

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	30 JUNE 2015
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 MARCH 2015
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 2015 to 31 March 2015.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 31 March 2015:

Description	Number
Reports on Audits from the Operational Plan	24
Other Reports (memoranda etc)	4
Grant Reviews	4
Follow-up Audits	5

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

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
ICT in Secondary Schools	Education	Resources	B	Appendix 1
Jobs System – Security and Accuracy	Corporate		C	Appendix 2
Mobile Phones	Corporate		B	Appendix 3
Learning and Development Arrangements	Corporate		B	Appendix 4
Health and Safety – Lone Working	Corporate		C	Appendix 5
Protocol for Member – Officer Relations	Corporate		B	Appendix 6
Corporate Governance – Implementing Committee Decisions	Corporate		A	Appendix 7
Debtors System – Review of Key Controls	Finance	Financial	B	Appendix 8
Payments System – Review of Key Controls	Finance	Financial	B	Appendix 9
Bank Reconciliation – Review of Key Controls	Finance	Accountancy	B	Appendix 10
Payroll System – Review of Key Controls	Finance	Pensions and Payroll	B	Appendix 11
Payroll – Multiple Jobs	Finance	Pensions and Payroll	B	Appendix 12
Gwynedd Pension Fund – Review of Key Controls	Finance	Pensions and Payroll	A	Appendix 13
Benefits System – Review of Key Controls	Finance	Revenue	A	Appendix 14

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Council Tax System – Review of Key Controls	Finance	Revenue	A	Appendix 15
NNDR System – Review of Key Controls	Finance	Revenue	A	Appendix 16
IT – Backups and Service Continuity Arrangements	Finance	Information Technology	C	Appendix 17
Network Convergence	Finance	Information Technology	N/A	Appendix 18
Gwynedd Museum and Gallery Development Plan	Economy and Community	Record Offices, Museums and the Arts	C	Appendix 19
Galw Gwynedd	Adults, Health and Wellbeing	Customer Contact	A	Appendix 20
Assets of Care Home Residents	Adults, Health and Wellbeing	Residential and Day	B	Appendix 21
Collaboration with the Health Board	Children and Family Support	Children and Families	B	Appendix 22
Children’s Services – Commissioning of Care	Children and Family Support	Children and Families	C	Appendix 23
Parking Enforcement	Regulatory	Transportation and Street Care	B	Appendix 24

2.2.2 The opinion categories within the reports affirm the following:

- Opinion “A” Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.
- Opinion “B” Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.
- Opinion “C” Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.
- Opinion “CH” Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses/fraud resulting from these weaknesses were discovered.

2.2.3 In addition to the above, the following audits were undertaken where a memorandum was produced, rather than a full report, and an opinion category was not given:

- **Use of Technology – Value for Money Review** (Corporate). The purpose of the audit was to ensure that the Council achieves value for money in respect of all software, systems and licences which is in its possession and to ensure that arrangements are in place to identify opportunities for efficiency savings. It was found that the potential of value for money in respect of software and licences had already been identified by the Information Technology Service and that positive steps had already been taken such as establishing a corporate register. However, it was found that the register was incomplete – it is essential that the register is maintained with up-to date and accurate information and that the relevant officers participate fully in the process.
- **Fixed Asset Register - Vehicles** (Finance). The review was conducted following a matter highlighted in a Wales Audit Office “Audit of Financial Statements Report” which was presented to the Audit Committee on 25 September 2014. The purpose of the audit was to review the details maintained on the asset register in respect of vehicles and compare the information with other sources of data such as the database maintained by the Fleet Manager and data held by the Insurance Unit. It was found that significant variances existed in their contents. As a result of the review, arrangements have been established to ensure that the details and the information maintained in all sources are in agreement.
- **Social Services Information System** (Adults, Health and Wellbeing). The purpose of the audit was to ensure that adequate arrangements have been established for the transfer to the new information system which will protect the Council’s interests by ensuring that there is sufficient control over the Social Services records. Gwynedd Council is one of eight Authorities which is involved in a collaboration for the procurement of a new information system to be established by 2016. Social Services do not foresee that a system will be procured until at least 2016, therefore, Internal Audit is of the opinion that this project should be review further in 2016.
- **Depots and Workshops – Stock Control** (Highways and Municipal). The purpose of the audit was to ensure that proper arrangements exists over stock control in the Council’s depots and workshops, and that arrangements are in place to improve procedures following the publication of the EDGE report in July 2014. The Fleet Service are committed to implement all the recommendations in the report and this will have a huge impact on transport arrangements across the Council. Internal Audit will revisit the stock control arrangements in the future but in the meantime, Internal Audit will be at hand to provide assurance that any amendments in procedures will mitigate the risks identified.

2.3 Grants

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

- Post-16 Provision in Schools Grant (Education)
- Families and Communities First grant (*Strategic and Improvement*)
- Flying Start Revenue Grant (*Children and Family Support*)
- Llywddo'n Lleol Grant – Closure Arrangements (*Economy and Community*)

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

2.4 Follow-up Audits

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

TITLE	DEPARTMENT	SERVICE	FOLLOW-UP OPINION
Software Licences - Schools	Education	Resources	Unsatisfactory
Overtime Claims Procedure	Corporate		Acceptable
Staff Protection Register	Corporate		Acceptable
Communities First (New Programme)	Economy and Community	Community Regeneration	Acceptable
Country Parks	Economy and Community	Maritime and Country Parks	Acceptable

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

Excellent -	all recommendations implemented as expected.
Acceptable -	most recommendations, including the majority of “essential” recommendations, implemented as expected.
Unsatisfactory -	several recommendations not implemented.
Unacceptable -	most recommendations (including essential recommendations) not implemented, and no evidence of efforts to improve internal controls.

- 2.4.3 The list below shows the 'C' or 'CH' opinion category reports presented to the Audit Committee as appendices to the quarterly reports, where a report to the Committee regarding the follow-up remains outstanding. The list shows the target completion date for each of these follow-up audits:

Completion Target: Quarter ending 30 June 2015

Food Hygiene, Health and Safety Inspection Programmes
Direct Payments

Completion Target: Quarter ending 30 September 2015

Children's Services – Commissioning of Care

Completion Target: Quarter ending 31 December 2015

Jobs System – Security and Accuracy
IT – Backups and Service Continuity

Completion Target: Quarter ending 31 March 2016

Health and Safety – Lone Working
Gwynedd Museum and Gallery

2.4 Responsive Audits

- 2.4.1 **Cefn Rodyn** – An audit was carried out on the financial arrangements at Cefn Rodyn Residential Home to ensure that they complied with the Council's Financial Procedure Rules. Examples were found of failure to comply with the Council's administrative arrangements and failure to comply with the Financial Procedure Rules. Recommendations were made to strengthen controls and a full audit has been incorporated in the Internal Audit Plan for 2015-16.
- 2.4.2 **Information Security Incident, Penrallt Office** – The purpose of the audit was to investigate the events that led to the discovery of files in a skip at the Penrallt Offices. These events happened during a period of time when several services were relocating offices. Internal Audit is of the opinion that a lack awareness of the proper arrangements for relocating and the lack of knowledge of the guidelines for "Moving and Clearing" were contributing factors to the incident. An audit of "Information Governance – Data Protection Act" has already been incorporated in the Internal Audit plan for 2015-16.

