



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 29TH NOVEMBER, 2018

Location

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

Contact Point

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(DISTRIBUTED 21/11/18)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Elin Walker Jones
Paul John Rowlinson
Vacant Seat

Aled Wyn Jones
Huw Gruffydd Wyn Jones
Cemlyn Rees Williams

Charles Wyn Jones
Berwyn Parry Jones
Gethin Glyn Williams

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor Alwyn Gruffydd

Gwynedd United Independents (1)

Vacant Seat

Individual Member (1)

Councillor Sion W. Jones

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

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

4. MINUTES

5 - 9

The Chairman shall propose that the minutes of the meeting of this committee, held on 27 September 2018, be signed as a true record.

5. FRAUD AND CORRUPTION: EXPRESS MOTORS

10 - 12

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

6. REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW

13 - 31

To submit the report of the Head of Finance.

7. CAPITAL PROGRAMME 2018/19 - END OF AUGUST REVIEW

32 - 39

To submit the report of the Head of Finance.

8. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVING SCHEMES

40 - 47

To submit the report of the Head of Finance.

9. TREASURY MANAGEMENT 2018/19 - MID YEAR REVIEW

48 - 57

To submit, for information, the report of the Head of Finance on the Council's actual borrowing and investment during the current financial year.

10. INTERNAL AUDIT OUTPUT 17/9/18 - 16/11/18

58 - 78

To submit the report of the Audit Manager.

11. INTERNAL AUDIT PLAN 2018/19

79 - 84

To submit the report of the Audit Manager on the progress made on the 2018/19 Internal Audit Plan.

**12. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT 85 - 92
AND GOVERNANCE COMMITTEE**

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

AUDIT AND GOVERNANCE COMMITTEE 27/9/18

Present: Councillor R. Medwyn Hughes (Chair)
Councillor John Brynmor Hughes (Vice-chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Charles Wyn Jones, Elin Walker Jones, Sion W. Jones, Dewi Wyn Roberts, John Pughe Roberts, Angela Russell, Cemlyn Williams and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillor Peredur Jenkins (Cabinet Member for Finance) and Edgar Owen (Ex-officio Member).

Also in Attendance: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Revenue and Risk Manager), Ffion Madog Evans (Senior Finance Manager - for Item 5 on the agenda), Ian Howse (Financial Audit Engagement Leader, Deloitte - for Items 5 and 6 on the agenda), Caroline Lesley Roberts (Investment Manager - for Item 6 on the agenda), Luned Fôn Jones (Audit Manager) and Bethan Adams (Member Support Officer).

Apologies: Councillors Huw G. Wyn Jones and Paul Rowlinson.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, held on 19 July 2018, as a true record.

3. GWYNEDD COUNCIL FINAL ACCOUNTS 2017/18 AND RELEVANT AUDIT

The Head of Finance Department submitted the revised statutory financial statements for approval by the committee. He noted that the report from Deloitte on behalf of the Auditor General for Wales stated the main changes to the accounts since the pre-audit version had been submitted to the Committee meeting of 28 June.

He drew attention to what Deloitte had identified as an allocation misstatement of £5.640m within earmarked reserves, as payment to the Gwynedd Pension Fund. He explained that the payment was for a fixed element of Council contributions as an employer for the period between 2017/18 to 2019/20. He noted that it had not been corrected as it only affected distribution within the earmarked reserves, it did not affect the total earmarked reserves, and in the medium term it could be argued that Gwynedd Council's system was more transparent.

In accordance with the Annual Audit procedure, namely the Appointed Auditor's report for those charged with governance, the report by Deloitte on behalf of the Auditor General for Wales was submitted by Ian Howse, Financial Audit Engagement Leader, Deloitte.

It was reported that the Auditor General intended to issue an unqualified audit report on Gwynedd Council's accounts for 2017/18.

The following main observations were made:

- As noted by the Head of Finance Department, one misstatement had not been corrected but they were satisfied that it would not be corrected;

- One misstatement had been corrected to their satisfaction;
- No matters requiring attention had been highlighted by the audit team in relation to the significant risks that were tested;
- The accounts team were praised for the quality of the accounts.

The Head of Finance Department expressed his gratitude for the audit report submitted by Deloitte, and for their usual co-operation throughout the audit.

RESOLVED:

- (i) to approve the Gwynedd Council Statement of Accounts 2017/18 (post-audit);**
- (ii) to accept the Deloitte 'ISA260' audit report on behalf of the Auditor General for Wales;**
- (iii) to authorise the Head of Finance Department and the Chair of the Committee to sign the “letter of representation” in relation to the Council’s accounts and submit it to the Auditor General for Wales.**

4. GWYNEDD PENSION FUND FINAL ACCOUNTS 2017/18 AND RELEVANT AUDIT

The Head of Finance Department submitted the revised statutory financial statements of the Pension Fund for approval by the committee. He noted that the report from Deloitte on behalf of the Auditor General for Wales stated the main changes to the accounts since the pre-audit version had been submitted to the Committee meeting of 19 July.

He apologised that the documents for this item had been sent out late to members. He noted that a revised copy of accounts had been submitted with minor amendments following the Deloitte audit, the amendments did not make a difference to the main statements. He expressed his gratitude to officers for their work and achievement in light of significant pressure due to staff absences.

The Financial Audit Engagement Leader, Deloitte submitted the ISA 260 audit report and apologised that the document had been sent out late to members. He noted that the Auditor General intended to issue an unqualified audit opinion on the accounts of the Gwynedd Pension Fund for 2017/2018.

The following main observations were made:

- Some misstatements in the accounts had been corrected to their satisfaction;
- No matters requiring attention had been highlighted by the audit team in relation to the significant risks that were tested except control improvements as usually noted.

A member conveyed his thanks to the accounts team for their work and that it was encouraging to receive confirmation from Deloitte that the accounts were clean. The Chairman endorsed this observation and congratulated the accounts team on the standard of the accounts.

The Head of the Finance Department expressed his appreciation of the work of the accounts teams.

In response to an enquiry by a member regarding the risk to the Council from lending to other Councils, the Head of Finance Department noted that the Council receives guidance from Arlingclose, the Council's treasury consultants, and a credit risk warning would be issued should there be a credit risk. He explained that lending to other Councils was not a high risk, as the situation was better than lending to a private company as Councils were bodies with greater income security due to their power to charge rates.

RESOLVED:

- (i) to approve the Gwynedd Pension Fund Statement of Accounts 2017/18 (post-audit);**

- (ii) to accept the Deloitte 'ISA260' audit report on behalf of the Auditor General for Wales;
- (iii) to authorise the Head of Finance Department and the Chair of the Committee to sign the "letter of representation" in relation to Gwynedd Pension Fund accounts and submit it to the Auditor General for Wales.

5. OUTPUT OF THE INTERNAL AUDIT SECTION 1/4/18 – 14/9/18

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 14 reports on audits from the action plan had been completed. Members were reminded, in accordance with what had been approved by the Committee on 19 July 2018, that risk scores and assurance levels were provided for each audit. It was noted that members and officers had given positive feedback on the new system.

Consideration was given to each individual report and during the discussion reference was made to the following main matters –

Safeguarding Arrangements – Domestic Abuse

In response to a member's observation in terms of when controls would be in place, the Audit Manager noted that controls were in place but that they required development. The Senior Revenue and Risk Manager added that an action plan was in place to respond to the legislative requirement that all Council staff complete the training.

A member noted that managers had a responsibility to ensure that staff completed the training. In response to a member's observation in terms of why it was more difficult for field workers to complete the training, the Audit Manager noted that office staff had easy access to the training module, therefore, it was easier for them to complete the module compared to field workers.

A member suggested that field workers should be able to gain access to the training from home. In response, the Audit Manager noted that the Staff Development Module was currently still in development and, ultimately, it would enable all staff to gain access to the training module. She reminded members that follow-up work would be undertaken on the audit and the results would be reported upon.

Arfon Leisure Centre

A member referred to the fact that every member of staff was responsible for completing stock checks, he suggested that a specific staff member or even the manager should complete the checks. In response to the observation, the Audit Manager explained that staff worked on a rota basis, therefore, it was not possible for a specific staff member to complete the checks. She confirmed that every member of staff had received training to undertake stock checks.

Income Collection – Maritime and Country Parks

A member drew attention that the Maritime and Country Parks Officer noted that he was confident that figures provided by the 'Adra' company, which collected income from entry fees to Parc Glynllifon on behalf of the Maritime and Country Parks Service, were accurate even though there were no checks on the number of visitors or the money collected. The member noted that evidence should be obtained to support the officer's opinion.

In this case, the Head of Finance Department noted that the cost of having an officer checking the income collected from entry fees to the park would be much higher than any additional income that would be collected.

A member noted the need for the Maritime and Country Parks Officer to provide more information about the matter. In response, the Audit Manager noted that the auditor had examined quarterly invoices by the company which noted how much money was transferred to the Council and that he was comfortable with the situation. She emphasised that the income collected by the company on behalf of the Council was not substantial.

The Senior Revenue and Risk Manager explained that the auditor had examined the risk to the Council during the audit and that the risk in relation to income was a fundamental matter which would have been addressed.

A member noted that a balance had to be struck between staff costs to check the income and the level of income collected. They would have to live with the risk when making a decision.

A member noted that he accepted the risk but perhaps a figure would have been helpful to draw a comparison.

