

**GWYNEDD COUNCIL**

COMMITTEE	<b>AUDIT COMMITTEE</b>
DATE	<b>17 FEBRUARY 2015</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 JANUARY 2015</b>
AUTHOR	<b>DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION</b>

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**1. INTRODUCTION**

1.1 The following report summarises the work of the Internal Audit Section for the period from 1 December 2014 to 31 January 2015.

**2. WORK COMPLETED DURING THE PERIOD**

2.1 The following audit work was completed in the period to 31 January 2015:

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	8
Other Reports (memoranda etc)	1
Grant Reviews	2
Follow-up Audits	4

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

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
The Succession Plan and Workforce Planning	Corporate		A	Appendix 1
Treasury Management	Finance	Investment and Treasury Management	B	Appendix 2
Welsh Church Fund	Economy and Community	Community Regeneration	A	Appendix 3
Yr Hafan, Pwllheli	Economy and Community	Maritime and country parks	B	Appendix 4
Industrial and Technology Units	Economy and Community	Tourism, marketing and customer care	A	Appendix 5
Shift arrangements at Residential Homes	Adults, Health and Wellbeing	Residential and Day	B	Appendix 6
Looked After Children - Education and Health Assessments	Children and Family Support	Children and Families	B	Appendix 7
Collaboration - Road Safety Partnership	Regulatory	Transportation and Street Care	A	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 following audits were undertaken where a memorandum was produced, rather than a full report, and an opinion category was not given:

- **Pont Briwet** (*Regulatory*). The aim of the audit was to ensure that Gwynedd Council has identified all risks that would reasonably be expected on the project to construct the new Pont Briwet time of the audit; that is, whilst the construction is underway. The audit verified that the arrangements for managing and mitigating any identified risks were satisfactorily, including the risk of any additional costs to the Council as a result of claims by the contractor and further delays in completion of the work.

The audit encompassed checking the project risk register and verifying the arrangements in place for managing and mitigating the risks identified.

The main risks that the project faced at the time of the audit were further delays that mean that the project is not completed within the timeframe of the funding body, Welsh European Funding Office (WEFO), as well as uncertainty over the costs of claims by the contractor. However, the Auditor believes that reasonable steps have been taken by the Council to mitigate these risks.

## **2.3 Grants**

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

- Pupil Deprivation Grant (*Education*)
- Families First Grant (*Children and Family Support*)

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 not 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
Plas Ogwen	Adults, Health and Wellbeing	Residential and Day	<b>Acceptable</b>
Leasing Arrangments in Schools	Education	Schools	<b>Acceptable</b>
Laptop Security	Finance	Information Technology	<b>Acceptable</b>
Staff DBS Checks	Corporate		<b>Acceptable</b>

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 30 June 2014**

Software Licences (Schools)

**Completion Target: Quarter ending 31 December 2014**

Overtime Claims Procedures

Arrangements for Registering Births, Deaths and Marriages

**Completion Target: Quarter ending 31 March 2015**

Communities First (New Programme)

Staff Protection Register

Country Parks

**Completion Target: Quarter ending 30 June 2015**

Food Hygiene, Health and Safety Inspection Programmes

Leisure Centres

Officers Gifts and Hospitality

Direct Payments

### **3 WORK IN PROGRESS**

3.1 The following work was in progress as at 1 February 2015.

#### **3.2 Draft reports released**

- Protocol for Member-Officer Relations (*Corporate*)
- Debtors System - Review of Key Controls (*Finance*)