3. RECOMMENDATION

- 3.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 February 2015 to 31 March 2015, comment on the contents in accordance with members' wishes, and support the recommendations already presented to the relevant service managers for implementation.

ICT IN SECONDARY SCHOOLS

Education

Purpose of the Audit

Ensure that appropriate arrangements exist for managing information and communication technology in secondary schools, in order to alleviate risks in accordance with relevant policies and procedures.

Scope of the Audit

A sample of secondary schools in Gwynedd was selected to be inspected for audit purposes.

Visits to the schools were undertaken to conduct audits to ensure that appropriate arrangements were in place for managing information and communication technology at the schools.

Main Findings

The main findings derived from the audit is that the governing bodies of some of the schools have not adopted the IT policies that were provided by Cynnal, and that they need to adopt them. The rights of the schools' Technicians and Cynnal officers must be changed to a level below 'Domain Administrator' on the schools' computer system. Detailed software licences policies and current software inventories do not exist in all of the schools inspected. Nevertheless, on the whole it was seen that appropriate security existed for managing information and communication technology at the schools.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety within ICT management procedures in the Secondary Schools as there are controls in place, but there are aspects where some arrangements could be tightened. The main recommendations of the report are as follows:

- Arrangements should be made for the Governing Body of the schools identified to adopt the ICT systems and security policy and the password management policy that were provided by Cynnal.
- They should continue with the work of changing the rights of School Technicians and Cynnal officers to a level below 'Domain Administrator', ensuring that only the school's ICT Systems Manager has 'Domain Administrator' access to the system.
- It should be ensured that staff change their SIMS.net and FMS passwords in accordance with password management policies that have been adopted by the Governing Body.
- The Technicians should consider disabling access for the school's staff to computer systems where possible, in order to ensure that staff comply with the school's password management policy – this can be done by forcing staff to change their passwords at particular times.
- It would be good practice to purchase pen drives and encrypt them and distribute them to the teachers.
- It would be good practice if all teachers, and where relevant other school staff, signed a statement to confirm that they accept that it is their responsibility to protect any personal data that is transported from the school, and that any data transported is done so using an encrypted, password-protected device. The teachers/staff should be notified as part of the signed statement that it is their responsibility to obtain the encrypted device from the Technician / administrative staff.
- It should be ensured that an appropriate software licences policy exists in every school which specifies different fields appropriately.
- It should be ensured that every school has a current software inventory which contains appropriate details about the software on the school's computers.

JOBS SYSTEM Corporate

Purpose of the Audit

The purpose of the audit was to check the details of the Gwynedd Jobs System to ensure that the information was up-to-date and correct and that the structure of the management chain was accurate.

Scope of the Audit

Reality checks were undertaken on a cross-section of services and departments where it was known that structural changes had taken place recently, along with a check on the details of those services that had transferred to other departments as a consequence of restructuring on a departmental level. In addition, discussions were held on the development of the system with relevant officers of the Human Resources Department.

Main Findings

The Gwynedd Jobs System was developed as a basis to assist with proposed solutions as a result of the *Ffordd Gwynedd* reviews, e.g. self-service for submitting travelling and subsistence costs. However, for the services selected to undertake checks, it was found that there were substantial weaknesses, especially from the perspective of the accuracy of the hierarchical management framework. Several factors contribute to this failure, including lack of awareness of the system from the viewpoint of managers, lack of appropriate training for officers of the Support Service and lack of awareness of managers/senior managers of the need to introduce any changes in structure and accountability to the relevant services within the Human Resources Department.

It was seen that the details of the payroll system were compared with the details in the jobs system daily (overnight) - the data is matched on the basis of post number. A "Missing Posts" report was run which provided details of employees who were on the payroll but where there were no details of them on the jobs system. It was found that investigations were not undertaken in these cases and failure to check the details could lead to the possibility that a ghost employee could be on the payroll. Details of the Gwynedd Jobs System also feed into *Dolen Dysgu* and this means that the details of that database are not correct either and therefore it has implications for the Learning and Development Service. Neither was the system recording correctly the contractual hours of employees on a temporary contract on every occasion. This issue has already been identified and it has been addressed.

It is important to acknowledge that much work and effort has been made on developing the Gwynedd Jobs System and there is no criticism from the perspective of the operation of the system but rather the details inputted into the database. If the system is to be a basis for solutions, it is crucial that the data is correct and that arrangements have been established to cope with those employees that have multiple jobs.

Audit Opinion

(C) The Audit Opinion is that assurance cannot be given of propriety in the administration and accuracy of the Gwynedd Jobs System as the controls in place cannot be depended upon. The main recommendations of the report are as follows:

- **It should be ensured that the details of the Gwynedd Jobs System are accurate – consideration must be given to visiting Departmental Management Teams and/or services to ensure that the details of post holders are correct along with the management chain.**
- **Consideration should be given to establishing a timetable for holding presentations, introducing training along with the implications of informing managers of structural changes.**
- **It should be ensured that immediate action is taken on the "Missing Posts" reports.**
- **It should be ensured that there are clear arrangements for reporting to the Support Service if a post is deleted from the establishment and what the management ladder is as a consequence of this.**

MOBILE PHONES

Corporate

Background

An internal audit report was published on mobile phones in 2010-11. The audit highlighted that there was insufficient control on the arrangements for ordering and managing the use of mobile phones. In addition, it was seen that managers had authorised applications to order and update mobile phones without considering the business needs for this. It was also found that several Council officers had ordered more than one telephone device such as a PDA, a mobile phone and an iPhone as a result of receiving their managers' approval.

In the report, it was stated: *"The auditors are of the opinion that substantial financial savings are available if a thorough review was to be undertaken of the mobile phones that are in existence to assess whether there is a real need for them and by undertaking appropriate steps to discuss with the company the possibility of receiving electronic bills which would reduce processing time, remove errors and release staff resources."* It was recommended *"A comprehensive and inclusive review should be undertaken to the arrangements in relation to mobile phones and IT equipment to ensure that the system works in the most efficient and consistent way and that any savings, whether they are time or financial resources, are identified and achieved"*.