In response to a member's observation, the Audit Manager noted that a quick audit could be undertaken in terms of the invoices and income level and report back to the Committee at the next meeting.

Plas y Don

A member noted that the same themes were regularly highlighted in audits for Residential Homes. A member added that the Controls Improvement Working Group, at its meeting on 23 October 2017, had discussed a summary of the themes highlighted in Residential Homes audits with the Cabinet Member for Adults, Health and Well-being and the current Head of Adults, Health and Well-being Department.

The Audit Manager explained that there had been an improvement in the situations of Residential Homes. She reminded members that the Head of Adults, Health and Well-being Department had explained at a meeting of the working group that staffing matters was a factor, especially with staff recruitment in the Dwyfor and Meirionnydd areas.

A member noted that he welcomed the improvement in the situations of Residential Homes. He added that if there were trends, there was a need to look at the broader picture and that it was a matter that needed to be addressed by Senior Managers rather than managers of the homes.

A member noted, as the same matters arose, that the Care Scrutiny Committee should be asked to look further at the themes that were highlighted in audits of Residential Homes.

Plas Hedd

A member noted that it was essential for staff to complete the 'Domestic Abuse' e-learning module bearing in mind where they worked. In response, the Audit Manager noted that this was only one training module and that it was a small proportion of the work and tests associated with work carried out by staff in residential homes.

A member noted that a training framework with a specific timetable should be in place. He added that he recognised that staff in the residential homes were extremely busy and that it was difficult to allocate time for training. In response, the Audit Manager drew attention to the fact that an agreed action step to ensure that every staff member completed the 'Domestic Abuse' e-learning module and that a timetable was in place.

In response to an observation by a member regarding the risk to the Council due to a lack of training, the Audit Manager emphasised that reference was made to one training module in

this case and that a wide range of training, such as safeguarding and manual handling, needed to be completed by staff.

A member referred to the Council's intention to establish a care field career path, noting that it had not yet been realised. He noted that a career path in the care field would encourage individuals to work in the field and the Care Scrutiny Committee should be asked to consider the matter.

Cefn Rodyn

In response to a member's observation regarding the temperature of the medication fridge, the Audit Manager noted that the fridge's temperature was recorded daily.

RESOLVED:

- (i) to accept the report on the work of the Internal Audit for the period of 1 April 2018 to 14 September 2018 and to support the agreed actions that have already been submitted to the managers of the relevant services;**
- (ii) that the Internal Audit Service complete a quick audit of the invoices and income level in relation to entry fees to Parc Glynllifon and to report back to the Committee at the next meeting;**
- (iii) to ask the Care Scrutiny Committee to consider:**
 - **further examining the themes highlighted in audits for Residential Homes;**
 - **examining the situation in terms of establishing a career path in the care field in order to encourage individuals to work in the field.**

6. INTERNAL AUDIT PLAN 2018/19

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2018/19 internal audit plan.

It was reported that the Internal Audit Service up to 14 September 2018 had completed 25.45% of the plan, with 14 of the 55 audits in the 2018/19 plan released in a finalised version. It was explained that during quarter 1 and quarter 2 auditors had also undertaken audits for some Community and Town Councils in Gwynedd and Anglesey. Appreciation of the team's work was expressed. Attention was drawn to amendments made to the Plan.

In response to a question by a member, the Audit Manager confirmed that there was full capacity within the team with appointments to two temporary posts since July being an additional resource whilst three officers completed training.

RESOLVED to accept and note the content of the report as an update of progress against the 2018/19 audit plan.

The meeting commenced at 10.00am and concluded at 11.30am.

CHAIR

Agenda Item 5

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	29 NOVEMBER 2018
TITLE	FRAUD AND CORRUPTION: EXPRESS MOTORS
PURPOSE OF REPORT	TO SUMMARISE HOW THE FRAUD OCCURRED AND THE STEPS TAKEN IN RESPONSE
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO CONSIDER THE CONTENTS AND QUESTION COUNCIL OFFICERS ABOUT THE ARRANGMENTS WITHIN THE PUBLIC TRANSPORT SERVICE, AND THE SUBSEQUENT STEPS TAKEN

1. INTRODUCTION

- 1.1 On 2 October 2018, four defendants were found guilty at Caernarfon Crown Court of charges of fraud involving claims for subsidies by Express Motors for running the Concessionary Fares scheme in Gwynedd. A fifth defendant had pleaded guilty at an earlier hearing.
- 1.2 On 31 October 2018, all five defendants were sentenced at Mold Crown Court to prison for periods of between 12 months and 7½ years.
- 1.3 The defendants were the owner of Express Motors, his three sons and a driver for the company.
- 1.4 Because the matter was subject to Court proceedings, the Audit and Governance Committee has not been able to discuss the matter in open committee until now.

2. INTERNAL AUDIT INVESTIGATION

Background

- 2.1 This matter was referred to Internal Audit by the Regulatory Department in 2014, who stated that they had concerns and had received complaints from customers that bus travel cards were being swiped more than once (when stepping on to the bus and as they were leaving) for journeys made with Express Motors. Internal Audit was asked to investigate this claim, as this was potentially fraudulent activity from the bus company in order to inflate concessionary fares figures and fraudulently inflate their monthly claims from the Authority.

Claims Procedure

- 2.2 The Concessionary fares scheme is funded by the Welsh Government and administered by the 22 Local Authorities; it was launched in Wales on 1st April 2002. The scheme entitles women and men aged 60 and over and people with certain disabilities to obtain a bus travel card that enables them to travel free from charge in Gwynedd and anywhere in Wales. These travel cards can be used multiple times and they have no limits on them, but passengers do have to show the card every time they travel.
- 2.3 The scheme then allows bus operators to reclaim money from the public purse, on a monthly basis, for every journey made with a valid travel card. This payment is calculated using 3 elements:
 - The number of journeys made within the month on routes operated by that company using a valid concessionary travel card
 - The average single fare of a journey by that operator (this figure is based on the average cost in September 2009)

- a multiplier supplied by Welsh Government (which is consistent to every local authority and bus operator in Wales – this varies every year, based on the overall budget that is available)

2.4 The monthly payment to every company, therefore, is calculated as follows:

Payment = Number of concessionary journeys x Sept 09 average single fare x WG multiplier

2.5 Every month it is the companies' responsibilities to let the Council know how many times the concessionary travel cards have been used on routes within Gwynedd with the Council paying the companies based on the data received each month. The Council re-claims the money that has been paid to the companies from the Welsh Government with quarterly claims.

Wayfarer System

2.6 The Wayfarer system (by Parkeon) is a system that records concessionary fare data for the Bus operators.

2.7 Internal Audit were informed by the Regulatory Department that most bus operators upload their data from the system to Flintshire County Council, who then produce the required reports. In early 2014, only three operators who claimed from Gwynedd Council had their own "back office" function that allowed them to generate their own reports and send them direct to the Gwynedd Council's Regulatory Department to support their claim. One of these companies was Express Motors.

2.8 Each month, Express Motors were required to print a report from the Wayfarer System showing exactly the number of concessionary journeys undertaken in the previous month and present this report as supporting documentation with their Concessionary fare payment claim ("C5 form") to the Regulatory Department to be processed.

The amount of passengers swipes on routes

2.9 Discussions were held with officers of Flintshire County Council to ascertain whether they, as a 'back office' function themselves were able to supply information about card usage for all other bus operators. This was not possible and Internal Audit were first referred to Parkeon which is the company who supplied the public transport tickets machines (the Wayfarer system). Parkeon could not provide the information either and the auditor was then referred to ACT, the company responsible for the bus travel cards and who held the data on card usage. All data/information on card usage is held on ACT servers as per their agreement/ contract with the Welsh Government.

2.10 ACT was contacted for details about all cards that were used more than 3 times on any day on routes serviced by Express Motors in Gwynedd between September 2013 and February 2014.

2.11 ACT provided the information in the form of an Excel spreadsheet listing all card numbers, and showed the number of transaction per service per day per card (where the number of transactions was 3 or more). One return journey would normally include 2 swipes. During the 6 months in our sample, there were 65,677 smartcard transactions on routes serviced by Express Motors that were the third or more transaction by the same card on the same route on the same date.

2.12 However, there are clear flaws in an assumption that any transaction beyond the second on the same route on the same day is fraudulent:

- It is not unreasonable to expect that some people may make the same return journey more than once in a day, particularly on local "shuttle" services.
- The data obtained was for routes serviced by Express Motors. Some of these routes were shared with other operators at the time.

Four frequently used cards

- 2.13 It was decided at this stage of the investigation that more detailed information would be requested from ACT of the exact date and times of the usage of 4 of the most frequently used cards for the period September 2013 to May 2014. This showed a recurring pattern where these cards had been used at the same time every day on numerous occasions. For example, on 4 November 2013 these four cards were used concurrently throughout the day, giving 236 transactions. The identity of all 4 card holders were gleaned from the Wayfarer system and one of these was seen to be Mr Eric Wyn Jones, owner of Express Motors.
- 2.14 When analysing this data, there was suspicion of the validity of the monthly concessionary fare figures provided by Express Motors which potentially has resulted in inflation of the concessionary figures over a number of years. More robust data was available for the period since the Wayfarer system was introduced at Express Motors, in 2011.
- 2.15 As a result of the initial work done by Internal Audit, the matter was referred to North Wales Police, who conducted further enquiries.
- 2.16 This detailed work, where the investigators worked closely with the Crown Prosecution Service, culminated in the guilty verdicts and prison sentences for five individuals.