#### **3.3 Work in progress**

- ICT in Secondary Schools (*Education*)
- Mobile Phones (*Corporate*)
- Health and Safety - Lone Working (*Corporate*)
- NFI (National Fraud Initiative) (*Corporate*)
- Learning and Development Arrangements (*Corporate*)
- Gwynedd Pension Fund - Review of Key Controls (*Finance*)
- Network Convergence (*Finance*)
- Payroll - Multiple Jobs (*Finance*)
- Bank Reconciliation - Review of Key Controls (*Finance*)
- Payroll System - Review of Key Controls (*Finance*)
- Payments System - Review of Key Controls (*Finance*)
- Council Tax System - Review of Key Controls (*Finance*)
- NNDR System - Review of Key Controls (*Finance*)
- IT - Backups and Service Continuity (*Finance*)
- Follow-up - Country Parks (*Economy and Community*)
- Follow-up - Direct Payments (*Adults, Health and Wellbeing*)
- Personal Monies of Home Residents (*Adults, Health and Wellbeing*)
- Galw Gwynedd (*Adults, Health and Wellbeing*)
- Social Services Information System (*Adults, Health and Wellbeing*)
- Collaboration with the Health Board (*Children and Family Support*)
- Flying Start Revenue grant (*Children and Family Support*)
- Children's Services - Commissioning of Care (*Children and Family Support*)
- Depots and Workshops - Stock Control (*Highways and Municipal*)
- Parking Enforcement (*Regulatory*)
- Integrated Transport Unit (*Regulatory*)

### **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 December 2014 to 31 January 2015, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

## **THE SUCCESSION PLAN AND WORKFORCE PLANNING Corporate**

### Purpose of the Audit

The aim of the audit was to ensure that workforce measures are in place, and that they are used effectively within the Council to confirm the delivery of quality services by the Council, at present and in the future.

### Scope of the Audit

The audit was undertaken by holding meetings with relevant officers from Human Resources together with a sample of three heads, one senior manager and one manager within various Council departments, and obtaining relevant evidence to assess the current arrangements for the benefit of the Council today and for the future.

### Main Findings

It was found that departments consider workforce planning and having a succession plan as being important to be able to monitor the current workforce and the ability to plan for the future. Departments are taking steps to monitor their current situation through regular meetings between managers, senior managers and heads to keep track of any issues arising from the workforce, if any. This also enables them to discuss their plans for the future.

Managers receive monthly reports to allow them to monitor absences against their departmental statistics. This helps to identify any patterns that arise and where Human Resources can offer any assistance required to be able to improve the situations of absence.

Every department has its own individual expertise in terms of work, and so needs vary from department to department, which means that future plans also differ from each other. The departments are taking steps to ensure that the necessary expertise and training for this will be provided for officers within their services. This would also ensure that a supply of this expertise is available in the future in order to maintain a quality service by the Council for the people of Gwynedd.

### Audit Opinion

- (A) The audit opinion is that assurance of propriety can be expressed in the Succession Plan and Workforce Planning as the controls in place can be relied upon and have been adhered to.**

## TREASURY MANAGEMENT

### Finance

#### Purpose of the Audit

The purpose of the audit was to ensure that the Council's treasury management arrangements are appropriate and comply with legislation and the Council's risk management arrangements, as well as ensuring that the service received from the treasury management consultant is appropriate, relevant and meaningful.

#### Scope of the Audit

The audit was conducted by reviewing documentation and treasury management policies together with the Council's risk register, and well as verifying the appointment arrangements and monitoring the performance of the consultant. It was also checked that the monitoring procedures for treasury management activities are appropriate.

#### Main Findings

Overall, robust control was seen in the treasury management process. The Council has a current strategy for managing the treasury, which was adopted by the full Council in March 2014. However the Council's Treasury Management Practices have not been updated since their adoption in March 2011. These Schedules (Treasury Management Practices) were reviewed and it was found that they need to be updated to reflect the current structure of the Council along with reviewing responsibilities for approving and scrutinising the Strategy.

It was confirmed that the Council's consultant provide information about the organisations with whom the Council should invest as well as those institutions with whom the Council should not. A sample of investments were checked and it was discovered that all the investments are in accordance with advice received from the consultant.

It was found that a meeting was scheduled with members of the Audit Committee to discuss and explain the strategy before the Audit Committee. It was found that only a few members had attended this meeting.

#### Audit Opinion

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

- **The 'Schedules - Treasury Management Practices' should be updated to reflect the current structure together with reviewing the responsibilities and duties of approving and scrutinising the Strategy.**
- **The Chair of the Audit Committee should reinforce the importance of the Committee members attending briefings to gain an understanding of the technical aspects involved with the Statement so that the Strategy is appropriately scrutinised before a recommendation is made to the full Council.**

**WELSH CHURCH FUND**  
**Economy and Community**

Purpose of the Audit

To verify that the final accounts of the Gwynedd, Anglesey and Conwy Church Fund for 2013-14, which is managed and administered by Gwynedd Council, gave a true reflection of its performance for the year.