Although the Council has a national framework contract, the expenditure has increased substantially over the years. Consequently, the Senior IT and Business Transformation Manager submitted a report to the Council's Strategic Efficiency Project Board outlining the need for the Council to establish a new contract along with the options and benefits of moving to a new contract. Revenue savings of approximately £50,000 were estimated in the 2014-15 budget – the saving was based on average expenditure over three years.

Purpose of the Audit

The purpose of the audit was to review the arrangements and the steps for establishing a new contract for the Council's phones and mobile devices.

Scope of the Audit

The audit included reviewing project documents including checking that the service had complied with the appropriate regulations; that there are specific arrangements for scoring tenders which had been received and that the Council received a service of the best quality.

Main Findings

It was seen that the Council had opened a competition by means of the Framework Agreement on 1 August 2014 and a contractor had been selected for their service on 15 November 2014. At the time of the audit, the contract had not been formally signed because of the need to check the Call Off Form, namely a specific document attached to the contract and a requirement under the contracts arrangements of the Public Services Network as defined in the Framework Agreement.

It was decided to use the mini competition method on the Government's Framework Agreement for mobile phone services. Prior to this, a project was commissioned, at the request of the Senior IT Manager and Business Transformation to identify unused mobile phone accounts so that those accounts could be deleted.

It was identified that the Council had approximately 1800 mobile phone accounts that were live – and as a result of the project it was possible to delete approximately 125 accounts. It was logical to undertake this exercise prior to preparing the tender document.

As part of the audit, a report was produced of the employees who had received a telephone allowance in their salaries. It was found that several employees who were in receipt of this allowance also had mobile phones. The current mobile network is a fast and dependable network and therefore the need to pay a telephone allowance in addition to the provision of a mobile device for some employees can be challenged. ***It is important to note that this is not an issue for the Information Technology Service.***

It was decided to use Framework RM1498 of the Public Services Network, specifically lot 6, where there is an option for a direct award. During the period when the documents were prepared, evaluating the tender for competition, and the awarding process, evidence was received that the IT Service had consulted with the Procurement Unit in every step of the competition. It can be confirmed that the mini competition was held in accordance with the Public Contracts Regulations 2006. The invitation to tender was published on sell2wales.gov.uk on 30 June 2014 with the closing date stipulated, namely 1 August 2014. The criteria for evaluating the tenders were incorporated in the invitation to tender document – those criteria were 65% price-based and 35% quality-based with clearly defined sub-headings. One company completed the tender, and following an evaluation of the tender by the IT Service and the Procurement Unit, it was concluded that the company satisfied the necessary requirements in full and consequently the contract was awarded to that company.

Audit Opinion

(B) The audit opinion is that partial assurance can be given of the propriety in the arrangements for awarding the Council's mobile phones contract. The only aspect that needs addressing is to agree on the Call-Off details of the contract to progress towards signing and sealing the contract formally to ensure the Council's interests are safeguarded.

LEARNING AND DEVELOPMENT ARRANGEMENTS

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that the information submitted by the Learning and Development systems are correct, up-to-date and that they are of a standard that is acceptable to the Council. In addition, it is proposed to ensure that the e-learning provision is available for all members of staff and the manner in which it is used maximises the Council's resources.

Scope of the Audit

Investigate the quality assurance arrangements of the information held in the Learning and Development systems along with promoting and informing members of staff of their existence.

Main Findings

It was seen that use is made of the training system which allows managers to check the training of members of their staff but one of those who had not used the system noted that the reason for this was because of the errors in the system.

It was seen that the training database had not been updated with information about officers who had completed the tests involving the Council's policies. Now, there is a different system for managing these policies and a business case has been drawn-up to create a system which will mean that the information will feed automatically from one system to the other. Therefore, there are arrangements in the pipeline to ensure that information is updated. In addition, information was received that a reminder e-mail was sent periodically to owners of the online policies to remind them to check and update as required. The policy owners can choose the frequency of receiving this e-mail themselves.

It was also seen that work was ongoing to promote officers to use the E-Gwynedd system and to market it. This includes attending team meetings to receive the support of managers and to show staff members how to use it. Although not many of the processes are in place at this time, there are definite arrangements in place to ensure this.

Audit Opinion

- (B) **The Audit Opinion is that partial assurance can be expressed regarding the learning and development arrangements as controls are in place and planned aspects are in the process of being implemented.**
- **The *Dolen Ddysgu* system should be marketed to line managers and staff once the information in it can be relied upon.**

HEALTH AND SAFETY – LONE-WORKING

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that appropriate health and safety arrangements were in place for lone-working members of staff following the disposal of the corporate lone-working system.

Scope of the Audit

Question Service Managers for a sample of services to ensure that they had considered the health and safety of those members of staff who were lone-workers, together with checking documentation such as risk assessments.

Main Findings

A sample of six services across the Council was examined. It was found that there was no up-to-date risk assessment for lone-working in over half the sample and some had no risk assessment at all. It is important to ensure that risks faced by Council employees are alleviated as far as is practically possible. Identifying the risks will assist in achieving this and in making appropriate decisions on how to mitigate them. Also, there is a need to identify a work procedure for lone-working which includes the steps that should be followed and what is expected of the officers that are lone-workers. Having these in writing strengthens the process and ensures that officers are aware of the procedure and that there is no misunderstanding of what is expected of them. It also provides evidence that the Council takes its responsibility to take reasonable care of its employees' health and safety seriously. However, it was not apparent that the Managers were aware of their responsibilities to ensure health and safety arrangements for their employees.

It was also seen that it would be worthwhile for Managers to look into the resources and technologies that are available to support lone-workers and to make the most of them.

The services that were audited as part of the sample will receive information regarding the recommendations that are relevant to them, along with the full report.

Audit Opinion

- (C) **The Audit Opinion is that assurance cannot be given of propriety in the Health and Safety – Lone-Working arrangements since the controls in place cannot be depended upon. The main recommendations of the report are as follows:**
- **Appropriate risk assessments should be established referring to lone-working arrangements of the department/service.**
 - **It should be ensured that risk assessments are reviewed annually and that this is noted in the assessment.**
 - **A work procedure should be established and shared with relevant members of staff. In addition, there must be regular monitoring to ensure that the lone-working arrangements are followed.**
 - **A work procedure must be established for those employees who return home after completing their duties/visits, e.g. contact the office to confirm that they have arrived home.**
 - **It should be ensured that the office is aware of where the officers are visiting.**
 - **It is suggested that the relevant Managers contact their Health and Safety representative so that they can look into the options that are available for lone-working.**
 - **The Personal Safety course, which is held on a corporate basis should be offered to relevant officers.**

PROTOCOL FOR MEMBER-OFFICER RELATIONS

Corporate

Purpose of the Audit

The purpose of the audit was to ensure that members and officers complied with the protocol for Members and Officers relations. That both sides understand the importance of complying with each other and to follow the guidance outlined for them in this protocol.