3. FURTHER INTERNAL CONTROLS

- 3.1 As noted above, the systems used by bus companies throughout Wales was purchased by the Welsh Government; the contracts/agreements were between the companies and WG – not the councils. At the time of the initial investigation by Internal Audit, no exception reports were provided that would have raised concerns about excessive swiping of travel cards.
- 3.2 Further, it has been seen subsequently that travel cards could still be used despite having been cancelled on the system by Council officers.
- 3.3 However, following this investigation local authorities do now receive exception reports of cards that have been used several times in one day, to allow further investigation where necessary.
- 3.4 It should be noted also that the Welsh Government have recently placed a requirement on all local authorities who wish to continue to be part of the concessionary fares scheme to sign a new contract. The new contract specifically states that local authorities will be held liable for any fraud discovered, which is a significant risk for Councils.
- 3.5 It should also be noted that the Welsh Government have also procured a new system that replaces the Parkeon system, but ACT will continue to supply travel cards, and provide card transaction data.
- 3.6 Officers from the Environment Department will be present at the Audit and Governance Committee meeting to answer any questions.

4. RECOMMENDATION

- 4.1 The Audit and Governance Committee is asked to accept this report as a background of the fraud perpetrated at Express Motors against the Council, and what the Council has done in response.
- 4.2 The Committee is also asked to note the risk that the new contract with the Welsh Government imposes on the Council, and to seek information about the steps that can be taken to mitigate this risk.

Agenda Item 6

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **29 NOVEMBER 2018**

TITLE: **REVENUE BUDGET 2018/19 –
END OF AUGUST 2018 REVIEW**

PURPOSE: **Monitoring Report on the Latest Financial Position**

ACTION: **Receive the information, consider the risks arising from the forecast expenditure against the budget, and scrutinise the Cabinet’s decisions regarding budget management by the Council and its departments.**

CONTACT OFFICER: **DAFYDD L EDWARDS, HEAD OF FINANCE**

CABINET MEMBER: **COUNCILLOR PEREDUR JENKINS**

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters, including budget monitoring reports, as appropriate.
2. The attached report (Revenue Budget 2018/19 – End of August Review) was submitted to the Cabinet on 16 October 2018.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the situation and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s decisions and comment as necessary.

Appendices:

Cabinet Decision Notice 16/10/2018

Revenue Budget 2018/19 – End of August 2018 Review (Cabinet 16/10/2018)

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 16 October 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution. 31 October 2018

SUBJECT

Item 13: REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW

DECISION

- To accept the report on the end of August 2018 review of the Revenue Budget and consider the latest financial situation regarding the budgets of each department/service.
 - To ask the Cabinet Members for Children, Education and Highways and Municipal services to ensure that the departments have a clear implementation plan to reduce the financial deficit and to discuss those plans with me so that I can be confident that they are reasonable.
 - Reimburse the Economy and Community Department £40k which is the income loss resulting from the closure of the Arfon swimming pool over the summer.
 - Harvest (£1,904) of the net underspend on Corporate budgets with (£40k) to be used to reimburse the Economy and Community Department for the income loss while the Arfon swimming pool was closed. With the remaining (£1,864) to be transferred to the Supporting the Financial Strategy Reserve to support the inevitable one-off pressure on the Council's budget.
-

REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

16 October 2018

Cabinet Member: Councillor Peredur Jenkins, Finance Cabinet Member

Subject: Revenue Budget 2018/19 – End of August 2018 Review

Contact Officer: Dafydd L Edwards, Head of Finance

1. The decision sought

The Cabinet is requested to:

- Accept the report on the end of August 2018 review of the Revenue Budget, and consider the latest financial position in respect of the budgets of all departments / service.
- Ask the Cabinet Members for Children, Education and Highways and Municipal services to ensure that the three departments have a clear implementation plan to reduce the financial deficit and to discuss those plans with me so that I can be confident that they are reasonable.
- Reimburse the Economy and Community Department £40k which is the income loss resulting from the closure of the Arfon swimming pool over the summer.
- Harvest (£1,904) of the net underspend on Corporate budgets with (£40k) to be used to reimburse the Economy and Community Department for the income loss while the Arfon swimming pool was closed. With the remaining (£1,864) to be transferred to the Supporting the Financial Strategy Reserve to support the inevitable one-off pressure on the Council's budget.

2. Introduction / Background

It is the Cabinet's responsibility to take steps, as necessary, to ensure appropriate management over the Council's budgets (e.g. approving substantial transfers or additional budgets).

This end of August report is presented based upon the latest review of the Council's revenue budget for 2018/19, and a summary of the position by Department is outlined in **Appendix 1**.

In **Appendix 2**, further details are given in respect of the main matters and budget headings where substantial variances are forecasted, together with specific recommendations where appropriate.

2.1 Adults, Health and Wellbeing Department

Overspend by the Provider services together with slippage in realising savings schemes from 2017/18 that are counterbalanced by the underspend on the Older Peoples, Physical Disability and Learning Services.

2.2 Children and Families Department

The trend of overspending seen in 2017/18 have deepened, with overspend on placement, operations and Specialist/Derwen services.

2.3 Education Department

The additional pressure on school taxis and bus transport, overspend in the Additional Learning Needs and Inclusion field and catering and cleaning.

2.4 Economy Department

Slippage on the savings scheme in the leisure field and income deficit following the closure of Arfon swimming pool over the summer. It is recommended that the department is compensated for the income deficit over the period.

2.5 Highways and Municipal Department

The Department's overspending problems have deepened during 2018/19, which is a combination of an increase in the operational costs, increasing sickness costs, handling and transport of recyclable materials and income deficit.

2.6 Corporate

Extra tax yield is forecasted on the Council Tax Premium scheme, but back-dated transfers from Council Tax to Non-domestic Tax has reduced the income. An underspend on claiming Council Tax Reduction benefits, savings realised early, bids that will not be used this year, and an underspend resulting from recent favourable circumstances. It is recommended that it is transferred to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets.

3. General

The end of August review on the budgets shows a mixed picture with acceptable level of financial management by a number of the Council's departments, but a combination of specific implementation steps is recommended for the Education, Children and Families, and Highways and Municipal Department, to ensure management of their budgets by 31 March 2019.

4. Next steps and timetable

Implement the presented recommendations and present an updating report to Cabinet on 22 January 2019 on the end of November review.

Local member's views

Not relevant

Opinion of the Statutory Officers

Monitoring Officer:

No observations from a propriety perspective.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices

Appendix 1 – Summary of each department's position

Appendix 2 – Budget details and substantial variances

Revenue Budget 2018/19 - Summary of position by Department

	End of August Review				<i>Final Position 2017/18</i> £ '000
	Proposed Budget 2018/19	Estimated Gross Over / (Under) spend 2018/19	Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	
	£'000	£ '000	£'000	£ '000	
Adults, Health and Wellbeing	51,315	153	0	153	<i>(100)</i>
Children and Supporting Families	14,221	1,090	0	1,090	723
Education	87,292	750	0	750	207
Economy and Community	5,401	201	<i>(40)</i>	161	18
Highways and Municipal	25,002	560	0	560	100
Environment	7,290	<i>(29)</i>	0	<i>(29)</i>	<i>(100)</i>
Gwynedd Consultancy	280	<i>(20)</i>	0	<i>(20)</i>	<i>(82)</i>
Corporate Management Team and Legal	1,992	<i>(58)</i>	0	<i>(58)</i>	<i>(66)</i>
Finance (and Information Technology)	6,151	<i>(66)</i>	0	<i>(66)</i>	<i>(66)</i>
Corporate Support	7,614	<i>(100)</i>	0	<i>(100)</i>	<i>(67)</i>
Corporate Budgets <i>(Variances only)</i>	*	<i>(2,674)</i>	1,904	<i>(770)</i>	0
Totals (net)	206,558	<i>(193)</i>	1,864	1,671	567

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Adults, Health and Wellbeing Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adults Services</u>						
Older Peoples Services						
Residential and Nursing - Homes	11,408	11,423	15	0	15	(197)
Home Care	6,241	5,729	(512)	0	(512)	(215)
Other	1,820	1,874	54	0	54	(213)
	19,469	19,026	(443)	0	(443)	(625)
Physical Disability Services						
Residential and Nursing	523	454	(69)	0	(69)	(14)
Home Care	1,108	938	(170)	0	(170)	(37)
Other	663	689	26	0	26	(29)
	2,294	2,081	(213)	0	(213)	(80)
Learning Disability Services	16,618	16,413	(205)	0	(205)	(479)
Mental Health Services						
Residential and Nursing	1,569	1,563	(6)	0	(6)	166
Other	1,888	1,978	90	0	90	(200)
	3,457	3,541	84	0	84	(34)
Other Services (Adults)	2,965	3,080	115	0	115	(19)
Adults Services Total	44,803	44,141	(662)	0	(662)	(1,237)

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Adults, Health and Wellbeing Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Provider Services (showing net budget)</u>						
Residential Care	115	379	264	0	264	362
Day Care	7	48	41	0	41	89
Community Care	545	982	437	0	437	270
Other	25	119	94	0	94	(59)
<u>Total Provider Services</u>	692	1,528	836	0	836	662
<u>Other Services</u>						
Housing Services	1,870	1,975	105	0	105	12
Departmental Central Services (including the Department's savings schemes)	3,950	4,281	331	0	331	426
2017/18 Final Accounts Adjustment						37
Use of specific reserve		(457)	(457)	0	(457)	
<u>Total Other Services</u>	5,820	5,799	(21)	0	(21)	475
<u>Adults, Health and Wellbeing Total</u>	51,315	51,468	153	0	153	(100)

Adults, Health and Wellbeing

Older Peoples Services - reduction in the number of home care packages, but a shortage of providers in parts of Gwynedd has led to an increase in the waiting list.

