

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	14 FEBRUARY 2019
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 1 FEBRUARY 2019
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

1.1 The following report summarises the work of the Internal Audit Section for the period from 19 November 2018 to 1 February 2019.

2. WORK COMPLETED DURING THE PERIOD

2.1 The following work was completed in the period to 1 February 2019:

Description	Number
Reports on Audits from the Operational Plan	12
Grant Audits	1

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 1 February 2019, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Safeguarding Arrangements - Establishments	Corporate	-	Limited	Appendix 1
Information Management - Establishments	Corporate	-	Satisfactory	Appendix 2
General Data Protection Regulation	Corporate	-	Limited	Appendix 3
Welsh Church Fund	Corporate	-	Limited	Appendix 4
TRAC Project	Education	Across the department	High	Appendix 5
Recurring Billing	Environment	Council Land and Property	N/A	Appendix 6
Public Transport	Environment	Transport and Street Care	Satisfactory	Appendix 7
Systems – Patch Management	Finance	Across the department	High	Appendix 8
Lloyd George Museum Accounts	Economy and Community		High	Appendix 9
Houses into Homes Scheme	Adults, Health and Wellbeing	Private Sector Housing	High	Appendix 10
Flying Start Grant – Child Care	Children and Family Support	Children and Families	High	Appendix 11
Diesel Tanks and Diesel Management	Highways and Municipal	Fleet	Limited	Appendix 12

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

LEVEL OF ASSURANCE	HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

2.3 Post 16 Grant

2.3.1 There is a requirement for local authorities to provide 'evidence of appropriate expenditure' of the allocations in respect of sixth forms and adult continuing education. The 'Local Authority Audit Guidance for Welsh Government Funding' states that on an annual basis, the Local Authority will provide to the Welsh Government the following information:

- a) a list of all internal audit reports completed in that year that involve any school or community learning where all or part of the costs are covered by Welsh Government grants;
- b) for those reports, the main audit opinion is to be given together with any significant weaknesses identified plus the action plan / management comments to address those weaknesses;
- c) a copy of the Head of Internal Audit's (or equivalent) annual report; and
- d) a copy of the external audit management letter relating to the particular financial year after it has been presented to the Council

2.3.2 The above information and the related checklists were sent to the Welsh Government on within the deadline for submission which was 31 January 2019.

3. FOLLOW-UP WORK

3.1 New arrangements have been established for follow-up audits. In 2017/18, a total of 163 actions were agreed to be undertaken before 31 March 2019. Following a request made to the Units/Services for information and evidence on progress agreed actions, as at 1 February 2019, there was acceptable implementation on **71.17%** of the agreed actions, i.e. 116 out of 163.

4. WORK IN PROGRESS

4.1 The following work was in progress as at 1 February 2019:

- Supporting Ffordd Gwynedd Reviews (*Corporate*)
- Proactive Prevention of Fraud and Corruption (*Corporate*)
- Managing the Risk of Fraud and Corruption (*Corporate*)
- National Fraud Initiative (*Corporate*)
- Awareness of Whistleblowing Policy – Primary and Secondary (*Education*)
- Employment Status IR35 (*Education*)
- GwE – Employment Status IR35 (*GwE*)
- Purchasing Equipment through the School (*Education*)
- Schools - General (*Education*)
- Pest Control (*Environment*)
- Licensing Arrangements (*Environment*)
- Property Repair and Maintenance (*Environment*)
- Contributions from Employers (*Finance*)
- Benefits – Review of Key Controls (*Finance*)
- Disposal of IT Equipment (*Finance*)
- Cybersecurity (*Finance*)
- IT Disaster Recovery Arrangements (*Finance*)
- Employment Status IR35 (*Economy and Community*)
- Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements (*Economy and Community*)
- On-call and Emergency Arrangements (*Adults, Health and Wellbeing*)
- Social Services Annual Report (*Adults, Health and Wellbeing*)
- Children – Out of County Placements (*Children and Family Support*)
- Care and Support Plans (Children) under Part 4 Social Services and Wellbeing Act (Wales) 2014 (*Children and Family Support*)
- Flood Management (*Gwynedd Consultancy*)

5. RECOMMENDATION

5.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 19 November 2018 to 1 February 2019, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

SAFEGUARDING ARRANGEMENTS - ESTABLISHMENTS CORPORATE

1. Background

- 1.1 One of Gwynedd Council's main priorities is to ensure that robust arrangements and procedures are in place to ensure that residents are protected from abuse, neglect, radicalisation, slavery, domestic violence and exploitation. Every member of staff is responsible to report on concerns or suspicion that individuals are being abused.
- 1.2 A number of posters together with pamphlets and contact cards have been produced to raise staff awareness of issues and safeguarding arrangements. In addition, e-learning modules are available to employees who have access to a computer and self-service for field workers.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that organisations outside the Council's main offices were aware of their responsibility to direct concerns about safeguarding children and adults appropriately.
- 2.2 The audit covered discussions with Managers and observed that a safeguarding poster was displayed in establishments outside the main offices. This included Gwynedd Council's residential homes, leisure centres, beaches and harbours that Internal Audit visited as part of the 2018-19 Internal Audit Plan.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	1
MEDIUM	0
LOW	0

5. Main Findings

5.1 It was generally seen that there was awareness of safeguarding issues, but there was scope to improve awareness further. As part of the 2018-19 audit plan a sample of the Council's leisure centres, residential homes, beaches and harbours were audited. Within the audit program, the safeguarding arrangements such as safeguarding policies, training and Disclosure and Barring Service (DBS) disclosures were examined. Below is a summary of the findings.

