

CYNGOR GWYNEDD

COMMITTEE	AUDIT COMMITTEE
DATE	16 JULY 2015
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 JUNE 2015
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for the period from 1 April 2015 to 30 June 2015.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 30 June 2015:

Description	Number
Reports on Audits from the Operational Plan	7

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 2015, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
First Aid Payments	Corporate		C	Appendix 1
Ysgol Gynradd Dolgellau	Education	Schools	B	Appendix 2
Ysgol Dyffryn Nantlle	Education	Schools	B	Appendix 3
Main Accounting System including Debtors and Payments – Closure 2014-15	Finance	Accountancy	A	Appendix 4
Bank Reconciliation – Closure 2014-15	Finance	Accountancy	A	Appendix 5
Payroll System – Closure 2014-15	Finance	Pensions and Payroll	A	Appendix 6
Community Care Workers - Travelling Costs	Adults, Health and Wellbeing	Community Care	C	Appendix 7

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.

2.3 Follow-up Audits

- 2.3.1 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 September 2015

Children's Services – Commissioning of Care
Food Hygiene, Health and Safety Inspection Programmes
Direct Payments

Completion Target: Quarter ending 31 December 2015

Jobs System – Security and Accuracy
IT – Backups and Service Continuity

Completion Target: Quarter ending 31 March 2016

Health and Safety – Lone Working
Gwynedd Museum and Gallery

3. WORK IN PROGRESS

- 3.1 The following work was in progress as at 6 July 2015.

3.2 Draft reports released

- Communication with Schools (*Education*)
- Revenues System - Closure 2014-15 (*Finance*)
- Removing Leavers from IT Systems (*Finance*)
- Chairman's Fund (*Corporate Support*)

3.3 Work in progress

- Use of Consultants (*Corporate*)
- Awareness of Whistleblowing Policy – Manual Workers (*Corporate*)
- National Fraud Initiative (*Corporate*)
- Schools – Governance (*Education*)
- Workforce Modelling (*Education*)
- North and Mid Wales Trunk Road Agency
- Debtors System – Review of Key Controls (*Finance*)
- Payments System – Review of Key Controls (*Finance*)
- MAS – Review of Key Controls (*Finance*)
- Bank Reconciliation – Review of Key Controls (*Finance*)
- Payroll System – Review of Key Controls (*Finance*)
- Pension Fund – Review of Key Controls (*Finance*)
- Benefits – Review of Key Controls (*Finance*)
- Council Tax System – Review of Key Controls (*Finance*)
- NNDR – Review of Key Controls (*Finance*)
- Leisure Centres – Income Collection (*Economy and Community*)
- Sailing Academy (*Economy and Community*)
- Governance of collaborations with the third sector (*Adults, Health and Wellbeing*)

- Validity of Invoices from Private Providers (*Adults, Health and Wellbeing*)
- Plas y Don, Pwllheli (*Adults, Health and Wellbeing*)
- Plas Hedd, Bangor (*Adults, Health and Wellbeing*)
- Hafod Mawddach, Abermaw (*Adults, Health and Wellbeing*)
- Cefn Rodyn, Dolgellau (*Adults, Health and Wellbeing*)
- Charges on Properties of Home Residents (*Adults, Health and Wellbeing*)
- Maintenance of buildings and sites (*Highways and Municipal*)

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 2015 to 30 June 2015, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

FIRST AID PAYMENTS

Corporate

Background

The Council pays an allowance of £8 a month to employees who have attended a first aid course, as recognition of an additional duty to provide first aid to their colleagues. As a rule, the payment reflects the additional duty, however, officers who possess a first aid certificate due to the nature of their jobs e.g. leisure centre workers, are not usually eligible to receive the allowance, as the duty has been reflected in the job evaluation. If an officer wishes to receive the additional responsibility to be a designated first aider, then he/she will have to attend a three day 'First Aid at Work' course and this needs to be refreshed every three years by attending a two day refresher course.

Purpose of the Audit

The purpose of the audit was to ensure that first aid payments are administered appropriately in order to ensure that only qualified officers receive the payments and that the contact details are correct and current.

Scope of the Audit

The audit examined the arrangements in place to ensure that only officers with current first aid training certificates receive the payments. As part of the audit, recent first aid payments were checked on the ledger and it was ensured as far as possible, that every worker who received a payment had a current certificate.

In addition, the audit included the Council's arrangements to ensure a sufficient supply of first aiders in the Council's main offices and that their contact details are exhibited appropriately and the information is current.

Main Findings

The results of the audit tests and the supporting evidence show that there are no appropriate procedures in place to ensure that only qualified officers receive monthly payments. A number of examples were seen where officers receive payments, however, there was no current first aid certificate to support the payments. In addition, it should be ensured that the duties for first aid arrangements are identified and there is appropriate training for them. Following discussions with officers in the Corporate Support Department it became evident that 'First Aid' had not been identified as part of the training for site managers.

