

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JULY 2017
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 JUNE 2017
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 1 April 2017 to 30 June 2017.

2. WORK COMPLETED DURING THE PERIOD

2.1 The following work was completed in the period to 30 June 2017:

Description	Number
Reports on Audits from the Operational Plan	2
Report on an Audit from the Audit Plan 2016/17	2
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 30 June 2017, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	OPINION	APPENDIX
Awareness of the Whistleblowing Policy	Corporate	-	B	Appendix 1
Precepts	Finance	Accountancy	A	Appendix 2
Storiel Governance Arrangements	Economy and Community	Record Offices, Museums and the Arts	B	Appendix 3
Hafan	Economy and Community	Maritime and Country Parks	No Category	Appendix 4

2.2.2 The opinion categories within the reports affirm the following:

Opinion "A" Assurance of financial propriety can be expressed as the controls in place can be relied upon and have been adhered to.

Opinion "B" Controls are in place, and partial assurance of financial propriety can be expressed as there are aspects where some procedures can be strengthened.

Opinion "C" Assurance of financial propriety cannot be expressed as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered.

Opinion "CH" Assurance of financial propriety cannot be expressed as acceptable internal controls are not in place; losses/fraud resulting from these weaknesses were discovered.

2.3 Audit of the Supporting People Grant (Part 1)

2.3.1 Gwynedd Council received over £ 5 million in grant from the Welsh Government during 2016- 17 as part of the Supporting People Plan. The plan commission and finances over 25 providers to offer assistance to vulnerable individuals to maintain their tenancies and avoid homelessness, with the aim of enabling individuals to live independently by providing housing related support services. There are two elements relevant to the grant, the completion of the audit certificate in respect of outcomes for the period April 2016 until December 2016 which was due before 31 May 2017, and the audit certificate on the 2016-17 expenditure which is to be completed before 30 September 2017. The audit on the outcomes was completed in accordance with the terms and conditions of the grant and the certificate was sent within the timescale provided.

3. WORK IN PROGRESS

3.1 The following work was in progress as at 1 July 2017.

- Obtaining References (*Corporate*)
- Proactive Prevention of Fraud and Corruption (*Corporate*)
- Education Improvement Grant for Schools (*Education*)
- Awareness of the Whistleblowing Policy – Primary and Secondary (*Education*)
- Health and Safety – Primary Schools (*Education*)
- Training New Members (*Corporate Support*)
- Death Grants (*Finance*)
- Leisure Centres (*Economy and Community*)
- Direct Debit Payments – Leisure Membership Schemes (*Economy and Community*)
- Plas Maesincla (*Adults, Health and Wellbeing*)
- Plas Hafan (*Adults, Health and Wellbeing*)
- Plas Ogwen (*Adults, Health and Wellbeing*)
- Tan y Marian (*Adults, Health and Wellbeing*)
- Smallholdings (*Regulatory*)
- Housing Waiting List (*Housing*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 April 2017 to 30 June 2017, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

STAFF AWARENESS OF WHISTLEBLOWING POLICY CORPORATE SUPPORT

1. Background

- 1.1 The Policy was formed with the intention of encouraging workers to come forward and express any serious concerns regarding misconduct in order to maintain the public's confidence and to conserve the Council's reputation. The Policy's purpose is to enable and encourage workers to share major concerns internally rather than attempt to solve issues externally.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit is to review office-based staff's awareness of the Whistleblowing Policy and to discover their general opinion on the Policy and its procedures. This was carried out by designing and distributing an on-line survey to office based staff in order to find any changes in the awareness levels since a similar exercise in 2014. The results of the survey reflect the Council's culture.

