

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	10 FEBRUARY 2022
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 JANUARY 2022
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of Internal Audit for the period from 1 November 2021 to 30 January 2022.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 30 January 2022:

Description	Number
Reports on Audits from the Operational Plan	7
Grant Audits	1

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 January 2022, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Employment Statements	Corporate	-	Limited	Appendix 1
Social Economic Responsibilities 2021	Corporate	-	N/A	Appendix 2
Regional Consortia School Improvement Grant	Education	Resources	High	Appendix 3
Health and Safety - Playing Areas	Education	Resources	Limited	Appendix 4
Lloyd George Museum	Economy and Community	Record Offices, Museum and the Arts	High	Appendix 5
Lockdown Discretionary Grants	Economy and Community	Business Support	High	Appendix 6
Project Management Arrangements	YGC	Across the Department	Satisfactory	Appendix 7

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

LEVEL OF ASSURANCE	HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

3. WORK IN PROGRESS

3.1 The following work was in progress as at 31 January 2022:

- Business Continuity Plans and Lessons Learned (*Corporate*)
- Brexit (*Corporate*)
- Financial Management Code (*Corporate*)
- Complaints Procedure (*Corporate*)
- Language Designations (*Corporate*)
- Use of Purchasing Cards (*Corporate*)
- Unofficial School Funds (*Education*)
- Food Hygiene (*Environment*)
- Countryside Grants (*Environment*)
- Disaster Recovery Arrangements (*Finance*)
- Project Management – Upgrading E-financials (*Finance*)
- Changes in Standing Data (*Finance*)
- Bonus Payments to Care Workers (*Finance*)
- Storiell (*Economy and Community*)
- North Wales Economic Ambition Board
- Risk Assessment and Training Programme (*Children and Family Support*)

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 November 2021 to 30 January 2022, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

STATEMENTS OF EMPLOYMENT

1. Background

- 1.1 In accordance to the Employment Rights Act 1996, statements of employment must be presented to staff (including agency workers, occasional workers and workers with zero hour contracts) on or before their first working day, replacing the previous legislation allowing the statements to be presented within two months of the start date. Following changes to the Act on April 6th, 2020, it is required to include a clause relating to undertaking necessary training, such as safeguarding in all employee statements of employment.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that a clause relating to mandatory training such as safeguarding is included in all Council staff's statements of employment, whatever their roles, in order to reinforce the message that this responsibility is applicable to all. In order to achieve this, the audit scope included selecting a sample of individuals who have accepted new jobs and reviewing their statements of employment to ensure that a specific clause has been included. The sample included a cross section of officers across the Council's departments, employed since January 2021.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	1
MEDIUM	0
LOW	0

5. Main Findings

- 5.1 Since January 2021, approximately 500 new staff members have joined the Council, with over 1,000 current staff having started new jobs within the Council. A sample of 50 new staff and 100 current staff was selected (10%), ensuring that a clause relating to undertaking mandatory training was included in their statements of employment, and that the relevant e-training modules had been completed.
- 5.2 No clause regarding the undertaking of mandatory training was included in the statements of employment. The Human Resources Advisory Services Manager confirmed that the matter was receiving attention, with different options being considered. Due to the Council's size as an employer, deciding which training is mandatory for each role, and how to update this list over time is time consuming. It was confirmed that a relevant clause regarding training requirements had been tailored to different jobs, but that consideration was needed for more corporate training which is relevant to all.
- 5.3 From the complete sample (150 staff members), checks were made to ascertain the number of officers who had completed training in order to determine if the numbers attending training are high, even though no clause is included in their statements of employment. Only 3% of the sample have completed the following training modules: Safeguarding Adults, Protecting and Safeguarding Children, Domestic Abuse, Prevention, and Modern Slavery, with 18 staff members (12%) having completed the Data Protection module. 32% of staff have completed between 1 and 4 modules, with 65% of staff members having completed none. This highlights the level of risk the Council is facing.

