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| COMMITTEE             | <b>AUDIT COMMITTEE</b>                                       |
| DATE                  | <b>11 FEBRUARY 2016</b>                                      |
| TITLE                 | <b>REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP</b>      |
| PURPOSE OF THE REPORT | <b>TO REPORT ON THE MEETING HELD ON 19 JANUARY 2016</b>      |
| AUTHOR                | <b>JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE</b>      |
| ACTION                | <b>TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS</b> |

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## **1. INTRODUCTION**

- 1.1 The executive summaries of 6 reports were presented to the Audit Committee meeting on 1 December 2015, which represented reports that had been released finally between 14 September 2015 and 31 October 2015. 3 of these reports received a 'C' opinion. Details of a responsive audit carried out on Canolfan y Gwystl was also presented.

## **2. MEETING OF THE WORKING GROUP**

- 2.1 A meeting of the Working Group was held on 19 January 2016 with the Chairman of the Audit Committee and Councillors Angela Russell, John Brynmor Hughes and Michael Sol Owen, and Luned Fôn Jones, Audit Manager present.

- 2.2 The reports that the Working Group addressed were:

| <b>TITLE</b>                 | <b>DEPARTMENT</b>            | <b>SERVICE</b>                 | <b>OPINION</b> |
|------------------------------|------------------------------|--------------------------------|----------------|
| Plas Ffrancon Leisure Centre | Economy and Community        | Leisure                        | C              |
| Cefn Rodyn, Dolgellau        | Adults, Health and Wellbeing | Residential and Day            | C              |
| Canolfan y Gwystl            | Adults, Health and Wellbeing | Residential and Day            | -              |
| Public Transport             | Regulatory                   | Transportation and Street Care | C              |

- 2.3 Officers attended to discuss the reports.

## 2.4 Plas Ffrancon Leisure Centre

### 2.4.1 The main findings of the audit were as follows:

*The main concerns identified during the audit were the lack of control over banking arrangements, and the failure to raise invoices for customers who hired the Centre's facilities.*

*One of the main significant areas of the audit was the banking procedure at the end of the working day, where many errors were found across the various documents that are created when completing the task. It was seen that much use was made of the Surplus/Deficit reference in the ledger (code 8264, short code 'J'), despite the fact that the final balance was low at the end of 2014/15. It is not expected for this reference to be used much in the centres, and ideally, items with a value of no more than +/-£3.00 would be seen on it. Upon inspecting individual transactions, it could be seen that there were almost 300 of them on the ledger for 2014/15, and over 70 for 2015/16 up to the beginning of July 2015. This means that many errors are being made in the Centre.*

*The Centre's use of computers was also considered as part of the audit. The Gladstone system is used and log-in/out reports are produced from the system on a monthly basis since January 2015. Upon auditing the reports, it was seen that there was a need to tighten cases where staff log-in on more than one machine, and possibly do not log-out at the end of each shift. Upon visiting the Centre, no evidence was received of any robust arrangements that had been established to invoice the Centre's users for using the services.*

*The arrangements for dealing with the direct debit packages of the Centre's members was audited. The packages include the details of the customers and they are considered to contain information of a sensitive nature. The details are kept in a locked cupboard at the Centre. No procedure exists to send the information to Caernarfon using a 'recorded delivery' service, despite the personal and sensitive nature of the information.*

*The Centre has a series of current risk assessments, including specific versions for various rooms, activities and categories of people, and it was seen that these included the expected details. It was also seen that the Healthy Communities Service had a separate risk register, which referred to the risks associated with the leisure centres. It was seen that there were gaps in the information on the register; however, it was explained that it was intended to update the information by the end of the year.*

### 2.4.2 Mark Williams, Area Manager - Bangor/Bethesda and Carwyn Williams, Duty Manager, Plas Ffrancon leisure Centre were welcomed to the meeting.

