

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	25 SEPTEMBER 2014
TITLE	INTERNAL AUDIT OUTPUT
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 12 SEPTEMBER 2014
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT AND RISK
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 Internal Audit for the period from 1 July 2014 to 12 September 2014.

2. WORK COMPLETED DURING THE PERIOD

2.1 The following audit work was completed in the period to 12 September 2014:

Description	Number
Reports on Audits from the Operational Plan	8
Other Reports (memoranda etc)	1
Grant Reviews	3
Follow-up Audits	1
Responsive Audit	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 12 September 2014, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Secondary Schools - Governance	Education	Schools	B	Appendix 1
Staff Protection Register	Corporate		C	Appendix 2
Officers Gifts and Hospitality	Corporate		C	Appendix 3
Inclement Weather Plan	Corporate	Emergency Planning	B	Appendix 4
Main Accounting System - Review of Key Controls	Finance	Accountancy	A	Appendix 5
Communities First - The New Scheme	Economy and Community	Community Regeneration	C	Appendix 6
Homelessness	Adults, Health and Wellbeing	Homelessness and Supported Housing	B	Appendix 7
Traffic Orders	Regulatory	Transportation and Street Care	B	Appendix 8

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.

2.2.3 In addition to the above, the Annual Governance Statements of the Council, GwE, the Special Educational Needs Joint Committee and the Joint Planning Policy Committee were approved. Internal Audit had made a key contribution to these statements.

2.3 Grants

2.3.1 The administrative procedures for the following grants were reviewed during the period:

- Foundation Stage Revenue Grant (*Education*)
- Youth Service - Training Grant (*Economy and Community*)
- Youth Service - Revenue Grant (*Economy and Community*)

2.3.2 Although these grants have been reviewed by Internal Audit, this does not mean that external auditors from the Wales Audit Office or other agencies may undertake audits of these grants. However, it is expected that the work that Internal Audit has undertaken, and the assurance that can be stated with regards to the control environment, means that less audit work will be needed by these organisations. This, in turn, should mean a reduction in the fees that the Council will have to pay for an external audit.

2.4 Follow-up Audits

2.4.1 The following table summarises the follow-up work completed during the period:

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Health and Safety Risk Assessments	Corporate		Acceptable

2.4.2 The conclusion of follow-up work is placed in one of four categories:

Excellent – all recommendations implemented as expected.

Acceptable – most recommendations, including the majority of “essential” recommendations, implemented as expected.

Unsatisfactory – several recommendations not implemented.

Unacceptable – most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

2.4.3 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 31 December 2013

Contract Terms - DBS Checks
Staff DBS Checks

Completion Target: Quarter ending 30 June 2014

Software Licences (Schools)
Direct Payments
Subsidised Travel Tickets

Completion Target: Quarter ending 30 September 2014

Verification of Performance Measures
Corporate Complaints Procedure
Ports
Bryn Blodau, Llan Ffestiniog
Overnight Arrangements at Council Homes
Schools Effectiveness Grant and Pupil Deprivation Grant
School Statistics and Censuses

Completion Target: Quarter ending 31 December 2014

Overtime Claims Procedures
Laptop Security
Leasing Arrangements in Schools
Arrangements for Registering Births, Deaths and Marriages

Completion Target: Quarter ending 31 March 2015

Communities First (New Programme)
Plas Ogwen
Staff Protection Register
Country Parks

Completion Target: Quarter ending 30 June 2015

Officers Gifts and Hospitality

2.5 Responsive Audits

- 2.5.1 A responsive audit was undertaken into the Use of Translators in Meetings, due to concerns expressed by the members of the Control Improvement Working Group that interpreters are attending meetings where they were not needed, because they were not being made aware that the relevant members would not attend. A verbal update was given to the Committee at its meeting on 15 July.
- 2.5.2 The key finding of the audit was that the situation is no longer seen as a problem. It was estimated by the Translation Team Leader that a translator is unnecessarily present in fewer than 5% of meetings or Committees. It was also noted that a high percentage of these committees are held in Caernarfon, meaning there is no need to travel. It was noted that there was a period around 2012 when the unnecessary presence of an interpreter due to a lack of timely cancellation has become problematic.