3. Main Findings

- 3.1 508 responses (25%) was received from a total of 2009 workers that received the e-mail. 87% stated that they were aware of the Policy, which is an increase on the 81% in the 2014 Survey.
- 3.2 In 2009, a campaign was launched to raise awareness in which all staff should have received a 'Whistleblowing Card' (the size of a credit card). New staff receive the card as part of their induction packs and all work areas are expected to display the card. Only 22% of staff who noted that they were aware of the policy had received a card.
- 3.3 The survey showed that the majority of staff gained awareness of the Policy through the Policy Centre (199), through their line manager (121) and through a co-worker (90). Only 67 were aware as a result of receiving a Whistleblowing Card and 46 through a poster. 71 of the workers gained awareness as a result of an induction pack/session.
- 3.4 The Policy has not been updated since May 2014 following a review by the Wales Audit Office.
- 3.5 Those that were aware of the Policy were asked if they had confidence in the current system by providing a score between 1 and 5, (1 denoting 'no confidence' and 5 'total confidence'). The average score was 3.4. This is an increase on the average score which was 3.1 in 2014. There was an increase in the Direct Workers score (3.1 to 3.3) and Middle/Line Managers (3.0 to 3.4) but a decrease amongst Corporate Directors, Heads of Department and Senior Managers (3.8 to 3.5) compared to the results of the 2014 survey. There was a noticeable increase in the

score for the Environment Department (3.0 to 3.6), Economy and Community Department (3.1 to 3.6) and YGC (3.0 i 3.7) but slight decrease in the Children and Supporting Families Department (3.4 to 3.3).

3.6 20 of the Workers stated that they had ‘blown the whistle’. 5 of these individuals noted that the matter had been solved while 10 stated that it had been solved to some extent. 7 (of the 20) were satisfied with how the matter was dealt with (4 matters were solved and 3 were solved to an extent, in their opinion).

3.7 For those who stated that they were unaware of the Policy, they were asked if they’d ever had concerns regarding misconduct in the workplace but hadn’t acted as a result of not being aware of the Whistleblowing Policy. The survey found that 3 individuals had not acted as they were unaware of the policy.

3.8 The survey listed 7 scenarios in the workplace where a worker should ‘blow the whistle’, and then asked which scenarios the workers would be likely to ‘blow the whistle’. The scores denote the percentage of workers who would be willing to ‘blow the whistle’ in the scenarios given below. There is an increase in all scores since 2014.

“Something that...

<i>... is unlawful, fraudulent or corrupt</i>	93 %
<i>... constitutes sexual, physical or emotional abuse of clients</i>	91 %
<i>... endangers the health and safety of any individual</i>	88 %
<i>... amounts to improper conduct</i>	82 %
<i>... is an abuse of power or use of the Council’s power and authority for an unauthorised purpose</i>	82 %
<i>... breaches any statutory code of practice;</i>	74 %
<i>... is causing, or is likely to cause damage to the environment.</i>	69 %

3.9 On average, 83% of workers noted that they were willing to ‘blow the whistle’ compared to 80% in 2014. If the respondent declared that they wouldn’t ‘blow the whistle’ they were asked to explain why. A sample of the responses is provided below, which is a reflection of the general response.

“No confidence that anything will be done and it would be harmful for me in the end”

“Fear of persecution from senior managers and line managers if whistleblowing on them”

“I believe that there are other ways to deal with some of the above examples without the use of the Whistleblowing Policy”.

3.10 The number of responses is evidence that the Council’s workers feel that Whistleblowing is important. The comments and recommendations include concerns that whistle blowers are not protected and that the process is not as

confidential as it should be.

A number of respondents commented that an increase in awareness is needed and training and promotion should be utilised.

4. Audit Opinion

(B) The Audit opinion is that partial assurance can be expressed of the propriety of staff awareness of the Whistleblowing Policy, as there are controls in place, but there are aspects where some arrangements can be tightened. The Corporate Support Department has committed to implement the following steps to alleviate the risks highlighted:

- Update the Policy in order to ensure the contents are current and appropriate.
- Corporate Support Department to receive all comments received as part of the review, in order to implement as required.

PRECEPTS FINANCE

1. Background

- 1.1 A Precept is a tax raised on dwellings within a Community Council. Gwynedd Council is responsible for collecting this tax through the Council Tax bill before transferring the money to the relevant Community Council in biannual instalments. Precepts are used to finance a wide range of services that are beyond those provided by the Local Authority. These include the upkeep of cemeteries, repairing bus shelters or cutting grass and the upkeep of footpaths.
- 1.2 The Community Council notifies Gwynedd on an annual basis of the total monetary sum they would like to raise on dwellings with their community. Gwynedd Council would then allocate this sum, the precept, amongst the dwellings with consideration to the number of dwellings within the community and their tax band.