Physical Disability Services - the trend in the reduced number of home care and residential and nursing packages continues this year.

Learning Disability Services -underspend on residential and nursing and supported accomodation is being reduced by an overspend on day care services.

Mental Health Services - an increase in supported accommodation costs with discussions continuing with the health service regarding contributions for the provision.

Provider Services - increase in the overspend trend since 2017/18, additional staff costs is mainly responsible for the overspend with some of the reasons being homes in special measures, recommendations by Care Inspectorate Wales and appointments beyond the budget. Costs are higher than the income recovered on Community Care.

Housing Services - increasing pressure on temporary accommodation for the homeless and slippage in realising the savings scheme.

Departmental Central Services - slippage in realising some of the 2017/18 savings schemes.

While closing the 2017/18 accounts, the Cabinet on the 22 May 2018, gave the Department permission to transfer £457k equivalent to the supporting social services over winter grant to a specific reserve. As the Department is overspending this year, it's appropriate that the £457k is used to help alleviate the reported overspend.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Children and Families Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	611	595	(16)	0	(16)	(19)
Operational	2,069	2,231	162	0	162	256
Placement						
Out of County Placements	1,587	2,187	600	0	600	405
Agency Fostering	1,009	1,033	24	0	24	135
Internal Fostering	1,701	1,912	211	0	211	102
Support Services and Other	1,625	1,715	90	0	90	70
	5,922	6,847	925	0	925	712
Post-16	999	1,108	109	0	109	(5)
Specialist/Derwen	1,687	1,843	156	0	156	22
Youth Justice	252	207	(45)	0	(45)	(40)
Early Years	162	160	(2)	0	(2)	(27)
Youth	922	734	(188)	0	(188)	(53)
Other	1,597	1,586	(11)	0	(11)	(123)
2017/18 Final Accounts Adjustment						(676)
Children and Families Total	14,221	15,311	1,090	0	1,090	723

Children and Families

Operational - the 2017/18 trend continues with staff costs above the budget level together with an increase in the number children in care but not in foster placements.

Placement - increase in the costs of new out of county placement packages but a continuous reduction in health contributions. The 'When I'm Ready' scheme is overspending in Internal Fostering and pressure on support services due to the requirements of court orders, together with overspend on residential order allowances and fostering allowances. Work is being done on the out of county area to look at the accompanying savings schemes assumptions, the result of the research will soon be reported to the Cabinet.

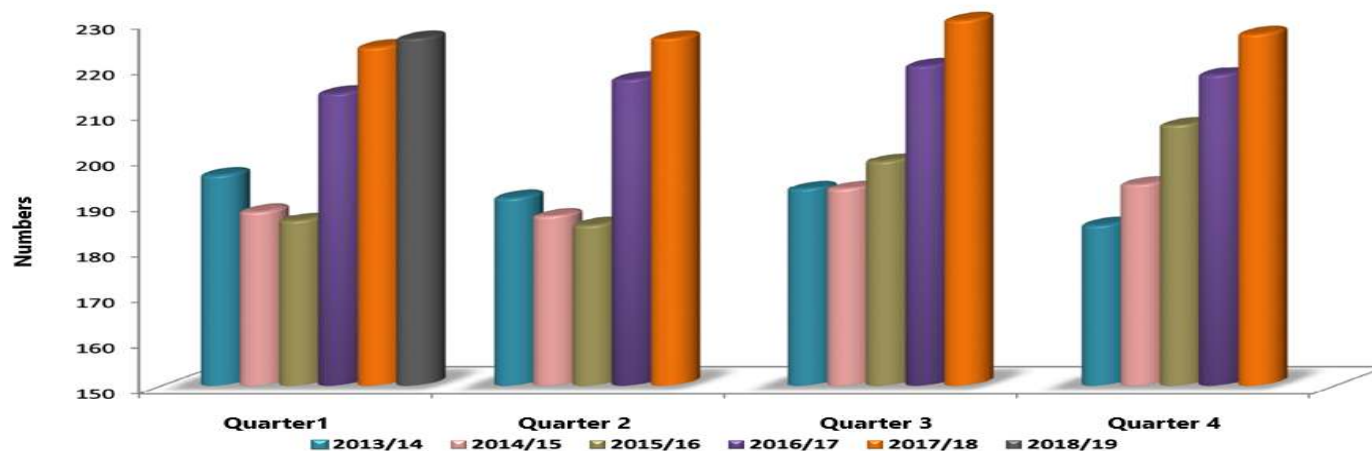
Post-16 - two cases that have recently transferred from out of county placements are responsible for the overspend.

Specialist/Derwen - increasing demand on the service which needs specialist support, with over fifty new cases for respite referred to the support services during 2018/19.

Youth - one off underspend during a transitional period in providing the youth service.

The increasing pressure from the number of cases for the Department can be seen in the chart below. But, the Cabinet Member for Children and Young People along with the Head of Department are asked to ensure decisive steps are taken to reduce the overspend by the end of the financial year.

Children in Care 2013/14 to 2018/19



REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Education Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	74,087	74,087	0	0	0	0
Schools Quality Services	(411)	(558)	(147)	0	(147)	(347)
Infrastructure and Support Services						
Transport	4,606	5,088	482	0	482	284
Ancillary Service	413	513	100	0	100	262
Other	2,301	2,271	(30)	0	(30)	30
	7,320	7,872	552	0	552	576
Leadership and Management	2,112	2,121	9	0	9	20
Additional Learning Needs and Inclusion	4,184	4,520	336	0	336	(42)
Education Total	87,292	88,042	750	0	750	207

Education

Schools Quality Services - (£147k) forecasted underspend as a result of staff turnover, grant income and a reduction in costs.

Transport - the overspend trend observed in 2017/18 has deepened. Deficit of £25k on the sale of post-16 transport tickets and £117k overspend on school bus transport following retendering of routes of two operators.

Although a one-off budget of £200k has been given to taxi transport for schools at the beginning of the year, the level of overspend anticipated has increased to £340k, which is a full year effect of the growth in 2017/18, together with an increase in the applications since establishing this year's budget. The Head of Education in conjunction with the Environment Head were asked to investigate the increase in the expenditure on taxi transport for schools and take action to manage the situation in each of the 2017/18 quarterly reviews. We understand from the Education Department that a review is underway, with some practical steps to reduce the overspend already taken. With the intention to report on the findings of that report by the next financial review in January 2019.

As the associated financial situation has now worsened, the Cabinet Member is therefore asked to report directly to the Cabinet on the matter.

Infrastructure and Support Services - Ancillary Service - overspend of £100k, which is a combination of costs deriving from sickness and staffing matters in Catering, Cleaning and Caretaking of schools, overspend on the breakfast scheme together with an income deficit from school meals.

Additional Learning Needs and Inclusion - circumstances in relation to one specific centre continues and is responsible for £216k of the overspend. Pre School Units overspending by £90k and during the transitional period of the new regime, overspend of £70k in Education other than at School, but staff turnover in the service has reduced the reported overspend (£40k).

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Economy and Community Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	344	344	0	0	0	1
Community Learning	1,826	1,836	10	0	10	(27)
Tourism and Heritage	1,149	1,175	26	0	26	7
Economy and Community	366	332	(34)	0	(34)	16
Healthy Communities	1,716	1,915	199	(40)	159	21
Economy and Community Total	5,401	5,602	201	(40)	161	18

Economy and Community

Tourism and Heritage - overspend of £63k forecasted by Storiell is a combination of overspend on staff and a lack of income. Underspend by the Halls and Archives has reduced the overspend reported.

Economy and Community - underspend on supporting business, country parks and more income from beaches as a result of the favourable weather, is reduced by the income deficit of £52k by the Hafan, Pwllheli.

Healthy Communities - two main factors are responsible for the overspend of £199k, £157k slippage on the running of leisure facilities savings scheme and a £40k loss of income following the closure of the Arfon swimming pool for 10 weeks over the summer. While setting this year's budget, it was noted that closing the Arfon swimming pool over the summer would lead to a loss of income. No additional resource was given at the beginning of the year, but would be taken into consideration when completing the review of the budgets. It is recommended that the Cabinet compensates the Department for the loss of income.

It is recommended that £40k is given to the Economy and Community Department to compensate for the loss of income following the closure of the Arfon swimming pool over the summer.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Highways and Municipal Department (including Trunk Roads Agency)	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	9,777	9,843	66	0	66	49
Engineering Services	373	402	29	0	29	112
Municipal Services						
Waste	10,959	11,137	178	0	178	184
Other	3,893	4,180	287	0	287	(42)
2017/18 Final Accounts Adjustment						(203)
Highways and Municipal Total (including Trunk Roads Agency)	25,002	25,562	560	0	560	100

Highways and Municipal (including Trunk Roads Agency)

Highways Services - one-off overspend on staff costs is responsible for the overspend.