Scope of the Audit

It was checked to ascertain whether Members and Officer were aware of this protocol and its content. It was ensured that they communicated and collaborated with each other efficiently and achieved the requirements outlined in the protocol.

Main Findings

It was seen from the audit that the protocol was incorporated during the day-to-day work between officers and members. The Monitoring Officer takes a leading role in ensuring that the protocol is being followed alongside the members' code of conduct and the officers' code of conduct. The protocol is in place to protect members and officers within their posts so that their duties are not undermined as a result of the behaviour and requirements of one side or the other. Every case of a breach of protocol or a suspicion of doing so is dealt with by the Monitoring Officer. The cases that do arise are random and they do not follow the same order every time as they can happen at any time under any circumstances. Therefore, it is important to deal with each one individually to ensure fairness for those that are affected. However, at the time of the audit it was seen that the version of the Council's Constitution on the Council's website had not been updated.

Audit Opinion

(B) The Audit opinion is that partial assurance can be given of the propriety of the Protocol for Member-Officer Relations 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 old Constitution is updated with the newer version of the Constitution on the Council's website.**
- **Elected members must be reminded of the need to sign in and sign out when they visit any Council owned property in accordance with the Corporate Fire Safety Policy.**
- **Consideration should be given to add a clause to the Protocol which notes the need to declare any close personal connection, or perhaps refer to the "Gifts and Hospitality Policy for Staff" in the Protocol.**
- **Consideration should be given to add a clause regarding appeal in the Protocol.**

CORPORATE GOVERNANCE – IMPLEMENTING COMMITTEE DECISIONS**Corporate****Purpose of the Audit**

The purpose of the audit was to ensure that committee decisions are implemented in accordance with the rules and in a timely manner.

Scope of the Audit

The audit focused on selecting a sample of decisions and ensured that what had been determined had been documented and implemented in a balanced and correct manner. Also, committee minutes, fees and payments were checked and any other relevant documents.

Main Findings

During the audit, it was found that the Cabinet Leader has the authority to delegate Executive Functions. The Leader has the authority to decide whether individual members of the Cabinet should have responsibility for specific functions (portfolios) along with authorising these individual Members to make personal decisions in connection with those portfolios.

A sample of eight decisions was selected and it was seen that there were appropriate minutes for each one of them. It was assured that the decisions had been made by the correct Cabinet Member/Committee in each case.

Audit Opinion

(A) The Audit Opinion is that assurance of propriety in the arrangements for Corporate Governance - Implementing Committee Decisions can be expressed as it is possible to depend on the internal controls which are in place, and that they have been followed.

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 arrangement 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 and that information is 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 2013/14 was audited 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.

Elements of duplication were seen in the customers' accounts, namely, more than one account for the same customer. It is not possible to create a debt for a customer if they have not been established on the debtors' system. The Income Service has the right to establish a customer in the system, i.e. the “Accounts Receivable” module, but at the request of individual services only. For applications for specific work processed through *Galw Gwynedd*, where there is a need to raise an invoice, the details are recorded in the Siebel system and then an extraction from the system is imported into the debtors' module.

However, except for two specific customers, for officers of *Galw Gwynedd*, the debtors' numbers were unknown to them and consequently a customer number was created automatically for each new invoice created via the Siebel system. This means that there is a potential for duplicated accounts to increase substantially.

Also, duplicated reference numbers for invoices were highlighted, namely different invoices with the same reference number; this could mean in some exceptional cases that customers paid the incorrect invoice. Although the Income Unit has already discussed this problem with the Information Technology Service, it has not been resolved thus far. It was explained that 15 digits are needed to process a payment in full, not only the reference number and, therefore, the likelihood of a customer paying the incorrect invoice is very unlikely.

A sample of debts that were in the recovery process was taken in order to find what action had been recorded in the main accounting system. The action did not correspond with the recovery timetable in several cases but it was explained that the major debts were being addressed.

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:

- **Arrangements must be made to ensure that the relevant officers of Galw Gwynedd receive “read only” access to the debtors’ database details, and also to hold discussions with the Customer Care Service and the Information Technology Service to establish a specific script for exporting the correct details to the debtors’ module in order to avoid the numbers of duplicated accounts.**
- **A solution must be found to remove the risk of paying incorrect invoices.**

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:

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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 reviewed a sample of payments made to Council creditors during 2014/15 together with controls over creditors' data.

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. Also, it was found that a facility which highlights and identifies duplication in the details of invoices 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 seen that a specific sheet had been established for requests received to change the details of standing data, specifically details of bank accounts. It was found that appropriate checks were undertaken and that there was sufficient separation of duties in the process to change bank details of creditors. Because of the need to occasionally create an account for two different suppliers belonging to the same parent company, and as a result using the same receipts account and VAT number, there is no obstacle to creating duplicate accounts for creditors. It should be ensured that duplicate accounts are only created in circumstances where it is completely necessary.

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:**
- **It should be ensured that duplicate accounts should only be created in circumstances where it is completely necessary.**

BANK RECONCILIATION - 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 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 are in place.

Scope of the Audit

Audit the procedures in place for undertaking bank reconciliations and to ensure that guidelines are available to officers. To select a sample of bank reconciliations in 2014/15 and to ensure that they comply with the procedures. To ensure that bank reconciliations are reviewed and signed regularly.

Main Findings

It was found that on the whole there were robust internal controls in the process of reconciliation and a second officer had checked the reconciliations in the sample that was selected. However, it was seen that a second officer had not checked the reconciliation work for months 2 and 3. It is crucial to ensure that a second officer checks the reconciliations to ensure accuracy and to mitigate the risk of any errors which is crucial for preparing the Council's accounts. It must be noted that this had also been highlighted in last year's audit. Following a discussion with the Senior Finance Manager, it was explained that arrangements for checking during absences will be established immediately.

Audit Opinion

- (B) The Audit opinion is that partial assurance can be expressed of financial propriety in Bank Reconciliations – 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 reconciliations of the Central Finance Unit are authorised and certified correct by a Senior Officer.**

THE PAYROLL 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 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 2014/15 year.