Scope of the Audit

Verify that the final accounts of the fund reconcile with the ledger, bank statements and fund manager progress reports, by selecting a sample of invoices and journals that appear in the fund's transactions for 2013-14 and check that they are relevant to the fund.

Main Findings

It was found that the final accounts of the Gwynedd, Anglesey and Conwy Church Fund 2013-14 gave a true reflection of the performance of the fund for the year. It was found that the final accounts reconcile with the Council's ledger, the Fund's bank statements and the fund manager progress reports for the year. In addition, it was found that the sample of invoices and journals that had been coded to the fund in 2013-14 were relevant to the fund.

Audit Opinion

**(A) The audit opinion is that assurance of financial propriety can be expressed in the administration of the Welsh Church Fund as the controls in place can be relied upon and have been adhered to.**



**YR HAFAN, PWLLHELI**  
**Economy and Community**

Purpose of the Audit

Ensure that appropriate arrangements are in place at Yr Hafan, in order to manage and mitigate risks in accordance with the Council's financial rules and other relevant procedures.

Scope of the Audit

To visit Yr Hafan and check that there are appropriate arrangements for the control of various risks. To review the main areas of expenditure and income as entered in the ledger for 2013/14 and 2014/15, as well as checking that adequate budgetary control and health and safety arrangements are in place.

Main Findings

The main findings of the audit were that there is good overall control at Yr Hafan. However, it was found that there is a need to tighten some basic procedures, namely checking the driving licences of staff annually, and to ensure that the appropriate dates are noted on the risk assessments.

Audit Opinion

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

- **Yr Hafan should list debts that can not be recovered by giving clear reasons, and the details should be sent to the Senior Accountant in the Finance Unit so that arrangements can be made to send the list to the Head of Finance or the Head of Finance and the Cabinet Member, in order to receive their authority as necessary.**
- **The Manager of Yr Hafan should receive copies of financial reports relating to Yr Hafan regularly.**
- **The driving licences of Yr Hafan staff should be checked annually and a copy retained, ensuring that only those whose licenses have been checked are authorised to drive Yr Hafan vehicles.**
- **The date on which the risk was last assessed should be noted as the 'assessment date' on the risk assessment, and the date in the future on which the risk should be reviewed should be noted against the 'review date'; that is, in one year or earlier if there is a change in the risk.**
- **Arrangements to sell the old hoist should proceed.**
- **Other staff should be trained on how to administer the direct debit payments so that someone else can complete the work of the Deputy Manager (Administration) when they are not at work, whether direct debit administration or reconciling and banking income.**

## **INDUSTRIAL AND TECHNOLOGY UNITS**

### **Economy and Community**

#### Purpose of the Audit

Ensure that appropriate arrangements are in place for the management and administration of industrial and technology units, in order to mitigate the risks in accordance with the Council's financial rules and other relevant procedures.

#### Scope of the Audit

Select a sample of industrial units and technology that have been let, for testing a range of internal controls. The audit also considered relevant committee reports, and documentation within the Business Support Service.

#### Main Findings

The main findings from the audit was that good arrangements are generally in place for letting out the units, income collection from units, monitoring of health and safety and the maintenance of the units. However, it was found that the total debt of the tenants of the units was approximately £55,000 on 22/09/14, but we found evidence that the Business Support Unit monitors the situation regularly and works with tenants to recover the debt.

#### Audit Opinion

**(A) The audit opinion is that assurance of financial propriety can be expressed in the administration of the Industrial and Technology Units as the controls in place can be relied upon and have been adhered to. Despite this, the Auditor would like to offer the following recommendations:**

- **The assessment sheet should be amended so that it contains a space for the person who has assessed the application to sign it.**
- **The same application assessment procedures should be established when letting out the units of Enterprise Centres, with each application being assessed by completing an assessment form to ensure consistency.**

**SHIFT ARRANGEMENTS AT RESIDENTIAL HOMES**  
**Adults, Health and Wellbeing**

Purpose of the Audit

Ensure that arrangements and procedures in place for the changes in shifts that have taken place in the residential homes.

