



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT COMMITTEE

Date and Time

10.30 am, THURSDAY, 5TH MAY, 2016

Location

Siambr Hywel Dda, Council Offices, Caernarfon, Gwynedd. LL55 1SH

Contact Point

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(DISTRIBUTED 26/04/16)

AUDIT COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Charles Wyn Jones
W. Tudor Owen
Vacant Seat

E. Selwyn Griffiths
Dilwyn Morgan
Gethin Glyn Williams

Sian Gwenllian
Michael Sol Owen
John Wyn Williams

Independent (5)

Councillors

Trevor Edwards
John Brynmor Hughes
Angela Russell

Thomas G. Ellis
John Pughe Roberts

Llais Gwynedd (2)

Councillors

Anwen J. Davies

Aeron M. Jones

Labour (1)

Councillor

Sion W. Jones

Lay Member

John Pollard

Ex-officio Member

Vice-Chairman of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. MINUTES

The Chairman shall propose that the minutes of the meetings of this committee held on the undermentioned dates be signed as true records:-

(A) 21 JANUARY 2016 (EXTRAORDINARY MEETING) 1 - 3

(B) 11 FEBRUARY 2016 4 - 9

5. WALES AUDIT OFFICE - GWYNEDD COUNCIL AUDIT PLAN 2016 10 - 31

To submit the report of the external auditor.

6. REPORT FROM THE CONTROLS IMPROVEMENT WORKING GROUP 32 - 40

To submit the report of the Chair of the Audit Committee outlining the feedback from the meeting of the Working Group on 7 April 2016.

7. INTERNAL AUDIT OUTPUT 1/2/16 - 31/3/16 41 - 91

To submit the report of the Audit Manager.

8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2015/16 92 - 105

To submit the report of the Audit Manager.

9. INSURANCE CLAIMS AGAINST THE COUNCIL 106 - 112

To submit the report of the Senior Manager Revenue and Risk.

10. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 113 - 116

To submit the report of the Senior Manager Revenue and Risk.

11. SELF-ASSESSMENT OF GOVERNANCE ARRANGEMENTS 117 - 119

To submit the report of the Senior Manager Revenue and Risk.

EXTRAORDINARY AUDIT COMMITTEE 21/1/16

Present: Councillor John Pughe Roberts (Chairman)

Councillors: Tom Ellis, Aled Ll. Evans, Sian Gwenllian, John B. Hughes, Charles Wyn Jones, Dilwyn Morgan, Michael Sol Owen, W. Tudor Owen, Angela Russell, Gethin Glyn Williams and John Wyn Williams.

Lay Member: Mr John Pollard

Also in Attendance: Dewi Morgan (Senior Manager - Revenue and Risk), Dilwyn Williams (Chief Executive), Hawis Jones (Strategic Planning and Performance Manager – for Item 4 on the agenda), Arwel Ellis Jones (Senior Manager - Democracy and Delivery – for Item 5 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Anwen J. Davies, Trevor Edwards and E. Selwyn Griffiths.

1. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

2. EXTERNAL AUDIT REPORTS

Discussion on this report was postponed at the previous meeting of the Committee on 1 December 2015 due to the volume of information in order to allow members to give due attention to the report.

The Senior Manager - Revenue and Risk set out the context, and noted that a more thorough procedure had been set in order to allow the Committee to satisfy itself that the actions to respond to the improvement proposals contained in external auditors' reports had been implemented.

It was noted that a report in terms of external audits was submitted to the Committee every six months. It was explained that the intention under the new procedure was to consider every proposal/recommendation individually and when the Committee was satisfied that a proposal/recommendation had been completed or that it was no longer relevant it could be removed from the list.

In response to members' concerns in terms of seeking actual assurance that the actions in response to improvement proposals had been implemented, the Senior Manager - Revenue and Risk noted that the work of the Heads of Department and officers must be relied upon but if the Committee was of the opinion that there was a need for further explanation a Cabinet Member or officers could be called before them.

The Chief Executive noted that the role of the Committee, as the body responsible for governance, was to keep track of the actions and to decide whether it was satisfied that they had been completed or with the progress to date and not to redo the work of the Scrutiny Committees.

The Strategic Planning and Performance Manager guided the members through the appendix which noted the audits undertaken by external auditors during the last three years together with their proposals for improvement, the action plans to respond to the proposals by the auditors as well as progress to date. Specific attention was given to the recommendations where it was noted that they had been completed.

During the discussion the following main points were noted:

- That some observations were very lengthy and therefore more concise information was requested in future with reference to a project in the Council's strategic plan when relevant e.g. Estyn Inspection;
- Consideration should be given to including the links to the reports in the table;
- **Page 15 1.2.1 4i. Ensure that services promote independence for older people.** - need confirmation that this work was only completed in relation to telecare;
- **Page 20 1.2.2 ii. Strategic planning with BCUHB in the Child and Adolescent Mental Health Service (CAMHS).** - need confirmation that monitoring of the therapeutic service for children/young people placed outside the authority's area was undertaken;
- That there was a need for clarity in terms of leader/responsibility where it was not noted;
- **Page 20 1.2.2 iii. Awareness and use of advocacy services** - that further information should be received as the observations did not confirm that the quality of the care plans was consistent;
- **Page 23 1.2.2 iia. Opportunities to take advantage of health care and accommodation for looked-after children (Accommodation)** - that confirmation should be received in terms of the intentions of the Children and Supporting Families Department in relation to responding to the lack of range of placements available for those with complex needs;
- **Page 26 1.2.2 i. Raise awareness of the implications and requirements of Deprivation of Liberty Safeguards (DoLS) and improve the governance arrangements for the operation of the procedures** - that confirmation should be received as to why DoLS applications had increased from 7 in 2013-14 to 365 in 2014-15;
- **Page 59 2.2 Gwynedd Older People Domiciliary Care Review by the Care and Social Services Inspectorate (CSSIW)** - it was noted as 'In progress (continuous)', it would be more sensible to note that it had been completed on a specific date and noting that it was continuous work. It was noted that a request was made for confirmation of the situation;
- **Page 60 and 61 2.3 National Review of the Use of DoLS in Wales 2014 - Gwynedd Local Authority and Betsi Cadwaladr University Health Board - CSSIW** - the progress column noted that specific steps in the action plan had been realised but not the entire recommendation. One progress should be noted, namely 'In progress';
- **Page 65 2.5 C3 Ensure that the process of transferring activities for promoting benefits from the Council to the Citizens' Advice Bureau (CAB) does not have a negative effect on the process of engaging with citizens** - In response to an observation by a member regarding the annual contract with CAB expiring on 31 March 2016, the Senior Manager - Revenue and Risk noted that there would be a new annual contract for the year 2016-17.

The Strategic Planning and Performance Manager noted that the national reports of external auditors would be included when a list would be submitted to the Committee in six months' time together with the ones specific to Gwynedd. The Chief Executive added that when national reports were considered, the Committee should satisfy itself in terms of the reasons for not taking action in accordance with some recommendations.

RESOLVED:

- (i) To remove the completed recommendations from the list with the exception of the ones for which further explanation/information is requested, namely:
- **Page 15 1.2.1 4i. Ensure that services promote independence for older people;**
 - **Page 20 1.2.2 ii. Strategic planning with BCUHB in the Child and Adolescent Mental Health Service (CAMHS);**

- Page 20 1.2.2 iii. Awareness and use of advocacy services;
 - Page 23 1.2.2 iia. Opportunities to take advantage of health care and accommodation for looked-after children (Accommodation).
- (ii) To ask for further explanation/information in terms of the following recommendations where they are noted as 'In progress':
- Page 26 1.2.2 i. Raise awareness of the implications and requirements of Deprivation of Liberty Safeguards (DoLS) and improve the governance arrangements for the operation of the procedures;
 - Page 59 2.2 Gwynedd Older People Domiciliary Care Review by the Care and Social Services Inspectorate (CSSIW).
- (iii) To approve this procedure as the future procedure for the Committee to satisfy itself regarding the Council's actions to respond to external auditors' reports, including national reports.

3. THE COUNCIL'S SCRUTINY ARRANGEMENTS

The Senior Manager – Democracy and Delivery submitted the report and noted that, following a discussion on the matter at the Committee on 1 December 2015, the final version of the report of the Wales Audit Office (WAO) had been received which had been included as Appendix 1.

He guided the members through Appendix 2 which noted the recommendations with some considerations for the Committee to consider when creating an action plan to respond to the recommendations and drew attention to the fact that the Committee was asked to elect members to a Sub-group which would also include members of the Scrutiny Forum and the Deputy Leader. It was explained that the Sub-group would create recommendations for consideration before the Council commenced its new year in May 2016.

During the discussion the following main points were noted:

- That scrutiny in its current form was ineffective;
- That, since changing to the Cabinet system, some members were unwilling to take part in scrutiny and the need to deal with this;
- That one weakness in the current procedure was that too many items were being considered because of the inadequacy of challenging why a matter was being considered and consequently the standard of scrutiny deteriorated;
- That it was difficult to keep up the momentum with scrutiny investigations;
- That there was a need for assurances regarding the purpose of scrutiny;
- That scrutiny could add value to the process if the scrutiny procedure was remodelled;
- That member training was extremely important;
- That consideration should be given to establishing a procedure whereby a Scrutiny Committee could select membership from amongst all Council members (with the exception of Cabinet Members) in terms of their expertise to take part in a scrutiny investigation;
- The recommendations were welcomed.

RESOLVED:

- (i) To approve the draft action points;
- (ii) To elect the Chair, Vice-chair and Councillor John Wyn Williams on the Sub-group.

The meeting commenced at 2:00pm and concluded at 3.45pm.

CHAIRMAN

AUDIT COMMITTEE 11/2/16

Present: Councillor John Pughe Roberts (Chairman)
Councillor Trefor Edwards (Vice-chairman)

Councillors: Anwen J. Davies, Tom Ellis, E. Selwyn Griffiths, Sian Gwenllian, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Dilwyn Morgan, Michael Sol Owen, W. Tudor Owen, Angela Russell, Gethin Glyn Williams, John Wyn Williams and Peredur Jenkins (Cabinet Member for Resources).

Also in Attendance: Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Dilwyn Williams (Chief Executive), Caroline Lesley Roberts (Investment Manager - for Item 8 on the agenda), Bethan Griffith (Risk Co-ordinator and Insurance Manager - for Item 9 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillor Aled Ll. Evans and Mr John Pollard.

1. TRIBUTE

The Chairman paid tribute to the late former Councillor Eddie Dogan, and condolences were extended to his family in their loss.

2. DECLARATION OF PERSONAL INTEREST

No declarations of personal interest were received from any members present.

3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 1 December 2015, as a true record.

4. REVENUE BUDGET 2014/15 – THIRD QUARTER REVIEW

Submitted - the monitoring report of the Head of Finance Department and the Senior Finance Manager on the latest financial situation which would be submitted to the Cabinet on 16 February.

The Cabinet Member for Resources set out the context and the Senior Finance Manager elaborated on the content of the report. Reference was made to the likely overspend of the Adults, Health and Well-being Department and it was noted that there was a substantial reduction in the overspend level anticipated at the end of the second quarter. It was noted that the Department's efficiency savings programme had slipped and that approximately £725k would not be achieved this year. It was elaborated that the saving would have to be achieved in due course, but appropriate bridging arrangements would need to be put in place in the meantime.

In response to a question by a member regarding the Department's overspend, it was noted that good financial and managerial steps had been taken and that the situation was now more acceptable.

RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments; and recommend that the Cabinet accepts the report and approves the recommendations.

5. CAPITAL PROGRAMME 2015/16 – THIRD QUARTER REVIEW

Submitted - the report of the Head of Finance Department, providing details of the revised programme and the relevant sources of finance.

The Head of Finance Department set out the context and elaborated on the content of the report which would be submitted to the Cabinet on 16 February.

During the ensuing discussion officers responded to members' enquiries as follows:

- In terms of Housing's low expenditure thus far, that expenditure such as renovation areas grants depended on a number of factors and that the situation did not cause concern;
- A message would be sent to the Department stating that there was a need to promote the housing loans/grants available to the public;
- The Council forward planned for the period following the current 21st Century Schools programme, and the Education Department would commence the process of prioritising that would feed into the Council's next Assets Plan which would be implemented from 2019-20 onwards.

RESOLVED to note the Council's capital programme situation; and recommend that the Cabinet accepts the report and approves the recommendations.

6. BUDGETARY MATTERS

(A) 2016/17 – 2019/20 FINANCIAL STRATEGY AND 2016/17 BUDGET

Submitted – the report of the Cabinet Member for Resources on the budget, providing an opportunity for the Audit Committee to scrutinise the information in terms of its financial propriety prior to the report being submitted to the Cabinet on 16 February.

The Cabinet Member for Resources set out the background and context of the report. He noted that the Welsh Government on 10 February 2016 had announced that the Council's grant would be reduced by £39,440 and therefore recommendation 1 that would be submitted to the Cabinet had been revised as follows, prior to considering the item on 'Cuts to Address the Financial Deficit':

“Establish a budget of £226,954,990 for 2016/17, to be funded by £166,950,760 of Government Grant and £60,004,230 Council Tax income, with an increase of 3.5%.”

The Head of Finance Department elaborated on the contents of the report and noted that Council funds would be reviewed by June 2016, and any resources released to meet the needs for a resource to bridge cuts of approximately £2 million, that could not be implemented immediately from April 2016, would be moved.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- That what was being recommended was rational;
- Saw the logic behind increasing Council Tax for 2016/17 but that it affected individuals with salaries that did not increase and that impact on individuals should be considered when services reduced.

(B) CUTS TO MEET THE FINANCIAL DEFICIT

Submitted - the report of the Chief Executive and he noted that following the Gwynedd Challenge public consultation on cuts during the autumn that a series of workshops had been held for all Council members to scrutinise the opinion expressed by the public. It was

noted that what had been recommended to the Cabinet had taken observations made by members in the workshops into account.

It was highlighted that an increase of 3.97% would be recommended in Council Tax in 2016/17, higher than the planned 3.5%, in order to avoid having to implement cuts in Band 5.

It was explained that the financial propriety of the proposals required the Committee's attention and that all members would be given an opportunity to voice their opinions in terms of individual schemes at the meeting of the Full Council on 3 March 2016 where the budget for 2016/17 would be set.

During the ensuing discussion officers responded to members' enquiries as follows:

- That the budget would have to be balanced therefore, schemes from bands 6-10 would have to be included if Council Tax would not be increased by 3.97%;
- The recommended increase in Council Tax was close to the average increase in Council Tax in other councils across Wales;
- It was recommended to keep plan 20 'Keep the CCTV service but delete the resource that keeps a permanent eye on it' in the cuts and that an attempt should be made to realise the saving by reducing the Council's contribution and make any operational changes that could be made without affecting the effectiveness of the system;
- As the Council had implemented the automatic registration system in relation to pensions for many years, there would not be an additional cost to the Council.

(C) RECOMMENDATION TO THE CABINET - 2016/17 BUDGET AND COUNCIL TAX

RESOLVED to recommend to the Cabinet that:-

- (i) A budget of £227,227,120 should be set for 2016/17, to be funded by £166,950,760 of Government Grant and £60,276,360 Council Tax income, with an increase of 3.97%;**
- (ii) A capital programme of £22.141m should be established in 2016/17 and £12.286m in 2017/18 to be funded from sources noted in clause 9.4 of the appendix;**
- (iii) The Head of Finance Department, in co-operation with the Cabinet Member for Resources, should be authorised to arrange to finance a revised amount from reserves, as necessary, in order to protect the Council's decisions on the budget and tax should there be marginal changes in Government grant, following the Welsh Government's decisions, which will lead to the announcement of the final grant settlement for local government on 2 March, and a vote thereon in the Assembly on 9 March 2016 to confirm.**

7. TREASURY MANAGEMENT - TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2016/17

Submitted – the report of the Head of Finance Department requesting the committee to recommend to the Full Council on 3 March to adopt the Treasury Management Strategy Statement and the Annual Investment Strategy for 2016/17, the Prudential Indicators, the Minimum Revenue Provision Strategy and the merger arrangements with the Pension Fund in terms of investing daily cash flow.

The Investment Manager set out the context and elaborated on the content of the report. It was highlighted that 'Table 1: Balance Sheet Summary and Forecast' on page 3 Appendix A would be revised to note £177,006 in the 'Borrowing CFR' column under '31.3.19 Estimate £'000' when the report would be submitted before the Full Council.

Appreciation was noted of the briefing meeting held on 28 January, 2016 for Committee members with a specialist consultant from Arlingclose and the Council's treasury consultants.

RESOLVED to recommend to the Full Council on 3 March to adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 (Appendix A), the Prudential Indicators (Appendix B), the Minimum Revenue Provision Statement (Appendix C) and the merger arrangements with the Pension Fund for the investment of daily cash flow.

8. INSURANCE CLAIMS AGAINST THE COUNCIL

Submitted - the report of the Senior Revenue and Risk Manager that elaborated on Council arrangements in terms of dealing with insurance claims. Attention was drawn to the appendix that provided a full picture of all Public Liability and Employers Liability claims that had been settled during 2013-14 a 2014-15.

During the ensuing discussion officers responded to members' enquiries as follows:

- That the Internal Insurance Fund met the service's running costs and if the fund size would increase to a higher level than what was required in the officers' opinion, the money would then be returned to Council balances;
- As the excesses of Public Liability and Employers Liability Insurance policies would increase to £50,000 from April 2016 onwards, this could lead to more demand on the Internal Insurance Fund and the situation would be assessed on a regular basis;
- Advice would be provided for departments in terms of their risk registers to try to mitigate risks that may arise as a result of the cuts;
- In terms of paying claimant costs, only fixed costs could be claimed from 2013;
- It would be reported back if an increased pattern would be seen in the type of claims made against departments, and recommendations would be provided in terms of lessons to be learnt;
- A potential system to award or penalize departments in terms of their contribution to the Internal Insurance Fund would be examined in order to promote behaviour;
- Although a high number of claims were being made against the Highways and Municipal Department, many of these claims had been defended due to good arrangements in terms of road inspections.

RESOLVED to accept the report.

9. DRAFT LOCAL GOVERNMENT (WALES) BILL - WELSH GOVERNMENT CONSULTATION

Submitted - the report of the Senior Revenue and Risk Manager in relation to the Welsh Government's consultation on the Draft Local Government (Wales) Bill 2015 which was expected to become an Act in 2017.

The committee was asked for their observations on:

- Part 1 (Local Government Areas and County Councils), Part 3 (Establishing the Councils for the New Counties), Section 16 (and Schedule 3) that dealt with New Councils: Finance;
- Part 5 (County Councils: Improvement of Governance), Chapter 7 that dealt with Corporate Governance and Audit Committees.

RESOLVED to submit the following observations, to be considered as part of the preparation of the corporate response to the Local Government (Wales) Bill:

- (i) Propose Appendix 1 as a response to questions 1.7, 1.8, 1.9 and 1.10;**

- (ii) Propose observations based on paragraphs 3.5 and 3.6 as a response to question 1.12;
- (iii) Confirm that the committee agrees with the observations that were submitted before the Corporate Scrutiny Committee on 4 February as a response to question 5.4 adding the following observations:

"With regards to the fact that one third of the Audit Committee should be lay members, Gwynedd Council's Audit Committee is firmly of the opinion that this is excessive. The Committee believes that this is against democratic principles and that existing councillors possess the understanding and knowledge of the Council that lay members cannot offer. Councillors also represent a broad cross-section of society and a range of skills. It was also noted that Assembly committees do not have lay members.

The Audit Committee also objects to the principle that the Chair of the Audit Committee must be a lay member, as there is no clear logic behind this proposal."

10. REPORT FROM THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above-mentioned working group held on 19 January 2016 to consider a responsive audit that had been carried out at Canolfan y Gwystl and three audits that had received a category C opinion during the period between 14 September 2015 and 31 October 2015 namely -

- a) Plas Ffrancon Leisure Centre
- b) Cefn Rodyn, Dolgellau
- c) Public Transport

Officers had been invited to attend the meeting to discuss the matters arising from the audits and the work that had been completed since the audit reports had been published to strengthen the internal controls in question.

A member of the working group noted that it was customary to invite Senior Managers to discuss the matters arising from the audits but that working group members had seen the benefit of inviting officers who operated on a day to day basis when discussing the Plas Ffrancon Leisure Centre audit.

In response to a member's observation regarding Leisure Centre audits receiving a category C opinion on a regular basis, the Audit Manager noted that the Economy Department had guidelines and a handbook to assist officers at the centres but that a change of culture was required in the Leisure Centres. It was noted that the Audit Service was more than happy to assist officers and to offer advice.

RESOLVED to accept the report.

11. OUTPUT OF THE INTERNAL AUDIT SECTION

Submitted - the report of the Audit Manager, outlining the Internal Audit's work during the period between 1 November 2015 and 31 January 2016. It was noted that there had been 15 reports regarding audits from the operational plan with the relevant opinion categories shown completed during the period, 6 grant reviews and 3 follow-up audits.

Consideration was given to all the reports individually.

RESOLVED:

- (a) to accept the reports on the work of the Internal Audit Section for the period 1 November 2015 until 31 January 2016 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.
- (b) the Chair and Vice-chair of the committee, along with Councillors E. Selwyn Griffiths, Aeron M. Jones and W. Tudor Owen to serve on the Working Group to consider the audits that received opinion category 'C'.
- (c) that it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.

12. INTERNAL AUDIT PLAN 2015/16

Submitted - the report of the Audit Manager, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Service up to 31 January 2016 had completed 56.76% of the plan where 42 of the 74 individual audits had been released in a finalised version.