Main Findings

It was found that strong internal controls existed within the Payroll Unit's administrative arrangements. Despite this, a weakness was seen when checking the 'Payroll Checking Document', and it was highlighted on three occasions that there was no signature in the 'Payrun Reports checked by' section and no signature in the 'Journal Checked by' section on one occasion. Signatures in these sections show that the relevant checks have been completed before releasing the payrolls to be paid. Also, no copy of the sheet was received for one month. However, another sample was taken for January and it was found that the sheets had been signed and dated appropriately.

In addition, it was found that the unit has no current guidelines for the staff – the 'Payroll Manual' document which shows the steps to take in different circumstances within the system, had not been updated for years. Also, the Unit's 'Contingency Plans for Emergency Payment of Salaries' is not up to date. The Payroll Manger is aware of this. It should be noted that the same weaknesses were found in the audit of 'The Payroll System – A Review of Key Controls' in 2013-14.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the Payroll 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:

- It should be ensured that up-to-date guidelines are available for each member of staff.
- It should be ensured that appropriate documentation of the “Payroll Checking Document” is signed and dated to show that the appropriate checks have been completed.
- The Payroll Unit's service continuity plan must be updated.

PAYROLL - MULTIPLE JOBS

Finance

Purpose of the Audit

The purpose of the audit was to ensure that employees with multiple posts are controlled and that the weekly working hours that are worked comply with the European Working Time Directive, namely a restriction of 48 hours of work per week. No more than 48 hours should be worked per week on average unless the employee has opted out of this agreement. In addition, the Council's records were reviewed to ensure that arrangements were in place and that reports were produced providing details of the total hours of individual employees.

Scope of the Audit

The audit focused on arrangements in the Council for controlling multiple jobs. A sample was selected and checks undertaken to ensure that employment contracts corresponded to the records of time sheets and to ensure that the hours worked complied with the legislation. Also, national insurance contributions were audited to ensure that the threshold of the Lower Earnings Limit was activated.

Main Findings

The Working Time Directive Regulations 1998 means that an employer has no right to force an employee to work over 48 hours a week unless they have been exempted from the arrangement by completing an application/form in writing. The Council's official working hours is 37 hours per week. A sample was selected of officers with multiple jobs in the Council and they were checked to find if their working hours were in accordance with the law. Official documents associated with the jobs of the employees in the sample were analysed together with the payroll system and time sheets. Also, their salaries were checked for a period of 17 weeks in order to find the average hours they had worked. Of the sample of 18 which had been selected, it was found that nine worked more than the threshold of 48 hours per week on average.

It was ensured that the employees in the sample did not contribute to national insurance if they did not reach the threshold of the 'Lower Earnings Limit (LEL)' as defined by HMRC. Only one employee in the sample had a salary lower than the LEL and it was seen that the employee was not paying national insurance.

Audit Opinion

- (B) **The Audit opinion is that partial assurance can be expressed of propriety in administering Payroll – Multiple Jobs as there are controls in place but there are some aspects where arrangements can be tightened. The main recommendations of the report are as follows:**
- **Ideally, there should only be one personnel file for each employee – this would facilitate several aspects of terms of the employment. It is acknowledged that this is not practical at the moment but perhaps it should be a matter or a subject for a *Ffordd Gwynedd* review.**
 - **The Working Time Directive Task Group under the leadership of the Human Resources Advisor should review the list of employees with an average that is higher than the legal threshold.**
 - **The guidelines on the internet page of the Payroll Unit should be updated regarding National Insurance to ensure that it corresponds with the current rates of HMRC.**

GWYNEDD PENSION FUND – 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 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,”

Although the administration of Gwynedd's Pension Fund relies heavily upon the Council's Major financial systems, the Fund's administrative system is itself 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

Review the procedures in place for the administration of the Pension Fund for 2014-15. Select a sample of payments and ensure that they have been released appropriately and ensure that they are 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, there was a weakness in the checking of the TR27b slips. The 'unique' box was not filled on the TR27b slips – the purpose of this check is to ensure that the payment has not been processed previously and to avoid making a duplicate payment. This matter was identified in the review conducted last year.

In addition, there is a weakness in the arrangements for receiving information from the Employer. The Pensions Unit relies upon the Employer to inform it of any changes to data such as working hours, status etc. but this does not happen. This matter has already received attention of the Wales Audit Office in the Report on the Audit of Financial Statements – Gwynedd Pension Fund published in September 2014. However, the Pensions Unit has purchased the i-Connect system that will run monthly reports from the Employer's payroll systems and send the encrypted version to the Pensions Unit, which will mean that the information is received promptly. At the time of the audit, Gwynedd Council and Conwy Borough Council had committed to the system, but there is data matching work to be undertaken before it can be implemented, and it should be noted that this work is ongoing.

Audit Opinion

- (A) The Audit Opinion is that assurance of financial propriety can be expressed in Gwynedd's Pension Fund – Review of the Key Controls as it is possible to depend on the internal controls in place and they have been followed.**
- **It should be ensured that the check boxes on the TR27b are filled appropriately i.e. the “Received” box does not need to be signed as the service has not received it, and the need to sign the “Unique” box to show that a check has been made to ensure that it is not a duplicate payment.**

BENEFIT 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 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 Benefit 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 there are appropriate arrangements in place to assess and process applications for benefits, that the benefits system calculates benefits correctly and that they are paid promptly. Confirm that appropriate reconciliations are held, review the unit's performance management arrangements and check that there are sufficient data protection arrangements in place.

Scope of the Audit

For the 2014-15 financial year, a sample of benefits applications were audited to ensure that appropriate assessments were held. It was checked that reconciliations were conducted and that the benefit 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 benefit system was effectively managed and that all the 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, and 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 the current regulations. The Unit's performance is good in comparison with the performance of Wales and Britain, i.e. the average time taken to process a new benefit application and the average time taken to process a notification of a change in circumstances. There is one new work programme in the pipeline that includes streamlining the method used by the Unit to deal with new applications. A small slippage was seen in the performance of processing notifications of a change in circumstances, but it is noted that there was an increase in the number of changes compared to last year (number of changes in quarter 3, 2013/14 = 16,724 compared to 18,310 in quarter 3, 2014/15). Staff also had to deal with the new 'RTI' (Real Time Information) initiative introduced by the Department of Work and Pensions. Despite the increased workload, and the new 'RTI' initiative, the performance of the Benefit Unit is to be praised.

Audit Opinion

(A) The Audit Opinion is that assurance of financial propriety can be expressed in the Benefit System – Review of Key Controls as it is possible to depend on the internal controls in place and they have been followed.