2. Purpose and Scope of the Audit

- 2.1 The purpose of the audit was to ensure that precepts are calculated and paid correctly and timely to Community Councils. In order to achieve this, the audit encompassed reviewing the procedure for calculating precepts for 2017/18, by reviewing the forms received from the Community Councils and the verifying the Council Tax System.

3. Main Findings

- 3.1 A random sample of 20 Community Councils was selected in order to ascertain if they received the sum requested, and that appropriate arrangements was in place for Gwynedd Council to collect the correct tax from the dwellings, with consideration to the community's tax base.
- 3.2 When notifying Gwynedd Council of their 2017/18 precept, it was discovered that some of the Community Councils failed to comply with the set timetable. In order to reduce similar cases in the future, the Head of Finance has asked the Community Councils to ensure their committees approve their precepts in good time, in order to comply with the timetable for 2018/19.
- 3.3 When receiving the notifications from the Community Councils, independent checks are made within the Accounts Unit in order to ensure correctness, in addition to the checks made by the Revenue Service when inputting the data into their system.
- 3.4 The tax base is the number of Band D equivalent dwellings within a Community. The 2017/18 tax base was calculated by recognising the true number of dwellings in the Council Tax system as at 31/10/16, and adjusted to incorporate expected changes over the next 17 months, adjusted again to consider relevant discounts, converting the different bands to Band D equivalents, less consideration for monies that won't be collected. The tax base calculation was discussed with the Council Tax Unit and a sample was traced to the system, and it was seen that they were appropriate.

- 3.5 For the chosen sample, the precept requested was traced back to the system, by dividing the precept with the tax base. A formula was used to ensure the other bands' parameters within the system – which are proportionate to Band D - were correct. Samples of Council Tax bills were audited and they were seen to be correct.
- 3.6 Gwynedd Council collects the tax from the dwellings throughout the year but transfers the precept to the Community Councils biannually. Two examples were discovered in 2016/17 and again in 2017/18, where the same precepts were coded against the incorrect expenditure code. In addition, an example was seen where the incorrect Community was paid in 2015/16 (corrected in 2016/17 following a query by the Community Council that did not receive money). However, following changes to the payment process, this risk has been mitigated.

4. Audit Opinion

- (A) The audit opinion is that assurance of propriety can be stated in the administration of Precepts as it is possible to depend on the internal controls, which have been followed.**

STORIEL – GOVERNANCE AND MANAGEMENT ARRANGEMENTS ECONOMY AND COMMUNITY

1. Background

- 1.1 Gwynedd Museum and Art Gallery has now relocated to the Town Hall (or the Bishop's Palace) in Bangor. It is now recognized as Storiel and has opened since January 2016. *“The aim of Gwynedd Museum and Art Gallery is to contribute towards the understanding of the history and culture of Gwynedd and its people by collecting, caring for and providing access to its collections so that everyone can share its rich heritage.”* (Storiel Facebook Page)

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the governance and management arrangements for Storiel are appropriate and in accordance with relevant regulations and standards.
- 2.2 During the audit the auditor checked the procedures and controls that are in place to mitigate risks related to a range of Storiel's governance and management arrangements.

3. Main Findings

- 3.1 Good internal controls existed in Storiel. The income that was in the suspense account has now been cleared with the income being allocated to the correct codes.
- 3.2 A marketing plan was created by Courtney Consulting Ltd. in 2010. The business plan states that the majority of the recommendations set out in the marketing plan have now been achieved or are in progress and therefore there is a need to create a new marketing plan. It does not appear that a new marketing plan has been created as stated in the business plan.
- 3.3 Arrangements are in place for completing the income received forms, TR34 and TR34cc by specific officers. When checking a sample of these forms there were many cases where there was no second officer verifying their accuracy.
- 3.4 Storiel does not have a formal stock plan at present. Every item of new stock is entered into the till as they are received on site and all sales go through the till which enables officers to check how much of stock is left. However, at present, not all stock that was in Storiel before the relocation has been entered into the new till. In order to check this stock, officers must use the historical goods received notes and check stock in order to verify how many items are left.
- 3.5 Regular stock checks are not completed at present but the Museums and Volunteer Coordinator expressed that a stock check will be carried out at the end of the financial year 2016/17. A report can be created from the till of all stock, as well as per supplier.
- 3.6 There is no agreement between the Council and suppliers detailing the terms and

conditions regarding commission payments at present.