5.2 Leisure Centres

5.2.1 Each centre followed the Council's corporate policy. Safeguarding is included as part of every new member of staff's induction, and training is held over the Christmas period while the centres are closed to the public. Two of the centres did not have corporate safeguarding posters but it was arranged that posters were sent to them following the visits.

5.2.2 The e-learning modules' training records were checked for all of the centres' staff. In one centre, 9 members of staff from a sample of 10 had completed the 'Safeguarding Adults', 'Child Protection and Safeguarding' and 'Domestic Abuse' modules in the last two years. Whilst a small number of staff from the other centres had completed the safeguarding modules. One Duty Manager explained that this training was under way and that the intention was to get the workers to complete the training in the coming weeks.

5.2.3 A sample of officers from the four centres were selected and each was found to have current DBS disclosures except two who were in the process of renewing them. In addition, each centre displayed posters notifying individuals not to take public photos, as a dedicated form must be completed if this is to be done. Leisure centre staff are aware of the arrangements and actions to take if such a case occurs.

5.3 Residential Homes

5.3.1 Each home followed the Council's corporate policy. It was found that a policy dated July 2013 was used in one Home, although the policy had been reviewed in September 2017. The Manager has ensured that the current policy is now available to the employees. Safeguarding posters were seen in every home.

5.3.2 Not all staff had received safeguarding of vulnerable adults training, and cases were identified where it was necessary for the training to be renewed. Employees should receive classroom training for safeguarding every 3 years. The training of several staff dated back more than the 3 year period with some dating back to 2010. The Manager was aware of the situation and it was found that she had organised safeguarding training for 13 members of staff during the year to come.

5.3.3 E-learning training records including 'Domestic Abuse', 'Safeguarding Adults' and 'Child Protection and Safeguarding' modules were checked, a small number of staff had completed these modules at the time of the audit. Managers were aware of the need to complete these modules, one of them identified the difficulties they have had to get access to all staff and also the need to ensure a supply of staff on duty while others complete the modules. It is not necessary for staff to complete the safeguarding modules as they already receive face to face training but in terms of the 'Domestic Abuse' module it is necessary for all Council staff to complete the module.

5.3.4 A sample of officers from the four homes were selected and each was found to have a current DBS disclosure.

5.4 Beaches and Harbours

- 5.4.1 A safeguarding poster was visible in one of the harbours and one of the beaches visited. The workers, mostly seasonal, were asked about corporate training messages and opportunities such as 'Domestic Abuse' and safeguarding but they expressed that they were not aware of e-learning and the statutory need to complete the 'Domestic Abuse' module.

6. Actions

The Chair of the Safeguarding Operational Panel has committed to implementing the following steps to mitigate the risks highlighted.

- **Continue to raise awareness of the Council's employees of corporate safeguarding arrangements.**

INFORMATION MANAGEMENT - ESTABLISHMENTS CORPORATE

1. Background

- 1.1 The Council makes considerable use of personal information in all its areas of work. As part of its employment with Gwynedd Council, all staff are expected to be familiar with their Data Protection responsibilities and deal with personal information in a manner that complies with the Data Protection Act and the General Data Protection Regulation (GDPR).
- 1.2 Both the GDPR and the Data Protection Act 2018 came into force on May 25, 2018. This means that organisations will have to comply with the GDPR together with the new Data Protection Act.
- 1.3 The changes mean that there is a need to explain much more clearly to the public and staff how personal information is used. Individuals will have many more rights and a clear proof of consent will be required to use information. It will be necessary to report nationally if information goes missing or to the wrong place and you will need to know what personal information you have, where it is stored, with whom it is shared and how long it will be kept.
- 1.4 An audit was carried out recently on the Council's arrangements following the GDPR coming into force. The purpose of the audit was to ensure that suitable arrangements were in place to begin to comply with the GDPR. The results can be found within the Internal Audit report of the 'General Data Protection Regulation' dated December 2018.

2. Purpose and Scope of Audit

- 2.1 The purpose of the Audit was to ensure that information held by the Council is kept securely and in compliance with the principles of the GDPR and the new Act. The audit encompassed observation of information protection arrangements when visiting Council establishments that are outside the main buildings. This included Leisure Centres, Residential Homes and a Harbour which Internal Audit visited as part of this year's Internal Audit plan.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

5.1 It was generally seen that there was an awareness of information management issues and the principles of the Data Protection Act, but there was scope to further improve awareness. Below is a summary of the findings of the organisations visited during 2018-19.

5.2 Leisure Centres

5.2.1 There was a good understanding of the safety of information in the sample of leisure centres visited during the year 2018-19, but only two of the sample were aware of the Information Management team and the support they offer.

5.2.2 Elements of information security are included in the centres staff induction e.g. how to deal with a direct debit package and not share telephone numbers over the phone. New staff receive a copy of the Integrated Management System (IMS) guidelines to read. In addition, the GDPR e-learning module is available for them to complete.

5.2.3 It was asked about retention periods and it was noted that staff are aware of them. It was found that the Business and Systems Support Officer had recorded dates of disposal on boxes in one centre. Each centre used shredders for the disposal of confidential information, one centre also made use of the red sacks. They were aware of the need to keep confidential information locked e.g. The center's copy of the direct debit form is kept locked.

5.2.4 It was inquired as to whether guidance was given to staff not to discuss matters outside work and it was noted that staff were urged not to. It was seen that computer screens were locked when they were not used on the days of the visits and passwords were not seen on screens during the visits.