COUNCIL TAX 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 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 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. Ensure that the totals of properties in Gwynedd were accurately recorded on the system and were in accordance with the Valuation Office. Confirm that the financial account had been appropriately updated and that there are appropriate arrangements in place to recover council tax arrears as well as ensuring that arrangements are in place for monitoring and managing the Unit's performance.

Scope of the Audit

Review and test that appropriate guidance, records and procedures are in place for managing, collecting and distributing the Council Tax for 2014-15.

Main Findings

It was found that strong internal controls existed in the administration of the council tax. One weakness was identified, namely the lack of a formal recovery policy / procedures. It was found that procedures had been produced, and a copy was provided, but they have not yet been formally adopted. Adopting a policy or procedures would confirm the official status of the document and the need to comply with its content.

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 2014-15 as it is possible to depend on the internal controls in place and they have been followed.**
- **The procedures to recover council tax should be adopted in order to confirm its status as an official document.**

BUSINESS RATES SYSTEM – 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 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

Review and test that appropriate guidance, records and procedures are in place for managing, collecting and distributing the Business Rates for 2014-15.

Main Findings

It was found that strong internal controls existed in the administration of business rates. One weakness was identified, namely the lack of a formal recovery policy. It was found that procedures had been produced, and a copy was provided, but they have not yet been formally adopted. Adopting a policy or procedures would confirm the official status of the document and the need to comply with its content.

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 2014-15 as it is possible to depend on the internal controls in place and they have been followed.**
- **The procedures to recover business rates should be documented in order to confirm its status as an official document.**

IT – BACKUPS AND SERVICE CONTINUITY ARRANGEMENTS

Finance

Purpose of the Audit

The purpose of the audit was to ensure that there are appropriate plans in place to build-in robustness within the Information Technology Service, in order for it to be able to continue to provide a service to its clients during incidents which affect normal procedures.

Scope of the Audit

Documentation prepared in relation to business continuity were reviewed, and their propriety was assessed. The measures in place to create and maintain back-up copies of data were reviewed. In addition, discussions were held with the relevant officers within the Information Technology Service..

Main Findings

One of the main weaknesses highlighted during the audit was that the Information Technology Service does not have a current business continuity plan. The service provides for a number of services with differing needs within the Council, and it is therefore crucial that their needs are highlighted and that there are measures in place for the recovery of their specific services. It was seen that an 'IT Disaster Recovery Plan' had been produced in relation to the recovery of the whole Council's from the Information Technology Services' perspective. However, it should be ensured that a service continuity plan in line with the template produced by the North Wales authorities collaboration forum is prepared. Although there is no plan in place, arrangements have been established for reviewing the arrangements in the next weeks.

Another weakness highlighted was that the testing work had not been undertaken for a number of years, which could mean that processes do not work effectively. It should be noted that arrangements have been established by now for October 2015.

Audit Opinion

(C) The Audit Opinion is that the propriety of the Backups and Service Continuity Arrangements – Information Technology cannot be stated with certainty since the controls in place cannot be depended upon, but no losses / fraud were found as a result of these weaknesses. The main recommendations of the report are as follows:

- **It should be ensured that the testing work progresses this year.**
- **Testing work should be arranged on the back-up versions of programmes/systems. It should be ensured that an appropriate timetable is provided to deliver this, and that full documentation is prepared, e.g. lessons learned.**

NETWORK CONVERGENCE

Finance

Background

Voice over Internet Protocol (VoIP) is a technology which enables calls to be made through the internet or high speed broadband. The main reason for introducing the technology is the potential to substantially reduce costs by making savings on land line rentals and the ISDN circuit. In addition to the savings, VoIP offers feature such as video-calls and video-conferencing, and integrated collaboration functions such as fast messaging and attendance. VoIP can also be valuable in terms of service continuity and emergency planning as the phones can be installed anywhere with an internet connection.

VoIP was introduced as one of the former Customer Care Department's savings projects which was due to deliver £105,000 savings in 2011/12, and would increase to £230,222 when all the Council's establishments were included. An investment of £291,000 was earmarked by the Council in order to deliver the saving.

Purpose of the Audit

The purpose of the audit was to review the arrangements and steps for introducing "Voice over Internet Protocol" and to check that the project's outcomes delivered the expected savings.

Scope of the Audit

The audit included reviewing the project's documents, including the business case, project plan and expenditure. The audit did not include the technical aspects involved with "Voice over Internet Protocol".

Main Findings

It was found that the original project established by means of a national scheme promoted by the Welsh Government through the PSBA - Public Sector Broadband Aggregate - had been abolished, as it became apparent that despite the resources allocated to the project, it would not meet Gwynedd Council's requirements and expectations, particularly considering the needs of the Contact Centre – Galw Gwynedd. Furthermore, the Information Technology Service purchased a number of expensive telephones for this project – the majority of this equipment is redundant in the IT Service's storeroom and of no value to the current projects which are ongoing.

A tender was prepared and placed on the market to find a provider that could provide a solution to Gwynedd Council's needs. Two responses were received to the tender to provide a standard integrated voice service in Gwynedd. The prices received from both responders were substantially higher in terms of the capital investment.

"Voice over Internet Protocol" was submitted as one of the former Customer Care Department's savings projects. An investment of £291,000 was originally earmarked by the Council in order to deliver the savings, and a further investment of £201k was approved as a result of the higher costs. It was estimated that the original project would deliver £105,000 of savings in 2011/12, increasing to £230,222 when all the Council's bodies were included. However, delays to the project meant that the expected savings could not be realised and that the savings had to be bridged from the IT and other Corporate budgets that had an underspend, in order to fund the deficit.

At the time of the audit, work was ongoing in the Contact Centre to implement the new system, and by 9 March the Call Centre was using the new technology.

Audit Opinion

Although the current project is ongoing, there are many lessons to be learnt, such as whether the original project should have been continued for so long when it became evident over time that it would not meet the Council's requirements; the resources allocated for the project over a number of years could have been redirected to other projects; investment in equipment that is now defunct to the Council and the failure to realise the expected savings.

The Senior IT and Transformation Manager explained that only a pilot project had been run, and if the Council had not made the investment *"we could have approached this provision blindly, with an increase in wastage and on a far greater sum."*

GWYNEDD MUSEUM AND GALLERY DEVELOPMENT PLAN
Economy and Community

Purpose of the Audit

The purpose of the audit was to ensure that the budgetary control and progress of Gwynedd Museum and Gallery's development plan is sufficient and in accordance with the Council's project management handbook. Ensure that payments made to contractors as part of the plan conform to the Procedural Rules, and that the payments are accurately calculated with sufficient documentation to justify the payment.