6. Actions

The Human Resources Advisory Services Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Continue to action the need to include a clause regarding undertaking necessary training in the statements of employment.**

SOCIO-ECONOMIC DUTIES 2021

1. Background

- 1.1 The duty, which came into force on 1st April 2021, aims to encourage better strategic decision-making, which places a duty on the Authority to consider inequalities arising from socio-economic disadvantages.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to review what steps have been put in place to comply with the duty on a day to day basis. This was done by reviewing what socio-economic data has been collected to inform decisions, the training in place for officers and the assessments that have been made to consider inequality.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
Not Applicable	It is considered premature to declare a level of assurance as arrangements are still being implemented, and few decisions at a strategic level had been presented for consideration at the time of the audit.

4. Main Findings

- 4.1 The Equality Act 2010 requires the Council to consider the impact of strategic decisions on a range of equality characteristics, such as race, gender, sexuality and disability. The socio-economic duty is part of the Equality Act 2010, which was adopted by the Welsh Government on 1 April 2021. The new guidance encourages the Council to use existing methods to assess the impact of policies, in order to ensure that full consideration is given to socio-economic deprivation as well as the equality characteristics that are already considered.
- 4.2 To assist officers with considering the impact of policy on equality, a new impact assessment template form has been created, which builds on the template that has been in place for a few years, in conjunction with the North Wales Public Sector Equality Network, composed of northern local authorities, BCU Health Board, SNPA, Police and the Ambulance Service. Following positive feedback from the Equality and Human Rights Commission, the region is in the process of agreeing the final impact assessment form. In Gwynedd, meanwhile, an interim impact assessment form is in place. In Gwynedd, the final assessment form will be an electronic document, with integrated support available to the user when completing the sections to ensure quality and consistency.

- 4.3 Reports presented to Cabinet since the duty came into effect on 1st April 2021 were reviewed. It was seen that many of the reports used the old equality assessment template, instead of the interim form that has been adapted to include socio-economic aspects, and therefore it was not possible to confirm that these aspects were properly considered. The reports are reviewed by the Monitoring Officer prior to submission to Cabinet, and it is likely that a number of equality impact assessments were completed at the last minute following the review, rather than when forming the proposed policies, which suggests inadequate awareness, and a lack of appreciation for the reasons behind conducting the assessments in the first place. Although usually equality assessments are not needed for 'Member Decisions' as they are for very specific matters, concern was expressed that they aren't considered on every occasion.
- 4.4 The definition of what constitutes a strategic decision is contentious. According to the Welsh Government *"In general, strategic decisions will be those which affect how the public body fulfils its intended statutory purpose (its functions in regards to the set of powers and duties that it uses to perform its remit) over a significant period of time and will not include routine 'day-to-day' decisions."* It depends on the context whether the decisions are strategic or not, but if there is any doubt the Monitoring Officer is in favour of incorporating the duty.
- 4.5 The reports submitted to Cabinet since the duty came into force were discussed with the Monitoring Officer. The Monitoring Officer was of the opinion that many of the reports were not truly strategic, and therefore it was agreed that not enough time had elapsed to form a view on compliance with the duty. However, it was agreed to revisit the subject in 2022/23, including the efforts to raise awareness and understanding behind conducting the equality impact assessments.
- 4.6 Impact assessments should be supported by data to justify the statements made. The data can come from a variety of sources, and will likely be different data for each assessment. Statistics on their own are unlikely to be sufficient and so taking the perspective of residents is also important to properly assess impact, but COVID has stopped a number of activities planned to gain an understanding of the lives and challenges of the public and organisations in different areas.
- 4.7 Training has been provided for officers and Members, and there is a dedicated page on equality on the Council's intranet, which includes details about the new duties. However, in light of the apparent lack of awareness, it is intended to further raise awareness amongst Members and officers to coincide with the new impact assessment form, with plans in hand to update the e-learning module and to create a course for assessing impact.