RESOLVED to note the contents of the report as an update of progress against the 2015/16 audit plan.

13. DRAFT INTERNAL AUDIT PLAN 2016/17

Submitted – the report of the Audit Manager, providing details of the draft plan of the Internal Audit Service's work for the 2016/17 financial year in order for members to voice their opinions on it and approve it. It was noted that discussions had already been held with the relevant Heads of Departments and managers and their suggestions based on what they viewed as high risk had been incorporated in the plan.

RESOLVED to approve the draft Audit Plan for the period 1 April 2016 to 31 March 2017.

14. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS

Submitted - the report of the Senior Revenue and Risk Manager in relation to the Governance Arrangements Assessment Group's review of the governance arrangements of the Council during November and December 2015.

Changes to the headings and efficiency scores of some elements of the governance framework since the last self assessment were highlighted, which had been undertaken by the Governance Arrangement Assessment Group, in May 2015.

It was reported that the Corporate Management Team had considered the report and had made the following observations:

- that an effectiveness score of 5 should be given to 'The Council's Culture' and that it should be placed under amber;
- an effectiveness score of 4 should be given to 'The Scrutiny Process' and that it should be placed under amber;
- the 'Member/Officers Contact Protocol' heading should be changed to 'Members and Officer Inter-relationship'.

A member noted that there was better understanding in the Council of placing the person at the centre and that this culture was beginning to take root.

Although the Council had received a critical report from the Wales Audit Office, a member noted that in reality, there was no evidence that 'The Scrutiny Process' had deteriorated as there were good elements in the system.

RESOLVED to approve the assessment of governance arrangements subject to adapting them in accordance with the observations of the Corporate Management Group.

The meeting commenced at 10.35am and concluded at 1.00pm

CHAIRMAN

Agenda Item 5

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

2016 Audit Plan **Gwynedd Council**

Audit year: 2015-16

Issued: April 2016

Document reference: 319A2016

Status of document

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Contents

2016 Audit Plan

Summary	4
Financial audit	4
Certification of grant claims and returns	9
Other work undertaken	9
Performance audit	10
Fee, audit team and timetable	12
Future developments to my audit work	15

Appendices

Respective responsibilities	16
Performance work in last year's audit outline still in progress	18
National value-for-money studies	19

2016 Audit Plan

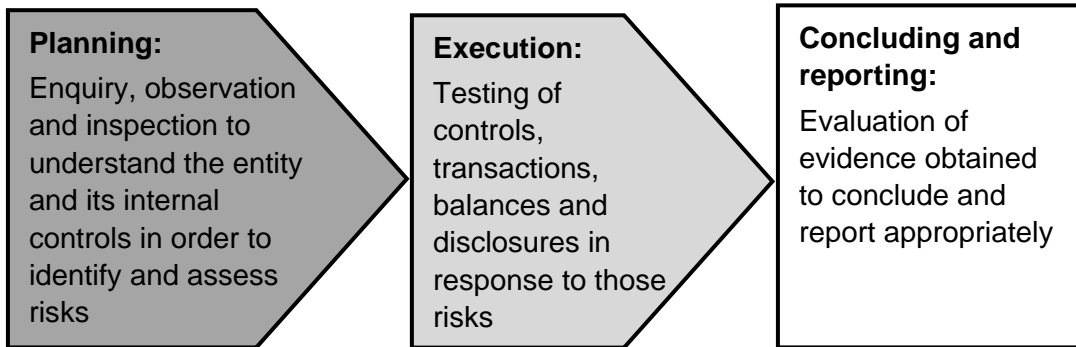
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not Gwynedd Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant in relation to the Gwynedd Council audit and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>Management override of controls</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of interest;• perform the design and implementation testing of controls over journal entries to the financial ledger;• review accounting estimates for biases; and• evaluate the rationale for any significant transactions outside the normal course of business including those with related parties.

Financial audit risk	Proposed audit response
<p>Completeness and recognition of grant income</p> <p>We have identified completeness and recognition of grant income as a significant risk as there is a need to apply management judgement on recognition of grant income, including determining whether a grant has conditions and whether they have been met to allow recognition.</p> <p>There are two types of grant income which we have considered to be relevant to this risk, these being, specific revenue grants and capital grants and contributions.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • carry out detailed testing of grant income as the specific income risk to the financial statements to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled; • review correspondence attached to specific grants and compare to the Council's accounting treatment; and • test the design and implementation of controls around recognition of grant income.
<p>Pension Liability</p> <p>The Council currently holds a material net liability in respect of its pension obligations on the balance sheet, the calculation of which is based on a series of actuarial judgements.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • obtain the IAS19 valuation as at 31 March 2016, and will engage experts to assist with our review of the appropriateness of the IAS19 valuation bases, assumptions and financial statement disclosures.
<p>Accounting for Provisions</p> <p>In 2014-15, the Council provided £490,000 to cover the future loss in respect of Council Tax reclaims made by home owners with a second property that is used commercially and meets the requirements to become entitled to transfer to paying National Non-Domestic Rates (NNDR). When transferring these properties to NNDR the homeowner is able to reclaim the difference between NNDR and Council Tax paid on the property backdated to 1 April 2010.</p> <p>In addition, the Council provided £335,000 in their 2014-15 statement of accounts to contribute towards the Council's share of the existing pension deficit in the Gwynedd Pension Fund, however, the liability was already reflected in the accounts through the International Accounting Standard 19 – Employee Benefits (IAS19) entries.</p> <p>A reclassification in relation to these provisions was subsequently made in 2015-16 to reclassify the provisions into reserves.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the appropriate accounting treatment applied with regards to the reclassification of the 2014-15 pension and Council Tax provision; and • test the appropriateness of other provisions in the 2015-16 statement of accounts and supporting calculations in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, we have determined an anticipated materiality of £3.2 million, based on forecast net expenditure of £202.9 million (as per the third quarter Finance and Capital Monitoring Report). The materiality will be updated at the year-end in accordance with the year-end outturn of gross expenditure and we will update management and the Audit Committee of any changes. I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them. My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
12. In addition to my responsibilities in respect of the audit of Gwynedd Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Gwynedd Council to support preparation of Whole of Government Accounts.
13. I am also responsible for the audit of Gwynedd Council's pension fund accounts. I wish to draw your attention to the following risk areas I have identified in relation to the Pension Fund which are over and above those mandated by ISA 240:

Exhibit 3: Gwynedd Pension Fund financial audit risks

Financial audit risk	Proposed audit response
<p>Accuracy of membership data Following an issue identified and reported in previous years there is a risk that membership data provided to the actuary for use in the preparation of the annual disclosures under International Accounting Standard 19 (Employee Benefits), is not sufficiently robust.</p>	<p>My audit team will review the process undertaken by the pension administration staff to work with Admitted Bodies to ensure that data is accurate and consider whether we can obtain assurance over its accuracy.</p>

Financial audit risk	Proposed audit response
<p>Completeness and accuracy of contributions</p> <p>Unlike the position in the private sector, we are not required to issue a separate statement on contributions for the Fund. Nevertheless, in view of the complexity arising from the participation of different employers within the Fund, we have included the identification, calculation and payment of contributions as an area of significant risk.</p>	<p>My audit team will perform the following tests to address the significant risk around contributions:</p> <ul style="list-style-type: none"> • we will perform testing on the design and implementation of controls present in the Fund for ensuring contributions from all Scheduled and Admitted bodies are identified and calculated correctly; and • we will perform sample tests of details to test whether each material income stream was calculated in accordance with the actuarial valuation and schedule of rates.
<p>Valuation of investments</p> <p>The Fund makes some use of investments in unquoted investment vehicles, such as private equity funds.</p> <p>Market volatility raises questions about how to value private equity funds. It would normally be expected that the reasonableness of the Fund managers' valuation could be assessed by comparison with the funds' latest available audited accounts as adjusted for subsequent cash movements (investments and distributions) between the pooled investment vehicle and the investors. However, market volatility means such comparison may be inappropriate especially when there is a significant time period between the latest audited accounts and the Fund year-end.</p>	<p>My audit team will perform the following tests to address the significant risk around investments:</p> <ul style="list-style-type: none"> • we will perform testing on the design and implementation of controls present at the Fund for ensuring investments are valued correctly; • we will review the internal control reports to gain an understanding of the control environment at the investment managers and review management's consideration of these reports; • we will obtain third-party confirmations of investment balances as at 31 March 2016; • we will select a sample of investments and consider the assumptions adopted in the valuations to assess their appropriateness with reference to independently obtained valuations; and • we will engage our internal financial instrument experts to ensure our testing approach was appropriate given the Fund's specific investment strategy and portfolio.

Financial audit risk	Proposed audit response
<p>Accuracy of benefit calculations</p> <p>Changes were made to the Local Government Pension Scheme in April 2008 which introduced complexities into the calculation of both benefits in retirement and ill health and death benefits which are in addition to the annual increases required by the 1997 Regulation and Pension (Increases) Act 1971. The risk noted was that benefits payable could be inaccurately recorded and that unauthorised payments could be made to non-existent members.</p>	<p>My audit team will perform the following tests to address the significant risk around benefits:</p> <ul style="list-style-type: none"> • We will perform testing on the design and implementation of controls present at the Fund for ensuring the accuracy, completeness and validity of benefits through discussion with the pensions team and we will test that controls were in force during the year under review. • We will obtain a schedule of benefits paid and select a sample of benefits for detailed testing. The sample will be tested through agreement to supporting documentation and review of the calculation, by reference to the qualifying service, Fund rules and benefit choices made by the member. • We will gain additional assurance over the balance by developing an expectation based on the prior-year balance and adjust for changes in membership numbers and pension increases to analytically review the pension benefits paid in the year.

Certification of grant claims and returns

14. I have been requested to undertake certification work on Gwynedd Council's grant claims and returns.
15. My audit fee for this work is set out in [Exhibit 6](#).

Other work undertaken

16. I am also responsible for the audit of three Joint Committees for which Gwynedd Council are the host Authority. These are the GwE Joint Committee, the Special Educational Needs Joint Committee and the Joint Planning Policy Committee. In addition, I am responsible for the four harbours, these are Pwllheli, Barmouth, Porthmadog and Aberdyfi for which Gwynedd Council is the Harbour Authority. I wish to draw your attention to the following risk area I have identified in relation to the joint committees which are over and above those mandated by ISA 240.

Exhibit 4: GwE Joint Committee financial audit risks

Financial audit risk	Proposed audit response
<p>Grant income and expenditure</p> <p>The Committee receives significant grant funding, most of which is distributed to local authorities and schools. There is a risk that the financial statements inappropriately include or exclude this grant funding as the Committee will need to make an assessment of whether it is acting as an agent or principal body.</p>	<p>My audit team understand the Committee’s recognition policy for grant income and expenditure which will include a review of whether the Committee is acting as principal or agent. We will perform tests of detail to confirm whether recognition criteria have been met.</p>

- 17. There are no additional financial audit risks that I wish to draw to your attention in relation to the Special Educational Needs Joint Committee, the Joint Planning Policy Committee or the Harbour Authority.
- 18. My audit fee for this work is set out in [Exhibit 7](#).

Performance audit

- 19. The components of my performance audit work are shown in [Exhibit 5](#) and have been designed in order to help deliver the high-level objectives set out in our [2013-2016 corporate strategy](#).

Exhibit 5: Components of my performance audit work



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- 20.** Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
 - 21.** I have taken into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).
 - 22.** Whilst the Local Government (Wales) Measure 2009 continues to apply to councils in 2016-17, I will still need to satisfy audit requirements under section 17. I will do this through a basic audit check of local authority publications and will provide a certificate of compliance.
 - 23.** However, as the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, the challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. Therefore, I intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.
 - 24.** In terms of my section 18 assessment requirements, I will discharge this by undertaking three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish national summary reports, funded by the WPI grant that will provide all-Wales overviews and signpost good practice and shared learning. As well as responding to the fast changing environment for local government, my choice of thematic reviews has been influenced by responses to my local government studies consultation. In brief, the three thematic reviews that I have decided upon are as follows, and I will provide councils with a detailed project brief in due course.

Exhibit 6: Performance Audit Themed reviews

Theme	
Financial resilience review	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
Governance review	With the introduction of CIPFA's revised framework for 'Delivering good governance in local government', and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.
Transformation review	This baseline review will examine how councils are approaching 'transformational change'. In particular how key corporate enabler functions work in an integrated way to support change programmes.

25. I intend to leave some headroom within the fee structure for agreeing local risk-based work following discussion with each council. As each of the thematic reviews will result in a local report, annual reporting will be by means of an annual letter providing summary highlights and linking to local reports.
26. In March 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
 - providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
27. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

28. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits whilst maintaining audit quality and welcome working with you constructively on this.
29. Your estimated fee for 2016 is set out in [Exhibit 7](#). This figure represents no change compared to the fee set out in the 2015 annual audit plan.

Exhibit 7: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	£180,450	£180,450
Performance audit work:²		
• Improvement audit and assessment work and follow-up	£99,036	£99,198
Total fee	£279,486	£279,648
Other financial audit work³		
Gwynedd Pension Fund	£32,594	£32,594
GwE Joint Committee	£7,590	£7,590
Special Educational Needs Joint Committee	£920	£920
Joint Planning Policy Committee	£920	£920
Harbour Authorities	£650	£650
Total fee for other audit work	£42,674	£42,674
Grant certification work⁴	£110,000 - £125,000	£110,000 - £125,000

Notes:

¹ Payable November 2015 to October 2016.

² Payable April 2016 to March 2017.

³ Payable as work is undertaken – fee based on current understanding of the turnover of the bodies in accordance with our limited assurance regime.

⁴ Payable as work is undertaken and subject to the level of testing required.

30. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with Gwynedd Council.
31. Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

32. The main members of my team, together with their contact details, are summarised in Exhibit 8.

Exhibit 8: My team

Name	Role	Contact number	E-mail address
Ian Howse	Engagement Lead – Financial Audit	02920 264319	ihowse@deloitte.co.uk
Clare Edge	Financial Audit Manager	02920 264341	cedge@deloitte.co.uk
Derwyn Owen	Engagement Director	029 20320651	Derwyn.Owen@audit.wales
Jane Holownia	Engagement Lead – Performance Audit	029 20320565	Jane.Holownia@audit.wales
Jeremy Evans	Performance Audit Manager	07825 052861	Jeremy.Evans@audit.wales
Nigel Griffiths	Performance Audit Lead	07798 503065	Nigel.Griffiths@audit.wales

33. I can confirm that my team members are all independent of Gwynedd Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

34. I will provide reports, or other outputs as agreed, to Gwynedd Council covering the areas of work identified in this document. My key milestones are set out in Exhibit 9.

Exhibit 9: Timetable

Planned output	Work undertaken	Report finalised
2016 Audit Plan	March – April 2016	April 2016
Financial accounts work: <ul style="list-style-type: none">Audit of Financial Statements Report; andOpinion on Financial Statements	July – September 2016	September 2016

Planned output	Work undertaken	Report finalised
Performance work: <ul style="list-style-type: none"> • Improvement Plan audit • Annual Performance Report audit • Local Performance work • Themed Studies <ul style="list-style-type: none"> – Financial Resilience Review – Governance Review – Transformation Review • Annual Improvement Letter 	<p>On publication of the plan November 2016</p> <p>May 2016 to March 2017</p> <p>June to Dec 2016 Sept to Dec 2016 Dec 2016 to Feb 2017</p> <p>Summary of work undertaken</p>	<p>Six weeks after publication</p> <p>Six weeks after publication</p> <p>On completion of the projects in consultation with the Council</p> <p>December 2016 January 2017 March 2017</p> <p>March 2017</p>
2017 Audit Plan	October – December 2017	February 2017

Future developments to my audit work

35. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
36. As referred to in [paragraph 23](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
37. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Gwynedd Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Gwynedd Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Gwynedd Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and

-
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Gwynedd Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
HR Review	Fieldwork	Finalising evidence base prior to report drafting
Asset Management Review	On hold	Planned for delivery in May 2016
ICT Review	On hold	Planned for delivery in May 2016
The strategic approach of councils to income generation and charging for services.	Fieldwork completed	National Report to be published Summer 2016
The effectiveness of local community partnerships	Fieldwork completed and national report being drafted	National Report to be published Summer 2016
Council funding of third sector services.	Fieldwork started but not completed on all sites	National Report to be published Summer 2016
Local review to the extent of which the Council's education service is well placed to deliver its role within a changing internal and external environment	Draft Report issued to Council during March 2016	Local report to be published Spring 2016

Appendix 3

National value-for-money studies

Gwynedd Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	Late January 2016
The development of Natural Resources Wales	Early February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016
Public procurement (including development of the National Procurement Service)	Winter 2016

Topic	Anticipated publication timeframe
Early intervention and behaviour change	Spring/summer 2017 ²
Welsh Government interventions in local government	TBC ³

I have been considering over recent months the inclusion in my programme of a number of new studies on:

- The NHS Wales Informatics Service
- Capital investment in schools (21st Century schools programme) and school places
- Further education finances
- Waste management
- The Supporting People programme
- Access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

² My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

³ Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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Agenda Item 6

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 7 APRIL 2016
AUTHOR	JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1 The executive summaries of 15 reports were presented to the Audit Committee meeting on 11 February 2016, which represented reports that had been released finally between 1 November 2015 and 31 January 2016. 4 of these reports received a 'C' opinion.

2. MEETING OF THE WORKING GROUP

2.1 A meeting of the Working Group was held on 7 April 2016 with the Chairman of the Audit Committee and Councillors Angela Russell and Tom Ellis, Luned Fôn Jones, Audit Manager and Mair Williams, Senior Auditor present.

2.2 The reports that the Working Group addressed were:

TITLE	DEPARTMENT	SERVICE	OPINION
Arfon Leisure Centre	Economy and Community	Leisure	C
Plas y Don Care Home	Adults, Health and Wellbeing	Residential and Day	C
Plas Hedd	Adults, Health and Wellbeing	Residential and Day	C
Maintenance of Buildings and Sites	Highways and Municipal	Fleet	C

2.3 Officers attended to discuss the individual reports.

2.4 Arfon Leisure Centre

2.4.1 The main findings of the audit were as follows:

The Duty Manager confirmed that they produced relevant monthly reports for the centre. It was seen that "Point of Sales Transactions - Cancelled" had been produced as well as "Record Refunded" reports. When auditing the three month sample across the 2014/15 financial year, it was seen that the reports for February and July 2015 were available, but the 2014 ones could not be found on the day of the audit.

A sample of four "Applications to Hire Facilities" at the Centre was audited. Upon auditing the applications, it was seen that the invoice number or date had not been noted on the application and consequently, it was difficult to find the correct invoice that matched the "Application to Hire Facilities".

The Centre's debtors details were received from the Revenue Service and it was seen that the total debts were £19,637.10 on 08/06/2015. This total derived from a number of individual debtors (35).

The information and terms of customer direct debits are kept on a file in the Centre. This information is not kept under lock and key, but rather it is kept on a shelf in the back office behind the reception. This means that there is a risk that Personal Information could fall into the wrong hands by not keeping the information securely.

Equipment is marked in the Centre on a regular basis. However, no formal record is kept of what equipment has been marked or of the reference marked on the equipment. Consideration should be given to keeping this information on the Centre's property list so that the equipment could be tracked should anything be stolen.

There are staff induction arrangements in place at the Centre. This information is kept on the individual's personal training plan at the Area Manager's office. Upon auditing a sample of staff induction packs, it was seen that it was mandatory for staff to read and understand the health and safety policy that was included in the induction pack. However, in the sample of two staff induction packs audited it was seen that they had not signed and dated to confirm that they had read the policy.

No formal record of checks on the level of first aid goods was available as evidence for the audit. The Duty Manager noted that they would produce a new form for undertaking first aid stock level checks. Following the audit, the auditor received a copy of the new form that had been produced in September 2015. However, it was seen that it had not been appropriately signed.

The Centre keeps incident reports to record the details of accidents that occur at the Centre, and also completes HS11 forms for serious accidents. The incident reports or HS11 forms are not kept under lock and key. This means that there is a risk that personal information about individuals might reach the wrong hands.

It was seen that harmful substances were kept in the Plant Room at the Centre. However, it was seen that this room was not kept locked during the day, but it was at night. This means that there is a risk for individuals/members of the public to be harmed should they enter the room.

COSHH forms are available in the Plant Room where the swimming pool substances are kept and they are kept on file. The last assessment had been completed in 2013 and it was noted on the COSHH documents at the Centre that the next assessment would not be undertaken until December 2018. This appears to be a long period without an assessment being undertaken.

- 2.4.2 Guto Williams, Area Manager Caernarfon/Nantlle and David Wood, Business and Quality Manager were welcomed to the meeting to discuss the audit of Arfon Leisure Centre.
- 2.4.3 The Audit Manager provided a summary of the audit findings. The main areas of weaknesses were outlined which encompassed failure to complete the full details of the 'Request to Hire' forms; the level of debts; the arrangements for storing the vending machines stock and the risk with documentation and the possibility of the theft of personal data.
- 2.4.4 The Area Manager Caernarfon/Nantlle explained that he was new to the post at the time of the audit and that he agreed with the majority of the recommendations and found the audit report to be of assistance in identifying what needed to be done and establish new arrangements.
- 2.4.5 The Area Manager explained in respect of the debts, that approximately £10K appertained to the café and was therefore beyond the Centre's control and that since the audit a team of two is responsible for pursuing the centre's debts. A member enquired if there were arrangements in place to ensure that debtors were prevented from using the Centre's facilities. The Area Manager explained that debtors are restricted from the use of the Centre and that the officers are aware of whom they are.
- 2.4.6 The Area Manager Caernarfon/Nantlle stated that in respect of information not kept under lock and key as stated in the report, that access to the back office is restricted to the reception staff, Manager and Duty Manager only.
- 2.4.7 The Area Manager Caernarfon/Nantlle stated that arrangements have now been established in respect of the vending machines' stock.
- 2.4.8 The Audit Manager explained that a follow-up audit will be conducted within the next 6 months and that the audit will be an unannounced visit which would provide a true view of the situation.