Scope of the Audit

Check the arrangements and controls which are in place to mitigate a range of risks associated with the management of the development plan.

Main Findings

Although steps had been taken to strengthen the internal controls as the development plan progressed, it was found that there were weaknesses in the risk management arrangements early in the project. The main risk was a failure to establish a written contract under seal in accordance with the expectations, although the submitted tender document mitigated many of these risks. It was also found that no bond had been established with the contractor at one stage of the project.

By the release of this report, these matters had been rectified.

Audit Opinion

- (C) **The Audit Opinion is that assurance of financial propriety cannot be expressed of Gwynedd Museum and Gallery's development plan as the controls in place cannot be relied upon, but no losses / fraud resulted from control weaknesses. The main recommendations of the report are as follows:**
- **It should be ensured that the spreadsheet to support the interim certificate is always received by the architect with the interim certificate, and it should be checked that the gross total of the interim certificate is correct and that it reconciles with the supporting spreadsheet, before processing the payment to the contractor.**
 - **It should be ensured that variation orders are completed for all the changes that take place with capital works in the development plan in future. These variation orders should state the agreed fee for the change between the Council and the contractor, and that they should be signed and dated by a relevant representative on behalf of the Council.**
 - **It should be ensured that in future, agreements with contractors are established at the start of capital projects, and in accordance with the Council's Contract Standing Orders and Procurement Rules.**

GALW GWYNEDD
Adults, Health and Well-Being

Background

Galw Gwynedd is the Contact Centre in Penrhyndeudraeth. The centre receives telephone calls from residents and deals immediately with the most common queries such as parking and travelling tickets, blue badges etc. Otherwise, calls are transferred to the appropriate departments within the Council if the queries require more specialist assistance.

Purpose of the Audit

The purpose of the audit was to ensure that arrangements for employing, managing and monitoring the performance of Galw Gwynedd staff is appropriate.

Scope of the Audit

The audit included checking the monitoring arrangements for overtime, leave, training and performance management of the Contact Centre staff. In addition, the audit included Galw Gwynedd's business continuity arrangements and their contribution to the "Tell Us Once" national scheme.

Main Findings

The results of the audit tests and the supporting evidence shows that Galw Gwynedd has appropriate procedures in place to manage and monitor the performance of officers. However, it appears that in the past, the arrangements for monitoring annual leave have caused concern, especially as the centre's officers take leave on the basis of hours (their annual allocation on a pro rata basis, depending on their contracted working hours, which can change in the middle of a leave year). It was also found that managers do not always sign the annual leave cards. However, there were no cases found where leave had been taken without prior approval.

Audit Opinion

(A) The Audit Opinion is that assurance of propriety can be expressed in Galw Gwynedd's performance management as it is possible to depend on the internal controls in place and they have been followed.

ASSETS OF CARE HOME RESIDENTS

Adults, Health and Well-Being

Purpose of the Audit

The purpose of the audit was to ensure that residents contribute towards the cost of their care in accordance with CRAG (Charging for Residential Accommodation Guide) rules best practice.

Scope of the Audit

The audit included checking a sample of residents' files from residential and nursing homes, to audit the financial assessments, the arrangements for establishing a deferred payment scheme and third party contribution records.

Main Findings

The main findings derived from the audit was the fact that the Council does not offer residents a deferred payment contract when imposing a legal charge on their property. Although there are reasons for not doing this, it is possible for individuals to challenge the Council's use of imposing a charge if the right criteria have not been met.

In addition, it was found that the arrangements for monitoring third party payments and debts are insufficient. Although the Council is responsible for paying the full costs for residents in residential homes, including additional third party contributions, it was seen that the additional contributions are paid directly to the homes by the third party, without going through the Council's books. This creates a risk of an accumulative debt without the Council being aware of its existence.

From the sample that was checked, it was found that a number of the representatives did not have power of attorney to act on behalf of the service user when they did not possess the ability to make decisions for themselves. If an attorney does not present evidence that he or she has been awarded authority by the court, the Council should not treat them as the financial representative until that evidence is received. However, it was seen that the Council discussed financial matter with representatives who had not been awarded power of attorney over the service user.

When individuals access residential care, the Council has a duty to provide care as a matter of priority, and then to arrange that the individual or a representative repays the element that has been assessed by the Council as being appropriate for them to contribute. The circumstances of each individual are different, and it is not always easy for the Council to receive the required information to conduct financial assessments, and therefore there will always be an element of risk for the Council. Due to this, and the move towards *Ffordd Gwynedd*, a sample of individuals' files was audited in the context of the individual's circumstances.

Audit Opinion

(B) The Audit opinion is that partial assurance of propriety can be expressed on "Assets of the Residents of Homes" 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 new guidelines for staff should be produced and distributed as soon as possible to ensure that officers have clear direction under the new structure.**
- **Evidence should be received of the residents' income, and after checking the accuracy of the details, the relevant part of form E33 should be signed as confirmation, especially if the worker does not keep a copy of the documentation as proof of income.**
- **Appropriate forms should be completed and signed to ensure that the Council has approval to access the residents' financial information.**
- **Copies of the residents' banks statements should be retained, or the E33 should be signed to confirm that the statements have been seen and checked, in order to confirm the capital values expressed in the financial assessment, and to satisfy the Department that the residents have not disposed of money with the intention of reducing their capital in order to avoid contributing to the care costs.**
- **Service users should still be encouraged to nominate a Power of Attorney while they have the capacity to do so in order to ensure that the Council has the right to discuss their financial business with a representative if needed.**

- In agreeing to defer an element of the care costs, it should be ensured that a copy of the legal charge is in the resident's file as proof that a charge has been imposed. Where there is no copy of the charge on file, it should be confirmed with the Legal Service that a charge has been imposed.
- The Council should offer a deferred payment agreement in the first place and/or retain evidence that the individual refuses paying for the care until a charge has been imposed under HASSASSA.

COLLABORATION WITH THE HEALTH BOARD

Children and Families

Purpose of the Audit

Ensure that there is a robust arrangement between the Council and the Health Board for the Section 33 agreement associated with the *Derwen* team – Service for Disabled Children.

Scope of the Audit

Review the arrangements and implementation associated with the agreement that exists between the Local Health Board and the Council.

Main Findings

Strong examples were seen of good practice in the collaboration with the Health Board. It was seen that strong governance arrangements existed in the partnership and the planning and reporting on performance arrangements were sufficient. It was found that strong ethical arrangements also existed in the partnership. However, it was seen that some issues had arisen regarding financial matters and also regarding a formal risk register and a service continuity plan. It can be seen that there is a risk in these areas and it would be good practice to consider the appropriate steps to strengthen the arrangements that are already in place.