5. **Actions**

The Equality Adviser has committed to implementing the following steps to mitigate the risks highlighted:

- **Raise awareness amongst Members and managers of the new equality impact assessment form, as well as provide specific training to encourage full consideration of socio-economic inequality when considering strategic decisions.**
- **Use the socio-economic duty progress tracking tool to help the Council meet, and go beyond the requirements to make meaningful change in the way important decisions are made.**

REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT

1. Background

- 1.1 The purpose of the grant is to improve educational outcomes for all learners and to reduce the impact of deprivation on learner outcomes. The core principle of the grant is that the vast majority is used for frontline provision with the terms and conditions of the 2020-21 grant setting out the expectation that a minimum of 80% of the total Regional Consortia School Improvement Grant (RCSIG) will be made available and devolved directly to the schools. Gwynedd Council is the lead Authority for RCSIG and GwE is responsible for ensuring that the schools meet the grant requirements and supporting the schools to this end.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate internal controls are in place for the administration of the RCSIG 2020-21, to mitigate risks associated with the terms and conditions of the grant, as well as to substantiate and confirm the accuracy and appropriateness of the figures presented on Gwynedd Council's and GwE's grant expenditure statements by tracing the figures to the ledger.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 Assurance can be given to the accuracy of Gwynedd Council's and GwE's statements of expenditure in relation to the Regional Consortia School Improvement Grant. A sample of the figures were traced back to the Council's financial ledger which were accurate, reasonable and in line with the objectives of the grant. The percentage of the funding delegated directly to the schools was appropriate as well as the percentage reserved for administration purposes in accordance with the terms and conditions of the grant.
- 4.2 In addition to presenting a School Development Plan, schools are now also required to present a Grant Development Dashboard. The dashboards enable the schools to summarize how the grant funding will be allocated in terms of objective, description of the activity, type of expenditure and timeline.

HEALTH AND SAFETY - PLAYING AREAS

1. Background

- 1.1 Whilst undertaking an audit on the maintenance of playgrounds under the care of the Highways and Municipal Department in 2019-20, the need to review the Education Department's arrangements for maintaining the playing fields and equipment on school grounds was identified.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that equipment and playground maintenance arrangements on school premises were appropriate in order to ensure the safety of users. In order to achieve this, the audit encompassed reviewing the inspection of school playgrounds and equipment, which are not under the remit of the Highways and Municipal Department, whilst ensuring adequate procurement of appropriate equipment, identifying defects and risks, and undertaking improvements.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	4
MEDIUM	0
LOW	0

5. Main Findings

- 5.1 In order to mitigate the risk of injury to a user on play equipment, it is important that adequate procedures are in place to regularly examine the equipment, and to identify and repair defects as soon as possible. Although the risks cannot be completely eliminated, it is expected that reasonable arrangements are in place to mitigate them as much as possible. To this end, the Health, Safety and Welfare Service and the Insurance Unit have prepared checklists for the schools.

A sample of 7 schools was selected to find out what arrangements are in place, and it was seen that the biggest risk is the failure to provide proof that adequate checks are made, which is essential in the event of a claim following an accident. Not all schools provided a response, which reinforces this point.

- 5.2 A general checklist for site managers has been shared with the schools to carry out an audit on a half-term basis. It was seen that there is no direct reference to play equipment in the checklist which creates a risk that checks are not being carried out. The lack of a direct reference to it in the checklist also impairs the Council's ability to prove that proper maintenance arrangements are in place should a complaint be made against a school following an injury. It was agreed to adapt the form to refer to play equipment, and to remind schools of the need to complete and keep them for the appropriate retention period.
- 5.3 In terms of the daily or weekly informal checks, responses showed that they are carried out by caretakers but no records of these inspections are kept.
- 5.4 The Council's Insurance Unit only insures the liability element - not the equipment itself. In addition, they arrange for an engineer from the Council's insurers, 'Zurich Municipal', to inspect all playgrounds on an annual basis, and provide a report of their findings, including recommendations to address any deficiencies. However, the Insurance Unit relies on the schools to inform them of the existence of any equipment, and when comparing their records with external information (Google Maps, school website etc), it was found that the Insurance Unit had not been informed about each school's play equipment, possibly because the equipment has not been funded from the official schools' budget. This means that a review of the equipment's condition will not be carried out by an experienced and qualified 'Zurich Municipal' engineer, and will instead have to be relied on by the Headteacher's inspections as a Site Manager, or another external company at the Headteacher's request.