5.2.5 Each Centre displays posters informing individuals not to take public photographs, as a dedicated form must be completed if this is to be done. Leisure centre staff are aware of the arrangements and actions to take if such a case occurs.

5.2.6 CCTV was installed at all leisure centres and there were signs to notify the public of this. Specific officers are responsible for managing the system and passwords are used to access the software. Checking that the CCTV works is part of one of the Duty Managers daily checks. Data retention ranges from one centre to another from two weeks to a month, once this period expires the data will be deleted. Copies can be made if an application is made by completing the appropriate form.

5.3 Residential Homes

5.3.1 One of the two Residential Home queried was aware of the Information Management team, however they had a good understanding of the rules. They kept a clear desk policy, were aware of the retention periods and made use of shredders and red sacks.

5.3.2 Staff have completed a confidentiality form as part of the application pack and are therefore aware of the need not to discuss issues outside the work. They have arrangements to check who is on the phone and do not share confidential information over the phone.

5.4 Porthmadog Harbour

5.4.1 Harbour officers were aware of the Information Management team. Passwords were not seen on the screens and were locked when not in use. They did not have paper files to be kept locked as everything is kept on iGwynedd, although, they do have a shredder if they ever need to dispose of confidential information. They were aware of the risk of others hearing personal information over the phone and had a procedure of not ringing while customers were there. In addition, a back office is available if confidential issues need to be discussed.

5.4.2 CCTV was installed in the harbour and there was a sign to inform the public on the building. All harbour workers are aware of how to use the CCTV system, however the Harbour Master deals with any enquiries from the Police. In these cases, a data protection form needs to be completed.

6. Actions

The Research and Information Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Continue to raise awareness of Council employees of information management arrangements including the GDPR.**

GENERAL DATA PROTECTION REGULATION CORPORATE

1. Background

- 1.1 The General Data Protection Regulation (GDPR) came to force on 25 May 2018. The regulation has a direct impact on all EU Member States. In addition to the GDPR, a new data protection law, the Data Protection Act 2018, applies to the U.K. The government has confirmed that the UK will largely follow the EU regulation when the UK leaves the EU. This means that organisations will have to comply with the GDPR along with the new Data Protection Act.
- 1.2 The Council has a legal obligation to ensure that the personal data collected is dealt with in compliance with GDPR and the new data protection act, as well as being able to demonstrate compliance. Non-compliance puts the Council at risk of receiving a fine from the Information Commissioner, up to 20 million euros for failure to protect personal data and possibly, legal action and damage to the Council's reputation. In addition, under the GDPR the scope of activities for which the Council can receive a fine has been broadened.
- 1.3 According to information received from the Information Manager and from attending GDPR conferences, the Information Commissioner did not envisage that any council would be fully compliant when GDPR came into force (25 May 2018). However, it is essential that the Council is able to demonstrate to the Information Commissioner that reasonable steps have been taken towards compliance to ensure a low likelihood of the Council receiving a fine.

2. Purpose and Scope of the Audit

- 2.1 The aim of the audit was to ensure that suitable arrangements were in place to commence compliance with the General Data Protection Regulation. In order to achieve this, the audit covered ensuring that an action plan was in place for implementing the changes across the Council. It also covered obtaining evidence to ensure that appropriate arrangements were in place for gathering information to be audited should the Information Commissioner conduct an audit of the Council. The following are the key activities where the Council was expected to have implemented and where the audit provided assurance over.
 - Identifying where personal information has been retained, within the Council and what is shared with other partners/contractors, as well as identifying controls for ensuring compliance.
 - Ensure that appropriate governance arrangements are in place i.e. that a Data Protection Officer is responsible for information and communication/reporting to Cabinet.
 - Review and/or implement transparency notices issued and presented to the public and ensure that they are appropriate under the new regulation.

3. Audit Assurance Level

3.1 The controls for mitigating risks were checked. The auditor's assessment concludes that the assurance level of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, there is a need to improve compliance with the controls and/or introduce new controls to minimise the risks to which the service is exposed *.

** Note that the assurance level is a reflection of the current corporate position, i.e. based on the volume of work that departments need to complete to ensure full compliance. It is not a reflection on the progress that some departments have made since the regulation came into force.*

4. Current Risk Score

4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	2
MEDIUM	5
LOW	0

5. Main Findings

5.1 The report is given a 'limited' level of assurance as it is the auditor's opinion that the Council is exposed to risks of reputational damage, financial losses and possibly legal proceedings arising from breaches of personal data and/or the Council receives a fine due to non-compliance. However, the service considers the impact to be lower than substantial. At present there is no test of how the Information Commissioner will fine under the new regime - it is this uncertainty that maximizes the risk.

5.1.1 It was found that the foundation for planning and dissemination of information on the General Data Protection Regulation had been established by the Council. A Data Protection Officer has been appointed, a corporate action plan and work program for departments have been established. It was also seen that staff awareness training was run and the service has distributed all the information/guidance as well as the current data protection policy to staff. However, many activities appear to be in progress and not implemented within the timescale set, with only one activity within the implementation target set for December 2018.

5.1.2 It was found that the Data Protection Policy had been updated and presented on the 'Canolfan Bolisi' with emails having gone out to all staff informing them of the changes. However, there are no robust arrangements in place to ensure that all Council staff read and understand the data protection policy, as well as being able to act on the changes that cover the new law and regulation.