- 2.4.3 The Audit Manager provided a summary of the audit findings. She explained that receiving a 'C' opinion category was a concern, especially considering that not much improvements had been displayed since the last review. It was explained that the controls over the procedures for receiving and banking of income were weak and that the reference code for "Surplus/Deficit" was over-utilized. The Audit Manager explained that during the Auditors' visit to the Centre, they had the impression of a lack of motivation amongst some of the staff.
- 2.4.4 The Area Manager - Bangor/Bethesda stated that all the recommendations in the report had been implemented and that better controls are now in place. A member enquired whether it was a lack of training that resulted in the weaknesses identified during the audit and were there too many part time staff employed at the Centre. The Area Manager stated that only 4 members of staff are employed at the Centre and that all four have now received financial arrangements training. It was explained that the Duty Manager has since received several training sessions and elaborated on the training received. A member emphasised the importance of continuous training.
- 2.4.5 The Area Manager explained that a new member of staff has joined the Leisure Centres' team whom is working in several centres to ensure that proper financial arrangements exist and to provide training to officers on income procedures.
- 2.4.6 A member enquired whether the officers were confident of not receiving a category 'C' opinion again. Both officers stated that they were confident that there will be improvement.
- 2.4.7 The Audit Manager explained that the Area Manager is present at Plas Ffrancon Leisure Centre no more than one day a week and therefore duties and responsibilities have to be properly delegated. The Area Manager explained that the Duty Manager was responsible for undertaking the work at present and the Chair emphasised the importance that all the staff should be aware of procedures to ensure business continuity in the absence of the Area Manager and the Duty Manager.
- 2.4.8 The Working Group agreed that a follow-up audit should be carried out within the next six months and the Audit Manager explained that the audit could be an unannounced visit which would provide a true view of the situation. This was welcomed by the officers.
- 2.4.9 The Audit Manager stated that if officers of the centre required any assistance, the Audit Service would be more than happy to help and offer guidance.
- 2.4.10 **The Area Manager - Bangor/Bethesda and the Duty Manager were thanked for attending the meeting and explaining the actions taken since the issue of the report to mitigate the risks identified.**

## 2.5 Cefn Rodyn, Dolgellau

### 2.5.1 The main findings of the audit were as follows:

*During the audit, examples of good practices were seen in some of the Home's arrangements. However, it appears that there are instances of operating contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedure Rules. The home's expenditure was more than the budget set for the financial year 2014/15 in the following areas: property; transport and services and supplies.*

*Official orders were not used in the correct way as five had been completed after the invoice date which therefore made them trivial. A record that the goods/services had been received had not been noted on two of the orders and no estimated cost had been noted on the orders in the sample. Some of the boxes on the TR252 forms were seen to have been completed without any need e.g. region and stock boxes signed for an electricity supply invoice. There was no "received" stamp on the invoices in the sample selected.*

*It is a requirement that the 'Record of a Resident's Money' are signed by two persons for every expenditure of the residents' pocket money. There were two cases where it was seen that only one person had signed the sheet. A sample of 'personal items' sheets from the Care Plans of 4 residents were selected and checked. There was a signature and date on only two of these forms.*

*The records of the home's amenities account were not complete as all the income received had not been recorded. It was seen that television licence costs was paid from the amenities account although there was an account for this in the home's budget (4807 - General Licences). TR34 forms were checked for the income received and it was seen that only the Clerk signs them – there was no record of a check by a second person. One form had not been signed at all. The home's imprest account was checked for 2014/15 and it was seen that the expenditure exceeded the highest level of the account namely £170 twice. There were no receipts for many of the payments but a TR24b form had been used. The forms had not been signed or authorised in a number of cases.*

*Some errors were seen in staff leave entitlement, most often as they had over 5 years continuous service but this had not been considered when the hours were calculated. Also, additional leave hours had been calculated incorrectly.*

*Some staff members with a right to sign for medication did not appear on the list of those eligible to administer medication. The 'List of Names of Responsible Staff to Sign for Medication' was not up to date. A sample of six individual MAR (Medication Administration Record) sheets were checked and two signatures were not seen for receiving medication in several cases. In one case the last dose had not been recorded on the MAR sheet. The Manager was present when the record was checked. The temperature of Cefn Rodyn's fridge does not correspond with the Council's Medication Policy guidance. No record of temperature for 5/7/15 was seen for the medication room.*