2.4.9 A member emphasised the importance that all staff, and in particular duty managers are aware of all arrangements and where the various documentation/forms are kept.

2.4.10 **The Area Manager Caernarfon/Nantlle and the Business and Quality 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 Plas y Don, Pwllheli

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 examples of acting contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedural Rules.

It is a requirement that the 'Record of a Resident's Money' is 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. Receipts to support each expenditure recorded on the cards were not seen in some cases. The running balance was not correct on two out of five of the 'Record of a Resident's Money' forms.

A sample of 'personal items' sheets from the Care Plans of three residents was taken and checked. The forms had not been dated or signed to confirm their contents.

The home's imprest account was checked for 2014/15 and it was seen that applications for reimbursement had been made in November and December 2014 and in January 2015 and it was seen on all three occasions that they were over the predetermined expenditure level.

The home records on a sheet when and who has ordered the medication, checked the prescription and checked the medication received. The record was incomplete for the medication ordered in March and April 2015.

It is required for two members of staff to record that they have received the medication on the MAR (Medication Administration Record) sheet. A sample of 5 individual MAR sheets were checked and it was seen that there were two received signatures for medication on 4 of these sheets.

It was explained as part of managing the home's quality assurance, an independent officer visits the home periodically to check the Home's medication arrangements. At the time of the audit, the home's arrangements were not acceptable, with action points noted as urgent matters. Arrangements to revisit the Home to undertake a further independent review has been planned in order to ensure that arrangements improve.

2.5.2 Meinir Jones, Plas y Don Manager, and Elen Jones, Meirionnydd Area Manager, Adults, Health and Wellbeing Department were 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 within a cycle of three years. 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 Meirionnydd Area Manager explained that Meinir Jones, Plas y Don Manager was new to the post and that several issues required addressing when she started in the post and that a number of matters were dealt with immediately.
- 2.5.5 The Plas y Don Manager explained that a number of problems had arisen in the administration of medications and a review was carried out on a monthly basis until arrangements were found to have improved. She explained that the Deputy Manager at Plas Hafan has assisted at Plas y Don for a period of three months. A member enquired how many of the staff was qualified to issue medications. The Plas y Don Manager replied that approximately 12-15 staff (including night staff) are currently qualified.
- 2.5.6 The Area Manager stated that there is an overspend on the 'Staffing' budget as a result of early retirements. Also, it was stated that there was inadequate provision in the budget for the servicing of beds, wheelchairs, hoists etc. which is required to comply with Health and Safety regulations. It was further explained that the servicing element on some equipment was incorporated in the purchase price. It was also stated that the disposal of clinical waste was expensive.
- 2.5.7 The Audit Manager emphasised the importance of ensuring that proper arrangements are in place to record the residents' personal items and that a receipt was available to support any expenditure from the residents' personal monies. The Area Manager explained that the Plas y Don Manager had reviewed the care plans and as a result every resident now has a Key Worker who is responsible for maintaining the list of personal items, and taking and storing photos of the items.
- 2.5.8 A member enquired what action was taken in respect of the recommendation to improve the arrangements for the safekeeping of the keys to the medicines room. The Plas y Don Manager explained that the matter was given immediate attention following the release of the draft report and that access to medications is now restricted.
- 2.5.9 The Meirionnydd Area Manager stated she appreciated the collaboration with Internal Audit and stated that the collaboration was very positive.
- 2.5.10 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.
- 2.5.11 The Plas y Don Manager and the Meirionnydd Area Manager were thanked for explaining the current situation, the arrangements already implemented and in the pipeline to improve procedures.**

2.6 Plas Hedd, Bangor

2.6.1 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 examples of acting contrary to the Council's administrative arrangements, and consequently, contrary to the Financial Procedural Rules.

The home's expenditure was more than the budget set for the financial year 2014/15 in the following areas: workers; property; transport; and services and supplies due to various reasons such as the sickness and annual leave of contracted staff leading to the appointment of casual staff.

A sample of 15 invoices was selected and no order was attached to 6 of them. An estimated cost had not been noted on the permanent orders in the sample.

A sample of 'personal items' sheets from the Care Plans of 4 residents were taken and checked against the Manager's list of the residents' personal items. They did not match. The forms in the Care Plans had not been dated or signed to confirm their contents.

The records of the home amenities account were incomplete. Some of the orders had been completed on the same day that the invoice had been received. Excluding emergencies, it should be ensured that an order is appropriately prepared and authorised to ensure that a sufficient audit trail exists. The property list was not up-to-date as some items had been moved from the rooms. The Home did not use a system to mark the equipment/furniture purchased either.

It was seen that an incorrect code had been recorded on an application for an imprest reimbursement (TR24). Not all of the petty cash payment slip forms (TR24b) used for expenditure without an official order had been authorised.

Staff annual leave hours had not been calculated correctly in each case, and consequently, many staff members were eligible for more annual leave hours than they were receiving. Two cases were highlighted where annual leave had not been recorded correctly.

The home records on a sheet when and who has ordered the medication, checked the prescription and checked the medication received. The sheet had not been signed in each case. The stock record was checked (weekly) against the 'non blisterpack medication' forms - they did not match. The number of remaining medications had been calculated incorrectly. It was seen that the staff who undertook the stock check was aware of this as they had noted '9 missing' on 26/07/2015.

The home's spare keys are kept in the office, however, every member of staff has access to the office with a keypad, and this weakens the control over these keys.

- 2.6.2 Carys Owen, Plas Hedd Manager and Gwen Hughes, Arfon Area Manager, from the Adults Health and Wellbeing Department were welcomed to the meeting.
- 2.6.3 The Audit Manager explained that the audit was included in the Audit plan following the decision to undertake an audit of residential homes within a cycle of three years. She stated that although the financial arrangements in respect of ordering and the medicines' administrative procedures including monitoring the temperature of the fridge were problematic, it was emphasised that a 'C' opinion category on these arrangements did not necessarily mean that the quality of care was poor.
- 2.6.4 The Area Manager explained that there was no budget for staff training despite the requirement that all members of staff attend 5 training days yearly. In order to address this problem, the Training Unit, Learning and Development have agreed to visit the care homes to conduct training sessions and also the use of e-learning will also be of assistance and will result in a reduction on travelling costs.
- 2.6.5 The Area Manager stated that the Plas Hedd Manager is very supportive of her staff. It was explained that matters such as long term sickness has an impact on the budget and that the overspend for 2015/16 is approximately £6k.
- 2.6.6 A Member enquired what action had been taken to protect the residents' personal items. The officers explained that a list has been produced for all the residents and that a tablet is used to take photographs of the items and that the key workers are monitoring the situation.
- 2.6.7 The officers explained that a pharmacist provide the care home staff with training on medications and that the staff are regularly monitored along with a requirement that they sign to confirm that they have read and understood the Medications Policy. It was also explained that a new fridge has been purchased and that the responsibility for checking the temperature has been allocated to the night staff.
- 2.6.8 The Area Manager stated that she appreciated the work of Internal Audit and that the audit reports are of assistance in improving the service and that the presence of the Registered Manager at the Working Group ensures ownership on implementing changes.
- 2.6.9 The Plas Hedd Manager and the Arfon Area Manager were thanked for explaining the current situation and the arrangements underway to improve procedures.**

2.7 Maintenance of Highways Buildings and Sites

2.7.1 The main findings of the reports are as follows:

Gwynedd Council holds the Occupational Health and Safety Management System and Environmental Management System accreditations, namely 'BS OHSAS 18001' and 'ISO 14001'.

The Health and Safety Unit visits buildings/sites on a regular basis to undertake inspections to ensure that the buildings/sites comply with the requirements of the accreditations. The Unit follows an audit programme that is relevant to their needs. Arrangements have been established in order to inform the relevant officers of the weaknesses highlighted during the audit and arrangements to ensure that actions are taken to improve the weaknesses. The area where the weakness was identified will be addressed in the next audit to ensure that the action has been successful.

In addition to the unit's arrangement, BSi external auditors visit the Department twice a year and undertake a combined inspection of the 'OHSAS 18001' and 'ISO 14001' standards. A report is prepared after each visit. This is part of an ongoing inspection to ensure compliance with the accreditations.

Site Managers have been appointed for each building/site that is part of the Highways and Municipal Department. A sample of sites to inspect for the audit was selected and the relevant location files were checked. Elements of duplication in the Site Managers' work was identified in relation to the location files, e.g. it was noted that there was a need to complete the 'Statutory Compliance Recurring Survey' form and the 'Health, Safety and Environmental Monthly Inspections Checklist' which include tests relating to fire arrangements. In addition, there is a need to complete documents such as the Fire Log Book.

The monthly inspections carried out in each site were checked:- 'Health, Safety and Environmental Inspections Checklist'. A list has been drawn out to enable Site Managers to identify any problems or weaknesses and make changes so that they are improved. One of the sites had not been completing the monthly inspections as required due to a lack of staff resources for many months. However, at the time of the audit, each site in the sample used the lists.

The 'Statutory Compliance Recurring Survey' forms were not being completed in each site, despite the fact that the Site Manager was aware of them. One Site Manager noted that some of the tests were carried out on a weekly basis but that he did not update the sheet to match this.

There is a possibility that such weaknesses could lead to the loss of the BSi accreditation and could result in serious implications for the Highways and Municipal Department in relation to contracts. These inspections are statutory and therefore any shortfall or failure to comply with the requirements is a breach of the law.

- 2.7.2 Gwyn Morris Jones, Head of Highways and Municipal and John Edwards. Senior Highways Services Work Manager, Highways and Municipal Department were welcomed to the meeting.
- 2.7.3 The Audit Manager explained that the audit was included in the 2015-16 audit plan at the request of the Head of Highways and Municipal as the Department's risk assessments had identified that this was an area of high risk due to the massive impact on the service if there was a failure to maintain the accreditations.
- 2.7.4 The officers provided a background to the BSI – British Standards Institution accreditations. It was explained that attaining the quality assurance on work standards, environmental matters and the health and safety accreditations had taken a lot of time over the years.
- 2.7.5 It was explained that the external assessments are conducted by the BSI approximately every 6 months and that internal assessments are carried out by the Highways Service. The Senior Manager explained that during one visit by the BSI a “major non-conformance” was found in a review of electrical equipment. The BSI inspector re-visited over a month later and was satisfied to close the “non-conformance”.
- 2.7.6 The officers explained that an internal team led by the Assistant Engineer Environmental Quality Assurance conducts a review on one site on a monthly basis and that a three year programme has been established – it was stated that these reviews do not include fire, asbestos nor legionella, as these are under the remit of the Property Service.
- 2.7.7 A member enquired how many sites were in the Departments' ownership. The officers explained that there are several sites across the county with a number of smaller sites/depots in the Meirionnydd area and they also stated that there is a site in Ynys Môn due to the contract for the A55 from Llandygai to Holyhead being the responsibility of Gwynedd Council.
- 2.7.8 The officers explained that they use the statutory checklist when conducting the assessments but that not every element is applicable for every site.
- 2.7.9 The Members of the Working Group stated they enjoyed the background to attaining the accreditations and the importance of maintaining the standards. It was also stated that not enough credit and recognition is given to the Department and the Council on their success.
- 2.7.10 The Head of Highways and Municipal and the Senior Highways Services Work Manager were thanked for attending the meeting and for outlining the importance of the accreditations along with the developments since the release of the audit report.**

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 MARCH 2016
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
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 the Internal Audit Section for the period from 1 February 2016 to 31 March 2016.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 31 March 2016:

Description	Number
Reports on Audits from the Operational Plan	26
Follow-up Audits	3
Responsive Audits	2

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 March 2016, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Safeguarding Arrangements – Staff Awareness of the Policy	Corporate		B	Appendix 1
Officers Gifts and Hospitality – High Risk Services	Corporate		B	Appendix 2
Proactive Prevention of Fraud and Corruption – the Use of Photocopiers in School	Corporate		D/B	Appendix 3
Contracting Terms – Safeguarding Arrangements	Corporate		B	Appendix 4
Information Governance – Data Protection Act	Corporate		B	Appendix 5
Education Improvement Grant – Schools	Education	Resources	B	Appendix 6
Secondary Schools Catering – Ysgol Arduwy	Education	Catering	C	Appendix 7
Secondary Schools Catering – Ysgol y Gader	Education	Catering	C	Appendix 8
Secondary Schools Catering – Ysgol y Moelwyn	Education	Catering	B	Appendix 9
Workforce Modelling – Ysgol Llangybi	Education	Schools	B	Appendix 10
Workforce Modelling – Ysgol Llanbedr	Education	Schools	B	Appendix 11
Member Training and Development	Corporate Support	Democracy	B	Appendix 12
Schools – Health and Safety of Educational Visits	Corporate Support	Health and Safety	B	Appendix 13
Debtors System – Review of Key Controls	Finance	Financial	B	Appendix 14

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Payments System – Review of Key Controls	Finance	Financial	B	Appendix 15
Bank Reconciliation – Review of Key Controls	Finance	Accountancy	A	Appendix 16
Payroll System – Review of Key Controls	Finance	Pensions and Payroll	B	Appendix 17
Pension Fund – Review of Key Controls	Finance	Pensions and Payroll	B	Appendix 18
Benefits – Review of Key Controls	Finance	Revenue	A	Appendix 19
Council Tax System – Review of Key Controls	Finance	Revenue	A	Appendix 20
Business Rates – Review of Key Controls	Finance	Revenue	A	Appendix 21
Cyber Security	Finance	Information Technology	B	Appendix 22
IT Backup and Recovery Processes and Procedures	Finance	Information Technology	B	Appendix 23
Care Worker Training Programmes	Adults, Health and Wellbeing	Across the Department	B	Appendix 24
Inspections	Highways and Municipal	Highways Works	B	Appendix 25
Parking Income	Regulatory	Transportation and Street Care	B	Appendix 26

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.

2.3 Follow-Up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Health and Safety – Lone Working	Corporate	-	Acceptable
Development of Gwynedd Museum and Gallery	Economy and Community	Record Offices, Museums and the Arts	Excellent
Community Care Workers – Travelling Costs	Adults, Health and Wellbeing	Community Care	Excellent

2.3.2 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.

2.3.3 The list below shows the ‘C’ and ‘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 2016

Charges on Properties of Home Residents
 Removing Leavers from IT Systems
 Public Transport
 First Aid Payments

Completion Target: Quarter Ending 30 September 2016

Canolfan Hamdden Plas Ffrancon
 Cefn Rodyn

Completion Target: Quarter Ending 31 December 2016

Secondary School Catering - Ysgol Ardudwy
 Secondary School Catering - Ysgol y Gader

2.4 Responsive Audits

- 2.4.1 **Imprest Accounts – Housing Support** – A responsive audit was carried out on the imprest account of two of the support houses following failure to submit claims for imprest reimbursement in a timely manner, which contravenes the Council’s Financial Procedure Rules. During the audit it was found that the last claims for reimbursement were submitted in December 2014 and that the claims to December 2015 had been prepared but not authorised or submitted for payment. This resulted in the balance of the imprest accounts becoming significantly overdrawn. No losses/fraud were found as a result of the control weakness.
- 2.4.2 **Incident at Storiell** – It was reported to Internal Audit in March that monies had gone “missing” from Storiell (Gwynedd Museum and Gallery). A visit was made to Storiell to review their arrangements for the administration and safeguarding of income. It was found that the arrangements for banking the income were not robust and monies were not kept in a safe at all times. Also, the keypad was kept on “latch” rather than locked which results in anyone gaining access to the office. Internal Audit has already re-visited Storiell to assist the officer to establish proper arrangements for the receipt, security and banking of income.

3. WORK IN PROGRESS

- 3.1 The following work was in progress as at 1 April 2016.
- Workforce Modelling – Ysgol Llanllechid – it was agreed to delay the audit on the Head’s request as the school would be the subject of an Estyn inspection in March.

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 February 2016 to 31 March 2016, comment on the contents in accordance with members’ wishes, and support the recommendations already presented to the relevant service managers for implementation.

SAFEGUARDING ARRANGEMENTS - STAFF AND MEMBER AWARENESS OF THE POLICY
Corporate

Background

One of Gwynedd Council's main priorities is to ensure that there are robust arrangements and procedures in place to safeguard children and adults. Safeguarding children and adults is the responsibility of everyone who represents or works on behalf of the Council, therefore it is expected for every Councillor, every member of staff, every volunteer and every contracted service provider to act appropriately if there is any doubt or if a concern is expressed that abuse is taking place. The "Safeguarding Children and Vulnerable Adults Policy and Guidelines" and their appendices are a clear statement of the commitment to ensure that appropriate support and advice is in place to achieve that responsibility.

Purpose and Scope of the Audit

The purpose of the audit was to undertake a review of the awareness of the Council's employees and Members regarding the Safeguarding Children and Vulnerable Adults Policy and Guidelines, by designing and distributing questionnaires to Council employees and Members, as well as holding discussions with field workers.

Main Findings

The main findings of the audit are the fact that there is high awareness of the Policy amongst Council employees and Members. It was encouraging to receive a strong response to the questionnaire and this, along with the nature of the responses, reflected the Council's commitment towards safeguarding children and vulnerable adults. However, it was also found that there is room to strengthen further awareness, in particular ensure that the Departmental Designated Managers are clear to all.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed of propriety in awareness of the Safeguarding Children and Vulnerable Adults Policy and Guidelines as controls are in place, but there are aspects where arrangements can be tightened. The main recommendation of the report is as follows:**
- **Continue to raise awareness of the safeguarding arrangements, particularly amongst field workers.**

OFFICERS' GIFTS AND HOSPITALITY

Corporate

Background

An 'Officers' Gifts and Hospitality' audit was carried out in August 2014 in order to ensure that officers complied with the Council's Gifts and Hospitality Policy by registering every offer, whether accepted or refused (other than where a specific exception is noted in the policy) and that appropriate internal arrangements exist in terms of maintaining and updating the register. The content of this audit report was discussed at the Controls Improvement Working Group held on 14 November 2014 and *"it was noted that home care could (be) a field of risk, which may require attention in the future"*.

Purpose and Scope of the Audit

The purpose of the audit was to ensure that officers from a high risk service complied with the Council's Gifts and Hospitality Policy by registering every offer, whether accepted or refused (other than where a specific exception is noted in the policy) and that appropriate internal arrangements exist in terms of maintaining and updating the register. The audit included holding discussions with a sample of Community Care workers, in order to discover whether they were aware of the policy and principle of Gifts and Hospitality.

Main Findings

There is a historic arrangement within the services of the former Provider and Leisure Department for workers to sign that they have read and accepted the Gifts and Hospitality Policy. The Council's office workers are able to do this electronically via the Policy Centre (though according to the statistics, only 10 have done so). As the Community Carers intend to adopt PDAs (Personal Digital Assistants) in the near future, it would be beneficial if they had access to the relevant policies through this device e.g. via the Policy Centre or Council e-mail.

Other than the possibility of showing favouritism to the clients who offer gifts to the Carers, there is no substantial risk of a gift resulting in influencing the Carers' decisions. However, despite the innocence of gifts of gratitude, accusations of misconduct are very possible given how vulnerable the clients can be and the impression that receiving a gift from them, particularly money, could give a family or the public.

When holding discussions with the Carers, it was found that they were unanimously aware of the principle and implications attached to accepting a gift from a client. There was an understanding that accepting a gift, particularly a financial gift from a vulnerable individual, could lead to the potential of appearing inappropriate. Of the Carers questioned, around half of them expressed that they had never been offered a gift from a client. The rest expressed that they had been offered a gift, e.g. chocolate or a small sum of money, usually at Christmas time. The policy notes:

"Small (often seasonal) gifts, such as diaries, calendars or pens are offered by companies usually. These can be accepted without asking for permission from a senior officer or registering them. The exact value of such a gift need not be discovered but if it appears to be worth more than £10 it should be refused."

When questioning whether a gift of chocolate would have been accepted, we received mixed responses. Some were of the opinion that they must refuse in every case and others, given the low value of the gift, decided to accept it, in case refusing would cause bad feeling. In every case, it was expressed that they informed their Supervisor. In terms of offering a financial gift, every Carer expressed that they had refused, unless the gift had come from the client's family, namely individuals who are not 'vulnerable'.

The arrangements of the residential homes were discussed at the Controls Improvement Working Group in addition, and it was noted that the homes keep their own gifts register. When visiting a sample of homes (as part of timely audits), it was seen that many of the registers were empty. It is not possible to confirm whether the homes follow the right procedure as there is a possibility that no gifts had been offered. However, the homes' historic registers showed (as part of the Council's Gifts and Hospitality records) that there is a tendency for workers at homes to accept gifts, which suggests that the recording arrangements are not as robust as they had been in the past.

