

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	12 OCTOBER 2023
TITLE	INTERNAL AUDIT OUTPUT
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 SEPTEMBER 2023
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 April 2023 to 30 September 2023.

2. WORK COMPLETED DURING THE PERIOD

2.1 The following work was completed in the period to 30 September 2023:

Description	Number
Reports on Audits from the Operational Plan (2023/24)	8

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 September 2023, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Harbours Statement of Accounts 2022-23	Finance	Accountancy	High	Appendix 1
Joint Planning Policy Committee Statement of Accounts 2022-2023	Finance	Accountancy	High	Appendix 2
North Wales Economic Ambition Board Statement of Accounts 2023-2023	Finance	Accountancy	High	Appendix 3
Welsh Church Fund	Economy and Community	Community Regeneration	High	Appendix 4
Lloyd George Museum Accounts	Economy and Community	Museums and Galleries	High	Appendix 5
Housing Support Grant	Housing and Property	Homelessness and Supported Housing	Satisfactory	Appendix 6
Teachers' Salaries	Finance	Payroll and Pensions	Satisfactory	Appendix 7
Taxi Safety Follow Up	Environment	Licensing	Satisfactory	Appendix 8

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 30 September 2023:

- Unofficial School Funds (*Education*)
- Corporate Category Management (*Corporate*)
- Absence Management and Referral Arrangements (*Corporate*)
- Benefits Key-Controls (*Finance*)
- Plas Maesincla Care Home (*Adults, Health and Wellbeing*)
- Plas Ogwen Care Home (*Adults, Health and Wellbeing*)
- Cefn Rodyn Care Home (*Adults, Health and Wellbeing*)
- Residential Care Homes Follow Up (*Adults, Health and Wellbeing*)
- Garden Waste (*Environment*)
- Bulky Waste (*Environment*)
- Planning Communication Arrangements Follow up (*Environment*)
- Ash Dieback (*Highways, Engineering and YGC*)
- Commercial Income (*Highways, Engineering and YGC*)
- Industrial Units (*Housing and Property*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Service in the period from 1 April 2023 to 30 September 2023, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

HARBOURS STATEMENT OF ACCOUNTS

1. Background

1.1 The Harbours Act 1964 requires that Gwynedd, as a harbour authority, prepares an annual statement of accounts relating to Pwllheli, Porthmadog, Abermaw and Aberdyfi harbour activities.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to confirm the accounts on the Harbours' annual statement for the 2022/23 financial year, as well as to confirm that appropriate internal controls were in place.

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 that the Harbours' accounting statement for the 2022/23 financial year was appropriate. Based on the tests carried out, an appropriate audit trail was seen for the figures and that the internal controls could be relied upon to achieve their objectives. Appropriate accounts have been kept and bank reconciliations are made as part of Council wide bank reconciling.

4.2 Based on the tests carried out it was found that a sample of payments were supported with appropriate invoices or receipts, and that VAT had been properly treated. There was also an appropriate trail for a sample of other transactions, such as internal transfers.

4.3 Staff costs are administered through Cyngor Gwynedd's Payroll Unit where PAYE and National Insurance requirements have been appropriately applied. These staffing costs are appropriately recorded in the statement, and a sample of these officers were seen to have appropriate employment contracts.

4.4 The fixed asset figure on the accounting statements is supported by an asset register.

**JOINT PLANNING POLICY COMMITTEE STATEMENT OF ACCOUNTS
(GWYNEDD AND ANGLESEY COUNCILS)**

1. Background

1.1 The Joint Planning Policy Committee was a joint committee established in accordance with Section 101 of the Local Government Act 1972 by Cyngor Gwynedd and the Isle of Anglesey County Council. Separate accounts are required for joint committees. As Cyngor Gwynedd is the lead authority in respect of the finance and accountancy service for the joint committee, it is Cyngor Gwynedd's responsibility to complete the financial statements. The Joint Committee came to an end on the 31/03/23.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to confirm the accounts on the Committee's annual statement for the 2022/23 financial year, as well as to confirm that appropriate internal controls were in place.

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 that the Joint Planning Policy Committee (Gwynedd and Anglesey Councils) statement of accounts for the 2022/23 financial year was appropriate. Based on the tests carried out, an appropriate audit trail was seen for the figures and the internal controls could be relied upon to achieve their objectives. Appropriate accounts have been kept and bank reconciliations are made as part of Council wide bank reconciling.

4.2 Based on the tests carried out it was found that a sample of payments were supported with appropriate invoices or receipts, and that VAT had been properly treated. There was also an appropriate trail for a sample of other transactions, such as internal transfers.

4.3 Staff costs are administered through Cyngor Gwynedd's Payroll Unit where PAYE and National Insurance requirements have been appropriately applied. These staffing costs are appropriately recorded in the statement, and a sample of these officers were seen to have appropriate employment contracts.