It was seen that the lists of first aid officers exhibited in the offices included the names of officers, telephone numbers, department and location (including the room number if appropriate). However, some lists had not been updated for some time and therefore had incorrect details, which meant that the person requiring first aid could not get hold of them.

Audit Opinion

(C) The Audit Opinion is that assurance cannot be given of propriety in the administration of First Aid Payments as the controls in place cannot be depended upon. The main recommendations of the report are as follows:

- **It is necessary to look again at the system of monitoring first aid payments, including management and recording certificate holders.**
- **Site Managers (Offices) should be assisted to conduct an exercise in order to identify if there is an appropriate supply of qualified first aid officers at the work locations following recent office moves.**
- **It would be good practice not to state the Department where the first aiders are employed on the contact lists in order to encourage employees from other Departments to contact them if required.**
- **Site Managers (Offices) should be assisted to regularly update the lists of qualified first aiders and to ensure that the old lists are taken down.**
- **First aid arrangements should be included within the training course for Site Managers.**

YSGOL GYNRADD DOLGELLAU
Education

Background

The school Governing Body is responsible for managing and running the school and delegated powers are given to Head teachers to run the school on a day to day basis. The rights of Head teachers in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy. The Head teacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation.

Purpose of the Audit

To ensure that appropriate budgetary control arrangements exist at Ysgol Gynradd Dolgellau.

Scope of the Audit

At the request of the Head of Education an internal audit was conducted at Ysgol Gynradd Dolgellau. It was decided to undertake an internal audit on the subject 'Budgetary Control', because this is an area with high risks.

Main Findings

The main findings of the audit were that there is generally good budgetary management at the school. However, no current written record was seen of the duties and rights of the Governing Body and the Head teacher. The school did not make use of the Council's official books such as 'TR32 Receipts' and 'TR184 Hiring of Building' and the Secretary was not aware of their existence. This may mean that other employees in Gwynedd schools are not aware of their existence either, and the Education Department should perhaps send a message to the schools informing them of these books and the requirement to use them.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety within the Budgetary Management of Ysgol Gynradd Dolgellau as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **It should be ensured that there is a current written record of the duties and rights of the Governing body and the Head teacher regarding financial decisions including that appropriate thresholds exist at the school.**
- **If goods/services are ordered verbally rather than via the e-procurement system, then the School SIMS Assistant should be contacted to receive an order number for expenditure and the number should be quoted to the supplier at all times.**
- **It should be ensured that the person who has checked that goods/services have been received signs the box 'Received' on the T.R.252 payment slip.**
- **It should be ensured that the TR32 Receipts book is used from now on to give a receipt for income such as donations, music lessons and lettings received.**
- **Use should be made of the TR184 'Hiring of building' book when hiring out the school in order to create an agreement with the hirer and it should be ensured that the hirer signs the agreement and returns it to the school.**

YSGOL DYFFRYN NANTLLE
Education

Background

The school Governing Body is responsible for managing and running the school and delegated powers are given to Head teachers to run the school on a day to day basis. The rights of a Head teacher in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy. The Head teacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation.

Purpose of the Audit

To ensure that appropriate budgetary control arrangements exist at Ysgol Dyffryn Nantlle.

Scope of the Audit

On 13/04/15 a new Head was appointed at Ysgol Dyffryn Nantlle secondary school and following a meeting between the auditor and the new Head it was resolved that it would be useful if the Audit and Risk Management Service conducted an audit, in order to give the new Head assurance of the existing controls in place at the school. It was resolved to conduct an audit on the subject of 'Budgetary Control'.

Main Findings

The main findings of the audit were that there is good budgetary management at the school. However, it was seen that the policy on budgetary decisions needed to be re-discussed by the Governing body and updated with details of the new Head. Meetings of the Finance Sub-committee had not taken place every term and there were instances where no official orders had been created for every expenditure as expected.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety within the Budgetary Management of Ysgol Dyffryn Nantlle as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- It should be ensured that any changes made to the draft budget are amended in the FMS system.
- It should be ensured that the policy on financial decisions is updated with the details of the new Head and that the Chair of Governors and the Head sign it.
- It should be ensured that reports on budgetary monitoring are presented to the finance committee at least once a term.
- It should be ensured that orders are created when services/goods are ordered and not after receiving the invoice. Should it be necessary to order verbally as a matter of urgency, then it should be confirmed immediately by completing an order in writing. If the school is aware of regular annual expenditure then the cost for the year should be estimated and an order for the expenditure created at the start of the year.
- It should be ensured that three quotations are received or that at least three suppliers/providers are invited to submit a quotation for any work over £1,000 and if three quotations are not received then evidence should be kept that the school had invited three suppliers.

THE MAIN ACCOUNTING SYSTEM INCLUDING DEBTORS AND PAYMENTS - CLOSURE 2014 – 15

Finance

Purpose of the Audit

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

“As part of its 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 Main Accounting System is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system including the debtors and payments module was conducted.