Scope of the Audit

Check the budget and related documents to ensure that the process of changing the shift pattern has been successfully introduced in the homes.

Main Findings

Strong examples of good practice were found in the shift arrangements in Residential Homes. It was seen that communication and discussions take place regularly in the Homes and there are robust arrangements regarding the 12 hours shift rota. There are sound arrangements for receiving feedback from Staff and Residents on the new arrangements. However, it is necessary to monitor changes to the Homes budget regularly and complete contracts for staff working 12 hour shifts as a matter of priority.

Audit Opinion

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

- **Efforts should be made to complete the contracts of staff working 12 hour shifts as a matter of priority.**
- **There should be a risk register which includes new risks associated with changes to the 12-hour shifts. This should be updated on a regular basis if there is an intention to implement the arrangements at other Council Residential Homes.**

## LOOKED AFTER CHILDREN - EDUCATION AND HEALTH ASSESSMENTS

### Children and Family Support

#### Purpose of the Audit

Ensure that the education and health assessment arrangements of looked after children are in accordance with the instructions and rules of the Welsh Government "Towards a Stable Life and better future".

#### Scope of the Audit

Review that education and health assessments are completed in a timely manner and that they are shared with the relevant authorities for the benefit of the looked after children.

#### Main Findings

Examples of good practice were found within the LAC service, such as the practice of keeping an up to date register of looked after children in the county and out of county and the consistency of the Independent Reviewing Officers in undertaking regular reviews. However, there are some weaknesses such as inconsistencies in arranging the children's initial health and education assessments, and consideration should be given to following up on these earlier in the process.

#### Audit Opinion

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

- **The details of doctors and dentists of looked after children should be updated correctly on Raise including the date of registration to comply with the requirements of the "Towards a Stable Life and a Brighter Future" guidelines.**
- **Every effort should be made to ensure that all looked after children receive a health assessment within 28 days of coming into care. The creation of a system for monitoring and following up assessments should be considered in order to comply with the requirements of the "Towards a Stable Life and a Brighter Future" guidelines.**
- **The forms that are used to complete health assessments should be consistent and include "part B" which confirms that a copy of the assessment has been sent to the child in care's doctor.**
- **There should be consistency in the information that is recorded on the historic health of looked after children. Any blank section of the form should be filled to confirm whether it is relevant or not.**
- **Arrangements to destroy / keep documentation should be constant in each area; consideration should be given to following the procedures in place in Arfon.**
- **Consideration should be given to following up on the Personal Education Plans earlier, to ensure that they are completed within 20 days of the child's placement.**
- **Instruction should be given to the schools to complete the PEP forms consistently, including adding "not applicable" instead of leaving blank spaces**
- **Consideration should be given to adding information that is specific to looked after children on the Council's website, including colorful links to highlight other services that are available that are attractive for children.**

## COLLABORATION - ROAD SAFETY PARTNERSHIP Regulatory

### Purpose of the Audit

The purpose of the audit was to ensure that the strategic focus of the Road Safety Partnership is making the best value of the resources available and that the revenue grant funding for road safety is being administered appropriately and in accordance with the terms and conditions of the grant.

### Scope of the Audit

The audit encompasses checking the Partnership's governance arrangements as well as procedures for administering the road safety revenue grant for 2014-15 and 2013-14 where relevant.

### Main Findings

Since the Government's priorities are set out in the 'Road Safety Framework for Wales' (July 2013), the successful bids by Authorities tend to be for projects that have been aimed at the vulnerable groups identified in the framework. As a result, it was seen that the role of the Partnership in setting direction has diminished but that the sharing of information and expertise between members of the Partnership remains an important and useful function. Gwynedd Council has successfully secured a £92,000 grant towards road safety revenue projects in 2014-15, and it was seen that it is being administered properly.

### Audit Opinion

- (A) The audit opinion is that assurance of financial propriety can be expressed in the administrative arrangements of the Road Safety Partnership as the controls in place can be relied upon and have been adhered to.**