Audit Opinion

(B) The Audit opinion is that partial assurance of financial and operational propriety can be expressed in respect of the collaboration with the Health Board, 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:

- There is a need for the number of members of the Board to correspond to the numbers noted in the agreement or otherwise to agree to adapt the agreement to reflect the changes.
- It should be ensured that a copy of the WASP1 document is updated/reviewed annually.
- An official risk register should be established to keep a record of what the partnership intends to do to mitigate risks to the service. The risk register should be reviewed regularly, e.g. on a quarterly basis.
- The responsibilities of the person who is responsible for implementing the work needed to mitigate risks that are a threat to success should be clearly noted. This work should be monitored to ensure action within the time noted.
- A Business Continuity Plan should be produced to deal with every scenario possible so that Gwynedd Council has the arrangements in place to continue the service for the providers in any emergency.
- In accordance with appendix 1 of the agreement, a Financial Report and an Activity Report should be submitted to the Management Board on a quarterly basis.
- In accordance with clause 9.3 of the Section 33 Agreement, there should be agreement on draft budgets for the subsequent financial year by 1 January.
- In accordance with clause 9.4 of the Section 33 Agreement, final budgets should be confirmed, along with any amendments to financial procedures by 28 February at the latest.
- Consideration should be given to drawing-up a financial statement for the governing body to confirm that the money has been dealt with appropriately.
- Consideration should be given to having a formal savings plan in place so that they can be monitored by the Service Manager.
- Consideration should be given to creating a performance management framework to ensure effective joint performance management.
- The issue of expressions of interest should be raised at the beginning of any meeting/agenda of the Management Board and it should be made a standing matter on the agenda

CHILDREN SERVICES – COMMISSIONING CARE
Children and Families

Purpose of the Audit

Ensure that there are robust arrangements when commissioning care by the Children Services.

Scope of the Audit

Auditing that there are robust contracts, monitoring and quality arrangements in place for commissioning care by the post 16 service.

Main Findings

Some examples of good practice were seen in the Care/Commissioning Resources Service – Post 16 Team. It was seen that there were good arrangements in receiving and assessing applications and that the agreements/service level agreements were sufficiently detailed and specific. It was seen that there is a framework for commissioning care for post 16 children. However, it appears that not many providers offer the necessary service locally. It was seen that there was no robust monitoring of service providers and the finance element needed to be monitored regularly. Unfortunately, some documents were not received for some of the tests by the Service following several attempts and requests for evidence. Appropriate steps should be taken to strengthen the controls within the field audited.

Audit Opinion

- (C) **The Audit Opinion is that the financial propriety in the arrangements for Commissioning of Care– Children Services cannot be expressed as the controls in place cannot be relied upon, but no losses/fraud resulted from control weaknesses. The main recommendations of the report are as follows:**
- **It should be ensured that agreements/“Individual Placement Agreements” exist between the service user and the Council/providers.**
 - **It would be good practice if the Legal Unit reviewed the agreements in future.**
 - **There is a need to ensure that there are agreements between the Council and every provider signed by a valid person from the providers’ side and by an authorised officer from the Council.**
 - **In accordance with the framework agreement (Clause 7, 17 & 20), it is necessary for the provider and the Council to agree on prices annually and for the prices to be relevant from 1st April of the following financial year. The agreed prices are to be noted clearly on the Individual Placement Agreements in every instance.**
 - **Invoices should be monitored and checked and any price which is different to what was agreed should be questioned and it should be noted in the Individual Placements Agreements.**
 - **A request should be made to the providers for further information on the invoices, including the company name, number and date of the invoice and a clear description of the service that was provided.**
 - **Clear arrangements should be in place regarding the duties and responsibilities of officers in the post 16 service.**
 - **There is a need to ensure that regular meetings take place between Council officers and the contractors/service users and that these meetings are minuted. The minutes should note clearly the progress and quality of the service. If a weakness is highlighted, then an action plan should be agreed upon.**
 - **It should be ensured that any discussions and decisions made when reviewing the type of service that is to be undertaken should be documented, e.g. minutes of team meetings.**

PARKING ENFORCEMENT
Transportation and Street Care

Purpose of the Audit

Ensure that there are internal controls in place to comply with parking enforcement regulations and procedures.

Scope of the Audit

Review the arrangements of the unit by examining the duties of employees, lone-working, the partnership's agreements and policies and income from parking fines which are processed by Denbighshire Council on behalf of the Wales Penalty Processing Partnership.

Main Findings

It can be seen that the Partnership is operating successfully and that the Council benefits from being part of it because there is robust and clear guidance available. Despite the Partnership's success, it is felt that the unit should have its own back-up procedures in case unforeseeable circumstances force the Partnership to come to an end. It can be seen that there is a good relationship between members of the parking enforcement team and there is regular communication between the Managers and front-line staff. It is felt that there is room to formalise the communication by holding regular staff meetings. It can be seen that the staff are qualified to operate effectively in their roles as Civil Enforcement Officers and arrangements have been established to safeguard them under conditions when there is a high risk to their health and safety. It appears that there is a strong support for them from the Managers. The manner in which the financial position is reported upon is a cause for concern as incorrect information regarding expenditure and the budget has been sent to the Managers. It is also felt that the reports omit some details that could be of benefit to the Managers.

Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of financial propriety in the Parking Enforcement procedures 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:

- **As good practice, consideration should be given to arranging that any update to the agreement is approved by the Legal Unit in order to safeguard the Council's rights should anything go wrong.**
- **Consideration should be given to adopting procedures regarding parking enforcement rules based on the "Civil Parking Enforcement Procedures" document, and that these are circulated to the relevant officers.**
- **As good practice, there should be a policy for keeping records, such as officers' notebooks and camera recordings and these should be communicated to the Information Unit.**
- **Team meetings should be held on a quarterly basis to provide the team with an opportunity to meet as a whole and be updated formally on matters that arise.**
- **Ensure that the figures of the monthly reports reconcile with the ledger and to consider including more details in the reports.**
- **Consider establishing a risk register for the unit to identify the direct risks to the unit including business/financial risks.**
- **Ensure that the Officers have read the risk assessments and they have had an opportunity to express their observations when there are any updates to the assessments and that these are recorded in writing.**
- **Ensure that staff sign to show that they agree with the lone-working conditions each time there are updates to the conditions.**
- **Consider making arrangements with the camera maintenance company which could possibly reduce costs for the Council if anything went wrong with the devices.**
- **Consider incorporating PACE codes in the arrangements for the cameras to protect the Council should a case needs to be taken to the Police.**