3 WORK IN PROGRESS

3.1 The following work was in progress as at 13 September 2014.

3.2 Draft reports released

- Payments System - Closure 2013-14 (*Finance*)
- Sustainable Waste Management Grant (*Highways and Municipal*)
- Follow-up to Reviews on Gwynedd Consultancy (*Gwynedd Consultancy*)

3.3 Work in progress

- The Succession Plan and Workforce Planning (*Corporate*)
- Mobile Phones (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Protocol for Member-Officer Relations (*Corporate*)
- Sickness Arrangements - Referrals to Occupational Health (*Corporate*)
- Gwynedd Pension Fund - Closure 2013-14 (*Finance*)
- Bank Reconciliation - Closure 2013-14 (*Finance*)
- Debtors System - Review of Key Controls (*Finance*)
- Payroll System - Closure 2013-14 (*Finance*)
- CHAPS Payments (*Finance*)
- Leisure Centres (*Economy and Community*)
- Gwynedd Museum and Gallery (*Economy and Community*)
- Beaches (*Economy and Community*)
- Industrial and Technology Units (*Economy and Community*)
- Follow-up - Schools Effectiveness Grant and Pupil Deprivation Grant (*Education*)
- Follow-up - Verification of Performance Measures (*Corporate*)
- Follow-up - Country Parks (*Economy and Community*)
- Follow-up - Ports (*Economy and Community*)
- Follow-up - School Statistics and Censuses (*Education*)
- Collaboration with the Health Board (*Children and Family Support*)
- Out of School Childcare Grant (*Children and Family Support*)
- Families First Grant (*Children and Family Support*)
- Safety at Recycling Centres (*Highways and Municipal*)
- Planning Service - time taken to make decisions (*Regulatory*)
- Joint Planning Policy Committee (*Regulatory*)
- Food Hygiene, Health and Safety Inspection Programmes (*Regulatory*)
- Gwynedd Consultancy Projects Risk Registers (*Gwynedd Consultancy*)
- Follow-up to Reviews on Gwynedd Consultancy (*Gwynedd Consultancy*)

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 July 2014 to 12 September 2014, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

SECONDARY SCHOOLS - GOVERNANCE**Education**Purpose of the Audit

The purpose of the audit is to ensure that the Governors of Gwynedd Secondary School, carry out their duties in accordance with statutory requirements, and instructions from Governors Wales, Estyn and Gwynedd Council.

Scope of the Audit

A sample of 5 secondary schools in Gwynedd was selected and visited to check that the School Governors deliver what is expected of them, and that members of the governing body have received appropriate training to perform their duties.

Main Findings

The main findings of the audit is that there are good overall arrangements for the governance of Secondary Schools in the sample audited, but some controls need to be tightened somewhat. The DBS (Disclosure and Barring Service) checks of members of school governing bodies need to be updated regularly in the future and the Education Department should be notified in a timely manner of changes in the details of school governing bodies. In addition, governors need to update their Governors' Notice of Business Interests forms annually, and sign and date them.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Secondary Schools - Governance as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Schools should be reminded of the need for school governing body members to update their 'Governors Notification of Business Interests' forms that are signed and dated on an annual basis, whether there are changes to the form or not.**
- **The importance of secondary schools notifying the Education Department in a timely manner in writing by letter or email of any new appointments, dismissals or modifications to the school governing body members details should be highlighted in the weekly newsletter. The contact details of the relevant officer/ s in the Education Department to whom the schools need to highlight the changes should be included.**
- **The clerks of secondary schools governing bodies should be informed that they need to keep a list of details of DBS checks of members of the governing body of the school, and to review them annually and update DBS checks that are over 3 years old.**
- **A reminder should be sent to the attention of schools of the Education Department's new arrangements for DBS checks on school Governors, highlighting that schools should consider removal of a Governor from their governing body if they refuse to undertake a DBS check, to comply with the Council's Children and Adults Safeguarding Policy and Guidelines.**

STAFF PROTECTION REGISTER Corporate

Purpose of the Audit

The purpose of this audit was to ensure that members of staff are informed of the existence and importance of the Staff Protection Register within the organisation and understand it. That the sensitivity of the register is respected with fairness to staff and the public who are associated with it in accordance with legislation.