Waste - £178k overspend is forecasted on waste collection and recycling, with a continuation in the trend of overspend associated with sickness and higher operational costs. The Department has already taken steps to find a solution, by changing shifts and collection route arrangements, which will be effective from November in Dwyfor and in 2019/20 in Arfon and Meirionnydd. An underspend on other headings contributes to reducing the overspend reported.

Other Municipal Services - the forecasts suggest an overspend of £287k primarily on the commercial waste side. Increasing vehicle running costs, an increase in the costs of contractors that handle recycling materials and loss of income all contribute to the overspend. £69k of the loss of income is a result of external competition for commercial waste with £15k because of the closure of businesses.

Although some steps have already been taken on the waste side, the Cabinet Member for Highways and Municipal and the Head of the Department are expected to take further decisive steps during the year to ensure measures to operate within the budget. The Cabinet Member is therefore asked to report directly to the Cabinet on the matter.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Environment Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	493	495	2	0	2	(49)
Planning Services						
Development Control	194	321	127	0	127	40
Other	204	189	(15)	0	(15)	(16)
	398	510	112	0	112	24
Street Works and Transport Services						
Network Management (Transport)	748	657	(91)	0	(91)	46
Parking and Parking Enforcement	(1,651)	(1,717)	(66)	0	(66)	48
Integrated Transport	1,671	1,670	(1)	0	(1)	(257)
	768	610	(158)	0	(158)	(163)
Countryside and Access	748	745	(3)	0	(3)	12
Public Protection	1,636	1,621	(15)	0	(15)	(43)
Property, Caretaking, Catering and Cleaning	3,247	3,280	33	0	33	30
2017/18 Final Accounts Adjustment						89
Environment Total	7,290	7,261	(29)	0	(29)	(100)

Environment

Planning Services - a deficit in income for Development Control is anticipated, which follows the trend from previous years.

Street Works and Transport Services - favourable forecast primarily due to the income from the Network Management (Transport) area and Parking and Parking Enforcement, along with an underspend on staffing.

Additional costs derived from retendering of contracts of two bus operators in Integrated Transport. At the end of 2017/18 financial support was received from the Welsh Government towards increasing costs, and the Cabinet on the 22 May 2018 gave the Department permission to transfer £378k of this into a specific reserve for this purpose. Part of the reserve has been used to fund the current year's associated overspend.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Consultancy Department	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(361)	(433)	(72)	0	(72)	(110)
Building Services	(24)	7	31	0	31	(8)
Flood Risk Management Unit Services	549	551	2	0	2	9
Building Control	116	135	19	0	19	27
Consultancy Total	280	260	(20)	0	(20)	(82)

Consultancy

Roads and Engineering Services - the latest forecasts suggest an underspend of (£72k), following the success of the Department in attracting additional income through a combination of internal and external work. With the forecasts at this point in the year much more promising than in previous years

Building Services - the service continues to apply for work from external organisations to attract income, but based on the current situation an income deficit of £31k is predicted by the end of the year.

Building Control - an income deficit is responsible for the overspend of £19k.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Central Departments	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,992	1,934	(58)	0	(58)	(66)
Finance (& Information Technology)	6,151	6,085	(66)	0	(66)	(66)
Corporate Support	7,614	7,514	(100)	0	(100)	(67)
Central Departments Total	15,757	15,533	(224)	0	(224)	(199)

Central Departments

Corporate Management Team and Legal - the latest forecasts suggests an underspend of (£58k) with the majority deriving from the receipt of additional income from the Legal Unit and a (£14k) saving which has been realised in advance in Emergency Planning.

Finance (& Information Technology) - one-off underspend on vacant posts across the Department, along with attracting income in excess of the budget, which can contribute to savings schemes from 2019/20 onwards. Following Information Technology problems in July, the Department has already diverted savings identified in advance to strengthen the infrastructure provision.

Corporate Support - the anticipated underspend is a combination of one-off staff savings due to vacant posts, along with the Department's success in attracting external income in excess of the budget, which could be used to contribute to the savings schemes of 2019/20 onwards. As there is no demand for the savings this year, the Department has already transferred part of the savings in advance for corporate purposes.

REVENUE BUDGET 2018/19 - END OF AUGUST REVIEW						
Corporate (Only reflecting the variances)	Proposed Budget 2018/19	Estimated Final Position 2018/19	Estimated Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Estimated Adjusted Overspend / (Underspend)	Net Overspend / (Underspend) Final Position 2017/18
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax and Council Tax Premium	*	*	(792)	0	(792)	441
Council Tax Reduction	*	*	(150)	150	0	(307)
Net Interest Receipts	*	*	22	0	22	1
Savings and Savings Realised in Advance	*	*	(404)	404	0	0
Bids and Budgets Returned by the Departments	*	*	(630)	630	0	(563)
Other	*	*	(720)	720	0	(466)
2017/18 Final Accounts Adjustment						894
Corporate Total	*	*	(2,674)	1,904	(770)	0

Corporate

Council Tax and Council Tax Premium - a forecast of an additional tax return of (£792k) (in excess of the tax premium return of £2.2m budgeted), within the position the effect of the Council Tax Premium, that is the premium of 50% on second homes and properties which have been empty over 12 months, together with the Council Tax. During the first five months of the year the Valuation Office has allowed 146 properties to transfer from the Council Tax register to Non Domestic Rates (63 properties in the first five months of 2017/18), as a result of back dating the applications to 2017/18, there is a loss in tax income which reduces the effect of the tax return of the premium.

Council Tax Reduction - the underspend trend on the Council Tax Reduction scheme (benefits) continues from 2017/18, with a reduction in the number of applications over previous years.

Underspend as a result of savings and savings realised in advance (£404k), bids and budgets returned by the Departments (£630k) and other budgets (£720k) following changes after setting the budget for the year. A one-off grant received from the Welsh Government means it's possible to release the adults' demography budget, legislative changes and an increase in the non-residential care client contribution cap policy in the adults care area means it's possible to yield further budgets.

It's expected that the back dated Tax Claim relating to the Value Added Tax changes in the Leisure area will result in a one-off repayment of around £1.5m during 2018/19. The figures will be reflected in the review once the claim has been approved.

It is recommended that (£1,904k) of the net underspend from Corporate budgets is harvested, with (£40k) to be used to compensate the Economy and Community Department for the loss of income while the Arfon swimming pool was closed over the summer. The balance, that is (£1,864), is to be transferred to the Financial Strategy Reserve to assist with unavoidable one-off pressures on the Council's budgets.

Agenda Item 7

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 NOVEMBER 2018
TITLE:	CAPITAL PROGRAMME 2018/19 – END OF AUGUST 2018 REVIEW
PURPOSE:	Monitoring Report on the Expenditure and Financing of the Capital Programme
ACTION:	Receive the information, consider the risks regarding the Capital Programme, and scrutinise the Cabinet’s decisions
CONTACT OFFICER:	DAFYDD L EDWARDS, HEAD OF FINANCE
CABINET MEMBER:	COUNCILLOR PEREDUR JENKINS

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters including budget monitoring reports, as appropriate.
2. The attached report (Capital Programme 2018/19 – End of August 2018 Review) was presented to the Cabinet on 16 October 2018 for decisions regarding the revised programme and its financing.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is asked to note the position and any risks regarding the Council’s capital programme, scrutinise the Cabinet’s decisions, and comment as necessary.

Appendices:

Cabinet Decision Notice 16/10/2018

Capital Programme 2018/19 – End of August 2018 (Cabinet 16/10/2018)

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 16 October 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution. 31 October 2018

SUBJECT

Item 14: CAPITAL PROGRAMME 2018/19 - END OF AUGUST REVIEW

DECISION

To accept the report on the end of August review (as at 31 August 2018) of the capital programme, and approve the revised financing as shown in part 4 of the report, namely:

- £8,444,000 in various sources to fund actual slippages from 2017/18
 - £10,000 increase in the use of borrowing
 - £10,988,000 increase in the use of grants and contributions
 - £789,000 increase in the use of capital receipts
 - £187,000 increase in the use of revenue contributions
 - £4,859,000 increase in the use of renewal and other reserves.
-

REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets).

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

16 October 2018

Cabinet Member: Councillor Peredur Jenkins - Finance Cabinet Member

Subject: Capital Programme 2018/19 –
End of August Review (31 August 2018 position)

Contact Officer: Dafydd L Edwards - Head of Finance

The decision sought / Purpose of the report

To accept the report on the end of August review (31 August 2018 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- £8,444,000 in various sources to fund actual slippages from 2017/18
 - £10,000 increase in the use of borrowing
 - £10,988,000 in the use of grants and contributions
 - £789,000 increase in the use of capital receipts
 - £187,000 increase in the use of revenue contributions
 - £4,859,000 increase in the use of renewal and other reserves
-

1. Introduction / Summary

This technical report is presented as part of the 2018/19 budget monitoring procedure. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendation in part 5:

Part 3: Analysis by Department of the £47.022m capital programme for the 3 years 2018/19 – 2020/21.

Part 4: The sources of finance for the net increase of approximately £25.277m since the opening budget with £8.444m of the increase due to slippages from 2017/18 (previously reported on 22 May 2018).

The Cabinet has the authority to adapt the capital programme. Approval is sought for the programme (part 3) and financing (part 4).

The remainder of the report is for information:

- Appendix A: Main changes per source of finance
- Appendix B: Movement from 2018/19 to 2019/20
- Appendix C: First 5 months expenditure in 2018/19

2. Main Findings:

The main conclusions that arise from the revised position are:

- There are firm schemes in place to invest approximately £28.6m in 2018/19, with £6.9m (24%) of it being financed by attracting specific grants.