Audit Opinion

- (B) The Audit opinion is that partial assurance can be given of the propriety of the Gifts and Hospitality recording arrangements as controls are in place, but there are aspects where some arrangements can be tightened. The main recommendation of the report is as follows:**
- **Consideration should be given to circulating policies electronically to the Carers via the PDAs.**
 - **It should be ensured that Residential Homes' Gifts and Hospitality registers are presented to the Monitoring Officer.**

PROACTIVE PREVENTION OF FRAUD AND CORRUPTION
USE OF PHOTOCOPIERS IN SCHOOLS
Corporate

Background

Following the introduction of new multi-purpose printers in the Council's main offices, it was decided to hold reviews to check and compare printing expenditure levels within Gwynedd Schools.

Purpose of the Audit

The purpose of the audit was to check and compare printing expenditure levels within Gwynedd Schools during the 2014-15 School year.

Scope of the Audit

The audit encompassed checking the ledger for Gwynedd Schools' expenditure on printing within the School, such as payments for leasing printers, printers' maintenance payments, materials such as ink and paper and meter readings etc.

Main Findings

The ledger was checked for all Gwynedd Schools' expenditure on printing expenditure codes between September 2014 and August 2015 and subsequently the expenditure of every individual school was calculated per pupil (based on the Schools' annual census in September 2014). It was seen that there was a wide range of costs per head amongst the Schools. As the fixed costs of printers can be high (costs such as leasing, maintenance etc.), naturally, Schools with a high number of pupils will benefit from economies of scale compared with smaller schools. Every school is required to fund the fixed costs; therefore, the cost per head will be lower for schools with more pupils. It was seen that the leasing costs accounted for the largest proportion of the schools' printing costs, but as it is not possible to differentiate between fixed costs and variable costs without trawling through the hundreds of invoices processed, analysing the daily use made of the printers is not an easy task.

Generally, it was seen that the schools acknowledge the need to review their photocopying arrangements in order to reduce future costs, and that some of the schools had been aware of their high costs prior to this audit and had carried out proactive investigations to discover the reasons for this. However, it appears that the main problem was the fact that the Schools had committed to long-term contracts with the leasing companies, without fully appreciating the costs and terms attached to them, either by extending a contract or by transferring from one company to another. Examples were received of Schools paying bills which overlapped other bills, as well as for equipment which had been returned. In every case, the schools expressed that they had had difficulties claiming the money back from the companies.

The schools have their own photocopying arrangements and contracts, and as the budget and responsibility had been devolved to the Schools, consideration cannot be given to centralising the procedure by appointing one provider across the Council and using procurement experts to manage the contract.

However, it would be beneficial to raise the Heads' and Governing Bodies' awareness of the steps which should be taken, and elements to consider, before committing to a long-term and costly contract such as a photocopying lease. It was discovered that such an exercise had been carried out some time ago where an information leaflet was provided to the Heads, and officers from the Education Department agreed that it was now timely to redistribute them, in addition to holding discussions at the Area Business Meetings regarding this matter. This exercise will be relevant to all schools, not only the ones highlighted as the most costly, because it is possible that new Heads or new members of Governing Bodies have been appointed since signing the last lease, as well as the fact that miscoding invoices could result in failure to highlight the school as a costly one, whether in this report or in budgetary reports. The main recommendations of the audit are as follows:

- **To raise the Schools' awareness of the elements to consider before committing to a photocopying lease contract by providing an information leaflet and holding a specific session at the Area Business Meetings.**
- **The school should be encouraged to contact the specific Officers within the Council should they have concerns about their contracts or providers.**
- **It would be good practice to encourage the schools to check their invoices thoroughly, including dates, costs and the equipment paid for, as well as monitoring their photocopying costs continually in order to identify any problems.**
- **As a result of the substantial fixed costs such as lease payments, schools should consider whether it would be beneficial to reduce the number of photocopiers at the school, if they have more than one.**

CONTRACTING TERMS - SAFEGUARDING ARRANGEMENTS

Corporate

Background

The Procurement Handbook was updated in May 2015 in relation to the arrangements for safeguarding children, young people and vulnerable adults. Contracts are split into two categories, namely contracts for Regulated Activities and contracts not related to Regulated Activities. The term 'Regulated Activity' in relation to children is an activity which is held regularly, and is a *"term defined by law, used to describe an activity that involves working with children, be that in a paid or unpaid capacity."* (1.6 Disclosure of Offences and Checking Criminal Records Policy).

Purpose of the Audit

To ensure that robust contractual arrangements are in place where Gwynedd Council commissions or regulates work with vulnerable children / young people from other agencies / bodies.

Scope of the Audit

Audits were undertaken of a sample of services where Gwynedd Council commissions or regulates work with vulnerable children / young people and adults from other agencies / bodies, to verify that their arrangements and guidelines for conducting DBS checks are robust and operational.

Main Findings

The Procurement Handbook was updated in May 2015 in relation to the arrangements for safeguarding children, young people and vulnerable adults, and subsequently the majority of Senior Managers and Managers questioned noted that they were aware of the update, but that not all had found it necessary to use it. However, only 29% of Senior Managers/Managers responded to the enquiry, and therefore it was not possible to form a full picture of officers' awareness.

Similarly, relevant staff were asked about what types of contracts would it be expected for DBS checks to be undertaken on staff. Once again the responses were varied, but overall there was awareness of the requirement, and from where further information was available.

The Procurement Handbook emphasises clearly the implications of not complying with the need to undertake DBS checks. It was seen that relevant clauses had been included in the contracts within the sample selected in relation to recruitment arrangements, but there were no arrangements for the receipt of evidence in all cases. It was found that monitoring work was undertaken for the sample, but that these arrangements varied, e.g. the adults service has extensive arrangements for the monitoring of home care and nursing care homes which are implemented annually, and half-yearly monitoring reports are received for third party contracts.

The transport service awards contracts based on the information submitted by providers. These elements are monitored in addition to the DBS checks. There is a specific system in place to record DBS applications and checks which are jointly signed by Council officers.

The sample of contracts were verified for the condition that the providers informed the Council promptly about any changes, and it was found that the clauses had been included. One of the contracts in the sample did not include this type of clause, but it was found that there were arrangements in progress to ensure that a relevant clause would be included.

For the sample of contracts which were verified, the Council does not regularly receive a list of providers' staff. The Procurement Handbook notes that with any contract involving regulated activity, the Contract Manager must be steadfast that he or she has information about any changes in personnel that deliver the contract.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of the propriety in the Contracting Terms - Safeguarding Arrangements as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **It should be ensured that all relevant council officers are aware of the guidelines that have been provided in relation to which contracts should include the requirement to request DBS checks on providers' staff.**
- **A relevant clause should be included in the contracts where required, to explain the implications of non-compliance with the need to undertake DBS checks.**
- **Consideration should be given to establishing a corporate procedure to standardise the arrangements across the Council for monitoring contracts with providers. This includes the arrangements for recruitment, DBS checks and evidence of attending safeguarding training.**
- **Consideration should be given to requesting a list of workers who undertake relevant work on a regular basis, in order to ensure that the records are correct.**

INFORMATION GOVERNANCE - DATA PROTECTION ACT

Corporate

Background

The Council makes extensive use of personal information in all its fields of work. As part of the Data Protection Act 1998, the Council is largely duty-bound to:

- Keep personal information secure
- Ensure that the information is used appropriately
- Ensure that individuals are aware of what organisations do with their personal information
- Ensure that the individual has consented, unless there are exceptional circumstances
- Ensure accuracy
- Enforce a set of principles for such information processes.

The Act places a responsibility upon the individual and the Authority. It is possible for an individual member of staff to be prosecuted for failing to conform with the Act. As part of their employment with Gwynedd Council, all staff members are expected to be familiar with their Data Protection responsibilities and to deal with personal information in a manner which complies with the Act.

Purpose and Scope of the Audit

The audit checked the Council's compliance with the data protection requirements by visiting a sample of offices across the Council, checking their arrangements for the governance of information on paper and electronically, as well as access to files, rooms etc.

Main Findings

The audit is of the opinion that the Council has taken appropriate measures to raise officers' awareness of the need to safeguard information. It was found that policies have been established and that internal 'Information Management' training is available for all Council officers, including modules on the Policy Centre and e-learning site. However, in checking the Policy Centre's statistics, it was found that the number of staff that had read and accepted the relevant Policies was very low. It was also seen that posters had been displayed around the main offices to remind officers about their duties in relation to data protection.

However, although these arrangements appear to be appropriate, their true effectiveness depends upon how successful the Information Unit's messages are in reaching officers, becoming embedded within their mindset, and subsequently their operation on a daily basis. In order to check officers' compliance with the act's requirements, a number of offices where sensitive information is kept were visited during the evening. A number of examples of good practice were found, where appropriate steps had been taken to safeguard information. Unfortunately, some aspect could not be proven, such as the governance of data protection during verbal discussions, and the protection and use made of mobile devices owned by the Council (such as iPads), but it was found that the IT Unit had adopted appropriate arrangements to mitigate the risks.

When visiting the offices, a number of examples were found where officers kept items on their desks overnight. These included laptops (one was found with the password written on it), mobile phones, identity cards and documents (including social service users' details).

Weaknesses in the arrangements for the disposal of confidential waste have already been identified. Confidential waste should be kept in specific red sacks, locked in the offices until they are disposed of by an external company.

Over the summer months 2015, the number of printers in the Council offices was reduced, and the remaining printers were replaced with new ones. However, initially, there were a number of incidents where documents were printed in a different office (including the Internal Audit office) from the officers who owned the documents. It appears that some officers from other offices had unknowingly sent documents to the wrong printers, without showing their identity cards. But as no further cases have been identified for some time, it is accepted that action has been taken on the issue. In addition, when checking a sample of printers in the Headquarters for unclaimed printed documents, none were found.

In relation to electronic information, it was found that the Council has taken appropriate steps to raise officers' awareness of the need to safeguard information. In addition, it is mandatory for the Council to receive an annual *IT Health Check* by an independent company, in order for it to continue to be part of the public sector network. The purpose of this health check is to find weaknesses which would enable the Council's systems to be hacked and information stolen. It was found that the Council had passed this health check.

Audit Opinion

(B) The Audit Opinion is that partial assurance can be given of the propriety of the Council's information governance arrangements as there are controls in place to raise staff awareness, but this has not prevented some incidents from arising, where the security of information has been placed at risk. Some aspects require further attention in the future to ensure that messages from the Information Unit reach the workers and are acted upon, including holding discussions with staff and visits to organisations outside the main Council offices to check their understanding. Aspects relating to the awareness of office staff of the act's requirements will be incorporated as part of the 2016/17 audit plan. It is not practical to propose recommendations on all the weaknesses identified as they derive from a flawed approach. However, the main recommendations of the report are as follows:

- **Continue to raise officers' awareness of the need to safeguard information.**
- **More workers should be encouraged to read the relevant Policies in the Policy Centre.**
- **Consider introducing a security system on Plas Llanwnda's front door to ensure that only authorised officers can gain entry.**

EDUCATION IMPROVEMENT GRANT FOR SCHOOLS**Education**Background

On 1 April 2015 the Welsh Government merged the following grants to create one main grant, called the Education Improvement Grant (EIG):

- Foundation Phase
- 14-19 Learning Pathways
- School Effectiveness Grant (SEG)
- Welsh in Education Grant (WEG)
- Minority Ethnic Achievement Grant
- Education of Gypsy and Traveller Children
- Induction of Newly Qualified Teachers
- Higher Level Teaching Assistants
- Lead and Emerging Schools
- Support for Reading and Numeracy Tests
- Funding for Band 4 & 5 Schools

The grant's fundamental principle is that the vast majority should be used for frontline provision, with the grant's terms and conditions for 2015/16 noting that it was expected that a minimum of the total gross funding of 80% should be delegated directly to schools.

Purpose of the Audit

To ensure that there are appropriate internal controls for the administration of the Education Improvement Grant 2015/16, in order to mitigate risks in accordance with the grant's terms and conditions.

Scope of the Audit

To select a sample of payments in the form of invoices, journals and salaries prepared by Gwynedd Council and GwE in relation to the grant, and ensure that they are reasonable and are in accordance with the grant's objectives. Confirm that the appropriate percentage of the gross funding was directly delegated to schools, and that the schools include an analysis of their total EIG allocation in the schools' development plans. That the appropriate sum of the grant is retained for administrative purposes, and that there are appropriate arrangements for claiming the grant funding from the Welsh Government.

Main Findings

It appears that good arrangements exist for the administration of the EIG. It was found that an appropriate percentage of the gross funding is delegated directly to schools, that an appropriate percentage of the grant is retained for administrative purposes, and that there are appropriate arrangements for claiming the grant funding in accordance with the grant terms and conditions.

Samples of payments in relation to the grant, made by Gwynedd Council's Education Department and GwE were examined, and some cases were found where the pink slips (TR252b) were not always used for the payment of invoices. It is normally expected that the Council retains invoices and any documents relating to Welsh Government Grants until the Welsh Government advises that they can

be destroyed, and therefore it is advisable to attach a pink coding slip to each invoice which relates to the EIG, in case the invoices are destroyed prior to the receipt of confirmation from the Welsh Government that they can be destroyed.

The schools' development plans should include an analysis of the total EIG allocation. A sample of Gwynedd's secondary and primary schools development plans were examined to see whether an analysis in the form of expenditure plans for the EIG had been included. From the sample examined, it was found that some schools had firm arrangements to include a detailed analysis of their EIG expenditure plans in their development plans. However, it was seen that not all the schools audited had noted an analysis of their total EIG allocation in their development plans, although it was confirmed that these schools had submitted an expenditure plan for the EIG to GwE in the form of a specific template.

GwE had provided schools with a specific template, listing the range of the EIG's objectives, in order to enable schools to provide an analysis of their total EIG allocation, although there had been some difficulty with some Gwynedd schools not returning the completed forms. As a result, GwE had to send a reminder letter, informing schools that unless the templates were submitted to the 'Her' Advisors by 20/02/16, that they would have to provide a full analysis, tracking the current expenditure for all aspects of the grant. If they were unable to demonstrate the expenditure for any element, then the funding would be withdrawn from the schools. It is understood that not all the templates were returned by 20/02/16, but following intervention from Gwynedd Council Finance Officers and GwE officers, all Gwynedd's schools had now submitted their EIG expenditure plans.

It was evident that GwE provided good leadership to Gwynedd's schools in relation to the EIG.

Indemnity agreements exist for the 6 North Wales Authorities, and have been signed by appropriate Senior Officers in each of the Authorities.

Audit Opinion

(B) The Audit opinion is that partial assurance of financial propriety can be expressed in the administration of the Education Improvement Grant as there are controls in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:

- **It should be ensured that invoiced expenditure incurred as part of the grant is appropriately monitored by using the pink coding slips (TR252b), in order to ensure that evidence of the expenditure is retained for the appropriate period.**
- **It should be ensured that each school provides an analysis of its total EIG in the school's Development Plan.**

SECONDARY SCHOOLS CATERING - YSGOL ARDUDWY Education

Background

Ysgol Ardudwy is a county secondary school that provides education for 11-16 year old pupils. The school is located in the town of Harlech, with 279 pupils on the school roll in September 2015. The school's Governing Body has been responsible for the management of the catering service since April 2000.

Purpose of the Audit

The purpose of the audit was to ensure that value for money, quality standards and sufficient accountability are achieved within secondary schools in relation to their catering service.

Scope of the Audit

Visiting the secondary schools that are not part of the Education Department's standard catering contract, in order to verify the schools' arrangements in relation to compliance with the statutory requirements, the Council's Financial Procedures, health and safety regulations and relevant policies. To receive assurance that arrangements have been established to safeguard kitchen staff and customers, and that budgets are managed properly.

Main Findings

It was seen that good practices have been established as part of the management of the catering service. Amongst these practices is the existence of the standard menu, together with the 'Blas am Oes' nutrition assessment that was undertaken as part of the process of creating that menu. It was also seen that a bespoke handbook has been created for kitchen staff, which includes guidelines for undertaking the various tasks which are part of their duties, and it seems that relevant staff members have good awareness of the Government's nutrition standards, budgetary control principles and value for money.

One of the risks identified is the possibility that it may not be possible for the school to trace the exact food served if the need arose. This is a result of the fact that no log is kept of the food served daily. The forms where the temperature of high risk cooked foods is recorded are considered to be some sort of record of what is served, however, keeping a full record would protect the school should a case of food poisoning arise. It would also provide evidence that the school adheres to the menu that may further protect the school in such cases. It was also seen that no recipes were available to correspond with the foods prepared and served. As a result, the risk is that the school will not be able to trace ingredients and safeguard pupils from allergies and food intolerances.

It was seen that purposeful labels are available in the kitchen to label foods, but it was disclosed on the day of the audit that they had not been used on that day. The risk associated with this is that there is no control over how long various foods are kept, especially foods kept in the fridge, and that could lead to cases of food poisoning.

In terms of food and drink suppliers, it was seen that the school had selected them in line with the Council's contracts list, apart from one drinking water supplier and two local food suppliers. If the school decides to use a supplier not on the Council's contracts list, assurance should be received from the supplier of the ability to trace the food source in order to ensure that the food is safe and hygienic as well as to ensure value for money.

One concern that was highlighted during the audit was that it was only possible to find an employment contract for one member of kitchen staff. Since the school chose not to commit to the Education Department's catering contract, it was the responsibility of that Department to produce and amend any employment contracts. This is a matter that has been discussed with members of the relevant service and requires urgent attention. However, confirmation was provided that DBS checks had been undertaken for staff.

Audit Opinion

(C) The Audit Opinion is that assurance of propriety cannot be expressed in the arrangements for School Catering at Ysgol Ardudwy as the controls in place cannot be relied upon, but no losses / fraud were discovered deriving from the management weaknesses. The main recommendations of the report are as follows:

- **Consideration should be given to keeping a record of all the foods served daily, together with a record of their temperature after they are cooked.**
- **Consideration should be given to producing a recipe book for the meals noted on the menu.**
- **Consideration should be given to providing kitchen staff with formal guidance on matters involving food allergies based on the Government's regulations.**
- **Consideration should be given to keeping a more formal record to monitor kitchen stock, where practical, in order to be able to identify any cases of stock loss.**
- **Consideration should be given to allocating the cleaning tasks noted in the catering service handbook to specific members of staff.**
- **It should be ensured that prepared foods which are stored (e.g. in the fridge) are properly labelled at all times.**
- **The Education Department should draft contracts for each member of the catering service staff following their appointment, as well as ensuring that contracts have been created for the current staff.**
- **The risk assessments should be reviewed annually in order to ensure that they remain suitable, and that the content remains up-to-date.**
- **Consideration should be given to storing cleaning products in a storeroom separate from the kitchen.**

SECONDARY SCHOOLS CATERING - YSGOL Y GADER
Education

Background

Ysgol y Gader is a county secondary school that provides education for 11-16 year old pupils. The school is located in Dolgellau, with 346 pupils on the school roll in September 2015. The school's Governing Body has been responsible for the management of the catering service since April 2012, when a Catering Manager was appointed to lead the work of managing the service.

Purpose of the Audit

The purpose of the audit was to ensure that value for money, quality standards and sufficient accountability are achieved within secondary schools in relation to their catering service.

Scope of the Audit

Visiting the secondary schools that are not part of the Education Department's standard catering contract, in order to verify the schools' arrangements in relation to compliance with the statutory requirements, the Council's Financial Procedures, health and safety regulations and relevant policies. To receive assurance that arrangements have been established to safeguard kitchen staff and customers and that budgets are properly managed.

Main Findings

It was seen that good practices are undertaken as part of the management of the catering service, however, it was felt that the arrangements could be tightened in some areas; in order to strengthen the controls that already exist, and to establish additional ones to provide assurance that the school and the pupils are safeguarded and to ensure the service's effectiveness.

One of the main risks identified during the audit was the possibility that it may not be possible to trace the exact food served should the need arise. This is a result of the fact that no log is kept of the food served daily, and the meals noted in the menu were not served on the day of the audit. The menus are not complete either as desserts have not been included. The forms where the temperature of high risk cooked foods is recorded are considered to be some sort of record of what is served, however, keeping a full record would protect the school should a case of food poisoning arise. It would also provide evidence that the school adheres to the menu which may further protect the school in such cases. From the sample of forms audited where the temperature is recorded, it was seen that they did not correspond with the meals noted on the menu. An error had also been made when recording the temperatures, where the dates had not been recorded accurately for 1 week within the sample. Consequently, this caused difficulties when trying to trace what was served on different days. Errors were also seen when recording the temperatures of the refrigerators, where the temperatures appeared a great deal colder than expected, which could give the impression that the refrigerator is defective.

Confirmation was received that the menu had been verified relatively recently regarding nutritional value. Nevertheless, the foods noted on the check were not seen to correspond to what was noted on the menus received during the audit.

The majority of the food and drinks suppliers used by the school are not in accordance with the Council's contracts list. If the school decides to use a supplier not on the Council's contracts list, assurance should be received from the supplier of the ability to trace the food source in order to ensure that the food is safe and hygienic as well as to ensure value for money.

Another concern that was highlighted during the audit was that it was not possible to find the employment contracts for kitchen staff. Since the school chose not to commit to the Education Department's catering contract, it was the responsibility of that Department to produce and amend any employment contracts. This is a matter that has been discussed with members of the relevant service and requires urgent attention.

A copy of the catering service's health and safety policy was received. This policy is dated March 2010, and therefore it is felt that this should now be reviewed.