- 2.5.2 Gwenno Williams, Senior Executive Manager, Provider Services, (Adults, Health and Wellbeing Department) was welcomed to the meeting.
- 2.5.3 The Audit Manager explained that the audit was included in the Audit plan following the decision to undertake an audit of residential homes in three-year cycles. She stated that although the financial arrangements in respect of ordering and the medicines' administrative procedures were problematic, it was emphasised that a 'C' opinion category on these arrangements did not necessarily mean that the quality of care was poor.
- 2.5.4 The Senior Executive Manager stated that she agreed with the contents of the report and that a number of recommendations had already been implemented. The Senior Executive Manager explained that the priority in the home is the residents and as a result paperwork is sometimes untidy but no financial risk existed in the home. It was stated that a Temporary Manager was in charge at Cefn Rodyn during the audit and that she had been promoted from the role of deputy manager and that it had taken some time for her to adapt to the new role. The Senior Executive Manager confirmed that a permanent Manager will be appointed in the near future.
- 2.5.5 Since publishing the report, the Senior Executive Manager explained that the Area Managers had attended a meeting with the Audit Manager to discuss the possibility of providing training on "Financial Arrangements" to the residential home managers, but specifically tailored to their needs. The Audit Manager explained that training sessions will be held in Arfon, Dwyfor and Meirionnydd.
- 2.5.6 A member stated that the fact that 20 recommendations were made in the report suggests controls are lax and emphasised the importance of training. The member also enquired why the Cefn Rodyn Manager was not present at the Working Group. The Audit Manager explained that an invitation to attend the Controls Improvement Working Group is sent to the Head of Service or the Senior Manager in the first instance and that they have the option to send a representative. The Working Group agreed that it would be good practice if the relevant managers attended the Working Group with the Senior Manager or the Head of Service in future.
- 2.5.7 A member enquired whether it was common practice to have temporary managers in charge of residential homes as she was aware of a similar situation in another residential home which had a temporary Manager. The Senior Executive Manager replied by stating that these two homes were an exception to the rule.
- 2.5.8 A member stated that the signing of medicines' documentation correctly should be a priority. The Senior Executive Manager explained that there are specific procedures in respect of medicines and that there is a requirement to report to the CSSIW if there is any breach (Regulation 38).
- 2.5.9 The Audit Manager explained that the residential homes audit programme has been amended and will be utilised for the 2016/17 audits. She stated that there will be less emphasis on certain areas such as stock books and stock checks which will allow more coverage on matters such as training and the administration of medicines.

**2.5.10 The Senior Executive Manager was thanked for explaining the current situation and the proposed actions to improve controls and strengthen procedures in the near future.**

## **2.6 Canolfan y Gwystl**

2.6.1 The main findings of the audit were as follows:

*A responsive audit was carried out following a request by the Gwynedd Supported Accommodation Manager for Internal Audit to assist in identifying the cause of the significant overspend in employee costs at Canolfan y Gwystl during the financial years 2014/15 and 2015/16. The matter was identified when the Gwynedd Supported Accommodation Manager was allocated additional duties for Learning Disabilities day services during the current year.*

*The expenditure on salaries for the financial year 2014/15 and the current financial year to August 2015 was reviewed and the hours as stated in the Canolfan y Gwystl employees' contract of employment was compared to the details extracted from the payroll/ledger system. In addition, the rota for the Canolfan y Gwystl officers was compared to the hours as noted in their contract of employment.*

*Some of the contributing factors which has resulted in the overspend are as follows:*

- It was found that a several officers were working above their contracted hours on a regular basis and these hours were paid at a rate of time and a half.*
- Three Casual Support Workers were included on the weekly rota with fixed hours, one was working 37 hours per week, the second, 21.5 hours and the third was working one-to-one with a specific service user.*
- The Casual Support Worker noted on the rota to work 37 hours had worked more than the noted hours in 70% of the weeks reviewed (45 out of 64 weeks).*

*Casual workers should not be included on the rota and certainly not with fixed hours. The purpose of the casual workers is to provide cover when required, e.g. when an officer is ill or on annual leave. In the auditor's opinion, the factors noted have contributed significantly to the salaries overspend.*

*In addition, a material overspend was seen on the transport budget. It was suggested to the Senior Executive Manager that the service investigates ways to reduce the overspend including the possibility of providing the transport service internally.*

2.6.2 The Senior Executive Manager was present to discuss this item.

2.6.3 The Audit Manager explained that the audit was undertaken on the request of the Gwynedd Supported Accommodation Manager. This officer had recently inherited the responsibility for learning disabilities centres and subsequently discovered substantial overspend on the budget of Canolfan y Gwystl.

2.6.4 The main findings of the audit were outlined by the Audit Manager which explained that the main reasons for the overspend was due to an overspend on the employee budget as staff worked over their contracted hours and that casual staff were working several hours, often

37 hours per week or more. It was also explained that transport costs such as taxis had also been a significant factor.

- 2.6.5 The Senior Executive Manager explained that recent re-structuring has resulted in one person now responsible for managing the centre rather than as previously, when four persons who shared the responsibility. She expressed that this arrangement will provide better ownership over procedures. The Senior Executive Manager explained that they are currently reviewing transport costs and are considering the possibility of sharing taxis and also the option of providing the service internally. It was also stated that the use of casual staff has decreased and that this has had a positive impact on the budget.
- 2.6.6 It was also explained by the Senior Executive Manager that the service has requested that Social Workers re-assess the centre's users to ensure that the provision meets their current needs.
- 2.6.7 The Senior Executive Manager thanked the Internal Audit officers for their assistance and their co-operation.
- 2.6.8 The Senior Executive Manager was thanked for attending the meeting and for explaining steps already taken and for outlining the action that is underway.**