Scope of the Audit

Check that staff are aware of appropriate steps regarding the process of adding / removing individuals from the list. That individuals who are entitled to see the register understand the requirements of the Data Protection Act and will implement this when dealing with the register. Ensure staff are aware of the processes of raising awareness of violent incidents in compliance with the requirements outlined in the Council's policies relating to the register.

Main Findings

A sample of services which use the Register by virtue of their work was selected, and it was found that some have their own arrangements for reporting threatening or violent incidents or events. The main issue highlighted as a result of this, is that the "lists" do not correspond with the details on the Corporate Register, and include additional individuals to those identified on the Corporate Register. This is a concern because other staff may not receive any warnings if they encounter these individuals because they do not appear on the Corporate Register. It was also observed that not all services report violent incidents, and therefore not all violent incidents are known to the service to enable the Health and Safety Service to act.

It was also discovered that staff did not take advantage of the training available to them in respect of their personal safety. From the audit it was found that administration of the Register itself is very good and complies with legal requirements relating to notifying individuals that they have been included on the Register. However, despite the central arrangements being sound, there is concern that that lack of reporting by departments, and the fact that some departments have their own independent lists, undermines the corporate system.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in Staff Protection Register as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Senior Managers/ Managers should be reminded of the importance of sending officers on Personal Safety training, especially those who work with high risk of threat / attack.**
- **The list of users of the databases should be reviewed, and those who have either left the Council's employment or have moved to a job that does not require access rights should be removed.**
- **Any independent systems within services should correspond with the information on the Corporate Register in respect of violent individuals or unsafe locations.**

OFFICERS GIFTS AND HOSPITALITY**Corporate**Purpose of the Audit

The purpose of the audit was to ensure that officers comply with the Council's Gifts and Hospitality Policy by registering each offer, whether the offer is accepted or rejected (except where specific exceptions are noted in the Gifts and Hospitality Policy - Officers), and that internal arrangements are in place for maintaining and updating the register.

Scope of the Audit

Checking the process of maintaining the officers register of gifts and hospitality and ensure that officers notify the Monitoring Officer of any gift or hospitality accepted or rejected in order to ensure that the basic principles of the policy and the Code of Practice are being implemented in accordance with requirements.

Main Findings

It was found that a system is in place for declaring offers of gifts and hospitality, and if the system is used fully and accurately, it provides a valuable and effective resource for enabling confirmation should the need arise that officers have acted ethically, defending the Officer and the Council's reputation.

The policy, along with the declaration form, is available on the intranet. However it was not easy to find. It was noted that the process is not tied to the form as a declaration by e-mail is acceptable.

It was found that all Managers who were queried as a result of the audit were aware of the existence of the policy. However, the auditors felt that the majority appreciate the risk associated with accepting a gift or hospitality, rather than appreciate the principle of the code of conduct. The content of the register was reviewed and it was found that only 74 declaration forms of an offer of a gift or hospitality had been presented since the start of the register in January 2008 was only 4 of these stated that the offer had been rejected. No declaration forms were found in the register by officers from three Departments. Two of these departments are ones which, because of the nature of their work, are likely to receive offers of gifts and hospitality.

While it is impossible to measure what is not included in the register, the auditors' opinion is that it is likely that a large number of offers of gifts or hospitality not being declared. It is not suggested that inappropriate behaviour occurs, and there is no evidence of misconduct, but it does suggest that a *laissez-faire* culture exists towards the principles of the policy within certain services.

The auditors' opinion is that bequests is a subject that is too complex to be incorporated directly into the policy, and that there should be a single policy to deal with this specifically and directly.