- 5.1.3 The asset register appears to have not been completed in full. There was a lack of services being able to identify whether personal data contracts were required and/or identify the legal basis of their data processing activities. Following our inquiries, a number of staff appear to be unsure of the requirements, including whether or not they rely on consent as a legal basis for processing data (and also consent from children), and whether contracts need to be established and/or reviewed.
- 5.1.4 It was noted that guidelines for completing a Data Protection Impact Assessment (DPIA) have been established including Screening Questions and DPIA template. However, there were no controls to identify projects to ensure that each have completed the screening questions as well as the DPIA form.
- 5.1.5 The Corporate Data Protection Officer reported that there was currently a lack of resources to carry out compliance checks as part of her job and that there was a lack of resource within the team to conduct audits which is a risk to the Council.
- 5.1.6 Services that had carried out reviews of their privacy notices were identified. Out of the sample of services queried, it was found that some were completed but the majority were in progress.
- 5.1.7 There was no confirmation of any automatic profiling and decision-making work carried out within GDPR compliance.

6. Actions to be implemented

The Service is committed to implementing the following steps to mitigate the risks highlighted:

- **Consider the options for how to ensure that all staff complete statutory training together with the Council's policies.**
- **Review the dates on the implementation program and ensure that an update to the asset register is completed within the target date, following any further directions from the Data Protection Officer.**
- **Ensure that there is a monitoring column on the asset register so that the Data Protection Officer can monitor progress. Ensure that monitoring is a standing item on the Information Management Group work program.**
- **Create a contact with the Equalities Officer to agree a way to find out about projects where there is a need to consider if DPIA needs to be maintained.**
- **Inform the Department Managers of the need to implement and document the DPIA screening questions for new projects. Include reference to the need to maintain DPIA in training for managers on the project regime.**
- **Providing support to departments with many agreements in place. Members of the Information Management Group to identify any current contracts to ensure compliance with new legislation. The Procurement Team and the Category Teams as a back up to provide support and guidance with any adjustments as needed.**
- **Ensure that the departmental work program is monitored so that progress on implementation of the privacy notices and any other activities on the program is progressing.**
- **Raise the issue of identifying profiling work and automatic decision making on the Information Management Group's agenda to identify whether the topic is relevant within their departmental management teams and to add the information on to the asset register.**

**WELSH CHURCH FUND
CORPORATE**

1. Background

- 1.1 The purpose of the Welsh Church Fund is to promote and support activities by registered charities. Organisations such as local eisteddfodau, activities within the arts, education, leisure and sports, conservation and charities that support disabled people can apply for a grant from the fund.
- 1.2 The fund currently encompasses Gwynedd, Conwy and Anglesey, where Gwynedd is the lead authority. The intention is to split the fund between the authorities but there has been a significant delay in implementing this as a result of a long term cross-border dispute regarding a piece of land, which included property and legal officer from the 3 Councils, although it seems that a recent solution has been made. The cash in hand value within the fund is £1.8 million with 44% owned by Gwynedd, and the interest is spent annually as grants made to charitable organisations. Grant applications for up to £3,000 are considered, and where a grant is awarded, further applications for support from the same body for the same project will not be approved for a period of 3 years from the date of the previous application.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the Welsh Church Fund's grant awarding arrangements to registered charities in Gwynedd are appropriate. In order to achieve this, the audit encompassed the review of the controls involved by reviewing a sample of recent applications and grants and ensured that the organisations and projects were eligible for the grant and used it accordingly.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	1
MEDIUM	0
LOW	0

5. Main Findings

- 5.1 Although there is £1.8m of cash in the fund, it was necessary to sell the investments that used to earn significantly greater interest to the fund in order to comply with rules that came into force in December 2013. Since then, the money has been kept in an account that earns very low interest and although the money is intended to be reinvested, this has not happened due to the intention to split the fund between the three authorities. Unfortunately, as the grants allocated are based on the annual interest earned, the money available to allocate as grants has reduced. The fund has now used its historical underspend surplus, and since April 2018 it was decided not to accept new applications as there is not enough money. However, prior commitments to allocate money to local Eisteddfodau continue, and will likely exceed the expected interest income, so it is expected that the fund will overspend this year. Conwy and Anglesey authorities have already expressed concern over the income levels of the fund, and their budgets for allocating funds to the organisations within their counties.
- 5.2 The fund is expected to overspend approximately £3,000 in 2018/19, based on a commitment to donate £300 to 28 local Eisteddfodau (totaling £ 8,400), funded by an expected interest income of around £4,000 and use of historical underspend surplus (£1,500). However, following a recent solution to the long-term cross-border dispute regarding a piece of land, it is expected by the beginning of 2019 that Gwynedd's share of the cash in hand will have been invested and higher interest income will be received in order to re-start allocating grants.
- 5.3 From the sample of projects reviewed, all appear to be eligible for the grant. The Eisteddfodau, the only recipients this year, do not need to present as many documents as charities, but it was found that balance sheets and a program of the day are requested and received as proof that the Eisteddfod has taken place. For the sample of charities, although not all the expected documents were available for review during the audit, such as some constitutions and bank statements, taking into account the nature of the institutions that receive the grants, the amounts, and the number of grants allocated, then it is considered to be of low risk.