## 2.7 Public Transport

### 2.7.1 The main findings of the reports are as follows:

*As the accuracy of the average adult single ticket price in September 2009 forms the foundation for the accuracy of the payments to this day, it is essential that this figure is accurate. However, the audit report 'Free Travel Passes 2013/14' shows that no assurance can be given of the accuracy of the figures. It was recommended that this exercise should be repeated in order to obtain more recent figures, and sufficient evidence to justify this. By the time of this audit, the exercise has not been undertaken and consequently, no assurance can be given that the payments are accurate.*

*A sample of the first quarter claims of four bus companies was selected and it was seen that the expected reports (Wayfarer reports which record the use of concessionary passes per route), had been submitted to support the claims. However, it was seen that one company regularly sought to claim for more journeys than the reports suggested they were due, and that the Service's checks meant that the company did not receive what it claimed. It was seen that the Service had brought this to the company's attention.*

*The use made of manually recording tickets is a contentious issue. It is not expected for more than 2% of repayments to derive from manually processed tickets, rather than by scanning a ticket to a machine as passengers step onto a bus. There is a substantial risk of this button being misused, and this has already been identified.*

*The Service records the use made of manually processed tickets by recording them on a spreadsheet. As the percentage of manually processed tickets was regularly above 2%, it was seen that the Service had been proactive by drawing this to the attention of the Welsh Government jointly with the other North Wales Councils. Guidance was sought as to whether or not the companies should receive payment for any manually processed ticket that exceeded the 2% mark, and to date, no objection was received from the Welsh Government to pay over this threshold. At the time of the audit, one company is concerned that their machines were not working (memory full), and therefore they had to manually process a number of tickets.*

*According to clause 19 of the guidelines 'Concessionary Travel Scheme: Guidance for Local Authorities' (1 April 2010), the Council can claim administrative costs from the Government on a quarterly basis, which equates to £3 for each free travel pass in circulation in Gwynedd. The Council will note in its quarterly claim how many free passes are in circulation, multiply the figure by £3 and then it will be quartered to reflect the claim period. The quarter 1 claim for 2015/16 was verified and it was seen that the administrative costs had been correctly calculated.*

*It was seen that the Service placed each transport contract on Sell2Wales, regardless of its value, and this is considered to be good practice. However, the Service intends to evaluate tenders based on price only in the future. The technical parts, or quality of the tender, will be judged on a pass/fail basis, rather than contribute to the tender score.*



*Normally, the Service does not undertake financial checks on the companies to ensure whether or not they are viable. The Procurement Unit can undertake such simple checks and it is recommended for the Service to consider doing that as part of their evaluation process, and receive proof that what was submitted in the tender is accurate.*

- 2.7.2 Dafydd Wyn Williams, Head of Regulatory (Temporary) was welcomed to the meeting.
- 2.7.3 The Audit Manager explained that the audit was included in the 2015-16 audit plan on the request of the Head of Regulatory (Dafydd Wyn Williams).
- 2.7.4 The Head of Regulatory and the Audit Manager acknowledged that this was a contentious area as the Council is dependent on data provided by the suppliers, that the receipt of data is problematic and that there is no means of providing full assurance on its accuracy. The Head of Regulatory explained that this is problematic when attempting to calculate the average single adult fare.
- 2.7.5 The Audit Manager explained that an error in a spreadsheet formula used to score the “quality” element of a contract was found. She emphasised that this was only an error and that there was no attempt of fraud.
- 2.7.6 The Head of Regulatory explained that the arrangements have since changed and that contracts are now awarded based on price only but that it is a requisite that certain criteria are met and if a provider fails to meet with all the required criteria, their proposal will be disregarded.
- 2.7.7 A member enquired what are the procedures in respect of tickets processed manually. The Head of Regulatory explained that arrangements have improved and that a detailed record is maintained on a spreadsheet which will flag any out of the ordinary trends. It was explained that the Council contacts the Welsh Government prior to making any payment over the threshold but that the Welsh Government has not objected to any payment to date but there is uncertainty about the future.
- 2.7.8 A member asked if monitoring CCTV would assist in identifying any unusual trends. The Head of Regulatory stated that it was problematic obtaining data from providers and the Audit Manager explained that it is not essential to have CCTV on commercial routes, which is a requirement for the transport of school pupils.
- 2.7.9 The Head of Regulatory stated that he welcomed the report and the planned follow-up audit and expressed his gratitude to Internal Audit for their work and co-operation.
- 2.7.10 The Head of Regulatory was thanked for attending the meeting and for outlining the developments since the release of the audit report.**