6. Actions

The relevant officers have committed to implementing the following steps to mitigate the risks highlighted.

- **Include a reference to playgrounds and equipment in the half-term checklist, and distribute it to schools.**
- **Periodically remind schools to contact the Insurance Unit if they purchase external play equipment to arrange an annual inspection by 'Zurich Municipal', unless they have arranged audits with qualified alternative companies.**
- **Prepare a pack for Headteachers to help them meet their responsibilities for external equipment, such as keeping audit records, risk assessments, Governors self-assessments, retention periods etc.**
- **Maintain play equipment in accordance with Health, Safety and Welfare Service checklists and guidelines from the Insurance Unit, and keep inspection records for the correct retention period.**

LLOYD GEORGE MUSEUM ACCOUNTS

1. Background

- 1.1 The Lloyd George Museum and his childhood home, Highgate, Llanystumdwy, traces the life of the former Prime Minister of the UK. The museum is a registered charity and is administrated by Gwynedd Council with help from Friends of the Museum who support and assist with the development of the museum and it's educational use. Because the museum's income exceeded the threshold of £25,000, the trustees' accounts and annual report 2020-21 must be submitted to the Charities Commission, including an independent examiner's report of the accounts.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to complete the independent examiner's report on the museum's 2020-21 accounts, giving assurance that what is presented to the Charities Commission is correct. This was done by reconciling the accounts with the Council's main accounting system, ensuring that all transactions were relevant to the museum.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 Following the Council's decision to cease running the Lloyd George Museum from 1 April 2017, the UK Government announced that the annual funding gap of £27,000 would be met by the UK Government for 3 years up to 31 March 2020. At its December 2019 Cabinet meeting, it was decided in its role as a Local Authority, to contribute £27,000 for 2020-21 from the Council's Transformation Fund to allow more time for the Trustees, which is also the Cabinet in a separate role, to consider new business models for the future. Of course, COVID-19 had an unforeseen significant impact on the museum, and on 12/01/21 Gwynedd Council's Cabinet was asked to make a one-off contribution to the museum's costs for 2021-22 to buy more time. The position and options for managing the charity were discussed at the Cabinet meeting - sitting as the charity's Trustees - on 14/09/21.
- 4.2 The accounts for 2020-21 were found to be appropriate and so the independent examiner's report was completed to state this.

LOCKDOWN DISCRETIONARY GRANT

1. Background

- 1.1 The Welsh Government created a fund (Discretionary Grant) to support businesses and sole traders who have been directly affected by the restrictions to control the spread of Covid-19. The purpose of the grant was to provide cash flow assistance to businesses and help them survive the economic consequences of the extended restrictions. At the time of the audit, the grant had been available to businesses on 3 occasions after the first lockdown: October 2020, December 2020 / January 2021 and February / March 2021.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place for the proper administration of Welsh Government business support grants. To achieve this, the audit encompassed reviewing the information available to the public as well as the processing, management and administration of the grant.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 The discretionary grant has been available on 3 occasions during the lockdown period. The terms of the grant have been similar for each occasion albeit with slight differences. Because of this, 3 different information pages have been available at different times during the grant. These have been made available to the public on the Council website. They were easy to find and contained all relevant Welsh Government information. There was also a link to the application forms when the grant was live.
- 4.2 During the first grant phase, Sharepoint was used to store and verify application data. The service evolved to use the FFOS system by the second and third series of grants because they believed that cases are processed more effectively and efficiently using this system.
- 4.3 A sample of 42 cases out of 1,685 that had been processed at the time of the audit was reviewed (30 paid and 12 refused). The average time taken from application to payment was 16.05 days and from applications to rejection was 8.21 days. These processing times are much shorter than the 30 day goal set by the Welsh Government.