6. Actions

The Finance Department has committed to implement the following actions that will mitigate the risks noted:

- **As a result of a recent resolution with the lands and the dismantling of the fund, progress can be made to implement the plans of investing the funds in order to earn a greater interest rate and thus maximising the number of grants available to charities annually.**

TRAC PROJECT EDUCATION

1. Background

- 1.1 TRAC 11-24 scheme is an European Union funded project, supported by the European Social Fund Priority Axis 3: Youth Employment and Attainment and is being led by Denbighshire County Council working in partnership with North Wales County Councils, Grŵp Llandrillo Menai, Coleg Cambria and Careers Wales. The project is established to provide suitable skills and support to pupils and young people aged 11-24 who are at a risk of becoming NEET in North Wales.
- 1.2 The scheme aims to identify pupils who are eligible for the project early and provide them with a suitable curriculum and support. The project is delivered by a team across North Wales where different interventions are used to ensure that a participating young person takes advantage of welfare and health support and the ability to access an alternative curriculum which will enable them to take accredited qualifications linked to local labour market opportunities.
- 1.3 Up to July 2018, 465 pupils had received support, 229 had completed the TRAC scheme and 76% of pupils had gone on to further education, work or an apprenticeship. By July 2022, it is estimated that 1,120 will receive support, 90% of Year 11 pupils will go on to further education, work or apprenticeship and up to 336 pupils will attain a level 1 and 2 qualification (equivalent to a GCSE at level A* i E)

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that suitable arrangements were in place to meet the goal to reduce the numbers of young people not in education, employment or training. In order to achieve this, the audit encompassed checking of a sample of pupils who had been identified as eligible for the project to ensure that pupil identification and the processing of a proposal for support had been properly implemented and that appropriate performance measurement arrangements are in place.

3. Audit Level of Assurance

- 3.1 The risk mitigation controls were checked. The auditor's assessment concludes that the assurance of the audit is as follows -

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal Controls can be relied upon to achieve objectives.

4. Main findings

- 4.1 It was observed that strong internal controls were in place for delivering service through the TRAC project and that the TRAC team at Gwynedd follows the guidelines set by the European Union and Denbighshire County Council in detail. A random sample of 17 pupils who are at present receiving support through the project or has previously benefited from the project has been selected to ensure that project operations have been carried out in an appropriate manner.
 - 4.1.1 From the sample of pupils checked, all appeared to be eligible to receive the support and appropriate evidence was seen for each file. All pupils on the scheme had an LPT score above the threshold of 31, which was set by the Welsh European Funding Office (WEFO) July 2017.
 - 4.1.2 Following WEFO's guidance, a parental consent form, an individual's form and a referral form are required to be completed before a TRAC file is opened for the pupil. The sample was checked for this, and some inconsistencies such as a privacy notice and/or parental consent forms were found to be missing. The TRAC project manager confirmed that they have received guidance from Denbighshire County Council that they are able to work without parental permission if the support received is only on the school site. As a privacy notice had not been received for some pupils, the TRAC manager confirmed that these pupils will not be added for the purposes of WEFO under any circumstances and it will not be possible to share their information. Following the re-profiling which took place in the summer, a quality monitoring and control officer has been appointed to ensure that these controls will be followed.
 - 4.1.3 A sample of claims were checked when looking at the A999 LA79 expenditure code and were found to be accurate, complete and timely. In addition, it was observed that appropriate expenditure was being made with the money received from the Welsh European Union, such as expenditure on delivery of staff projects, project management, travel costs and training courses.
 - 4.1.4 The reported performance results were reviewed against the project and by receiving supporting evidence the results reported were seen to be of appropriate quality and accurately reported.
 - 4.1.5 It was seen that the service does not have any information on the Council's website to provide the public with information about the TRAC scheme. It was confirmed that arrangements are in hand and it is expected that a website would be available in the near future. This does not create a risk of eligible pupils missing out on the opportunity of employment as the early identification tool (EIT) is run through the School Information Management System (SIMS) for all schools in Gwynedd and then all pupils who are reinstated will be reported on the eligible report to receive TRAC intervention.

RECURRING BILLING ENVIRONMENT

1. Background

1.1 In the 2017/18 financial year, an audit on the Council's income from smallholdings was conducted. Smallholdings are relatively small units of land and property that are rented out to tenants for agricultural use. It was discovered that the Council creates invoices to the tenants' via recurring billing, which means that invoices are automatically and periodically generated for a given number of years - but it was limited within the financial system. Examples were found where some tenants were not invoiced once the scheduled periods of recurring billing were over, which was unbeknownst to officers. Following the audit, it was discovered that it was possible to extend the period of the recurring billing in the system well into the future, and this was undertaken in order to mitigate the risk of failing to bill a tenant. In addition, a reconciliation of all current contracts within the Property Units's new system, TF, with the Income Unit's records is planned in order to ensure that all contracts are invoiced.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that all customers who received recurring bills were billed accordingly and on time. The audit encompassed widening the sample of the Smallholdings audit, dated 2017/18, by producing a ledger report on all recurring bills over the last 9 years, highlighting cases where recurring billing has expired, investigating the reason why, and identifying any financial losses to the Council.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were reviewed during the audit on the Council's smallholdings income, dated 2017/18. It is Audit's opinion that it is not appropriate to give an assurance level as the managerial weaknesses have already been identified and reported upon in a previous audit. The purpose of this audit was to review the impact of the control weakness that had already been identified.

4. Main Findings

4.1 The ledger's report revealed that there were a number of examples where income receipts through recurring billing arrangement had expired. It was discovered that in the vast majority of cases there were legitimate reasons for these expirations, for example, a business that paid rent to the Council leaving the property. In addition, it was sometimes seen that a recurring billing arrangement had expired before restarting again in the future, leaving a gap in the income stream. In these cases, however, it was found that a normal 'one-off' invoice had been raised which meant there were no financial losses. However, the cases where recurring billing arrangements came to an end without any action from the Council are expanded upon below.