The purpose of the audit was to ensure that adequate arrangements are in place for the closure of the financial year, by ensuring that appropriate reconciliations have been undertaken.

Scope of the Audit

The review focused on the reconciliations conducted as part of the 2014-15 year-end procedures to ensure that they were carried out in a timely manner and to ensure that they were complete and accurate. It was ensured that reserves were created as necessary and that records in relation to years were allocated to the correct financial year. It was verified that the timetable was adhered to in relation to the year-end processes. A sample of invoices, income banked, internal transfers etc. were selected to ensure that their allocation and accuracy was correct.

Main Findings

It was found that strong internal controls exist in the year-end arrangements in respect of the Main Accounting System including the debtors and payments modules. Appropriate checks are carried out to ensure completeness and accuracy of the information and that the arrangements were in accordance with the timetable established for officers.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the Main Accounting System including Debtors and Payments – Closure 2014-15 – Review of Key Controls, as it is possible to depend on the internal controls in place and that they have been followed.

BANK RECONCILIATION – CLOSURE 2014-15**Finance**Purpose of the Audit

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

“As part of its 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.”

Bank reconciliation arrangements are considered a “major financial system” in accordance with the Wales Audit Office's definition, and therefore a review of closing down this system was undertaken. The purpose of the audit was to ensure that proper procedures are in place and have been adequately documented for maintaining year-end bank reconciliations.

Scope of the Audit

Review processes and arrangements for year-end closure.

Main Findings

It was found that the relevant year-end reconciliations were completed in accordance with expected procedure and that the documents had been properly signed by relevant officers.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the arrangements for Bank Reconciliation – Closure 2014-15 as the controls in place can be relied upon and that they have been followed.

PAYROLL SYSTEM - CLOSURE 2014-15**Finance**Purpose of the Audit

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

“As part of its 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” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

Scope of the Audit

The scope of the audit was to verify the year-end arrangements to ensure the relevant information is sent to HM Revenues & Customs as well as ensuring that reconciliations are carried out to ensure that the information in the ledger is correct.

Main Findings

It was found that the relevant work of sending information to HM Revenues and Customs has been completed as well as the reconciliation with the ledger, in line with expectations.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in the Payroll System - Closure 2014-15 as the controls in place can be relied upon and have been adhered to.

TRAVELLING COSTS OF COMMUNITY CARE WORKERS

Adults, Health and Wellbeing

Background

The Council's Community Care Workers are required to travel to various locations as part of their work in order to provide community care to residents within their community. They then submit weekly claims to the Council to reimburse travelling costs; these are administered within their work area. The current travelling rate is in accordance with the rates determined by HM Revenues and Customs, namely:

- 45p a mile for the first 10,000 miles in any financial year.
- 25p a mile for those miles over 10,000 in any financial year.

Purpose of the Audit

The purpose of the Audit was to ensure that appropriate internal controls exist with the arrangements to administer, process and certify travelling cost payments for Community Care Workers (Home Care), in order to ensure that the mileage claimed is appropriate and corresponds to the travelling expected in their work rota for the period.

Scope of the Audit

The audit scope included examining a recent sample of travelling claims by Community Care Workers across the areas of Arfon, Dwyfor and Meirionnydd comparing this with what the workers have been claiming against their work rotas for the period in question. The audit also checked what controls were in place to ensure the accuracy of the claims.

Main Findings

The audit test results and the supporting evidence show that there are no appropriate and consistent controls in place across the three areas in order to ensure the accuracy of the travelling costs claims. Unfortunately, this may contribute to the fact that the 'Community Care' travelling budget was overspent by approximately £128k during 2014-15. It was seen that the checks made on the travelling costs forms focused on the vehicle milometer readings rather than the total claimed and how this compared to the carers' work rota. However, recently it was seen that one area had taken action to strengthen their arrangements having found that the miles claimed were suspiciously high.

Audit Opinion

(C) The Audit Opinion is that assurance cannot be given of propriety in the administration of travelling costs of Community Care Workers as the controls in place cannot be depended upon in each area. The main recommendations of the report are as follows:

- **Full details of every journey claimed should be included on the travelling costs claim forms, unless in cases where there is a series of very short journeys, where it is recommended that these should be treated as one journey.**

- **Timely checks of a sample of travelling costs claims should be undertaken in order to ensure that the mileage claimed is reasonable and corresponds to their rotas and reduce the emphasis on examining milometer readings.**
- **Those cases where the Community Care Workers have claimed more than would be expected should be investigated when considering their rota for the corresponding period and an explanation given for the difference claimed.**
- **The Department needs to determine if resources should be invested to undertake a thorough investigation by going through every travelling cost claim in 2014-15 in order to reclaim any overpayments.**
- **The Dwyfor and Arfon areas need to send a letter to every Community Care Worker stating that stricter control will be in place to monitor travelling costs claims by comparing claims with rotas and emphasise that workers should only claim for travelling that is part of their work.**