Audit Opinion

(C) The Audit Opinion is that assurance of propriety cannot be expressed in the arrangements for School Catering at Ysgol y Gader as the controls in place cannot be relied upon, but no losses / fraud were discovered deriving from the management weaknesses. The main recommendations of the report are as follows:

- It should be ensured that only meals from the menu are served, apart from exceptions such as themed days. It would be good practice to draft a menu with meals chosen in accordance with the contents of the nutritional checks and the pupils' allergy needs.
- Consideration should be given to keeping a record of all the foods served daily, together with a full record of their temperature when they are cooked.
- It would be good practice to investigate cases when the temperature of the refrigerator or freezer are significantly different to what is expected, keeping a record of the findings and the action taken as a result.
- It should be ensured that the menu / recipe book includes all the required details e.g. for how long the meals should be cooked.
- A record of the details of any training provided to staff should be kept, be that internal or external training.
- Consideration should be given to establishing specific criteria to evaluate the food and drink suppliers when determining which ones to use.
- It would be good practice to establish a formal arrangement to include the Catering Manager in the process of monitoring the budget and in any other relevant budgetary issues.
- Consideration should be given to recording the date of receipt, for example with a received stamp on every invoice received in order to ensure the accuracy of the Council's performance management records.
- Consideration should be given to keeping a formal record to monitor kitchen stock, where practical, in order to be able to identify any cases of stock loss.
- The Education Department should draft contracts for each member of staff in the catering service following their appointment, as well as to ensure that ones have been created for current staff.
- The Health and Safety Policy of the school's catering policy should be reviewed to confirm that its contents are current.
- It should be ensured that the COSHH leaflets for the substances used in the kitchen are current.
- In accordance with Welsh Government's requirements, the school's Governing Body should include information in their annual report on the action taken to encourage school pupils to eat and drink healthily.

SECONDARY SCHOOLS CATERING - YSGOL Y MOELWYN Education

Background

Ysgol y Moelwyn is a county secondary school that provides education for 11-16 year old pupils. The school is located in Blaenau Ffestiniog, with 310 pupils on the school roll in September 2015. The school's Governing Body has been responsible for the management of the catering service since April 2010, and the school is the first in the county to use a cashless payment system in the cafeteria. That system has been in operation since November 2014.

Audit Purpose

The purpose of the audit is to ensure that value for money, quality standards and sufficient accountability are achieved within secondary schools in relation to their catering service.

Scope of the Audit

Visiting the secondary schools that are not part of the Education Department's standard catering contract, in order to verify the schools' arrangements and compliance with the statutory requirements, the Council's Financial Procedures, health and safety regulations and relevant policies. To receive assurance that the arrangements have been established to safeguard kitchen staff and customers and that budgets are managed properly.

Main Findings

It was seen that there was robust control over the catering service in general, with input and support being offered by different school representatives - including the Management Team, the Governors, school staff including kitchen staff and pupils.

Standard menus have been created, with recipes to correspond with the foods being prepared and served, and it was seen that relevant members of staff had good awareness of the statutory guidelines and expected standards in terms of nutrition. It appeared from the evidence received that a considerable amount of work had been undertaken as the school worked towards achieving the nutrition standards. A robust procedure has been established in order to provide meals for one of the school's pupils who has a specific allergy and a bespoke menu has been created for him. A lot of information on allergies and food intolerances is available in the kitchen for staff to refer to, however kitchen staff have not received any formal training or guidance in this area.

Although the school uses the fruit and vegetable supplier noted in the Council's contracts list, school staff informed us that that supplier does not fully meet the school's needs, as they only deliver goods to schools in the Blaenau Ffestiniog area on Wednesdays. This means that Saturdays and Sundays fall into the middle of the week, and the fruit and vegetables do not last until the end of the week (namely Monday and Tuesday in this case). The school also stated that it has a company in mind that could better meet their needs. If the school decides to use a supplier not on the Council's contracts list, assurance should be received from the supplier of the ability to trace the food source in order to ensure that the food is safe and hygienic as well as to ensure value for money.

One concern that was highlighted during the audit was that it was not possible to find the employment contracts for kitchen staff. Since the school chose not to commit to the Education Department's catering contract, it was the responsibility of that department to produce and amend any employment contracts. This is a matter that has been discussed with members of the relevant service and requires urgent attention.

We discovered that internal training is being provided in the school in order to give new staff guidance on how to safely use kitchen equipment. However, no evidence of what is provided is available as the details have not been recorded. In order to protect the school and its staff, it is felt that it would be good practice to keep a record of training details, and ensure that staff sign to confirm that they have received and understood the training.

It was seen that risk assessments had been created for the kitchen as well as information that these were up-to-date. It would be good practice to note the date of the training and any instruction on assessments.

It is felt that the school is very proactive in encouraging pupils to live healthily and to have school meals. Among the school's successes, it has received a Stage 6 Healthy School status as part of the Gwynedd Healthy Schools Scheme, which is a Healthy Schools Plans National Quality Award - Welsh Network.

Audit Opinion

(B) The Audit Opinion is that partial assurance of propriety can be expressed in the arrangements of School Catering - Ysgol y Moelwyn as controls are in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **Consideration should be given to providing kitchen staff with formal guidance on matters involving food allergies based on the Government's regulations.**
- **Consideration should be given to recording the date of receipt, for example with a received stamp on every invoice received in order to ensure the accuracy of the Council's performance management records.**
- **The Education Department should draft contracts for each member of staff in the catering service following their appointment, as well as to ensure that contracts have been created for the current staff.**
- **A record of the details of any internal training provided for staff relating to providing guidance on kitchen equipment should be kept**
- **It should be ensured that the risk assessments are dated and signed the next time they are reviewed.**

WORKFORCE MODELLING- YSGOL LLANGYBI

Education

Background

The school Governing Body is responsible for managing and running the school and delegated powers are given to the Headteacher to run the school on a day to day basis. The rights of the Headteacher in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy. The Headteacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation. The Governing Body is responsible for determining procedures to administrate personnel activities, including appointments, terminations and promotions.

Audit Purpose

To ensure that appropriate arrangements exist for modelling the workforce in primary schools in Gwynedd, in order to alleviate risks in accordance with relevant policies and procedures.

Scope of the Audit

A sample of primary schools of various sizes and from various areas in Gwynedd were selected and visited to be inspected for audit purposes.

Main Findings

It appears that the workforce modelling arrangements are satisfactory at Ysgol Llangybi with teachers receiving appropriate PPA time, the Headteacher's time is allocated appropriately for management and leadership time, teacher's salaries are reviewed annually and that effective budgetary control exists.

Copies of job descriptions for school employees were received, however no dated or signed copies were available at the school on the day of the audit. This means that it was not possible to confirm the date that the job descriptions were last reviewed nor was it possible to confirm whether the employee had accepted them as there was no signature on them.

It was seen that the Learning Support Assistants' job descriptions did not include details of their working hours/the number of working days and it was understood that there had been a change to the conditions of their employment since September 2015 as their hours had been reduced.

The teacher's job description contained details such as work duties and specific responsibilities as expected; however, when the job descriptions were compared with the generic copy of a job description for a teacher which is held by the Education Department, it was seen that there was room to add more relevant clauses to the teacher's job description. The same could be said when the current job description of the Headteacher and the Deputy Headteacher were compared with generic job descriptions held by the Education Department for Headteachers and Deputy Headteachers. It would be good practice to compare the current job descriptions of the Headteacher and teachers at the school with the generic job descriptions, in order to see whether it would be beneficial to add some new clauses to the current Headteacher, Deputy Headteacher and teacher job

descriptions.

According to the primary schools funding formula for 2015/16 it was seen that Ysgol Llangybi would be eligible for a budget of £4,396 for Ancillary Staff: Clerical. £534 of the budget is used to employ a Clerk of the Governors, but the remainder of the budget is transferred to other budgetary headings to be used to assist with the appointment of teaching staff and classroom assistants. The Headteacher expressed that she undertakes most of the clerical work herself.

A Deputy Headteacher is employed at Ysgol Llangybi and this procedure has existed for some time now and derives from when the numbers of pupils at the school was over 75. If a Deputy is in post and the numbers of pupils declines to under 75, the post and the employment remain while the Deputy is in post and the school is eligible for the additional budget.

During the audit it came to the attention of the auditor that the Headteacher does not share budget monitoring reports with the Governing Body, but rather reports on the school's financial situation to the body verbally.

Audit Opinion

(B) The Audit Opinion is that partial assurance of financial propriety in the workforce modelling arrangements at Ysgol Llangybi can be stated as controls are in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:

- **It should be ensured that employees' job descriptions are kept on file at the school and that they are appropriately signed and dated, and they should be reviewed occasionally.**
- **It should be ensured that Learning Support Assistants' job descriptions include details of their working hours/the number of days they work.**
- **Consideration should be given to sharing the budget monitoring reports with the Governing Body, so that Governors receive more detail on the school's budgetary matters.**

WORKFORCE MODELLING - YSGOL LLANBEDR
Education

Background

The school Governing Body is responsible for managing and running the school and delegated powers are given to the Headteacher to run the school on a day to day basis. The rights of the Headteacher in terms of financial decisions are specified by the Governing Body and should be recorded within the school's policy. The Headteacher is responsible for reporting to the Governing Body on a regular basis on the school's financial situation and on any issue that affects that situation. The Governing Body is responsible for determining procedures to administrate personnel activities, including appointments, terminations and promotions.

Purpose of the Audit

To ensure that appropriate arrangements exist for modelling the workforce in primary schools in Gwynedd, in order to alleviate risks in accordance with relevant policies and procedures.

Scope of the Audit

A sample of primary schools of various sizes and from various areas in Gwynedd were selected and visited to be inspected for audit purposes.

Main Findings

It appears that, in general, there are good arrangements for workforce modelling at Ysgol Llanbedr with up-to-date job descriptions existing for staff, salary review forms being completed annually, teachers receiving appropriate PPA time and good budgetary control.

The teachers' job descriptions contained details such as general duties, teaching duties and other duties such as for which subjects they were co-ordinators. However, when the job descriptions were compared with the Education Department's generic copy of a teacher's job description, it was seen that there was room to add more relevant clauses to the teachers' job descriptions. The same could be said when the current Headteacher's job description was compared with the Education Department's generic Headteacher job description. It would be good practice to compare the Headteacher's up-to-date job descriptions and the teachers' job descriptions with the generic job descriptions, in order to identify whether it would be beneficial to add some new clauses to the current Headteacher and teacher job descriptions.

According to the primary schools funding formula for 2015/16 it was seen that Ysgol Llanbedr would be eligible for a budget of £3,566 for Ancillary Staff: Clerical. £625 of the budget is used to employ a Clerk of the Governors, but the remainder of the budget is transferred to other budgetary headings to be used to assist with the employment of teaching staff and classroom assistants. The assistants are responsible for undertaking the photocopying work for the teachers.

Up to 18/1/2016, the Headteacher only received ½ a day of PPA time and to Manage and Lead the school. This means that the Headteacher has occasionally been undertaking the management and leading task in her own time, which is not a good way of managing a balance between life and work. The main reason for this was that the Headteacher felt that leaving classrooms 3, 4, 5 and 6 with one teacher was unfair on the children as there was 27 of them and a third of them had needs. It has been given to understand that the school had to follow the redundancy process in 2014/15 due to an excess because of a lack of staffing budget. Since September 2015, an arrangement is occasionally implemented where years 3, 4, 5 and 6 are taught together. The Headteacher employs a supply teacher on Monday mornings since 18/01/2016 to release her to undertake management and leading work.

On the day of the audit, the auditor was informed that there was a written record of the Governing Body and the Headteacher's duties and rights regarding financial decisions, including the fact that appropriate thresholds existed but needed updating, and that the Headteacher and the Governing Body intended to do this in the near future.

Audit Opinion

- (B) The Audit Opinion is that partial assurance of financial propriety in the workforce modelling arrangements at Ysgol Llanbedr can be stated as controls are in place, but there are aspects where some arrangements can be tightened. The recommendations of the report are as follows:**
- **It would be good practice for the Headteacher to receive a copy of a generic job description for the Headteacher and a teacher from the Education Department, in order to compare them with the current job descriptions of the Headteacher and teachers at the school, to identify additional clauses for which consideration should be given to adding them to the current job descriptions.**
 - **It should be ensured that a written record of the duties and rights of the Governing Body and the Headteacher regarding financial decisions, including appropriate thresholds, is updated and adopted by the Governing Body as soon as possible.**

MEMBER TRAINING AND DEVELOPMENT

Corporate Support

Background

Section 7 of the Local Government (Wales) Measure 2011 stipulates that the local authority is required to ensure that reasonable training and development opportunities are provided to its members. As well as this, the Authority must provide members with the opportunity to receive an annual review of their training and development needs.

The Councillor Guidance on Continuing Professional Development was published in May 2015, which outlines the skills and information essential for local authority councillors in Wales, according to general opinion. The framework was formed as part of a continuing professional development programme in Wales for councillors and it corresponds to The Wales Charter for Member Support and Development.

Purpose of the Audit

The purpose of the audit was to ensure that the Democratic Service and the Learning and Development Service had established an appropriate procedure for the Council members' training and development needs.

Scope of the Audit

The member development and training procedure was audited to ensure that it implements a service of an appropriate standard, that it responds to members' needs and is in line with the requirements of the Local Government (Wales) Measure 2011.

Main Findings

It was seen that good internal controls exist in the Member Training and Development arrangements. The Council was awarded the Charter in 2009, and in 2012/13 it was developed in its new form and built on the requirements of the Local Government (Wales) Measure 2011. It was reported to the Democratic Services Committee in March 2015 that Gwynedd Council would not be able to be awarded the Charter qualification as nobody would be available to present it due to a reduction in the Welsh Local Government Association (WLGA) grant. However, the situation has now changed and the Head of Democratic Services is eager to continue to seek to achieve the Charter. It was explained that arrangements were underway to do this.

Member role descriptions based on WLGA documents were adopted at the Full Council in 2011. It was explained that they need to be updated to correspond with developments including Ffordd Gwynedd.

In accordance with the Local Government (Wales) Measure 2011, each Council must offer Members a process to assess their development needs. Members were offered personal development interviews in 2014, some interest was expressed and 26 Members were interviewed. It is intended to hold the next cycle of interviews during 2016 but the demand is low at present. An effort has been made to encourage Members to undertake interviews and it is intended to submit a report to the

Democratic Services Committee to explain the process to Members and to raise awareness of the arrangements.

Members are asked to complete a feedback form at the end of each training session. The percentage of feedback received was verified for a sample of five training sessions and it was seen that they varied, feedback was received from 15% of the Members who attended one training.

It was seen that 14 Members had not attended training during 2014/15. It is not possible to force Members to attend training, however, it is noted in 'Members' role and responsibilities' that they should 'Commit to self-development and training' in order to maintain standards.

In addition, it was seen that the Pension Fund Annual Report 2014-15 did not include information regarding the training that Members of the Pensions Committee have attended. Rather, it was noted that the Committee had formally adopted the skills and information policy statement.

Audit Opinion

(B) The Audit opinion is that partial assurance of the propriety of the Member Training and Development managerial arrangements can be stated as controls are in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **Ensure that Member role descriptions are updated as required.**
- **Members should be encouraged to complete feedback forms following training.**
- **It should be ensured that the Governance Compliance Statement within the Gwynedd Pension Fund Annual Report includes information on the training that specific Members have received.**

SCHOOLS - HEALTH AND SAFETY OF EDUCATIONAL VISITS

Corporate Support

Background

Monitoring arrangements for Educational Visits is based within the Health and Safety Unit, Corporate Support Department. It was seen that Gwynedd schools have a rich tradition, which is appreciated, of providing exciting educational visits that young people enjoy. Gwynedd pupils benefit greatly from taking part in educational visits. Many visits are conducted across the County and throughout the year including usual visits, unusual visits/overnight (without being adventurous), visits (including overnight and the Duke of Edinburgh Award) where there are adventure activities in challenging environments and overseas visits.

Purpose of the Audit

The purpose of this audit was to ensure that appropriate health and safety arrangements are followed when organising and planning educational visits in order that suitable action is taken to alleviate the identified risks.

Scope of the Audit

Checking sample records from primary and secondary schools to ensure that they have conformed to the health and safety requirements when arranging educational visits. Checking that procedures are followed and ensure that full details are recorded on the specific Evolve system and that they receive strong approval by an authorised officer.

Main Findings

It was seen that there were very strong examples of good practice and robust controls in place with the health and safety of educational visits, in order to alleviate a range of risks identified in this area. However, it was seen that some of the areas audited required further attention.

When checking the Evolve system it was noted that many schools had not uploaded a copy of their school's 'Educational Visits' policy onto the system (60 out of 109), this increases the risk of the staff's lack of awareness of health and safety requirements when undertaking educational visits.

A sample of 9 educational visits were checked for overnight or unusual visits. In 5 cases it was seen that the coordinator was the Head and therefore they needed to be authorised as a coordinator as well as the school's Head Teacher. It was seen that one visit had not received approval from the Local Authority in accordance with policy. A plan had been inserted on the Evolve system, however, it had not been approved appropriately by the Educational Visits Coordinator (Head). The Head explained that the trip had been approved verbally with the staff. However, the policy had not been followed, as residential visits have to be approved by the Local Authority.

A sample of educational visits were audited where adventure activities or in challenging environments had taken place. Also, overseas trips that were not to a developed country including a long trip or another adventure had been included in the sample.

It was seen that the 'Educational Visits' policy noted that the Head's approval was required on the Evolve system at least 28 days prior to the start of the visit and this had not occurred with some of the visit plans.

There was clear guidance in the 'Educational Visits' policy regarding the period that documents/forms should be retained pertaining to educational visits. During the audit it became obvious that some Educational Visits Coordinators were not aware of the need to retain documents for a specific period. Permission forms were kept locked in the administrative offices of the schools and were destroyed once they had been on a visit or within a month following the trip (which was in compliance with national guidance but not the 'Educational Visits' policy). However, Educational Visits Coordinators / Heads need to be reminded of the periods to retain information as noted in the policy as many were not aware of the requirements. In addition, it is necessary to update section 9 'Keeping Records' in the 'Educational Visits Policy' by September 2016.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed in the propriety of the health and safety arrangements for educational visits as controls are in place, but there are aspects where some arrangements could be tightened. The recommendations of the report are as follows:**
- **The Educational Visits Coordinators / Heads should be reminded that they need to upload a current copy of the 'Educational Visits' policy on the Evolve system.**
 - **It should be ensured that Heads approve the educational visits on the Evolve system and these are then forwarded to the Local Authority if relevant.**
 - **It should be ensured that Heads approve the educational visits on the Evolve system at least 28 days prior to the unusual / overnight visit and at least 56 days prior to an overseas visit in accordance with the 'Educational Visits' policy.**
 - **It should be ensured that educational visits documents/forms are retained for a specific period in accordance with the 'Educational Visits' policy. Section 9 of the 'Educational Visits Policy' namely 'Keeping Records' should be updated for 2016-17.**

DEBTORS' SYSTEM – REVIEW OF KEY CONTROLS**Finance**Purpose of the Audit

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

“As part of its 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 debtors' system is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

The purpose of the audit was to ensure that the duty of raising invoices on customers has been allocated to authorised officers with the information shown in the ledger in full as well as the income that the Council receives and a reconciliation completed. In addition, ensure that appropriate arrangements are in place to recover and write-off debts with information provided for managers.

Scope of the Audit

Checking which officers have the duty of raising and distributing invoices to customers and selecting a sample of the invoices and checking that the information appears in the financial ledger correctly. Checking that any income that the Council receives is posted in the ledger and that it is reconciled regularly. Checking if recovery arrangements have been documented and that recovery monitoring is undertaken and also checking whether the debt write-off arrangements comply with the Financial Procedure Rules. Check that income monitoring against the budgets is being undertaken.

Main Findings

It was seen that appropriate processes, procedures and separation of duties are in place for debt collection. In general, the process of creating a debt is implemented by the relevant services with the recovery being implemented and coordinated by the Income Unit.

A sample of debts that had been written-off during 2015/16 was reviewed and it was seen that the appropriate steps had been taken.

The processes in place were checked to ensure that the invoices were posted correctly into the ledger by comparing details and it was seen that they all reconciled.

The Income Manager told us the following: The staff who have the right to raise invoices within the Income Service, and who use this, are the Income Manager, the Debtors' Officer and the Recovery Assistant (SI). The report on the rights received by the Financial System's Technician in the Finance Service confirms this, but specifies that they have to right to raise and authorise invoices to the value of up to £1,000,000. He stated that other Recovery Assistants (GR and EWJ) and the other Debtors' Officer (RCR) might also have the right to raise an invoice, but they do not use this often, if at all. The report on the rights states that they also have the right to raise and authorise these invoices for up to £1,000,000. He said that the Senior Recovery Officer and the Income Officer open the post daily and they do not raise invoices - although the rights report states that one has the right to raise an invoice (but not to authorise) and the other has the right to authorise invoices for up to £1,000,000 and they transfer any cheques to the Cashier (with a right to read only / enquirer for Cedar according to the report on rights). It is the Cashier who receives any cash.

The Financial System's Technician stated that he contacted the different departments for information annually (around September) to ensure that the information is current.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed of financial propriety in the Debtors System – Review of the Key Controls as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**
- **The rights of officers within the Cedar system should be reviewed to ensure that they are current.**

PAYMENTS SYSTEM – A REVIEW OF THE KEY CONTROLS

Finance

Purpose of the Audit

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

“As part of its 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 payments system is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted. The purpose of the audit was to ensure that appropriate controls are in place for processing, implementing and reconciling payments.

Scope of the Audit

The audit encompassed reviewing a sample of payments made to Council creditors during 2015/16 together with controls over the standing data of creditors.