- 4.1.1 A company (supplier number 140100) has been paying an annual rent of £2,500 to the Maritime Service by recurring billing. The billings appears to have ended in 2014, and an invoice was not raised in 2015/16, 2016/17 nor 2017/18. Following inquiries, the Service confirmed that the amounts were, in fact, owed and so an invoice was sent for £7,500 in backpay (now paid), and a further payment to cover the 2018/19 rent until their departure date in September.
- 4.1.2 Customer 010776 had been paying an annual rent of £112 to the Housing Service through a recurring billing arrangement. However, the recurring billing seems to have ended in 2014 and an invoice was not raised in 2015/16, 2016/17 nor 2017/18. In addition, customer 012548 had been paying an annual rent of £30 to the Education Department through a recurring billing arrangement, and the billing seems to have ended in 2014. An invoice was not raised in 2015/16, 2016/17 nor 2017/18. No explanation was received from the Property Service as to whether or not the customers remain in the property nor if rent is due to the Council.

PUBLIC TRANSPORT ENVIRONMENT

1. Background

1.1 Gwynedd Council is responsible for arranging a number of public bus routes across the County. The work formerly taken on by Express Motors was put to tender following the company losing their PSV (Public Service Vehicle) license.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that suitable arrangements were in place for the administration and awarding of tender to bus companies. In order to achieve this, the audit encompassed reviewing a sample of recent tenders for bus companies and ensuring that the payments and arrangements in place were appropriate.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

4.1 The audit's risk are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

5.1 The 'itt_64605' tender included all the routes formerly undertaken by Express Motors. Relevant information such as date posted, closing date and time, contract details and description were displayed on the website for applicants to view. In order to complete an application, applicants were required to complete 3 sections, qualification, technical and commercial. Since all applications were completed digitally, online via <http://www.sell2wales.gov.wales> there is no need for two officers to be present when tender applications are opened because all relevant data is securely stored on the website and cannot be accessed or changed before being opened.

- 5.2 A sample of 7 routes from 'itt_64605' was selected for the audit; routes 301, 1BE, 1E, 35, 82, 83S and 85E. The applications received for each route were checked. 4 companies had applied for 5 routes and 5 applications had been received for the other 2 routes. Some companies attached additional documents to their applications offering alternative timetables and pricing. The correct company was selected for the routes in every case checked.
- 5.3 Arrangements are in place to check if applicants are financially viable. The Council received each applying company's accounts for the past 2 years. These accounts were checked by the Contracts Officer and the Category Manager – Corporate. These arrangements can be strengthened by using a service such as 'Creditsafe' or 'Dunn & Bradstreet', which give an opinion on the financial position of the companies, to carry out additional checks.
- 5.4 The Contracts Officer stated that services are regularly visited to evaluate the performance and safety requirements of the council such as CCTV and seatbelts etc. Ensuring that a service has a valid Operator's License from VOSA (Vehicles & Operator Services Agency) is part of the Council's checks before awarding a tender.
- 5.6 A document outlining the 'core routes and key journeys' was produced by the Council to ensure Transport to work, education, health and social requirements for the public. Many of the routes have been combined or extended to ensure adequate routes are operated.
- 5.7 The Council had to apply to the Welsh Government for additional funding following one operator losing their license. There was a difference between the prices in the bids for the tender and the prices paid to the previous company. It was expressed that this was possible due to the previous company operating some routes on a loss. There will be a significant increase in the Council's spending on this service but it is an unavoidable cost if the Council's public transport service is to maintain its standard.

6. Actions

- 6.1 **The Transport Service has committed to implement the following steps to mitigate the risks highlighted.**
- **Ensure that additional checks are completed on accounts by procurement/accounting officers or through software such as 'Creditsafe' for future tenders.**

PATCH MANAGEMENT FINANCE

1. Background

- 1.1 Patch management is defined as the processes implemented to improve, update and repair the weaknesses of systems and software that are discovered after elements of the infrastructure are released on the market. It is essential for the security of the Council's systems that suitable arrangements are in place.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate arrangements were in place to control and distribute 'patch' updates. In order to achieve this, the audit covered checking the contents of the relevant policy, and also compliance with the policy, as well as reviewing arrangements for recently issued 'patch' updates. For the purposes of the audit, the audit was limited to the 'patch' updates on the corporate network only with the exception of the curriculum and public network segments that fall beyond the corporate IT security remit.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 The Council's Patch Management Policy was reviewed by the Security Engineer and approved by the IT Infrastructure Team in July 2018. The policy was seen to be comprehensive, clear and transparent, discussing the arrangements for updating devices, applications and servers with a timetable that showed the priority of installing the entries based on the risk category defined in the policy.
- 4.2 Appropriate arrangements were seen to be in place for managing patches on the different types of Council servers as well as there being accountable officers to manage them.
- 4.3 From the sample of systems checked, there were proven arrangements within the services for testing and releasing 'patch' updates to the systems.
- 4.4 The 'Desktop Central' system by 'ManageEngine' is used for checking and updating devices' patch status. This system was shown in operation and the Controls in place were found to be effective. Regular monitoring takes place through the 'Desktop Central' system. In addition, vulnerability scans are run regularly using the 'Nessus' program that is independent of 'Desktop Central'. Any weaknesses are highlighted by the scan and acted upon.
- 4.5 The process of updating weaknesses from the recent 'Nessus' scan was observed. The specific MSXML version found on nine of the Council's devices was unsupported, and a call to the IT Helpdesk was made to remove the version of MSXML off the machines

identified.