- There is an additional £1.0m of proposed expenditure having been re-profiled from 2018/19 to 2019/20 but no loss of funding was caused to the Council where schemes have slipped.

3. CAPITAL PROGRAMME 2018/19 to 2020/21

See below the revised proposed capital programme.

DEPARTMENT	END OF AUGUST REVIEW				INCREASE/ (DECREASE) SINCE THE OPENING BUDGET £'000	SLIPPAGES ADJUSTMENT £'000	OTHER CHANGES £'000
	2018/19	2019/20	2020/21	TOTAL			
	£'000	£'000	£'000	£'000			
Education	4,261	8,414	3,624	16,299	14,675	2,005	12,670
Environment	8,232	-	43	8,275	3,236	1,771	1,465
Corporate Support	124	-	-	124	15	15	-
Finance	952	74	-	1,026	317	174	143
Economy and Community	385	254	-	639	197	48	149
Adults, Health and Wellbeing - Housing Unit	4,097	554	-	4,651	1,043	878	165
Adults, Health and Wellbeing - Other	862	990	525	2,377	2,378	370	2,008
Children and Families	94	-	-	94	94	-	94
Highways and Municipal	8,870	1,995	1,913	12,778	3,063	2,933	130
Consultancy	163	-	44	207	37	28	9
Corporate	552	-	-	552	222	222	-
TOTAL	28,592	12,281	6,149	47,022	25,277	8,444	16,833

4. CHANGES TO THE SOURCES OF FINANCE

The budget for the three year programme shows an increase of £25.277m since the opening budget position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF AUGUST REVIEW				INCREASE/ (DECREASE) SINCE THE OPENING BUDGET £'000	SLIPPAGES ADJUSTMENT £'000	OTHER CHANGES £'000
	2018/19	2019/20	2020/21	TOTAL			
	£'000	£'000	£'000	£'000			
Supported Borrowing	6,666	-	-	6,666	-	-	-
Other Borrowing	2,402	855	777	4,034	2,002	1,992	10
Grants and Contributions	6,923	7,554	525	15,002	11,817	829	10,988
Capital Receipts	375	35	750	1,160	867	78	789
Departmental & Corporate Revenue	1,441	36	-	1,477	469	282	187
Capital Fund	3,721	880	-	4,601	1,354	1,354	-
Renewals & Other Funds	7,064	2,921	4,097	14,082	8,768	3,909	4,859
TOTAL	28,592	12,281	6,149	47,022	25,277	8,444	16,833

5. RECOMMENDATION

The Cabinet is asked to:

- accept the 2018/19 to 2020/21 revised programme and
- approve the relevant sources of finance (para. 4 above).

6. Reasons for recommending the decision

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2018/19 – 2020/21 capital schemes.

7. Relevant considerations

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

8. Next steps and timetable

To implement the recommendations to finance the programme.

View of the Local Member

Not relevant.

Views of the Statutory Officers

Monitoring Officer:

No observations from a propriety perspective.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendix

Appendices A, B and C.

MAIN CHANGES PER SOURCE OF FINANCING:

See below the relevant schemes that have caused the main changes to the sources of finance since the opening budget:

	2018/19 £'000	2019/20- 2020/21 £'000
Grants and Contributions		
<ul style="list-style-type: none"> 21st Century Schools (Education Department) – Bangor Area Schools Scheme – Welsh Government grant. 	769	5,513
<ul style="list-style-type: none"> 21st Century Schools (Education Department) – contribution from a section 106 agreement with Redrow as part of the match funding for the Bangor Area Schools Scheme. 		1,097
<ul style="list-style-type: none"> Development of Llys Cadfan (Adults, Health and Wellbeing Department) - a grant received from the Welsh Government for adaptations to Llys Cadfan care home to admit dementia and specialised care beds. 	561	1,125
<ul style="list-style-type: none"> Segontium Day Service Relocation (Adults, Health and Wellbeing Department). 	112	144
<ul style="list-style-type: none"> Enable Grant Schemes (Housing Unit, Adults, Health and Wellbeing Department) – grant from the Welsh Government to improve support to residents to live independently in their own homes. 	154	
<ul style="list-style-type: none"> Local Transport Fund Grant from Welsh Government (Environment Department) towards several different schemes including A4086 Llanrug to Pontrug; B4366 Bethel to Caernarfon; A499 Y Ffôr to Pwllheli. 	1,310	
<ul style="list-style-type: none"> Coastal Path Scheme Phase 2 (Environment Department) - grant from Natural Resources Wales towards the second phase of this scheme. 	91	
<ul style="list-style-type: none"> New TAIS Grant from Welsh Government – Blue Flag Beaches improvements (Economy and Community Department). 	68	
Capital Receipts		
<ul style="list-style-type: none"> 21st Century Schools (Education Department) – part of the match funding for the Bangor Area Schools Scheme. 		750
<ul style="list-style-type: none"> Depots (Highways and Municipal Department) – work on several areas within the Council depots to bring them up to standard. 	29	
Departmental Revenue		
<ul style="list-style-type: none"> Information Technology Unit Server Room Air-Conditioning Replacement (Finance Department). 	41	
<ul style="list-style-type: none"> Various minor schemes 	110	36

Renewals and Other Funds

- | | |
|--|-------|
| • 21 st Century Schools (Education Department) – part of the match funding for the Bangor Area Schools Scheme. | 4,500 |
| • Information Technology Unit Server Room Air-Conditioning Replacement (Finance Department). | 92 |
| • Depots (Highways and Municipal Department) – work on several areas within the Council depots to bring them up to standard. | 132 |
| • Cartgylchu Scheme – increase in the call for the Cartgylchu recycling bins (Highways and Municipal Department). | 90 |

Budget Re-profiling – Main Schemes:

See below the main schemes that have been re-profiled since the original budget:

	2018/19 £'000	2019/20 £'000
Segontium Day Service Relocation (Adults, Health and Wellbeing Department)	(210)	210
Housing Grant Schemes (Housing Unit, Adults, Health and Wellbeing Department)	(553)	553
Y Berwyn Lifelong Learning School (Education Department)	(140)	140

Note:

The above re-profiling will not result in any loss in grant.

There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that the services have to cope for longer with current assets which have not been improved.

APPENDIX C

Capital Expenditure First 5 Months 2018/19

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed August)	ACTUAL EXPENDITURE FOR THE 5 MONTHS TO
	2018/19 £'000	31/08/2018 £'000
Education	4,261	1,544
Environment	8,232	702
Corporate Support	124	-
Finance (and Information Technology)	952	179
Economy and Community	385	113
Adults, Health and Wellbeing - Housing Unit	4,097	1,294
Adults, Health and Wellbeing - Other	862	165
Children and Families	94	62
Highways and Municipal	8,870	1,692
Consultancy	163	143
Corporate	552	-
TOTAL	28,592	5,894

Note:

The percentage that has been spent this year (21%) is comparably lower than the position this time last year (amount spent in 5 months was 22% of the September review budget).

Agenda Item 8

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 NOVEMBER 2018
TITLE:	SAVINGS OVERVIEW: PROGRESS REPORT OF REALISING SAVINGS SCHEMES
PURPOSE:	Report on the Latest Position
ACTION:	Receive the information, consider the general risks arising from slippages, and scrutinise the Cabinet's decisions regarding the Savings Overview.
CONTACT OFFICER:	DAFYDD L EDWARDS, HEAD OF FINANCE
CABINET MEMBER:	COUNCILLOR PEREDUR JENKINS

1. In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit and Governance Committee is expected to scrutinise some financial matters as appropriate.
2. The attached report (Savings Overview: Progress report on realising savings schemes) was submitted to the Cabinet on 16 October 2018.
3. The Cabinet Member for Finance and the Chairman of the Audit and Governance Committee have asked us to present this report to the Audit and Governance Committee to be scrutinised, together with the relevant decision notice which is on the next page.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the Savings Overview, consider the Cabinet's decisions and comment as necessary.

Appendices:

Cabinet Decision Notice 16/10/2018

Savings Overview: Progress report on realising savings schemes (Cabinet 16/10/2018)

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting: 16 October 2018

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution. 31 October 2018

SUBJECT

Item 15: SAVINGS OVERVIEW: PROGRESS REPORT OF REALISING SAVINGS SCHEME

DECISION

To accept the report and note the encouraging progress towards realising the savings schemes during 2018/19 and previous years.

REASONS FOR THE DECISION

In the Council's financial strategy since 2015/16, £27m worth of savings have been approved to be realised during the period 2015/16 to 2018/19.

Realising the individual schemes is the responsibility of the relevant Cabinet members, and Members' performance reports are presented regularly to Cabinet meetings, detailing the progress of individual savings schemes within their portfolios, and the position at the time. It is the responsibility of the Cabinet Member for Finance to keep an overview of the whole picture.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

Date	16 October 2018
Cabinet Member	Councillor Peredur Jenkins
Subject	Savings Overview: Progress Report on Realising Savings Schemes
Contact Officer	Dafydd L Edwards, Head of Finance

DECISION SOUGHT

To accept the information within the report and note the encouraging progress towards realising the savings schemes during 2018/19 and previous years.