Audit Opinion

(C) The audit opinion is that assurance of propriety cannot be expressed in the declarations of gifts and hospitality as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Managers should ensure that they and their officers fully understand the principle of the code of conduct and the declaration process, rather than merely appreciating the risks involved with accepting a gift or hospitality.**

SEVERE WEATHER PLAN Corporate

Purpose of the Audit

It is essential that the Council seeks to provide a service to the public during severe weather. The purpose of the audit was to ensure that there are robust arrangements for Council staff in the event of severe weather which are being implemented in accordance with the policy.

Scope of the Audit

The audit focussed on the measures that are in place for severe weather events including continuity of service. In addition, that there is an understanding of the general principles of working conditions during the time of inclement weather.

Main Findings

Inconsistencies were highlighted in the Council's Severe Weather Plan following restructuring within the Council and changes to the emergency planning unit. Emergency planning is now being serviced on a regional basis and provides emergency planning and provides support for local authorities in North Wales. A few of the details within the current policy is due to these changes. There has been uncertainty about who would take responsibility for functions such as arrangements for 4x4 vehicles. It should be noted that details of the human resource aspects of the policy remain the same.

It was found that good use is made of social media during severe weather, with Council officers using Facebook and Twitter in the past to keep officers and the public up to date on developments. The latest severe weather events were publicised on the social media, with warnings about closed roads and postponed services, and regular updates.

Any directive is determined jointly: "The corporate direction is determined jointly by the Head of Human Resources, Head of Customer Care and Head of Highways and Municipal." However it is essential to ensure the timely implementation of these to ensure timely guidance is given to workers and the public.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Inclement Weather Plan as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **Arrangements should be put in place to update the policy once the arrangements regarding responsibilities have been resolved.**
- **Consideration should be given to adding that the Council will make use of social media when the policy is reviewed.**
- **The importance of timely action in case of severe weather should be emphasised to ensure that timely guidance is given to the workers, and it is accurate.**

MAIN ACCOUNTING SYSTEM - REVIEW OF KEY CONTROLS**Finance**Purpose of the Audit

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

As part of their 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 a "major financial system" in accordance with the Wales Audit Office's definition, and therefore a review of this system is intended.

Scope of the Audit

The review focussed on the controls for maintaining the main accounting system and 2013/14 transactions.

Main Findings

It was found that the key controls that were reviewed are in place for the main accounting system. It was found that measures are in place to separate duties based on roles, services and authorisation levels. Access rights to the system are managed centrally, and it was seen that there is an annual process of reviewing user privileges, although notice by service managers of the need for amendments is the most effectively system.

Procedures are in place to monitor and report on budget variances. When checking a sample from the budget book and comparing this with the main accounting system, variance was identified in one case from 37. It is understood that the variance occurred due to an error where the same code was used twice meaning that another code within the department was not used at all. Despite the mistake, it was found that the total budget of the department is in line with the budget book.

End-of-period processes are in place to ensure the accuracy of the transfers of balances and transactions. Procedures are in place to manage and reconcile bank statements with the system, transfers from feeder systems and management accounts to ensure accuracy and appropriateness.

Audit Opinion

(A) The audit opinion is that assurance of financial propriety can be expressed in Main Accounting System - Review of Key Controls as the controls in place can be relied upon and have been adhered to.

COMMUNITIES FIRST - THE NEW SCHEME

Economy and Community

Purpose of the Audit

Ensure that appropriate internal controls are in place for administering the new Communities First programme.

Scope of the Audit

The audit covers the following aspects:

- That the terms and conditions of the grant have been agreed between the Welsh Government and the Council as well as between the Council and the 3rd parties.
- That the Council and 3rd parties act in accordance with the requirements of the grant.
- That expenditure and claims are in accordance with requirements.