- 4.6 The testing procedure for patch updates that are released across the Council was checked. Around ten machines are used within the IT service to test patches when they are released. After a week of being on the ten machines, the patches were placed onto 50 to 100 test machines in different departments and locations across the Council for a two-week probationary period to ensure that any problems encountered were fixed before releasing the patch to all users.
- 4.7 The Patch Management Policy defines an 'emergency category risk' relating to patch as "an imminent threat to the organisation's infrastructure". IT staff stated that emergency events had risen relatively recently following the 'Wannacry', 'Meltdown' and 'Spectre' events. It was reported that the service had followed the guidelines outlined in the policy in these cases.
- 4.8 Arrangements for patch updates on servers were reviewed and it was found that the 'SenseLogix' system is ran on one of the Council's servers on the corporate network. The 'SenseLogix' system is an energy saving solution that controls and monitors special power strips that are in use across the Council. The sharing of information regarding the patching process of the 'SenseLogix' by the Maintenance and Energy Conservation Service was discovered to be lacking. The risks of not patching appropriately were highlighted during the audit. The lack of patching could lead to security vulnerabilities which could enable a party to control and turn off power to several computers and machines within the Council. During the audit, this risk was mitigated following a decision to cease further use of the 'SenseLogix' system. Arrangements will be made to disconnect all related equipment and the server from the network in the near future.

LLOYD GEORGE MUSEUM ACCOUNTS ECONOMY AND COMMUNITY

1. Background

1.1 The Lloyd George Museum and his childhood home, Highgate, Llanystumdwy, traces the life of the former Prime Minister of Britain. The museum is administrated by Gwynedd Council with help from Friends of the Museum who support and assist with the development of the museum and it's educational use. Given the museum's status as a charity, that in 2017-18 exceeded the income threshold of £25,000 thanks to a grant from the Government, the trustees' account and annual report must be submitted to the Charities Commission, including an independent auditor's report of the accounts.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to complete the independent examiner's report on the museum's 2017-18 accounts, giving assurance that what is presented to the Charities Commission is correct. This was done by reconciling them with the Council's main accounting system, ensuring that all transactions were relevant to the museum.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

4.1 It was found that the accounts were appropriate and therefore the independent examiner's report was completed in order to declare that to the Charities Commission. An issue was raised with the Finance Unit in relation to a reserve within the end of year accounts, but no further attention was needed.

HOUSES INTO HOMES SCHEME ADULTS, HEALTH AND WELL-BEING

1. Background

1.1 The Houses into Homes scheme was launched in April 2012 to provide homeowners with empty homes with interest free loans to renovate such houses for sale or letting. Short-term or medium-term interest-free loans are offered which will help owners, residents, landlords and qualified third sector organizations improve the condition of residential properties.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the objectives of the Housing into Homes Scheme were implemented. In order to achieve this, the audit included checking the internal controls in place by selecting a sample of applications to ensure that the administered loans have been processed in accordance with the Private Sector Housing Policy (2018).

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

4.1 It was found that there were appropriate arrangements in place for the administration of the Houses into Homes Scheme.

4.1.1 The Private Sector Housing Policy (2018) was established in January 2018, this policy replaces the previous policies published in 2007, 2012, 2014 and 2017. There are minor changes to this year's Houses into Homes Scheme, namely extending the repayment period if a property is let, now there is 5 years to repay the interest-free loan where earlier it was a 3 year period. The revised Policy is not currently available on the Gwynedd Council website as further adjustments made in October need to be completed as well as completing the translation of the Policy.

4.1.2 The Scheme's information booklet together with other informative documents such as a covering letter and document list that to accompanies the application were checked. It was seen that the Companies House fee varied in the documents, 2 of which stated £45 while the other document stated £40. It was confirmed that the successful candidates had been charged £40. However, Gwynedd's Vacant Homes Officer liaised with other North Wales Vacant Homes Officers and it was confirmed that £45 was the correct amount. The relevant documents have been adjusted so that they are consistent and £45 will be charged from now on.

- 4.1.3 Not all properties are eligible for assistance through the Scheme. The scheme is discussed with those who are interested and it is decided if they qualify or not. The property needs to have been vacant for at least 6 months to qualify for the loan, and approvals and/or permissions must be received (planning application, building regulations etc.) which are required to undertake the work. The property must either be sold or rented once the work has been completed, this Scheme is not for owner-occupiers. There is also a need for confirmation that the applicants have adequate funding to ensure that the works can be completed if the loan does not cover the full costs, and have the means to repay the loan.
- 4.1.4 It was found that all the relevant documents had been received for the sample of checked applications and that there were appropriate arrangements in place to monitor the repayments.

FLYING START GRANT - CHILDCARE CHILDREN AND SUPPORTING FAMILIES

1. Background

- 1.1 Flying Start is part of the Early Years Program for families with children under the age of 4 who live in the most deprived areas of Wales. The aim of the grant is to improve children's skills in order to prepare them for school and for life in general, and also to offer extra help for parents. One of the core elements of Flying Start is free, high-quality childcare.
- 1.2 The Welsh Government awarded a Flying Start grant of over £2 million to Gwynedd during 2018-19.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure the propriety of the payments made to childcare providers whilst ensuring that they are in accordance with the grant objectives. In order to achieve this, the audit comprised of selecting a sample of payments to childcare providers, and ensuring that appropriate checks were made before and during a contract, in order to ensure that objectives are met.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 A sample of childcare payments was selected and it was seen that appropriate controls are in place to ensure that what is provided by the childcare providers are in accordance with the aims and terms of the Flying Start grant.
- 5.2 It was found that appropriate and periodic checks are carried out before and during the contract to ensure a quality of care that meets the objectives of the grant. From the sample of 8 providers out of the total of 13 that are a part of the scheme, they all appear to comply with the requirements of the grant. The Early Years Service visits the providers and monitor the children's progress, nursery policies, DBS checks, attendance registrars etc., and copies of these are kept on file.
- 5.3 An inconsistency was found between the Welsh Government grant offer letter and the Service Level Agreements between the Council and the providers. The grant offer letter states that the letter and all original documents relevant to the funding must be retained for a period of 10 years. However, section 2.2 of the Service Level Agreement states that the provider must maintain all relevant records for a period of only 7 years. The Temporary Data, Finance and Monitoring Officer stated that the Contracts Unit would be notified in order to update the document.