1. INTRODUCTION / BACKGROUND

In the Council's financial strategy since 2015/16, £27m worth of savings have been approved to be realised during the period 2015/16 to 2018/19. The savings in 2018/19 and previous years are reported here.

Realising the individual schemes is the responsibility of relevant Cabinet members, and Members' performance reports are presented regularly to Cabinet meetings, detailing the progress of individual savings schemes within their portfolios, and the position at the time. It is the responsibility of the Cabinet Member for Finance to keep an overview of the whole picture.

2. SAVINGS SCHEMES 2015/16 - 2017/18

Appendix 1 summarises the achievement of each department against the savings target set for them from 2015/16 - 2017/18, totalling more than £24m. It is encouraging for me to report that £23m, or 95%, of these schemes have been realised, and there is only a slight slippage with the remainder.

This is predominantly in the Adult, Health and Wellbeing Department's 2017/18 schemes where the challenge of realising some schemes continues, and also in the Highways and Municipal Department, where some alternative schemes were approved by Cabinet on 11 September 2018 and implementation of the "Recycling Centers (PB5)" scheme was deferred by covering the £96,000 gap created when considering savings for 2019/20 onwards.

3. DEPARTMENTAL SCHEMES 2018/19

Appendix 2 summarises the current forecasts for the realisation of 2018/19 savings schemes. Of the 26 schemes, 11 have already been fully or partly realised, and encouragingly, with slippage forecasted on only two schemes.

One of them is the "End to End" scheme in the Children and Families Department, where the savings of £250,280 expected in the year is a concern. The Cabinet Member, in his report to Cabinet on 25 September 2018, referred to the significant realisation challenge that had emerged in terms of the scheme's financial expectations compared to the original theories. I ask the Member of Cabinet for Children and Families to report to the Cabinet on the review of the "End to End" scheme soon.

In terms of the remainder of the schemes, the prospects of realising the savings remain generally promising.

4. CONCLUSION

Although some departments have realised all of their savings schemes, it is inevitable that realising almost £27m of savings since April 2015 has been challenging. Some schemes need more time to plan and implement appropriately. However, in general, I am very satisfied with the progress that has been made to realise the savings plans of this period and am extremely grateful to all departments and Cabinet Members for achieving this success. I am also confident that every effort will be made to achieve the slippage schemes as soon as possible, and all Cabinet Members will continue to monitor the situation, acting as necessary to achieve the goal.

Therefore, I ask the Cabinet to note the very acceptable achievement outlined in this report towards realising the savings schemes.

View of the Local Member

Not relevant

View of the Statutory Officers

Monitoring Officer:

No observations from a propriety perspective.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices:

Appendix 1 – 2015/16 – 2017/18 Savings Schemes Overview by Department

Appendix 2 – 2018/19 Savings Schemes Overview by Department

OVERVIEW OF SAVINGS SCHEMES 2015/16 TO 2017/18 BY DEPARTMENT

APPENDIX 1

Department	Total Savings £ (number)	Realised Schemes £ (number)	Schemes being implemented, but with slippage £ (number)	Schemes that have been delayed £ (number)	Comments by the Head of Finance
Education	685,860	598,879	86,981 (2)	-	Work on realising the "Ffordd Gwynedd - Pay and Contract Unit" scheme has been expanded, and continues. It is anticipated to realise the savings in 2018/19. There has been a slight slippage at the start of the scheme "Reduce time / and or charge for the sheltered element within the free breakfast scheme for primary school children". It is anticipated to realise the full savings soon.
Schools	4,037,000	3,738,010	298,990 (1)	-	The Cabinet on 13.12.16 has approved a two year transition to the sum of £298,990 of the 2017/18 savings, that the Secondary sector is expected to find.
Environment	2,179,353	2,179,353	-	-	All the schemes for the period have been realised.
Corporate Support	1,652,838	1,652,838	-	-	All the schemes for the period have been realised.
Finance	960,826	960,826	-	-	All the schemes for the period have been realised.
Economy and Community	2,085,602	2,085,602	-	-	All the schemes for the period have been realised.
Adults, Health and Wellbeing	4,934,141	4,473,401	460,740 (7)	-	Although progress has recently been made with some of the schemes that have slipped, a range of the 2017/18 schemes remain partly unrealised.

Department	Total Savings	Realised Schemes	Schemes being implemented, but with slippage	Schemes that have been delayed	Comments by the Head of Finance
	£ (number)	£ (number)	£ (number)	£ (number)	
Children and Families	1,987,318	1,870,318	117,000 (1)	-	The Department has undertaken a review of the "End to End" scheme to try and find out how the savings match the projections. A report on the situation, including a review of the anticipated further savings, will be presented to Cabinet shortly.
Highways and Municipal	4,968,550	4,711,550	161,000 (8)	96,000 (1)	A small slippage is anticipated with part of the eight schemes, with the hope that they will be realised before the end of the financial year. The Cabinet on 11 September 2018 has approved the deferral of the implementation of the "Recycling Centers (PB5)" saving scheme, covering the £96,000 gap created in considering the 2019/20 savings onwards.
Consultancy	387,000	387,000	-	-	All the schemes for the period have been realised.
Corporate Management Team	172,270	172,270	-	-	All the schemes for the period have been realised.
Cross-departmental	224,220	224,220	-	-	All the schemes for the period have been realised.
TOTAL	24,274,978	23,054,267	1,124,711 (19)	96,000 (1)	In financial terms (£), 95% of the savings for 2015/16 - 2017/18 have been realised.

OVERVIEW OF SAVINGS SCHEMES 2018/19 BY DEPARTMENT

APPENDIX 2

Department	Total Savings 2018/19 £ (number)	Realised Schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Comments by the Head of Finance
Education	521,450 (3)	-	521,450 (3)	-	No problems envisaged.
Schools	-	-	-	-	No schemes programmed for 2018/19.
Environment	154,970 (6)	154,970 (6)	-	-	All schemes have been realised.
Corporate Support	47,340 (2)	47,340 (2)	-	-	The two schemes have been realised.
Finance	66,430 (2)	66,430 (2)	-	-	The two schemes have been realised.
Economy and Community	308,830 (3)	-	152,330 (3)	156,500 (1)	Work is underway to implement all the plans, but it is anticipated that the transfer date of the leisure facilities provision to the new company is 1 April 2019. As a result, there will be a slippage before realising the full savings from the "Running leisure facilities more effectively" scheme.
Adults, Health and Wellbeing	645,000 (6)	575,000 (4)	70,000 (2)	-	No problems envisaged.

OVERVIEW OF SAVINGS SCHEMES 2018/19 BY DEPARTMENT

Department	Total Savings 2018/19 £ (number)	Realised Schemes £ (number)	Schemes on track to be realised timely £ (number)	Schemes being implemented, but with slippage £ (number)	Comments by the Head of Finance
Children and Families	314,480 (2)	-	64,200 (1)	250,280 (1)	It is anticipated that the scheme worth £64,200 will be realised on time. However, the Children and Families Department has undertaken a review of the "End to End" scheme to try and find out how the savings match the projections. A report on the position, including a review of the anticipated further savings, will be presented to Cabinet shortly.
Highways and Municipal	86,700 (1)	-	86,700 (1)	-	No problems envisaged.
Consultancy	-	-	-	-	No schemes programmed for 2018/19.
Corporate Management Team	13,800 (1)	-	13,800 (1)	-	No problems envisaged.
Sub-Total	2,159,000 (26)	843,740(14)	908,480 (11)	406,780 (2)	
Cross-departmental	295,740	-	295,740		Additional Schemes for approval.
TOTAL	2,545,740	843,740	1,204,220	406,780	In financial terms (£), 33% of the year's Schemes have been realised and 47% are on track to be realised on time.

Agenda Item 9

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 NOVEMBER 2018
TITLE:	TREASURY MANAGEMENT 2018/19 – MID YEAR REVIEW
PURPOSE:	CIPFA’s Code of Practice recommends that a report on the Council’s actual Treasury Management during the current financial year is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DAFYDD L EDWARDS, HEAD OF FINANCE

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2018, the Council’s borrowing remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money.

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy’s Treasury Management Code (CIPFA’s TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a mid-year update.

The Council’s Treasury Management Strategy for 2018/19 was approved by full Council on 8 March 2018 which can be accessed on <https://democratiaeth.cyngor.gwynedd.gov.uk/documents/s16298/Rheolaeth%20Trysorl%20ys.pdf?LLL=1>

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council’s treasury management strategy.

The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. This report covers treasury activity and the associated monitoring and control of risk. The Council will be producing its Capital Strategy later in 2018-19 for approval by full Council.

The Welsh Government (WG) asked for comments on changes to its Guidance on Minimum Revenue Provision (MRP). These include clarification or changes to terminology and the calculation of MRP.

2. EXTERNAL CONTEXT

Economic background: Oil prices rose by 23% over the six months to around \$82/barrel. UK Consumer Price Inflation (CPI) for August rose to 2.7% year/year, above the consensus forecast and that of the Bank of England's in its August *Inflation Report*, as the effects of sterling's large depreciation in 2016 began to fade. The most recent labour market data for July 2018 showed the unemployment rate at 4%, its lowest since 1975. The 3-month average annual growth rate for regular pay, i.e. excluding bonuses, was 2.9% providing some evidence that a shortage of workers is providing support to wages. However real wages (i.e. adjusted for inflation) grew only by 0.2%, a marginal increase unlikely to have had much effect on households.