Main Findings

It was found that appropriate controls were in place for processing and implementing payments. It was found that processes, together with the use of computer systems, were in place to ensure that invoices were processed appropriately and that the correct payments were made. In addition, it was found that a facility which highlights and identifies duplication in the details of invoices to be reviewed was used.

It was seen that anti-fraud measures had been incorporated in the payments processes, thus ensuring that roles were defined, rights established based on this and forcing a separation of duties between the person authorising the invoices, inputting data, supervising the input, authorising payments and reconciling balances. It was found that purposeful forms were available to undertake appropriate checks when establishing information about new creditors and that appropriate checks on applications to change the standing data of creditors were undertaken prior to taking any action to ensure that they were appropriate. It was seen that new arrangements had been established in 2015/16 to check changes in creditors' standing data with the officers formulating a report from the Business Object system to check which changes had taken place the previous day. In addition, it was found that more use was made of the Fiscal system with a report was produced for checking by the relevant Payments Officers on a daily basis.

It was found when undertaking audits throughout 2015-16 that no order existed to correspond to the invoice or the order was prepared following receipt of the invoice; in addition a number of instances of miscoding expenditure were seen. This is the responsibility of the services/units and **not** the responsibility of the Payments Unit. However, there is a need to reinforce the requirement to submit an order (if this is appropriate) as this is the basis for the agreement and the conditions with the suppliers, and also ensure the accuracy of the expenditure code as miscoding can distort financial or statistical reports.

When reviewing the lists of officers with the right to sign, authorise and certify various documents it was seen that there were examples where an officer was designated with the right to certify invoices together with the preparation and authorisation of batch header form TR257 - it is essential that a separation of duties exists within this arrangement.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed of financial propriety in the Payments System – Review of the Key Controls as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**
- **The lists of officers with the right to sign, authorise and certify documents should be reviewed to ensure that the officers with the right to certify invoices do not have the right to prepare TR257 batch header forms as well, to ensure that there is a separation of duties in the process.**

BANK RECONCILIATION - REVIEW OF THE KEY CONTROLS

Finance

Purpose of the Audit

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

“As part of its 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 bank reconciliation process is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

The purpose of the audit was to ensure that procedures are in place and documented for undertaking effective, timely, complete and accurate bank reconciliations and to ensure that sufficient monitoring arrangements exist.

Scope of the Audit

Reviewing the procedures established for undertaking bank reconciliation and ensure that guidelines are available to officers. To select a sample of bank reconciliations in 2015/16 and to ensure that they correspond with the procedures. Ensure that bank reconciliations are reviewed and signed regularly.

Main Findings

Generally, it was found that robust internal controls exist in the process of reconciliation and a second officer had checked the reconciliations in the sample selected. However, it was seen that the spreadsheets used within the income reconciliation process were unclear to the reader and it is felt that the inclusion of a brief explanation of the figures may be of assistance to a new user if the need arises; for example during the absence of current officers.

Audit Opinion

- (A) The Audit Opinion is that assurance of financial propriety can be expressed in the arrangements for Bank Reconciliation - Review of Key Controls as it is possible to depend on the internal controls which are in place, which have been followed. The main recommendations of the report are as follows:**
- **It should be ensured that the work papers (spreadsheets) used within the income reconciliation process include details such as notes or headings for the columns in order that they are more self-explanatory to the reader.**

PAYROLL ADMINISTRATIVE ARRANGEMENTS - REVIEW OF THE KEY CONTROLS

Finance

Purpose of the Audit

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

“As part of its 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 payroll system is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

Scope of the Audit

This review focused on the controls for undertaking the payroll system for the 2015/16 year.

Main Findings

It was found that strong internal controls existed within the Payroll Unit's administrative arrangements. However, there was a weakness in the checking of 'Payroll Checking Document'. Two instances were highlighted where there was no signature on the 'Payrun Reports checked by' section and there was no signature on the 'Journal checked by' on one occasion. In addition, when checking the 'Payroll Staff Duties - Checklist' one occasion was highlighted where there was no signature in the 'Checked by Supervisor' section. A signature in these sections indicates that the relevant checks have been completed before releasing the payrolls for payment. The 'Payroll Manual' document which shows the steps to take in different circumstances within the payroll system, had not been updated for many years. However, where there are changes to either statutory elements, to the system, or to the unit's / Council's processes the officers receive a Payroll Notice. Also, the Unit's 'Contingency Plans for Emergency Payment of Salaries' is not up to date. The Payroll Manager is aware of this.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed of financial propriety in the Payroll System's Administrative Arrangements – Review of the Key Controls as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**
- **It should be ensured that the “Payroll Checking Document” and the "Payroll Staff Duties - Checklist" are signed and dated to show that the appropriate checks have been completed.**
 - **The Payroll Unit's business continuity plan should be updated.**

GWYNEDD PENSION FUND – A REVIEW OF KEY CONTROLS**Finance**Purpose of the Audit

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

“As part of its 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.”

Although the administration of Gwynedd's Pension Fund relies heavily upon the Council's major financial systems, the Fund's administrative systems are themselves considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

Scope of the Audit

The procedures in place for the administration of the Pension Fund for 2014-15 were reviewed. A sample of payments were selected to ensure that they had been released appropriately and in addition it was ensured that they had been appropriately reviewed and signed. There was no intention to audit the investment element.

Main Findings

It was found that strong internal controls existed within the Pension Fund's administrative arrangements. However, the Gwynedd Pension Fund Annual Report 2014-15 was checked to ensure compliance with the Local Government Pension Scheme Regulations 2013 (Section 57) and it was found that the communication statement with members and employers had not been included.

A weakness was highlighted when checking the TR27b slips. The 'code', 'prices' and 'unique' boxes were not completed on the TR27b forms in each case. The purpose of these checks is to ensure that the relevant checks have been undertaken:

- 'Code' - to confirm that the expenditure code was correct
- 'Prices' - to confirm that prices are correct.
- 'Unique' - ensure that the payment has not been processed previously and to avoid duplication of payment.

The pensions service continues to have difficulty receiving information from other employers. The service relies upon the Employer to inform it of any changes to data such as working hours, status etc. but this does not happen. It is hoped that the code of practice document produced by the Pensions Regulator will be of assistance to support applications for information from the Employers.

The i-Connect system is something that they are continuing to develop. By now Conwy Council and Ysgol Eirias have agreed to be part of the arrangement. Through this system any information inputted into the employers systems is forwarded electronically and is encrypted to the Pensions service systems. This means, therefore, that there is no need for the employers to undertake additional work of forwarding the information. They continue to ensure that their information is complete prior to determining to proceed with this.

Audit Opinion

(B) The Audit Opinion is that partial assurance can be expressed of financial propriety in the Gwynedd Pensions Fund – Review of the Key Controls as there are controls in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **It should be ensured that the latest version of the communication statement with members and employers is included in the next Annual Report of the Gwynedd Pension Fund (2015-16).**
- **It should be ensured that the check boxes on the TR27b forms are completed appropriately i.e. the need to sign the "Code", "Prices" and "Unique" boxes to show that appropriate checks have been undertaken.**

BENEFITS SYSTEM - REVIEW OF THE KEY CONTROLS**Finance**Audit Purpose

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

“As part of its 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 Benefits System is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

Scope of the Audit

For the 2015-16 financial year, a sample of benefits applications were audited to ensure that appropriate assessments were undertaken. It was checked that reconciliations were conducted and that the benefits payments were calculated and paid accurately and promptly. The service's performance status was assessed on acting upon benefit requests and notifications, and checks were made to ensure that the benefits system was effectively managed and that all data was appropriately protected.

Main Findings

It was found that strong internal controls existed within the Benefit System's administrative arrangements. Officers receive training as needed and are informed of any changes to legislation, as well as any changes or developments to the system. A random sample of new applications was selected, checking that the risk score had been recorded and that they had been accurately calculated and paid promptly. In addition, a sample of extended payments and requests for back-payments were checked, and it was found that they were in accordance with current regulations. Once again this year it was seen that Unit's performance is good in comparison with the performance of Wales and Britain, in relation to the average time taken to process a new benefit application and the average time taken to process a notification of a change in circumstances.

Audit Opinion

- (A) The Audit Opinion is that assurance of financial propriety can be expressed in the Benefits System - Review of the Key Controls, as it is possible to depend on the internal controls that are in place and that these have been followed.**

COUNCIL TAX – A REVIEW OF KEY CONTROLS**Finance**Audit Purpose

The Auditor General for Wales' Code of Audit Practice, April 2010, states that the Authority's external auditors (Wales Audit Office), in conducting their audit of the Council's accounts and Pension Fund, will rely wherever possible on the work of Internal Audit (and others). As a result, the Joint Protocol between the External Audit service and the Internal Audit service, 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 Council Tax system is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

The purpose of the audit was to ensure that the totals on the Council Tax bills were correctly set, and in accordance with the sums approved by the full Council and other authorities. The Audit also ensured that the totals of properties in Gwynedd were accurately recorded on the system and were in accordance with the report of the Valuation Office, as well as to confirm that the financial account had been updated appropriately and that appropriate arrangements are in place to recover Council Tax debts. This audit also ensured that there are arrangements in place for monitoring and managing the Unit's performance.

Scope of the Audit

The Audit encompassed reviewing and testing that appropriate guidance, records and procedures are in place for managing, collecting and distributing the Council Tax for 2015-16.

Main Findings

It was seen that appropriate procedures and processes were in place for all the key controls reviewed for the Council Tax system. It was found that appropriate reconciliation was being undertaken to ensure the accuracy of the bills that are produced, in terms of number and value and that the parameters of the system correspond to the value of the taxes approved by the Full Council.

Audit Opinion

- (A) The Audit Opinion is that assurance of financial propriety can be expressed in the key controls of the Council Tax System for 2015-15 as it is possible to depend on the internal controls in place and they have been followed.**

BUSINESS RATES – A REVIEW OF KEY CONTROLS**Finance**Audit Purpose

The Auditor General for Wales' Code of Audit Practice, April 2010, states that the Authority's external auditors (Wales Audit Office), in conducting their audit of the Council's accounts and Pension Fund, will rely wherever possible on the work of Internal Audit (and others). As a result, the Joint Protocol between the External Audit service and the Internal Audit service, 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 Business Rates system is considered to be a “major financial system” according to the Wales Audit Office's definition, and therefore a review of the key controls of this system was conducted.

The purpose of the audit was to ensure that Business Rate bills were accurately processed, and in accordance with the rateable values set by the Valuation Office and that there are appropriate processes for collecting, recording and monitoring the payments.

Scope of the Audit

The Audit encompassed reviewing and testing that appropriate guidance, records and procedures are in place for managing, collecting and distributing the Business Rates for 2015-16.

Main Findings

It was seen that appropriate procedures and processes were in place for all the key controls reviewed for the Business Rates system.

Audit Opinion

- (A) The Audit Opinion is that assurance of financial propriety can be expressed in the key controls of the Business Rates System for 2015-15 as it is possible to depend on the internal controls in place and they have been followed.**

CYBER SECURITY

Finance

Purpose of the Audit

The purpose of this report is to evaluate and assess the level of cyber security in place at Gwynedd Council. The audit was carried out by Steve Rimell of Rimell Associates Ltd during the period 7-11 March 2016, and consisted of interviews with selected IT staff, and examination of security documentation and vulnerability test reports.

Scope of the Audit

Cyber security is defined by Merriam Webster's dictionary as "*measures taken to protect a computer or computer system (as on the Internet) against unauthorised access or attack*". Gwynedd Council has a basic requirement to keep its IT systems secure against the above risks, but also has a requirement to demonstrate its eligibility for membership of the Public Secure Network (PSN), the government's high-performance network which helps public sector organisations work together, reduce duplication and share resources.

In November 2015, the IT service commissioned Sec-1, a well-known and reputable security testing company, to perform a controlled series of vulnerability tests against the network. This audit report evaluates the results of those tests, and gives an opinion on their effectiveness and of the remediation plan devised by the Senior Manager – IT and Business Transformation for dealing with their findings. It also considers other issues that were outside Sec-1's terms of reference, but still within the scope of the term 'cyber security'.

Main Findings

The tests carried out by Sec-1 were effective and performed with an appropriate level of skill and experience. Following the tests and the proposed remediation measures, the Council's network has been certified as being sufficiently secure to continue its membership of the PSN. The standard and volume of the testing carried out was comprehensive, and was mostly conducted by the use of automated software scanning designed to identify network security weaknesses as quickly and effectively as possible. A number of issues were identified, mostly in the internal network protected by the Council's firewalls and perimeter security devices, but 5 high-risk security issues were detected in the external testing, i.e. testing carried out from the Internet as would be conducted by an intruder seeking to gain access. On detailed examination of the external security risks, three were associated with systems operated by Cynnal, and 2 with a test system for vehicle fleet tracking that was still under development and contained no live data.

The IT service has produced a remediation plan covering all of the issues identified in the Sec- 1 reports; all of these are expected to be addressed by the end of April 2016.

Audit Opinion

- (B) The Audit Opinion is that partial assurance can be expressed in the cyber security at Gwynedd Council as controls are in place, but there are aspects where some procedures can be strengthened. The main recommendations of the report are as follows:
- Regular and more frequent in-house security vulnerability tests should be performed by IT in addition to the annual tests required for PSN certification. Cynnal systems should also be included in these tests, despite their semi-autonomous status. It is understood that IT has already begun a project to acquire the necessary software tools.
 - Systems exposed to the Internet should not be left with any default administrative credentials, even if they are still under development and contain no business data.
 - As advised by Sec-1, NetBIOS over TCP/IP should be disabled throughout the network. Before doing so, NTLM auditing should be activated for a trial period on key servers and domain controllers to identify the systems that are transmitting NTLM hashes and to ensure that they have an alternative means of authentication before NetBIOS is shut down.
 - Additional security testing should be carried out to gain a more accurate view of the risk of data loss.

IT BACKUP AND RECOVERY PROCESSES AND PROCEDURES

Finance

Purpose of the Audit

The purpose of this report is to evaluate the processes and procedures in place to control the backup and recovery of IT systems. The audit was carried out by Steve Rimell of Rimell Associates Ltd during the period 1-5 February 2016, and consisted of interviews with selected IT staff, observation of procedures and the development of audit software scripts to extract information from key IT backup systems.

Scope of the Audit

The audit covered only the arrangements for backup and restore of data stored on Gwynedd Council IT systems. School IT systems and other organisations that may have access to the Council's network were not within the scope of this review. The audit did not include a detailed consideration of business continuity and disaster recovery procedures, except to the extent that they are impacted by data backup procedures.

Main Findings

The backup and recovery software systems used by IT have been automated as far as possible and are working effectively. All backups are now made using networked disk storage - this has removed the need for magnetic tape backup, which has in turn led to faster and more reliable backups. Mission-critical business systems have been placed under the control of VMware's Site Recovery Manager (SRM), allowing them to be restored to normal operation as quickly as possible in the event of the loss of the main data centre at Pencadlys. Applications that were previously dependent on systems that could not be handled by SRM have been replaced or converted, and a secondary backup data centre in the Penrallt site provides an additional data storage facility, reducing still further the risk of data loss.

Some issues have been identified with procedures for identifying completely and accurately all systems that require backup, and the IT Business Continuity Plan does not reflect the recently changed structure of the IT service or the new backup software from Commvault currently being deployed.

A full formal test of Site Recovery Manager's ability to failover to the alternate data centre has not yet been carried out in the current financial year, although a successful failover has occurred due to essential electrical work which required power to be disconnected at Pencadlys.

The system for backing up and retrieving high-level administrative passwords could possibly be improved by the introduction of a password vault system.

Audit Opinion

(B) The Audit Opinion is that partial assurance can be expressed in the backup and recovery procedures 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 IT Business Continuity plan should be updated to reflect the new structure of the IT service, the deployment of the recently acquired IntelliSnap backup software, and the relative system priorities to be used by SRM when recovering systems in the event of disaster recovery procedures being invoked.
- The newly established Cloud Team should complete their ongoing project to establish a procedure to allow other teams in the service to notify them when a new system is brought on line, to allow its inclusion in the appropriate automated backup schedule.
- IT should consider the deployment of a password vault to store the large number of system passwords required by the IT support staff as this would provide a higher level of security for the passwords, plus an audit trail of their use.
- The full annual failover test should be carried out as soon as possible, fully documented, and preferably with simulation of the absence of a key member of the team, to test the ability of IT to survive an incident when the normal system managers may not be present.

CARE WORKERS TRAINING PROGRAMMES

Adults, Health and Well-being

Background

Care workers' training is partly funded by the Government grant (The Social Care Workforce Development Programme - SCDWP) and partly by Local Government. It was explained that the application for a grant from the government for 2015-16 had been submitted regionally by 6 local authorities (namely Gwynedd, Anglesey, Conwy, Denbighshire, Flintshire and Wrexham Councils) with every authority submitting individual plans to meet the local needs.

Purpose of the Audit

The purpose of the audit was to ensure that suitable arrangements had been established to meet the training needs of the Council's care workers and that the workers attended any mandated training along with checking the availability of relevant courses.

Scope of the Audit

During the audit, the training arrangements that are in place were reviewed, ensuring that statutory training was carried out to ensure that the Council meets its legislative duties along with mandated training that is required by the Council to mitigate risks and ensure safe work practices. In addition, a sample of care workers was selected and it was ensured that they had attended training sessions and that the training they have received was appropriate.

Main Findings

It was seen that there were good internal controls within the arrangements of the Care Workers Training Programmes.

The training records of a sample of workers were verified and it was ensured that they had received a full induction within the first 12 weeks of joining the Council. The induction is required and contributes towards workers' development portfolio which is part of the national framework, namely the 'Social Care Induction Framework Wales'.

The Qualifications Framework for the social care sector in Wales places qualifications in three categories, briefly: qualifications required to register; those needed to satisfy Required National Standards; and qualifications recommended for other jobs. The qualifications that are required for a service to satisfy required national standards are used by the Care and Social Services Inspectorate (CSSIW) to regulate services. In order to meet these requirements, 50% of all care workers are expected to have the appropriate qualifications and this was tested in the investigation.

Following the Health and Social Services Minister's introduction of the 'Regulation and Inspection of Social Care (Wales) Act', by 2020 it is required for every care worker to be registered before they can work in social care. A three-year development programme for domiciliary care workers will start in April 2016 with the register opening in April 2018. In addition, by 2022, every residential care worker will need to be registered.

A list of training courses for care workers is available on the Council's public website as well as a tailored application form. During the 'Home Care - Communicating with Community Carers' audit, investigation talks were held with carers regarding communication arrangements including the training received. It became obvious that some of the carers were not aware that the training list was available on the Council's website and that they only came to know about courses through their supervisors.

In addition, they were not aware that corporate courses were available to them, such as language courses. However, it was seen that the 'Developing Welsh Language Skills' leaflet was included in the workers' induction packs which offers support to learn Welsh and improve skills.

Some courses are prepared via the e-Learning system but the system does not feed the information into the Learning and Development Database and therefore the unit is not aware of who has done what without accessing two separate systems. The unit has been in touch with the Information Technology service.

Audit Opinion

(B) The audit opinion is that partial assurance of the propriety of the regulatory arrangement of the Care Workers Training Programmes can be stated, as controls are in place, but there are aspects where some arrangements could be tightened. The main recommendations of the report are as follows:

- **Care workers should be informed that they can check the training list that is available to them on the Council's website as well as informing them of corporate courses e.g. literacy skills, numeracy, Welsh language, etc.**
- **Move forward on finding a solution for feeding information from the E-learning system to the Learning and Development database for consistency.**

ROAD INSPECTIONS

Highways and Municipal

Background

Gwynedd highways are inspected regularly to ensure that they are in a safe condition. The procedure of inspecting the highways is also a way of identifying faults before they worsen and lead to additional repair costs. The Council would have to pay compensation if an inspection revealed that the Council had not completed appropriate road inspection work or hadn't responded to faults in compliance with what is noted in the Highways Asset Maintenance Plan.

Purpose and Scope of the Audit

The purpose of the audit was to ensure that the relevant checks were carried out on Gwynedd's highways so that any faults could be identified and reported as required to ensure the safety of users. The audit encompassed verifying the Department's highways inspection arrangements, including ensuring that the roads are checked regularly and that action is taken if faults are exposed by the inspectors or members of the public, and that appropriate documentation was kept as evidence. The Department is not responsible for conducting inspections of bike paths off the public highways network, because this is the Regulatory Department's responsibility, but at present the Department has been commissioned by the North and Mid Wales Trunk Road Agency to maintain sections of the trunk roads.

Main Findings

The inspection indicated that the Highways and Municipal Department has a suitable, proactive arrangement to maintain highway checks as well as a procedure for responding to complaints. However, no response was received to a number of requests for documents. The Department is facing big changes as a result of the financial cuts within the Council, as well as the response to the changes taking place in the North and Mid Wales Trunk Road Agency. This will force the Department to undertake inspection work, maintenance and inspect complaints with fewer resources. The risk is, if a reduction in resources should lead to a reduction in proactive work, then this could lead to an increase in insurance claims. However, the Highways Strategic Review Report 2016 recommends conducting a review of the service as part of the "Empowering Units to implement Ffordd Gwynedd" project, with the hope of taking advantage of any opportunity for efficiency by improving administrative processes.

In relation to the financial challenge facing the Department, it would be beneficial to revisit the 'Road Inspections' area in the future, especially after the Service has completed a review as part of the "Ffordd Gwynedd" project.