NORTH WALES CORPORATE JOINT COMMITTEE

1. Background

1.1 Incorporated Joint Committees are regional corporate bodies that have powers and duties that are broadly similar to the powers and duties of local authorities. They also have similar governance and administrative structures, but have a level of discretion in terms of their constitutional and operational arrangements. The Joint Committee is responsible for strategic development planning, regional transport planning and promoting the economic well-being of the region.

2. Purpose and Scope of the Audit

2.1 The purpose of the audit was to confirm the accounts on the Committee's annual statement for 2022/23, as well as to confirm that appropriate internal controls are in place.

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 that the North Wales Corporate Joint Committee accounting statements for the 2022/23 financial year was appropriate. Based on the tests carried out, an appropriate audit trail was seen for the figures and the internal controls could be relied upon to achieve their objectives. Appropriate accounts have been kept and bank reconciliations are made as part of Council wide bank reconciling.

WELSH CHURCH FUND

1. Background

1.1 The Welsh Church Fund derives from the Welsh Church Act 1914. Cyngor Gwynedd administrates the fund and allocates the interest from the fund in grant form annually to registered charities in Gwynedd to promote and support activities. Organisations such as local Eisteddfodau, activities within the arts, education, leisure and sports, conservation, and charities that support disabled people can apply for the grant. It is possible to apply for any amount, but individual grants will tend to be between £100 and £3,000.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to conduct an independent examination of the Welsh Church Fund accounts for 2023/24 financial year, in accordance with the requirements of the Charity Commission.

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 In accordance with the requirements of the Charity Commission, an independent audit of the accounts must be carried out if the fund's annual income is over £25,000. The fund was invested to attract interest, so the income threshold was exceeded in the 2022/23 financial year.

4.2 Assurance can be given that the Welsh Church Fund accounts for the 2022/23 financial year were appropriate. Based on the tests carried out, an appropriate audit trail for the figures was seen.

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 Cyngor Gwynedd with help from Friends of the Museum who support and assist with the development of the museum and its educational use. Because the museum's income exceeded the threshold of £25,000 through funding from Cyngor Gwynedd, the accounts must be submitted to the Charities Commission, including an independent examiner's report on 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 2022/23 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 The accounts for 2022/23 were found to be appropriate and so the independent examiner's report was completed to state this.

HOUSING SUPPORT GRANT

1. Background

1.1 The Housing Support Grant is an early intervention grant programme established in 2019, which helps prevent people from becoming homeless, stabilise their situation in terms of housing, or help individuals that could become homeless to find a home and retain it. It supports vulnerable people to address problems such as debts, employment, tenancy management, substance misuse, violence against women, domestic and sexual abuse, and mental health issues. Up to £6.8m was allocated to Gwynedd by the Welsh Government during 2022/23.

2. Purpose and Scope of the Audit

2.1 The purpose of the audit was to certify the Housing Support Grant's audit certificate for the 2022/23 financial year, by reviewing the costs claimed, as well as ensuring that the Service had complied with the conditions of the grant offer letter.

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 where the arrangements can be tightened to further mitigate the risks.

4. Current Score Risk

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 Assurance can be given that the entries on the Housing Support Grant audit certificate for the 2022/23 financial year are fairly stated. Based on the tests carried out, an audit trail was seen for the figures.

- 5.2 Due to the tight timetable for submitting the grant's final outturn expenditure statement to the Welsh Government, it would be beneficial to process internal transfers for services provided by the Council sooner, or periodically throughout the year. This will help monitoring and reporting expenditure during the year, and at year end. Currently, significant amounts are transferred at year end, and after reporting the final outturn expenditure to the Welsh Government. At times, what was reported on the final outturn expenditure statement differed from what was transferred in the financial ledger.
- 5.3 The audit certificate requires the Internal Auditor to confirm that the expenditure is appropriate, and contributes towards achieving the objectives of the grant, in accordance with the requirements of the grant offer letter. As the grant is used to fund payments to various internal and external service providers, the Service has re-started monitoring visits to ensure the appropriateness of the service provided and the payments made, following a period of staffing shortages.

6. Actions

The Service has committed to implementing the following to mitigate the risks highlighted.

- **Begin processing internal transfers for services provided by the Council periodically throughout the year, whether monthly or quarterly.**

TEACHERS' SALARIES

1. Background

1.1 There are approximately 1,420 teachers on the Council's payroll. In the 2022/23 financial year, approximately £49 million of salary (without the on-costs) was paid to teachers.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that appropriate arrangements are in place for administering teachers wages, ensuring that payments are correct and implemented in a timely manner, including pension and tax contributions. To achieve this, the audit encompassed reviewing a sample of teachers and supply teachers' wages, including new starters, adjustments and teachers that have left employment to ensure correct and timely wages were paid, in addition to reviewing the schools' timeliness in instructing Payroll on changes affecting wages.

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 Score Risk

4.1 The audit's risks are as follows:

Risk Level	Number
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5 Main Findings

5.1 From the sample of teachers' salaries reviewed, it was discovered that formal arrangements are in place for establishing, amending, and ending teachers' salaries.