6. Actions

The Temporary Data, Finance and Monitoring Officer has committed to implement the following steps to mitigate the risks highlighted:

- **Notify the Contracts Unit in order to update the document retention periods in the Service Level Agreement, in order to be consistent with the grant offer letter.**

DIESEL TANKS AND CONTROLLING DIESEL HIGHWAYS AND MUNICIPAL

1. Background

1.1 Various Council Highways and Municipal depots possess a stock of DERV (White Diesel) and Gasoil (Red Diesel) within tanks for Council vehicles such as waste collection vehicles, street cleaners, gritters, machines and vans. Diesel is mainly ordered by the Fleet Unit but 'All Star' cards are also used to buy fuel from local garages. Retaining a supply of diesel is cheaper than buying from local garages, and ensures that a supply is available should there be any fuel shortages. However, there are significant maintenance costs associated with the tanks. The Department has identified this area as high risk on the Corporate Risk Register.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the ordering and retention arrangements of new stock were suitable and that adequate equipment was in place to protect them. In order to achieve this, the audit covered visiting a sample of depots that provide diesel to the Council's vehicles and questioning the Site Manager about the arrangements and any developments on the recent recommendations by consultants.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	1
MEDIUM	3
LOW	0

5. Main Findings

5.1 Following an inspection by BSI in November 2016, it was reported that Gwynedd did not comply with ISO14001 (Environmental Management) standards. In response, the Phoenix Forecourt Services (PFS) company was commissioned to carry out an assessment of all fuel tanks on Highways and Municipal sites during April and May 2017. The poor standard of tanks was highlighted in the report and noted recommendations for the Department to implement. So far, most of the recommendations do not appear to have been implemented and the staff on the sites appear to be unaware of who was responsible, or willing to accept responsibility.

- 5.1.1 During the visits, some of the tanks and equipment were in poor condition, such as volume readers and alarms, but when discussed with the staff it did not become clear who is responsible for maintaining them. There is no clear procedure for cleaning, attending to and maintaining the tanks and there appears to be no clear communication between the Services within the Department.
- 5.1.2 The Manager of one site expressed his concern about the condition of the tank and the drainage system on the site and he is not willing to accept responsibility as he has shared his concerns several times and has not received a satisfactory response. This was endorsed in a report on the condition of the fuel locations by the Fleet Manager in conjunction with the Assistant Environmental Quality Assurance Engineer. The report notes that a health and safety check of the Site in February 2008 recommended decommissioning the tank as soon as possible. However, the tank continues to be used.
- 5.1.3 Digital volume readers have been installed on all the tanks that are part of the system operated by the Fleet Service. The Service monitors the data collected by these readers and uses it to set a minimum stock (re-order level) and then order a new supply of fuel as necessary. Neither the sites nor their staff are part of this process. As a result, no checks are made when supplies arrive at the sites. When an invoice is received, the Fleet Service verifies the total indicated on it and compares it to the reading at the beginning of the day the supply was received. This gives a rough idea of the volume of fuel in the tank and space within it when checking that the supply indicated on the invoice is correct. Staff on the sites have raised concerns about the procedure, as no digital ticket is always provided by the supplier's driver to indicate the volume of supply in detail.
- 5.1.4 Many of the readers do not seem to provide accurate readings, the digital reader in Afonwen showed readings that rose and dropped by 100 litres during the visit, and the parallel analogue reader indicated a total of approximately 900 litres difference to what was correct. Site Managers were asked about this and stated that they did not have confidence in the readers and that the Ffridd Rasus tank had emptied on one occasion even though the reader indicated that there was still enough left inside.
- 5.1.5 The Fleet Manager has planned to introduce a new procedure when diesel is accepted on the sites, where a member of staff is expected to meet the provider's driver and follow specific actions and also completing a dedicated checklist.
- 5.1.6 A keyfob system is used for most fleet vehicles where the drivers scan a unique keyfob and enter the vehicle's odometer number. The Timeplan software that controls the system determines if the record is valid or not in order to release fuel. Some vehicles such as screened lorries and street cleaning vehicles (Sweepers) do not contain an odometer so the control is not so reliable for these vehicles. In theory, the system is adequate in terms of regulation but there cannot be full assurance because of the reliance on staff to commit to correct implementation of the keyfobs and the odometer records.
- 5.1.7 It was found that 'Spill Kits' were present at each site but that the equipment was kept in storage at the Depot at Afonwen rather than in a practical location near the side of the tank. The tanks within the other sites contain an area protected against the weather where the pump and electrical components are located, the 'Spill Kit' is also kept in this area. The Cibyn site was found to have rubbish in the container holding the 'kit'.

6. **Actions**

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

- Operate on the tanks' errors or decommission and replace them if it is something that will provide better value for money in the future.
- Establish a procedure where stock checks are carried out when supply is received on the sites.
- Establish a new system of cleaning and maintaining the condition of the tanks and their surrounding areas.
- Remind staff of the importance of using the fobkeys correctly and giving a detailed reading of the odometer on the Timeplan system to prevent future troubles.