the recognition that training courses were fine but their effectiveness could be restrictive. Amongst the new methods of sharing information currently being trialled is to establish good practice on the Intranet.

2.5.8 The Senior Manager Audit and Risk explained to the working group that one disadvantage of undertaking a theme-based audit was that the schools were all individual entities. There were 10 schools in the sample audited for this audit and the quality of the internal controls of the leasing arrangements varied. If the sample had been different perhaps the audit opinion would have been different. In order to deal with this, the Senior Schools Manager is arranging that a message is sent to every school explaining the need to improve arrangements. The Senior Manager Audit and Risk appreciated this, and acknowledged that so much guidance and rules were sent to schools and it was an expectation that those dealing with the pupils' education and welfare received the highest priority. <<

- 2.5.9 It was reported that the Development Finance Manager had confirmed in writing that the three recommendations that were the responsibility of the Finance Unit would be implemented. These recommendations were:
- ***It should be ensured that schools receive appropriate quotations in accordance with rule 8.4 of the 'Financial Rules for Schools with Devolved Budgets' when leasing equipment in schools in the future and a copy of the enquiries/quotations should be retained on the school's file.*** (A01)
 - ***An information note should be sent for the attention of schools every year to remind them of the need to receive the approval of the Development Finance Unit before establishing a leasing agreement in the future and the need to submit these leasing details to the Development Finance Unit.*** (A05)
 - ***It should be ensured that the Development Finance Unit's list of leased equipment in schools is updated and is kept up to date in the future and that schools that do not submit their equipment leasing details to the Development Finance Unit are pursued.*** (A06)
- 2.5.10 In terms of recommendation A02 (***Following a review of the new framework, schools should be made aware of the supplier used by the Council for leasing equipment in the future. In addition, contact details should be noted of the relevant officers within the Council who could provide support to schools with the process of leasing equipment***), the Senior Schools Manager reported that a corporate review of the framework for photocopiers and printers was currently taking place. Therefore, it was premature to implement this recommendation at the moment. The Senior Manager Audit and Risk was unaware of the timetable for completing the review.
- 2.5.11 The Senior Schools Manager had intended to implement recommendation A03 (***Schools should be informed of the importance of establishing and retaining a signed copy of the agreements they establish with equipment leasing suppliers as well as receiving a copy of the terms and conditions of the agreements***) at the same time as recommendation A02, but as there is no definite timetable in place to implement the framework he will be proceeding to implementing A03 at an earlier date.
- 2.5.12 A message will be sent to every school informing them of the need for them to act in accordance with the expectation and a follow-up audit will be undertaken in approximately six months. The Senior Manager Audit and Risk reported that he would not be choosing a different sample for the audit as that would be, to all intents, a new audit.
- 2.5.13 **The Senior Schools Manager was thanked for attending the meeting, and for his observations.**

2.6 Plas Ogwen, Bethesda

2.6.1 The main findings of the audit were as follows:

It was found that there were examples of good practice in some of the Home's arrangements. However, it appears that there are examples of operating contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedural Rules. This was verified in different fields of the Home, such as budget arrangements, appropriate ordering arrangements, receiving of and payments for goods and services, pocket-money arrangements for residents and the amenities account arrangements. Consequently, appropriate steps should be taken to strengthen the controls within the audited field.

- 2.6.2 Gwenno Williams, Senior Executive Manager and Gwen Hughes, Arfon Area Manager were welcomed to the meeting.
- 2.6.3 It was explained by the Senior Manager Audit and Risk that in recent years Internal Audit had undertaken theme-based audits in residential homes but when planning work for 2014/15 a request was received to undertake full audits on two specific homes, namely Plas Maesincla, Caernarfon and Plas Ogwen, Bethesda. These two audits were undertaken early in the financial year – Plas Maesincla received a 'B' audit opinion and Plas Ogwen received a 'C' audit opinion.
- 2.6.4 It was explained that the management of Plas Maesincla had recently been transformed and that now is was being used as an example of good practice for all Council managers. Furthermore, it was reported by the Senior Executive Manager that the Older People's Commissioner intended to visit Plas Maesincla to see the transformation for herself after seeing a video that has been prepared.
- 2.6.5 In terms of the Plas Ogwen audit, the Senior Manager Audit and Risk explained that the audit programme was extensive and it is not expected for everything to be perfect. However, there were many aspects of the home's administration that needed to be addressed at the time of the audit. The Arfon Area Manager agreed with this.
- 2.6.6 It was reported that the Manager of the home acknowledged that there was room for improvement and had accepted the contents of the report. The Area Manager reported that she had discussed the report with the manager and things had developed and an improvement had been seen.
- 2.6.7 When addressing the substantial overspend of £70,000 in 2013/14, the Senior Executive Manager explained that the overspend that is anticipated for 2014/15, half the way through the year, is substantially lower. It was noted also that this overspend included the costs that are being discussed with the Property Service and this could further reduce the overspend. The Senior Manager was satisfied that the Manager of the home was taking managerial issues seriously. It was questioned whether other homes had overspent last year. It was noted that some had but this home was the worst.
- 2.6.8 There were some aspects where controlling staffing costs was difficult since support staff were required when staff were away on sickness absence or were receiving training (Care Standards insist that all staff receive annual training). It is also acknowledged that sickness absences needs to be addressed.
- 2.6.9 The Senior Manager provided an explanation of the way the home was funded and that Gwynedd Council paid for any vacant places.
- 2.6.10 The aim was to have the same standards in every residential home which means that it is crucial that correct records are kept in the homes so that comparisons can be made. The Senior Executive Manager stated that every home had been informed of the result of

failure to take care of public money. The Senior Manager was confident that the overspend will not happen on the same scale this year.

2.6.11 The Manager has been working at the home for some time and has been a manager for five years. It was noted that every support had been given to the Manager and now there was support of an Assistant Manager at the home.

2.6.12 The Senior Executive Manager and the Arfon Area Manager confirmed that they accepted all the recommendations. A copy of the action plan was submitted by them showing the most recent position in terms of implementing all of the recommendations. They appreciated the audit and saw it as an opportunity to learn. The Working Group was also eager to see the Manager receiving support.

2.6.13 The Senior Executive Manager and the Arfon Area Manager were thanked for attending the meeting and for their clear replies in explaining the most recent situation.