5.2 From the sample of temporary staff selected, i.e. staff employed for a specific period, 28% required attention, with 14% exceeding the temporary period. The Salaries and School Contracts Team Leader explained that the Service receives a monthly report to check contracts that have gone over their temporary period. A report for July 2022 was received showing 713 records on the report with 288 staff on a temporary contract with over 2 years or more of Service. It was explained that checks are undertaken with the head teachers and the contracts are revised/updated from the explanation received from

the head teachers. Although, this means that some staff with long term temporary contracts, i.e. over 2 years have additional rights, they may however be unaware of this and can possibly lose out on some rights.

- 5.3 It is mandatory for the Council to provide accurate and complete data on current members and those who have left Cyngor Gwynedd schools to the Teachers' Pension Scheme (TPS) on a monthly basis. From April 2023 onwards, the TPS request that councils present data in a new format, replacing the current 'Monthly Data Collection' (MDC) process to 'Monthly Contributions Reconciliation' (MCR) process. The new process includes information on the length of service, salaries, and information on contributions to TPS, instead of collecting data on monthly contributions and members enrolment data and reconciles these into one. The Payroll Manager explained that the new process is complex as the payroll system does not allow the data to be extracted without the need for additional resources to implement and validate the data. In addition, the Payroll Manager is not willing to create irreversible changes to the system at this moment in case TPS provide new and different instructions as a result to the fact that many councils persist to have problems with the new process.
- 5.4 Based on MCR, councils are required to implement any new changes in teachers' wages, e.g. when there is a raise in wages, to backdate and re-calculate the information on length of service, salaries and contributions paid for each month the change affects, to be treated as though the correct payment had been made at the time. The Payroll Manager expressed that the implementation requires additional resources, especially if many unforeseen requests are received from the schools and the need to back date the salaries from month to month. If the schools were to present the information in a complete and timely manner to Payroll, then there would be no problem in implementing MCR, however the amount of work involved in recalculating contributions for historical months is significant and complex.
- 5.5 The Payroll Manager reported (August 2023) that the Council continues to submit information to TPS using 'MDC' until it receives further correspondence from TPS regarding a change to 'MCR'.

6 Actions

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

- **Submit information to Teachers' Pension Scheme in a correct format if/when further instructions are issued allowing the Payroll Service to do so.**
- **Drawing Headteachers' attention (through a meeting or email) to their responsibilities and then reviewing how effective that was, whether the situation has improved, or not.**

TAXI SAFETY FOLLOW-UP

1 Background

- 1.1 A Taxi Safety audit was undertaken as part of 2022/23 plan, to ensure that appropriate arrangements were in place for the licensing of taxis to safeguard users. An assurance level of 'limited' was given, that is, 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.

2 Purpose and scope of follow-up

- 2.1 The purpose of the follow-up was to ensure that the Service has addressed the failings highlighted and has implemented the agreed actions to mitigate the relevant risks. To achieve this, the follow-up encompassed reviewing a sample of successful applications since the original audit to ensure that evidence is accurate and current, with payments received for each.

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 Score Risk

- 4.1 The audit's risks are as follows:

Risk Level	Number
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 Out of the 3 agreed actions from the original audit in October 2022 (2 with a risk score of 12 and one with 8), 2 (with a score of 12) was implemented and the results are reported below. One action (with a score of 8) is not required to be implemented until December 2023. As a result, a revised agreed action plan was presented.

- 5.2 The Public Protection Manager (Environment) reported that the Service had discovered that they had received several licensing applications and documents/evidence to an officer's personal email inbox, rather than the Service's generic box. Following the officer's resignation, it was not possible to go through the e-mails but gradually the Service succeeded in finding all the applications submitted by e-mail directly to the officer, through applicants contacting with regards to updates for their new licenses and/or renewals. The Service has also been able to correct records as licenses were coming up for renewal, as well as running reports to review the officer's license processing records since 2020.
- 5.3 Since the review in October 2022, new staff have been appointed and have received intensive training and worked very closely with an experienced officer with new processing guidelines created for the new officers. The training has focused on processing and recording licences, with random checks by the Manager showing that the records are more accurate and complete. Officers have also been instructed to use the generic email box on every occasion.
- 5.4 From the sample reviewed, all the evidence seen was valid at the time the license was granted. Exceptions found were referred to the Licensing Officer's attention to request current evidence that are out of date in the middle of the license period. The Manager explained the renewal date often falls due during the active period of the licence. With the system now enabling reports to be run to review licenses where important documents have expired, the Service is trying to run regular reports to try to overcome the problem.
- 5.5 It was confirmed under the 'notifiable occupation disclosure' procedure that the Service is informed by the Police if an individual is being investigated for a relevant crime. The Service however does not need to wait for a Court sentence before choosing to suspend the taxi license of an individual who is under investigation for relevant offences but chooses to suspend immediately on the basis that the person may be dangerous to public safety.

6 Actions

The Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Run reports to review licenses where important documents have expired.**
- **Manager to review random records regularly to ensure continuous improvement.**
- **Continue to draw up a new policy along with providing the appropriate training to ensure consistency in the driving license processing procedure across Gwynedd.**