Main Findings

Based on the audit work that has been completed, Internal Audit found a significant risk that the quality of documentation, evidence and controls in respect of the new Communities First Grant programme is insufficient to permit the external auditor to conduct 'light' review, and they will have to undertake a long, detailed examination, with the resulting additional fees and the consequences for the money that will therefore be available to achieve the objectives of the grant. Furthermore, unless there is improvement in the quality of the evidence, there is a significant risk of a grant claim being qualified, resulting in the Welsh Government claiming some of the money back. Supporting documentation for grant expenditure is not marked correctly each time so that they are retained for the appropriate period, and signed copies were not on file for each agreement between Communities First and other Council departments / 3rd parties.

Audit Opinion

- (C) The audit opinion is that assurance of financial propriety cannot be expressed in the administration of Communities First - The New Scheme as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:**
- State aid checks should be filed on the 3rd party files, so they are available for inspection at any time.
 - Arrangements should be made as soon as possible to get in touch with the Wales Audit Office to arrange external auditor certification in accordance with Schedule 5 Audit Requirements in the offer letter.
 - The inventory should be updated so that a complete record exists.
 - Applications should be submitted to the Welsh Government in accordance with the grant conditions.
 - Third parties should be informed of the importance of always providing appropriate evidence to support the claims they make.
 - In cases where grants are allocated to 3rd parties through an assessment panel, evidence of the process should be kept on file to support the decision.
 - All contracts should be returned after being signed by the groups that receive the grant money.

HOMELESSNESS

Adults, Health and Wellbeing

Purpose of the Audit

The purpose of the audit was to conduct a review of internal controls relating to the Homelessness Service.

Scope of the Audit

The audit encompasses verifying the Service's arrangements for supporting individuals who are either homeless or at risk of becoming homeless. The elements of the service that have been the subject of the Vanguard systems thinking exercise were audited to ensure that appropriate internal controls remain within the process, as well as the administration of the private sector housing leasing scheme and health and safety arrangements at the Council's Hostels.

Main Findings

The main findings arising from the audit is that the Vanguard systems thinking exercise has not reduced the effectiveness of the internal controls relating to the homeless service. Although the exercise has been ongoing since 2010, it had not been completed at the time of audit, but from the sample of cases examined, it was found that the expected internal controls remain in place.

However, although individuals who are homeless are entitled to housing benefits when staying in temporary accommodation, discrepancies were found between the dates of bed and breakfast invoices and the housing benefits system for a sample of individuals.

Audit Opinion

(B) The audit opinion is that partial assurance of financial propriety can be expressed in Homelessness as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **There should be an inventory that includes an adequate description of furniture and higher risk equipment such as ICT equipment, plant and machinery, in accordance with the Council's Financial Procedure Rules, with each item marked so it can be identified as the property of Council.**
- **Hostel Staff should continue to be encouraged to attend the Council's Personal Safety course.**
- **Efforts should be made to ensure that homeless individuals claim housing benefits for the whole of the time that they stay in temporary accommodation by reconciling any B & B invoices with Department records.**

TRAFFIC ORDERS

Regulatory

Purpose of the Audit

The purpose of the audit was to ensure that appropriate internal controls are in place for the adoption of traffic orders on Gwynedd Council roads.

Scope of the Audit

The audit encompasses the administration and verification procedures for adopting Gwynedd Council road traffic orders.

Main Findings

The main findings arising from the audit is that there has been improvement in the arrangements of the Transportation and Street Care Service for administering Gwynedd traffic orders. However, it was not possible to complete each test of the audit since the auditor was unable to find some documents relating to older orders within the sample. At the time of the audit, the Government has announced the intention of removing the need for highway authorities to go through the process of adopting a formal road orders for parking issues such as double yellow lines.

Audit Opinion

(B) The audit opinion is that partial assurance of propriety can be expressed in Traffic Orders as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:

- **When applying for an temporary order for prohibiting through traffic, it should ensure that candidates are submitting the documents set out in condition 2.2 of the 'Road Closures for Events Policy', including risk assessments on traffic issues and current insurance.**
- **Once work is completed on site, road orders should be displayed on the Council's website during the consultation period.**