4.4 The information submitted to the Council in the applications was reviewed against Welsh Government requirements. That is, the business was trading before 1 October 2020, the business was operating in Wales, the business had to close or had reduced revenue due to Covid etc. Service officers stated that there was a Government directive of 'self-certification' to accept the information presented in applications. Nevertheless, officers challenged and sought additional evidence from businesses on all occasions if any part of the application was unclear or the applicant's rationale for requiring assistance was questionable. The service also requested a bank statement from the applicants confirming their bank details and address. Out of 30 tested in the sample, bank statements were found to be saved on the system as additional evidence for all successful applicants. The auditor agreed with the decisions made (to pay or refuse) for the sample of 42 applications following checks against Welsh Government requirements.

PROJECT MANAGEMENT PROCEDURES

1. Background

- 1.1 YGC manage a range of design and build projects. The procedures for managing a project can vary dependant on factors such as the project's value, the source of funding and the qualifications and experience required to manage. As a result, a number of different staff members undertake the role of project manager leading to variations in procedures and methods used to manage different projects.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that YGC's project management procedures are appropriate with consistency in the procedures followed by the project managers. In order to achieve this, the audit encompassed verifying the procedures of a sample of projects and reviewing the systems used to register and record the information.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

- 5.1 YGC is in the process of adopting the K2 system with the intention to either replace various systems currently used or integrate some of their elements so as to avoid possible duplication and inconsistencies with administrative procedures.
- 5.2 YGC staff register projects using their sharepoint system by completing a PM1 Form which is integrated into sharepoint. This process creates a unique project number and gives the user the opportunity to input project details such as project manager's name,

whether CDM 2015¹ is applicable, YGC's role and the funding source. Project details are also recorded into the KeyedIn system, mainly in order to record hours worked by staff and raise invoices. In projects where North and Mid Wales Trunk Road Agency is the client, their PMS² system is also used to record project details.

- 5.3 In line with international management systems standards, YGC undertake an internal audit function which is independent of Gwynedd's Internal Audit Service. A sample of projects are audited periodically by a specified officer within YGC in order to ensure conformity with the industry's requirements including legal, environmental, health and safety, contracts and financial processes.
- 5.4 The Quality Assurance and Environmental Officer is responsible for this role within YGC. There is a schedule of Audits every 4 months. YGC is split into 4 services with each comprising 5 or 6 teams. The usual procedure is to select a sample of 10 projects in each period so that all teams receive one project audit annually. This schedule is also reviewed on an annual basis.
- 5.5 The BSI³ assess and review the internal audit process. Their assessments look specifically at the following standards: ISO 9009:2015 (Quality), ISO14001:2015 (Environmental) and ISO45001:2018 (Occupational Health and Safety). There is a requirement for YGC to report on any non-conformities and produce an action plan to meet these standards. If the plan isn't deemed sufficient there is a risk that YGC could lose their accreditation status.
- 5.6 A sample of 9 YGC projects from 2019-20 to 2020-21 were selected. Not all the projects have been completed but the steps taken to date at the time of the audit have been assessed. YGC's sharepoint system includes a template of folders for the required elements of project management with the majority of the folders unused in some instances. Project requirements vary significantly in different areas. Despite the fact that the existence of information/evidence is the most important factor as opposed to the filing procedures, this can create difficulties and delays when reviewing work or in a scenario where a staff member adopts the responsibility from the original project manager. YGC's standard operating procedures document SOP-02⁴ is followed on projects but the variance in terms of project size and complexity require a degree of flexibility as it's unrealistic and impractical to replicate the exact procedure on all projects. This was discussed with the Quality Assurance and Environmental Officer who explained that this is an example of another element they intend to tidy and facilitate by implementing the K2 system which will offer a more dynamic and fit for purpose system to streamline required processes.

¹ Construction (Design and Management) Regulations – HSE (Health and Safety Executive)

² Project Management Systems – Partner Authorities

³ British Standards Institute

⁴ Standard Operating Procedures – Project Management

5.7 Internal Audit are of the opinion that the current controls to verify conformity with the BSI's required project management standards and proposed arrangements to improve consistency can be relied upon to achieve their objectives. However, full assurance cannot be provided until the new system is adopted and verified.

6. **Actions**

The Quality Assurance and Environmental Officer has committed to implementing the following steps to mitigate the risks highlighted.

- **Adopt the K2 system and monitor the progress of the project management procedures while identifying and acting on any barriers identified early in its development.**