The Highways Asset Maintenance Plan was verified and it was approved by the Environment Scrutiny Committee on 24 June 2010. The Highways Asset Maintenance Plan outlines how the Council repairs and maintains the highways network in order to transport people and goods safely and conveniently. The robust procedure of conducting timely safety inspections supports defence under Section 58 of the Highways Act 1990, should there be an incident or accident on the network. A sample of roads from different categories in three areas was selected to verify the frequency of the inspections.

Reports were received for Arfon's roads that showed that they were inspected as expected, but no response was received from the Dwyfor and Meirionnydd areas to conduct audit tests. However, the Insurance Unit confirmed that they received the inspection reports in a timely manner from the Areas, as a defence for when a complainant makes a claim against the Council for losses deriving from a defect on the network.

When a road is adopted by the Council, the Highways and Municipal Department will receive a memorandum and a plan of the road's location from the Regulatory Department. A list of roads that have been adopted since April 2014 was received, and it was verified to see if they had been added to the network. In the sample chosen, it was seen that 'Turning Area, Eifion Terrace, Talysarn' and 'Gwel y Môr (Marine Parade), Tywyn', had not been included. The Technical Assistant stated that he used to receive a monthly list of roads that had been adopted by the Regulatory Department, but that this had not happened for some time. However, after asking the Assistant Engineer, a copy of a memorandum was received, which was sent for the attention of the relevant Area Engineer notifying them of the fact that the roads had been adopted. It was therefore a communication weakness within the Highways and Municipal Department that led to these roads not appearing on the network.

It is possible for members of the public along with external organisations to contact the Council via Galw Gwynedd to notify them of any faults on the roads. Once the call comes in, it is recorded on the Siebel system that will then automatically produce an e-mail to the Area's inbox and send it to the relevant Inspector who will then visit the site. One weakness identified in the procedure was that old calls were re-opened if the same person got in touch again. When calls are re-opened, the previous action is not shown on the sheet. Including this would assist the officer that is dealing with the matter and reduce the time spent dealing with the request.

A Siebel report was received which records every pothole complaint received per area between 01/04/2014 and 31/03/2015. It was seen that 67 complaints in Meirionnydd were 'open' and only 31 were 'closed', unlike the other Areas where only a very small percentage remained 'open'. The Highways and Municipal Department's responsibility is to close the enquiry when the work is done. A sample of three complaints in each area was selected to ensure that they had been sent on to the appropriate officer and that the complaint had been acted upon as expected, but no response was received from the Arfon area.

Audit Opinion

(B) The Audit Opinion is that partial assurance of the propriety of 'Road Inspections' can be stated, as some controls are in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:

- **After adopting a road, it is recommended for the Regulatory Department to include the Technical Assistant in the distribution list of the adoption notification memorandum.**
- **If calls are re-opened, the previous action should be included on the sheet.**
- **An enquiry should be closed once the work has been done.**

PARKING INCOME

Regulatory

Background

The external security company empties the parking machines, prints out reports and counts and pays the money into the Council's bank account in accordance with the contract set during 2015/16. Traffic enforcement officers are required to visit car parks regularly to ensure that the payment collection machines work and that they are emptied.

Purpose of the Audit

The purpose of the audit was to ensure that internal controls are in place for collecting, banking, reconciling and processing the income collection from machines in the car parks and verifying that appropriate arrangements are in place for any fines that are issued.

Scope of the Audit

During the audit, the current arrangements for collecting, banking and reconciling income from Gwynedd Council car parks were reviewed; that any contract with a third party clearly notes the terms and conditions including expected quality and factors such as the frequency of collections etc. In addition, reconciling the income of parking fines processed by Denbighshire County Council which leads on the Parking Enforcement partnership including reviewing and comparing the profile of the income received.

Main Findings

Since August 2015, the company G4S Cash Solutions (UK) Limited has been responsible for collecting and processing the money from Gwynedd Council car park machines.

The company collects the money and takes audit readings of the machines in accordance with the timetable included in the contract. The company's banking arrangements are also outlined in the contract.

Civil Enforcement Officers visit the machines and verify their use i.e. how much money has been taken. If their use is significantly lower, then it is possible to reduce the number of collections. As well as reducing the number of collections it is possible to close some of the payment collection machines down because some of the car parks are not used during the winter seasons. A sample income of car parks from three areas in Gwynedd was compared and it was seen that the income reduced significantly in some of the car parks, especially in quarter 4.

Arrangements are in place to receive, verify and process the income that has been processed by G4S. Relevant officers receive an e-mail with a report 'Daily Cash Processing Report for ...' which notes the money that has been credited to the Council, from which machine and on which date. The reports received from G4S for a period of 10 days were verified and it was ensured that the alleged amount credited was actually credited to the Council's account. No inconsistencies were discovered.

The G4S reports also include a record of any inconsistencies between the reports from the machines and the money collected. It was explained that inconsistencies occur due to a variety of reasons e.g. money getting stuck in the machine. Recently, there was one serious occasion where there was a substantial difference between the sum collected and the total noted by the machine. The Parking Unit's officers followed the appropriate guidelines for beginning the process of conducting an internal investigation by G4S and as a result the mistake was corrected by the company. However, it does not appear that the Unit has its own arrangements for verifying reports from machines against the money received in the bank account or the ledger to ensure that all of the money is banked.

Audit Opinion

- (B) The Audit Opinion is that partial assurance of the propriety of the Car Parks Income regulatory arrangements can be stated, as regulations are in place, but there are aspects where some arrangements can be tightened. The main recommendations of the report are as follows:**
- **Consideration should be given to creating 'trend analysis' reports on a quarterly basis so that it is possible to run the service more cost-effectively i.e. reducing money collections in quiet periods.**
 - **It should be ensured that arrangements are in place to ensure that the money received in the bank account or the ledger corresponds to the reports of the machines to ensure that all of the money is banked.**

Agenda Item 8

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2015/16
PURPOSE OF THE REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTERNAL AUDIT'S PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards states:

"The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. The annual internal audit opinion, which informs the governance statement, both emphasises and reflects the importance of this aspect of internal audit work."

2.2 The purpose of this annual report is to provide the Authority with such an annual internal audit opinion. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable advice that there are no major weaknesses in the whole system of internal control.

2.3 In assessing the advice given, I have taken into account all audits relevant to 2015/16 and any follow-up action taken in respect of audits from this and previous periods.

3. OVERALL ASSURANCE

3.1 **On the basis of Internal Audit work completed during 2015/16, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.**

3.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, by the Control Improvement Working Group or otherwise considered by the Audit Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

4. AUDIT WORK

Audit Plan

4.1 A total of 74 assignments were contained in the revised audit plan for 2015/16. Of these, 73 were completed by March 2015, which represents **98.65%** of the plan. For the purposes of this indicator, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it. The performance ambition was 95%.

4.2 This performance compares with the 2014/15 performance of 95.6%, against a target of 95%.

4.3 The only audit from the 2015/16 plan which was not finalised before 31 March 2016 is:

- **Workforce Modelling – Ysgol Llanllechid.** The preparatory work has already been completed and an audit visit was arranged. However, the Head explained that that the school was to be the subject of an Estyn review and enquired into the possibility of postponing the Internal Audit visit until April/May – this was agreed.

4.4 The audits from the 2015/16 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.5 Where relevant, internal audit reports are categorised to give an overall audit opinion of the control environment for that particular system or establishment.

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.

4.6 All recommendations that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.

4.7 Of the 73 assignments in the 2015/16 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
A	10
B	37
C	13
CH	0
No Category	13
Total	73

4.8 Of the reports relating to 2015/16 that were given an ‘A’ to ‘Ch’ opinion category, 78.33% obtained an ‘A’ or ‘B’ opinion. This figure is lower than the equivalent figure of 82.4% in 2014/15.

4.9 No audit received an ‘Ch’ opinion.

4.10 The executive summaries of all full reports are presented to the Audit Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no opinion category, the Audit Committee is presented with a summary of the findings of the relevant audits where appropriate.

4.11 The table below shows which meeting of the Audit Committee has received the details of audits from the 2015/16 plan. The dates of the relevant meeting of the Audit Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit Committee
1 April 2015 – 30 June 2015	16 July 2015
1 July 2015 – 11 September 2015	24 September 2015
14 September – 31 October 2015	1 December 2015
1 November 2015 – 31 January 2016	11 February 2016
1 February 2016 – 31 March 2016	5 May 2016

Revisions to the Plan

4.12 Revisions to the audit plan were reported regularly to the Audit Committee during the year.

Follow-up Work

- 4.13 A final memorandum was issued for 9 follow-up audits between 1 April 2015 and 31 March 2016. Eight of these audits were given an “Acceptable” or better. This suggests that, overall, robust arrangements are in place within the authority to implement audit recommendations in order to strengthen internal controls and manage risks.

Control Improvement Working Group

- 4.14 The Control Improvement Working Group continued its work of strengthening the Council’s arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meeting and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Every report that has been given an ‘C’ or ‘Ch’ opinion receives attention there, with officers being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of “Head of Internal Audit”. The Audit Manager is accountable to the Senior Manager Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager, one Audit Leader and a Senior Auditor have a full CIPFA qualification, and the other Audit Leader has the “CIPFA Diploma in Public Audit”. One Senior Auditor is studying for the CIPFA qualification.

- 5.2 Since 1 April 2015, there are 7 full-time members in the Internal Audit Team.

Utilisation of staff resources

- 5.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2015 and 31 March 2016. The Committee’s attention is drawn to the following:

- The table demonstrates a reduction in the number of productive days available to provide audits for Gwynedd Council as a result of the re-structuring, from **1,587** days between 1 April 2014 and 31 March 2015 to **1,117** days for the same period in 2015/16, a significant decrease of **470** days, which reflects the changes to the structure.
- During 2015/16, the Internal Audit Service moved office premises from Penrallt to Plas Llanwnda – this resulted in a total of 27 man-days.
- The number of days used to complete special investigations or responsive audits was 58 days, this is significantly lower than the 150 days used in 2014/15 but comparative to the number of days in 2013/14, which was 56 days.
- There was a reduction in the number of days that were committed to completing follow-up audits - 41 days in 2015/16 compared to 125 days in 2014/15.

6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2015/16 were as follows:

Description of Measure	2014/15 Performance	2015/16 Ambition	2015/16 Results
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	95.6%	95%	98.63%
% of internal audits with a 'B' opinion or better (corporate indicator)	82.4%	65%	78.33%
% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)	80.95%	90%	88.88%

6.2 All targets were met apart from:

- **% of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)** - 8 audits out of 9 obtained an "Acceptable" opinion or better, therefore only one follow-up audit failed to attain the expected standard.

7. WORK PLANS AND TARGETS 2016/17

7.1 A draft internal audit plan was presented to the Audit Committee in its meeting on 11 February 2016. The latest plan, containing amendments following the Committee meeting, is included in Appendix 3.

7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit’s achievement measures for 2016/17 are:

Measure	Ambition 2016/17	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	95%	Maintain
% of internal audits with a ‘B’ opinion or better (corporate indicator)	65%	Maintain
% of Internal Audit follow-up reports with an “Acceptable” opinion or better (corporate indicator)	90%	Maintain

8. RECOMMENDATION

8.1 The Committee is asked to accept this report as the formal annual report of the Head of Internal Audit pursuant to the Public Sector Internal Audit Standards for the financial year 2015/16.



Internal Audit Plan 2015/16

Audit Name	Opinion Category	Date Presented to Audit Committee
CORPORATE		
Use of Consultants	B	11 February 2016
Awareness of Whistleblowing Policy - Manual Workers	B	11 February 2016
First Aid Payments	C	16 July 2015
Safeguarding Arrangements - Staff Awareness of Policy	B	5 May 2016
Corporate Assessment	No Category	
Officers Gifts and Hospitality - High-Risk Services	B	5 May 2016
Proactive Prevention of Fraud and Corruption	No Category	5 May 2016
Contracting Terms - Safeguarding Arrangements	B	5 May 2016
Information Governance - Data Protection Act	B	5 May 2016
National Fraud Initiative	No Category	
EDUCATION		
Resources		
Education Grant - Post 16	No Category	11 February 2016
Funding for Band 4 and 5 Schools	No Category	11 February 2016
Welsh in Education Grant	No Category	11 February 2016
Pupil Deprivation Grant	No Category	11 February 2016
Schools Efficiency Grant	No Category	11 February 2016
Learning Pathways Grant 14-19	No Category	11 February 2016
Education Improvement Grant for Schools	B	5 May 2016
Gwynedd and Anglesey Learning Partnership Grant	A	11 February 2016
Communication with Schools	B	24 September 2015
Catering		
Secondary Schools Catering - Ysgol Ardudwy	C	5 May 2016
Secondary Schools Catering - Ysgol y Gader	C	5 May 2016
Secondary Schools Catering - Ysgol y Moelwyn	B	5 May 2016
Schools		
Ysgol Gynradd Dolgellau	B	16 July 2015
Schools General	No Category	
Ysgol Dyffryn Nantlle	B	16 July 2015
Workforce Modelling - Ysgol Treferythyr	B	11 February 2016
Workforce Modelling - Ysgol Llangybi	B	5 May 2016
Workforce Modelling - Ysgol Baladeulyn	B	11 February 2016
Workforce Modelling - Ysgol Gynradd Nebo	B	11 February 2016
Workforce Modelling - Ysgol Llanbedr	B	5 May 2016
Schools - Governance	B	1 December 2015
NORTH AND MID WALES TRUNK ROAD AGENCY		
North and Mid Wales Trunk Road Agency	No Category	
CORPORATE SUPPORT		
Democracy		
Member Training and Development	B	5 May 2016

Audit Name	Opinion Category	Date Presented to Audit Committee
Chairman's Fund	B	24 September 2015
Health and Safety		
Schools - Health and Safety of Educational Visits	B	5 May 2016
FINANCE		
Across the department		
Removing Leavers from IT systems	C	24 September 2015
Financial		
Debtors System - Review of Key Controls	B	5 May 2016
Payments System - Review of Key Controls	B	5 May 2016
Accountancy		
MAS - Review of Key Controls	A	24 September 2015
MAS including Debtors and Payments - Closure 2014-15	A	16 July 2015
Bank Reconciliation - Review of Key Controls	A	5 May 2016
Bank Reconciliation - Closure 2014-15	A	16 July 2015
Pensions and Payroll		
Payroll System - Review of Key Controls	B	5 May 2016
Payroll System - Closure 2014-15	A	16 July 2015
Pension Fund - Review of Key Controls	B	5 May 2016
Revenue		
Benefits - Review of Key Controls	A	5 May 2016
Revenues System - Closure 2014-15	B	24 September 2015
Council Tax - Review of Key Controls	A	5 May 2016
NNDR - Review of Key Controls	A	5 May 2016
Information Technology		
Siebel - eFinancials Interface	A	1 December 2015
Cybersecurity	B	5 May 2016
IT Backup and Recovery Processes & Procedures	B	5 May 2016
ECONOMY AND COMMUNITY		
Community Regeneration		
Welsh Church Fund	No Category	
Leisure		
Arfon Leisure Centre	C	11 February 2016
Plas Ffrancon Leisure Centre	C	1 December 2015
Glaslyn Leisure Centre	B	1 December 2015
Penllyn Leisure Centre	B	1 December 2015
Major Projects		
Sailing Academy	B	11 February 2016
ADULTS, HEALTH AND WELLBEING		
Across the department		
Home Care	B	11 February 2016
Governance of collaborations with 3rd Sector	B	11 February 2016
Care Worker Training Programmes	B	5 May 2016
Community Care		
Travelling Costs of Community Care Workers	C	16 July 2015
Adults		
Validity of Invoices from Private Providers	B	24 September 2015

Audit Name	Opinion Category	Date Presented to Audit Committee
Residential and Day		
Plas y Don, Pwllheli	C	11 February 2016
Plas Hedd, Bangor	C	11 February 2016
Hafod Mawddach, Barmouth	B	11 February 2016
Cefn Rodyn, Dolgellau	C	1 December 2015
Charges on Properties of Home Residents	C	24 September 2015
HIGHWAYS AND MUNICIPAL		
Fleet		
Maintenance of buildings and sites	C	11 February 2016
Highways Works		
Inspections	B	5 May 2016
REGULATORY		
Transportation and Street Care		
Pont Briwet	No Category	11 February 2016
Public Transport	C	1 December 2015
Parking Income	B	5 May 2016

Summary of the number of reports in each opinion category, 2015/16 Plan:

	Number of Audits
A	10
B	37
C	13
No Category	13
Total	73

Analysis of Internal Audit Use of Time 1 April - 31 March:

2014/15		2015/16
2,594	Total Days	1,866
390	Less Holidays (Statutory and Non-Statutory)	315
2,204	Total Available Days	1,551
	Less:	
16	Special Leave	22
29	Illness	24
10	Professional Training	3
106	Job Training	53
2,043	Available Days	1,449
	Less Unproductive Time:	
8	Performance Review (Appraisal)	0
12	Medical Appointments	11
33	Time Recording and Management	26
88	Meetings and Committees	63
1	Meetings - Joint working with WAO	0
11	Training Presentation	2
1	Conducting interviews	4
38	Background Work	29
36	Admin etc.	23
13	Audit Committee	4
100	Internal Audit Management	93
4	Absence Management	2
0	Moving Offices	27
1	North Wales Joint-working Tasks	0
8	IT problems	7
33	Internal Audit Information Management Exercise	9
1	Fire Drills	0
27	Less: other management work (Senior Manager)	0
1,628	Total productive days	1,149
30	Work for SNPA	32
11	Work for CTE	0
1,587	Total productive days, Gwynedd Council	1,117

Analysis of the use of Gwynedd Council productive days:

2014/15		2015/16
1,258	Work on current year's plan	983
5	Completion of previous year's work	1
8	Commencement of next year's work	0
41	Advice and Consultancy	34
125	Follow-up work	41
150	Responsive Work / Special Investigations	58
1,587		1,117



Internal Audit Plan 2016/17

Audit Code	Audit Name	Days
CORPORATE		
	Supporting Ffordd Gwynedd Reviews	20.00
	Managing Early Departures	20.00
	Safeguarding Arrangements - Disclosure and Barring Service Checks	10.00
	Health and Safety - Trees	10.00
	Safeguarding Arrangements - Field Workers' Awareness of Policy	10.00
	Safeguarding Arrangements - the Operational Structure	20.00
	Corporate Assessment	10.00
	Proactive Prevention of Fraud and Corruption	20.00
	Information Management	10.00
	Use of Credit Cards	20.00
	National Fraud Initiative	50.00
	Emergency Planning	
	Fuel Supplies - Local and Regional Plans	12.00
EDUCATION		
	Resources	
	Pupil Deprivation Grant	5.00
	Education Improvement Grant for Schools	20.00
	Post-16 Provision in Schools Grant	2.00
	The Arrangements for Safeguarding and Protecting Children	25.00
	Across the department	
	Dwyfor Meirionnydd Special School	15.00
	Schools	
	Statistics and Census - Secondary School	15.00
	Budgetary Control - Primary Schools	25.00
	School - General	10.00
	Information Governance in Schools	25.00
CORPORATE SUPPORT		
	Procurement and Efficiency	
	E-proc System - Tolerance Levels	10.00
FINANCE		
	Across the department	
	IT System Security	30.00
	Financial	
	Debtors System - "Cancelled" Invoices	12.00
	Review of Checking Limits	10.00
	Accountancy	
	Coding Structure	8.00
	Revenue	

Audit Code	Audit Name	Days
	Discretionary Housing Payments	10.00
	Benefits - Review of Key Controls	12.00
	Coouncil Tax - Reductions and Exemptions (People)	12.00
	Council Tax System - Connect	10.00
	Business Rates - Charitable Reductions	8.00

DEMOCRACY AND LEGAL

Registration

Coroner	10.00
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ECONOMY AND COMMUNITY

Community Regeneration

Welsh Church Fund	5.00
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Record offices, museums and the arts

Storiol - Governance and Management Arrangements	15.00
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Leisure

Leisure Centres	40.00
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Libraries

Youth Club Accounts	15.00
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Maritime and country parks

Hafan	10.00
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Sale of Diesel	10.00
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Beaches - Unannounced Visits	10.00
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ADULTS, HEALTH AND WELLBEING

Across the department

Business-Service Continuity Plans	20.00
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Budgetary Control - Provider	15.00
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Deprivation of Liberty	15.00
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Support Workers - Adults	15.00
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Business

Social Services Complaints Procedures	15.00
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Community Care

Holidays of Community Carers	10.00
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Adults

Direct Payments	15.00
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Personal Independence Payments	15.00
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Residential and Day

Plas Pengwaith, Llanberis	12.00
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Plas Gwilym, Penygroes	12.00
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Bryn Blodau, Blaenau Ffestiniog	12.00
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Llys Cadfan, Tywyn	12.00
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Housing Support	15.00
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CHILDREN AND FAMILY SUPPORT

Children and Families

Audit Code	Audit Name	Days
	Grants	24.00
	Gyda'n Gilydd Project	15.00
	Support Workers	15.00
	Adoption	20.00
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HIGHWAYS AND MUNICIPAL		
Fleet		
	MOT Fees	10.00
	Fleet Management	12.00
Waste Management and Streetsecene		
	Commercial Waste	15.00
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REGULATORY		
Public Protection		
	Flare System	15.00
	Animal Health	15.00
Council Land and Property		
	Capital Schemes - Property	15.00
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GWYNEDD CONSULTANCY		
Buildings and Environmental		
	Recruitment and Selectiom	10.00
Across the department		
	Overtime	15.00
	Project Plans	15.00
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		<u>970.00</u>

Agenda Item 9

COMMITTEE

AUDIT COMMITTEE

DATE

5 MAY 2016

TITLE

INSURANCE CLAIMS AGAINST THE COUNCIL

PURPOSE OF THE REPORT

PROVIDE AN OPPORTUNITY FOR THE AUDIT COMMITTEE TO SCRUTINISE THE COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS

AUTHOR

DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK

1. INTRODUCTION

- 1.1 A report was presented to the February meeting of the Audit Committee outlining the insurance claims made against the Council in 2013/14 and 2014/15, showing the ones that the Council was able to defend successfully, and those where there were costs to the Council and/or the insurance company.
- 1.2 The report was in response to articles in the press following a Freedom of Information Act request.
- 1.3 This report offers an update to that item, including the relevant information for the financial year 2015/16.
- 1.4 The Audit Committee is responsible for dealing with issues relating to risk, and dealing with insurance claims is part of that. Therefore, in order to carry out its duties as "those responsible for governance", there is a need for the Audit Committee to:
 - **Accept this report which explains the arrangements within Gwynedd Council for dealing with insurance claims.**
 - **Scrutinise the arrangements that are in place, so that it is clear that the Council has procedures in place to ensure that insurance payments are appropriate.**

2. GWYNEDD COUNCIL'S ARRANGEMENTS FOR DEALING WITH INSURANCE CLAIMS

2.1 The purpose of the Insurance and Risk Unit is:

Supporting the Council's departments as they assess the threats and opportunities that they could face when providing their services and as they prioritise their activities on the basis of the assessment. Protect the interests of taxpayers by ensuring appropriate insurance arrangements and dealing with claims.