3.7 A Volunteer Agreement has been created for Storiel's volunteers and is now in use; however, only 3 volunteers had an agreement in place at the time of the audit.

4. Audit Opinion

(B) The Audit's opinion is that partial assurance can be expressed of propriety in the administration of Storiel – Governance and Management Arrangements as controls have been established, but there are aspects where some arrangements can be tightened. The establishment has committed to implement the following steps to mitigate the risks highlighted:

- Establish a marketing plan for Storiel.
- Ensure that a second officer checks the TR34 forms and signs to confirm this.
- Continue to input stock into the till and create a current stock plan in order to check when more stock needs to be ordered etc.
- Ensure that stock checks are completed. It would be good practice after completing the end of year stock check to establish a system of regular stock checks.
- Create a contract for Storiel suppliers detailing the payment arrangements.
- Continue to use the new volunteer agreement - seeking volunteers who have volunteered for Storiel for some time in order to complete the agreement.

HAFAN DIRECT DEBITS ECONOMY AND COMMUNITY

1. Background

- 1.1 Hafan Pwllheli is a marina that offers many services and facilities. These include fully serviced berths, which include electricity and water, a 50 ton hoist and mobile crane, and a water based facility to sell diesel, unleaded petrol and disposal of sewage.
- 1.2 Gwynedd Council has been responsible for managing Hafan since 2008, with Yacht Haven Management being responsible beforehand. The Economy and Community Department has identified the need to conduct a review of Hafan, which would assess different management models for the future, taking into account a range of different management structures and governance.

2. Purpose and Scope of the Audit

- 2.1 The purpose of the audit was to assess whether appropriate arrangements are in place in order to ensure the financial appropriateness when dealing with direct debits.
- 2.2 The audit scope included ensuring that effective and efficient methods are being implemented, which includes a link between the different software used, and the administration of direct debits is done so in a way that protects the Council's income and ensuring compliance with the Data Protection Act.

3. Main Findings

- 3.1 Currently, there are around 70 customers who pay for annual berthing by direct debit. This equates to 23% of customers, which is 70 out of the 300 pontoon berths that are in use, with another 110 pontoons being empty. Customers can only pay for annual mooring by direct debit, and other services are to be paid for by use of a cheque, credit or debit card, or cash. It is possible that the number of customers who choose to pay by direct debit is so small because there is an administration fee of 5% that is added to the cost, despite the fact that this fee is at a lower rate than what it has been in the past (8%).
- 3.2 The administrative burden of managing direct debits is heavy, and Hafan only have one officer who is responsible for this work. It was discovered that it is necessary for this officer, the Deputy Manager (Administration), to be on duty on specific dates each month (i.e. the beginning and the end of the month, and the processing period of 4 days within the month). This issue had been addressed in the previous Hafan audit (December 2014).
- 3.3 The software used by Hafan for managing income is HavenStar, which is administered by Star Marina Solutions Ltd. There is no interface between HavenStar and the Council's systems, therefore reports are prepared and sent to the Accounting Unit to be manually inputted into the financial ledger.

- 3.4 In addition to the Deputy Manager (Administration)'s workload, the Accounting Unit must also spend time processing the various reports generated and then manually input the information into the financial ledger. In conducting the audit, an error was found in the financial ledger for one source of income for one month. The Accounting Unit was informed and the error has now been corrected. The mistake happened because of inaccuracies in the report submitted by Hafan.
- 3.5 Hafan's debt collection procedure is conducted internally, and independent of the Council's Revenue Service. The Deputy Manager is of the view that this arrangement works well, since they are aware of the background of each debt.

4. **Audit Opinion**

The audit opinion is that a review of the management models of Hafan should be undertaken before investing in any new software, or an arrangement of transferring information electronically from HavenStar to the financial ledger should be developed. However, in the meantime it is necessary to ensure that arrangements for the continuation of service should be established, particularly in terms of the absence of the Deputy Manager (Administration). The service has committed to implement the following to mitigate the identified risks:

- Review their business continuity arrangements.