2.2 Two officers work in the unit, namely the of Insurance and Risk Co-ordination Manager, and Insurance Officer.

2.3 The table that is included in the Appendix contains details of all insurance claims settled in 2015/16.

2.4 Given the purpose of the unit, the main performance measure for demonstrating that we are achieving our purpose is **Protecting the financial interests of the taxpayer: percentage of public liability claims denied (settled for £0).**

2.5 Analysis of all public liability and employer's liability claims settled in 2013/14, 2014/15 and 2015/16 shows the following:

Public Liability

	2013/14	2014/15	2015/16
Number of Public Liability claims closed, with costs	33 (26%)	26 (22.2%)	18 (21.2%)
Number of Public Liability claims closed, without costs	94 (74%)	91 (77.8%)	67 (78.8%)
Total number of Public Liability claims closed	127	117	85

Employer's Liability

	2013/14	2014/15	2015/16
Number of Employer's Liability claims closed, with costs	5 (55.6%)	3 (43%)	2 (25%)
Number of Employer's Liability claims closed, without costs	4 (44.4%)	4 (57%)	6 (75%)
Total number of Employer's Liability claims closed	9	7	8

Public Liability and Employer's Liability together

	2013/14	2014/15	2015/16
Number of Liability claims closed, with costs	38 (28%)	29 (23.4%)	20 (21.5%)
Number of Liability claims closed, without costs	98 (72%)	95 (76.6%)	73 (78.5%)
Total number of Liability claims closed	136	124	93

2.6 **That is, in 2013/14 72%, in 2014/15 76.6%, and in 2015/16 75.5% of liability claims against Gwynedd Council were settled without costs.**

3. ROLE OF THE INSURANCE COMPANY

- 3.1 All of the cases listed in the Appendix were subject to an excess of £25,000 (with the exception of two cases dating before 1 April 2006, where the excess was £10,000). Gwynedd Council paid any costs on the individual claims up to this threshold, and our insurance company pay any amounts above that.
- 3.2 It was reported to the Audit Committee in February that the excesses of our public liability and employer's liability policies will increase to £50,000 from April 2016. On the basis of a detailed analysis of our claims history, the Finance Department came to the conclusion that it would be a reasonable step to increase the excesses in this way in order to take advantage of the much lower premium that would result. There is a possibility, of course, our costs could increase if the number of successful claims against us increases.
- 3.3 It will therefore be a continuing challenge, in conjunction with all Council services, to manage our insurable risks in order to reduce accidents and allegations of neglect, not only for financial reasons, but for the sake of our colleagues and the public.

4. RECOMMENDATION

- 4.1 The Audit Committee is asked:
- **Accept this report which explains the arrangements within Gwynedd Council for dealing with insurance claims.**
 - **Scrutinise the arrangements that are in place, so that it is clear that the Council has procedures in place to ensure that insurance payments are appropriate.**

Public Liability Claims closed in 2015/16

Appendix 1

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
1	14/03/2010	Alleged that claimant slipped and suffered injury	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
2	21/11/2008	Claimant suffered injury during gymnastics lesson	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
3	30/12/2015	Drove over 30mph road sign that had fallen from a pole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
4	26/01/2016	Wheelie bin blown into claimant's van causing damage	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
5	03/01/2016	Damage to tyre from pothole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
6	23/12/2015	Damage to tyres from stones on road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
7	04/12/2015	Drainage curb was risen and loose causing damage to tyre.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
8	10/11/2015	Damage to tyre of car (DE14 BZX) due to hitting plastic stud in the middle of the road,	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
9	22/10/2015	Damage to vehicle's tyre and alloy caused by 100mm bolt on road surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
10	25/08/2015	Driver was driving on the road where there was overgrowth on both sides of the road causing scratches down each side of the vehicle.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
11	29/08/2015	Claimant's vehicle propped up on jack placed on uneven / unsteady ground. Jack collapsed damaging both the jack and vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
12	26/08/2015	Employee's windscreen damaged by (presumably) service user. Claim is for £75.00 excess on personal motor insurance.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
13	18/07/2015	Damage to vehicle because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
14	23/07/2015	Damage to vehicle by damaged fence that was protruding into road.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
15	03/08/2015	Wheel of wheelchair stopped dead in open gully	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
16	07/08/2015	Damage to vehicle from speed hump	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
17	08/07/2015	Exposed rocks in verge causing damage to tyre	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
18	01/07/2015	Damage to vehicle spring by sunken manhole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
19	10/06/2015	Tripped because of missing slate / block	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
20	03/06/2015	Damage to motorcycle and personal injury when motorcycle skidded on sand in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
21	23/05/2015	Alleged claimant tripped and fell over whilst crossing a road because of a pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
22	01/06/2015	Water damage to shop, allegedly because of 2 gullies being unable to take enough water after being moved, and surfacing of road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
23	20/05/2015	Service user lowered handbrake of employee car, causing car to roll back into wall	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
24	23/04/2015	Claimant tripped on kerb stone bringing a woman down with him	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
25	17/04/2015	Damage to tyres and alloy wheels from boulder in verge	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
26	09/04/2015	Claimant tripped on stones	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
27	15/02/2015	Damage to rear axle from pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00

28	20/03/2015	Drove into one (or numerous) potholes which could not be avoided and damaged vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
29	01/10/2014	Lost control of vehicle on diesel spillage	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
30	23/03/2015	Damage to vehicle caused by potholes	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
31	28/02/2015	Damage to tyre from going over a pot hole situated near a speed hump	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
32	01/02/2015	Damage to windscreen from sparks during cutting down sign	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
33	21/02/2015	Damage to vehicle coil springs due to condition of road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
34	29/01/2015	Burst tyre when driving through pot hole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
35	05/02/2015	Vehicle collided with stones in the road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
36	14/01/2015	Blue recycling box blown into path of vehicle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
37	03/01/2015	Claimant tripped and fell in an area that appeared to have been excavated to lay cables.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
38	30/01/2015	Claimant tripped on allegedly defective kerbstone	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
39	28/11/2014	Claimant tripped on raised paving slab causing him to fall forward.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
40	19/09/2014	Cyclist hit pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
41	29/11/2014	Loss of control of vehicle allegedly because of highway surface's condition, resulting in vehicle being rendered a write off.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
42	19/09/2014	Loss of shaver	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
43	13/09/2014	Claimant tripped on slightly chipped kerb	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
44	30/05/2014	Alleged that claimant tripped because of raised surface (???)	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
45	06/10/2014	Claimant allegedly tripped and suffered injury when Welsh Water cover in pavement opened beneath her	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
46	04/11/2014	Car skidded on leaves causing injury and car write off	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
47	12/10/2014	Damage to vehicle because of hole in road	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
48	29/09/2014	Claimant tripped in depression on pavement and twisted her foot.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
49	30/07/2014	Claimant tripped on degraded edge of manhole cover	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
50	07/09/2014	Claimant stepped in glass on pavement	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
51	22/07/2014	IP slipped or was pushed into door of disabled toilet	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
52	13/06/2014	Claimant is registered blind. Tripped over raised edge on the uneven pavement due to cracked paving stones.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
53	22/04/2014	Claimant injured thumb when depositing plasma tv into a skip	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
54	01/04/2014	Alleged that claimant fell and suffered injury because of uneven surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
55	06/04/2014	Claimant tripped on storm grid causing injury	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
56	12/02/2014	Flooding damage to property	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00

57	13/02/2014	Claimant allegedly stepped on loose paving stone which caused her to fall forward	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
58	09/01/2014	Claimant allegedly tripped over raised concrete	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
59	27/02/2014	Trapped finger in gap between fire exit doors whilst playing 5 a side	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
60	18/08/2013	Alleged that claimant turned his ankle when standing on an uneven surface	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
61	28/04/2013	Injury caused by piece of metal sticking out of a slide	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
62	21/01/2014	Alleged that claimant was thrown from his bicycle because of a pothole, also causing significant damage to the bicycle	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
63	01/04/2013	Landslide from rock face behind property damaged house	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
64	24/07/2013	Damage to TP vehicle by tree branch that was struck by vehicle in front	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
65	07/08/2012	Claimant allegedly fell and suffered injury because of pothole	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
66	07/10/2012	Bicycle collided with pedestrian walking in same direction.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
67	23/08/2011	Claimant tripped on uneven surface of steps.	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
68	05/10/2014	Damage to bicycle because of defect in highway's surface	Settled	220.91	0.00	0.00	0.00	0.00	220.91
69	01/06/2015	Alleged that empty 1100 bin was left without its brake on, and was subsequently blown into a vehicle causing damage.	Settled	378.00	0.00	0.00	0.00	0.00	378.00
70	08/06/2015	Damage to 2 vehicle tyres (2 on one vehicle, 1 on another) from pothole on side of road	Settled	387.72	0.00	0.00	0.00	0.00	387.72
71	13/07/2015	Damage to SP Manweb Ltd apparatus	Settled	1,245.89	0.00	0.00	0.00	0.00	1,245.89
72	28/07/2015	Damage to vehicle by gate when blown by wind	Settled	1,402.78	0.00	0.00	0.00	0.00	1,402.78
73	26/05/2015	Alleged damage to SP apparatus whilst excavating hole for 20mph sign	Settled	2,554.56	0.00	0.00	0.00	0.00	2,554.56
74	06/08/2013	Alleged that claimant fell and suffered injury because of uneven tarmac	Settled	0.00	0.00	1,672.00	0.00	1,283.00	2,955.00
75	24/07/2014	Claimant twisted foot in pothole.	Settled	1,300.00	637.00	0.00	1,771.00	0.00	3,708.00
76	10/08/2013	Injury to foot and ankle when descending boat onto metal strip on slipway	Settled	3,000.00	1,732.92	0.00	2,642.45	0.00	7,375.37
77	07/11/2014	Damage to the vast of a vessel when attempting to move it to be lifted with boat hoist	Settled	8,758.20	0.00	0.00	0.00	0.00	8,758.20
78	15/04/2011	Alleged that claimant suffered whiplash injury and damage to vehicle after driving into a pothole	Settled	1,750.00	0.00	298.00	12,000.00	0.00	14,048.00
79	19/12/2012	Unlawful entry to fisherman's compound and removal of goods	Settled	15,000.00	0.00	13,537.00	10,000.00	6,096.00	44,633.00
80	06/09/2012	Claimant tripped due to raised paving and sustained injury	Settled	6,000.00	615.00	900.00	13,898.72	5,101.28	26,515.00
81	02/11/2011	Alleged that claimant suffered injury because of missing manhole cover	Settled	20,000.00	0.00	5,663.50	19,305.00	4,455.40	49,423.90
82	02/01/2011	Alleged that claimant fell and suffered injury because of gap between kerb stones	Settled	10,000.00	6,255.38	1,631.00	20,250.00	5,250.00	43,386.38
83	07/02/2011	Alleged that claimant fell and suffered injury because of pothole / degraded road around drain	Settled	5,000.00	762.00	5,027.40	11,421.50	5,215.53	27,426.43
84	19/12/2010	Alleged that claimant slipped and suffered injury because of snow and ice	Settled	10,000.00	1,615.00	1,812.00	11,778.18	6,702.54	31,907.72
85	18/09/2010	Alleged that the deceased passed away because of complications during surgery on a broken femur brought about after slipping on a mossy slab	Settled	25,000.00	1,615.00	4,623.00	22,649.00	5,157.15	59,044.15

111,998.06	13,232.30	35,163.90	125,715.85	39,260.90	325,371.01
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Employers Liability Claims closed in 2015/16

Ref	Incident Date	Details	Result	Compensation	Compensation Recovery Unit	Own Legal Costs	Claimant's Legal Costs	Other Fees	Total Costs
86	09/02/2012	Claimant fell on ice that had accumulated on step leading to a service users property	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
87	04/09/2012	Claimant injured her back when lifting a box	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
88	31/03/2000	Noise induced hearing loss	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
89	01/04/2013	Noise induced hearing loss	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
90	28/12/2013	Injured thumb when automatic bin lift kicked in and claimant still had hand close to 660 bin lid	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
91	01/04/2003	Hand arm vibration syndrome	Settled No Cost	0.00	0.00	0.00	0.00	0.00	0.00
92	24/02/2014	Claimant suffered injury to back whilst attempting to move service user who was refusing to move from floor of shower	Settled	4,748.48	0.00	244.80	4,770.62	0.00	9,763.90
93	22/10/2013	Whilst cutting trees, BT lines became taut, sprung back causing the claimant	Settled	21,626.97	2,674.89	0.00	2,974.00	0.00	27,275.86
				26,375.45	2,674.89	244.80	7,744.62	0.00	37,039.76

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE
PURPOSE OF REPORT	TO PRESENT A SUGGESTED APPROACH FOR ASSESSING THE EFFECTIVENESS OF THE AUDIT COMMITTEE, AND CONSIDER THE APPROPRIATE METHOD OF IMPLEMENTATION
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUE AND RISK
ACTION	TO CONSIDER THE CONTENTS, OFFER COMMENT THEREON, AND RESOLVE WHETHER TO UNDERTAKE A SELF-ASSESSMENT

1. INTRODUCTION

- 1.1 The Audit Committee has a key role within the authority's governance arrangements – this is the Committee that has been designated as "those responsible for governance". This means that it has the task of ensuring that the Council's governance arrangements are robust.
- 1.2 As a result, the Committee is also one of the 33 elements in the Council's Governance Framework. In the latest matrix (presented to this meeting as a separate item), an Impact score of 2 out of 5, and effectiveness score of 3 out of 5, is noted for the Audit Committee.
- 1.3 Although these scores are assessed regularly by the Governance Arrangements Assessment Group, and are presented to the Management Group and the Audit Committee, best practice would be for the Committee itself undertake an occasional self-assessment.

2. UNDERTAKING THE SELFASSESSMENT

- 2.1 The Welsh Government's Statutory Guidance from the Local Government Measure 2011 (June 2012), it is noted that the Government has previously endorsed CIPFA's publication "*Audit Committees: Practical Guidance for Local Authorities*" and continues to do so, and local authorities are advised to view this document as being complimentary to the statutory guidance.
- 2.2 CIPFA'S publication was originally published in 2005, and the statutory guidance themselves note that it had become somewhat dated by 2012. A new version of "*Audit Committees: Practical Guidance for Local Authorities*" was published in 2013.
- 2.3 This guidance includes a tool to assist members of audit committees to assess where their Committee operates in the most effective way, and where there is scope to do more. CIPFA's assessment guidelines are included in the Appendix.
- 2.4 As can be seen, the assessment document is neither lengthy nor complex, but if it is to be utilised there will be a need to dedicate time to undertake the work – a formal committee meeting is not a suitable forum.
- 2.5 The Audit Committee is therefore asked to consider holding a workshop of its members with a facilitator during May / June 2016, in order to conduct its own assessment of its effectiveness.
- 2.6 Not only would the outcome of the assessment will feed into the self-assessment of the governance arrangements, and to the Annual Governance Statement, but will also contribute to further work that the Wales Audit Office will undertake on our governance arrangements during 2016/17.

3. RECOMMENDATION

- 3.1 **The Committee is requested to consider whether to organise a workshop during May / June 2016 in order to conduct a self-assessment of its effectiveness and, if agreed, to decide on a location.**

Evaluating the Effectiveness of the Audit Committee

Assessment key

- 5 Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 1 No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	<p>Providing robust review of the AGS and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>		
Contributing to the development of an effective control environment.	<p>Monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks</p>		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit.</p>		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<p>Reviewing the audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements and supporting improvements</p>		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.		
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's <i>Managing the Risk of Fraud (Red Book 2)</i> . Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governors.		
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain language. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.		

COMMITTEE	AUDIT COMMITTEE
DATE	5 MAY 2016
TITLE	SELF-ASSESSMENT OF GOVERNANCE ARRANGEMENTS
PURPOSE OF REPORT	TO PRESENT A REVISED MATRIX THAT SHOWS THE RESULT OF THE SELF-ASSESSMENT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS FOR APPROVAL
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUE AND RISK
ACTION	TO CONSIDER THE CONTENTS, OFFER COMMENT THEREON, AND APPROVE THE MATRIX

1. INTRODUCTION – WHAT DOES THE AUDIT COMMITTEE NEED TO DO?

- 1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit Committee to:
- **Challenge the Senior Manager Revenue and Risk on the new matrix (5 x 5) to be used to show the self-assessment of the 33 elements in the Council's governance framework (in the Appendix), and in particular the "Impact" and "Effectiveness" scores that have been identified.**

2. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

- 2.1 For some time, the Governance Arrangements Assessment Group has undertaken a continuous review of the Council's governance arrangements. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, two Corporate Support Senior Managers, the Senior Manager Revenues and Risk and the Strategic Planning and Performance Manager.
- 2.2 A report on the Self-Assessment of Governance Arrangements was presented to the Committee at its last meeting, in February. That report included an update on the arrangements, including the outcome of a review that had been undertaken in December and January.
- 2.3 At that meeting, the Committee decided to approve the comments of the Management Group (Chief Executive, Directors and Heads of Department) that was a need to improve the effectiveness score of "The Council's Culture" and the effectiveness score of "The Scrutiny Process" and put both in the Amber. As a result, there are no longer any elements within the red area.

3. CHANGES SINCE THE LAST AUDIT COMMITTEE MEETING

- 3.1 Since presenting a report to February's meeting, there have been the following changes to the self-assessment:
- In its meeting in January, the Management Group suggested that the Governance Arrangements Assessment Group should consider using a 5 x 5 Impact/Effectiveness matrix rather than 10 x 10, as a means of improving the visual impact. After considering the advantages and disadvantages of the two matrices, the Governance Arrangements Assessment Group resolved that the 5 x 5 to assess governance arrangements that matrix 5 x 5 excelled a little; the new matrix appears in the Appendix.
 - When comparing the Council's Governance Framework against a checklist prepared by the Wales Audit Office, the Governance Arrangements Assessment Group was of the view that two further elements need to be added, namely **Use of Technology** and **Asset Management**.
 - It was agreed that the title "Staff Appraisal, Training and Development" should be changed to "**Workforce Planning**".
- 3.2 Since the diagram containing the Impact and effectiveness scores has been amended, it is necessary for the Audit Committee to satisfy itself that it continues to be a fair reflection of the Council as far as it is aware, on the basis of the information received over the year.
- 3.3 It is noted that although the form of the matrix has changed, the relative location of the different elements have not, except for the addition of the two new elements.

4. TIMETABLE

- 4.1 The self-assessment presented here is a key step in developing the 2016 Annual Governance Statement, which is the statement that formally reports on the results of the self-assessment of the Authority's governance arrangements.
- 4.2 The fact that the Governance Arrangements Assessment Group has met regularly during 2015/16 and that the Audit Committee has received reports and had the opportunity to challenge the work of the Group, gives a robust foundation for preparing the governance statement.
- 4.3 The governance statement will be submitted to the Audit Committee on June 23, for approval.

5. RECOMMENDATION

- 5.1 The Audit Committee is requested to
- Challenge the Senior Manager Revenue and Risk on the new matrix (5 x 5) to be used to show the self-assessment of the 33 elements in the Council's governance framework (in the Appendix), and in particular the "Impact" and "Effectiveness" scores that have been noted.

Impact: How relatively large is the impact when adding public value for the people of Gwynedd?	5		The Council's Culture		
			4		The Council's Strategic Plan
	Workforce Planning				
	Integrated Public Services	Financial Strategy			
	Information Governance				
	Engagement				
	3	The Scrutiny Process	Risk Management Arrangements	Local Code of Governance	The Constitution
			Performance Management	Use of Technology	
	2		Response to External Auditor's Annual Report	Gwynedd Council's Performance Report	Officer Code of Conduct
			Audit Committee	Member/Officer Relations	
			Internal Audit		Members Code of Conduct
			Procurement Strategy		
	1	Member Inter-relationships	Member Training and Development	Whistleblowing Code of Practice	Statutory Officer Protocols
			The Complaints Process	The Standards Committee	Decision Notices
					Statement of Accounts
	1				
	2				
	3				
	4				
	5				
		1			
		2			
		3			
		4			
		5			
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