The rebound in quarterly GDP growth in Q2 to 0.4% appeared to overturn the weakness in Q1 which was largely due to weather-related factors. However, the detail showed much of Q2 GDP growth was attributed to an increase in inventories. Year/year GDP growth at 1.2% also remains below trend. The Bank of England made no change to monetary policy at its meetings in May and June, however hawkish minutes and a 6-3 vote to maintain rates was followed by a unanimous decision for a rate rise of 0.25% in August, taking Bank Rate to 0.75%.

Having raised rates in March, the US Federal Reserve again increased its target range of official interest rates in each of June and September by 0.25% to the current 2%-2.25%. Markets now expect one further rise in 2018.

The escalating trade war between the US and China as tariffs announced by the Trump administration appeared to become an entrenched dispute, damaging not just to China but also other Asian economies in the supply chain. The fallout, combined with tighter monetary policy, risks contributing to a slowdown in global economic activity and growth in 2019.

The EU Withdrawal Bill, which repeals the European Communities Act 1972 that took the UK into the EU and enables EU law to be transferred into UK law, narrowly made it through Parliament. With just six months to go when Article 50 expires on 29th March 2019, neither the Withdrawal Agreement between the UK and the EU which will be legally binding on separation issues and the financial settlement, nor its annex which will outline the shape of their future relationship, have been finalised, extending the period of economic uncertainty.

Financial markets: Gilt yields displayed marked volatility during the period, particularly following Italy's political crisis in late May when government bond yields saw sharp moves akin to those at the height of the European financial crisis with falls in yield in safe-haven UK, German and US government bonds. Over the period, despite the volatility, the net change in gilt yields was small. The 5-year benchmark gilt only rose marginally from 1.13% to 1.16%. There was a larger increase in 10-year gilt yields from 1.37% to 1.57% and in the 20-year gilt yield from 1.74% to 1.89%. The increase in Bank Rate resulted in higher in money markets rates. 1-month, 3-month and 12-month LIBID rates averaged 0.56%, 0.70% and 0.95% respectively over the period.

Credit background: Reflecting its perceived higher risk, the Credit Default Swap (CDS) spread for non-ringfenced bank NatWest Markets plc rose relatively sharply over the period to around 96bps. The CDS for the ringfenced entity, National Westminster Bank plc, has held steady below 40bps. Although the CDS of other UK banks rose marginally over the period, they continue to remain low compared to historic averages.

The ringfencing of the big four UK banks - Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc – is complete, the transfer of their business lines into retail (ringfenced) and investment banking (non-ringfenced) is progressing and will need to be completed by the end of 2018.

There were a few credit rating changes during the period. Moody's downgraded Barclays Bank plc's long-term rating to A2 from A1 and NatWest Markets plc to Baa2 from A3 on its view of the credit metrics of the entities post ringfencing. Upgrades to long-term ratings included those for Royal Bank of Scotland plc, NatWest Bank and Ulster Bank to A2 from A3 by Moody's and to A- from BBB+ by both Fitch and Standard & Poor's (S&P). Lloyds Bank plc and Bank of Scotland plc were upgraded to A+ from A by S&P and to Aa3 from A1 by Moody's.

Our treasury advisor Arlingclose will henceforth provide ratings which are specific to wholesale deposits including certificates of deposit, rather than provide general issuer credit ratings. Non-preferred senior unsecured debt and senior bonds are at higher risk of bail-in than deposit products, either through contractual terms, national law, or resolution authorities' flexibility during bail-in. Arlingclose's creditworthiness advice will continue to include unsecured bank deposits and CDs but not senior unsecured bonds issued by commercial banks.

3. LOCAL CONTEXT

On 31st March 2018, the Council had net borrowing of £47m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £177m, while usable reserves and working capital are the underlying resources available for investment. The Council had £118m of borrowing and £47m of investments.

These factors are summarised in the table below.

	31.3.18 Actual £m
General Fund CFR	177
Less: *Other debt liabilities	(2)
Borrowing CFR	175
External borrowing	(118)
Internal borrowing	57
Less: Usable reserves	(56)
Less: Working capital	(48)
Net borrowing	(47)

* finance leases, PFI liabilities

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30th September 2018 and the change during the period is shown in Table 2 below.

	31.3.18 Balance £m	6 month Movement £m	30.9.18 Balance £m	30.9.18 Rate %
Long-term borrowing	108	0	108	5.8
Short-term borrowing	10	0	10	0.8
Total borrowing	118	0	118	5.3
Long-term investments	1	0	1	0.9
Short-term investments	34	7	41	0.4
Cash and cash equivalents	12	3	15	0.3
Total investments	47	10	57	0.5

4. BORROWING STRATEGY

At 30/9/2018 the Council held £108m of loans as part of its strategy for funding previous years' capital programmes and £10m of loans for cash flow purposes.

Over the last ten years borrowing the Council monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise the benefits of internal. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis which did not indicate any value in borrowing in advance for future years' planned expenditure.

Having raised policy rates in August 2018 to 0.75%, the Bank of England’s Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose’s central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country’s exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

The Council expects to borrow in the next six months and will assess whether this will continue to be using short term loans or to take out long term loans.

Borrowing Position at 30.09.18

	31.3.18 Balance £m	6 months Movement £m	30.9.18 Balance £m	30.9.18 Rate %
Public Works Loan Board	95	(2)	93	5.8
Bank (fixed-term)	16	0	16	4.2
Bank (short-term)	0	10	10	0.8
Total borrowing	111	8	119	5.5

PWLB Certainty Rate and Project Rate Update

The Council qualified for borrowing at the ‘Certainty Rate’ (0.20% below the PWLB standard rate) for a 12 month period from 1 November 2017. In September 2018 the Council submitted its application to the Treasury to access this reduced rate for a further 12 month period from 1 November 2018.

Debt Rescheduling

The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Changes in the debt portfolio over the period have achieved a reduction in the level of borrowing as well as a reduction in credit risk by repaying loans from investment balances.

5. INVESTMENT ACTIVITY

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council's investment balance ranged between £79.4 and £31.4 million due to timing differences between income and expenditure. The investment position during the period is shown in the table below.

	31.3.18 Balance £m	6 month Movement £m	30.9.18 Balance £m
Banks & building societies (unsecured)	11.1	3.8	14.9
Covered bonds (secured)	2.1	(1.0)	1.1
Government (incl. local authorities)	25.0	(7.0)	18.0
Money Market Funds	9.3	(0.4)	8.9
Total investments	47.5	(4.6)	42.9

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council’s minimum long-term counterparty rating for institutions defined as having “high credit quality” is A- across rating agencies Fitch, S&P and Moody’s); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Performance Report

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2018	3.96	AA-	43%	48	0.55
30.06.2018	3.85	AA-	42%	52	0.69
30.09.2018					
Similar LAs	5.78	A	58%	248	0.75
All LAs	4.21	AA-	62%	42	0.65

Investments were made with banks and building societies and included call accounts, fixed-rate term deposits and certificates of deposit, Money Market Funds and covered bonds.

The average cash balances were £48.7m during the six months. Following a UK Bank Rate of 0.25% since August 2016 the rate was increased to 0.5% in October 2017 and then increased again in July 2018 to 0.75%.

The Council’s budgeted investment income for the year is estimated at £0.17m. based on an investment outturn of 0.5% for the whole year.

Compliance Report

I can confirm compliance with its Prudential Indicators for 2018/19, which were set in March 2018 as part of the Council’s Treasury Management Strategy Statement.

Debt Limits

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

	6 month Maximum	30.9.18 Actual	2018/19 Operational Boundary	2018/19 Authorised Limit	Complied
Borrowing	106.5m	106.5m	180m	190m	✓
PFI & finance leases	4.0m	4.0m	0	0	✓
Total debt	110.5m	110.5m	180m	190m	✓

Investment Limits

	H1 Maximum	30.9.18 Actual	2018/19 Limit	Complied
Any single organisation, except the UK Government	£6m	£43m	£6m each	✓
Any group of organisations under the same ownership	0	0	£6m per group	✓
Any group of pooled funds under the same management	0	0	£15m per manager	✓
Negotiable instruments held in a broker's nominee account	0	0	£30m per broker	✓
Limit per non-UK country	£3m	£4m	£6m per country	✓
Registered providers	0	0	£15m in total	✓
Unsecured investments with building societies	£3m	2.1m	£6m in total	✓
Loans to unrated corporates	0	0	£6m in total	✓
Money Market Funds	£32m	£8.9m	£30m in total	x

The maximum monetary amounts in table above are based on a maximum total of investments at £60 million. In April each year the Council receives two payments of government grant at the beginning of the month. This took the total investments over £60million for 14 days and therefore the money market investments were above the £30million threshold but always under 50% of the total investments.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating or credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	6.0	3.85

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments.

	30.9.18 Actual	2018/19 Target	Complied
Total cash available within 3 months	14.8m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposure	100%	100%	100%
Actual	100%		
Upper limit on variable interest rate exposure	50%	50%	50%
Actual	0%		

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	25%	0%	0%
12 months and within 24 months	25%	0%	0.3%
24 months and within 5 years	50%	0%	4.9%
5 years and within 10 years	75%	0%	16.3%
10 years and within 20 years	100%	0%	25.5%
20 years and within 30 years	100%	0%	12.7%
30 years and within 40 years	100%	0%	16.6%
40 years and within 50 years	100%	0%	8.7%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Council’s exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20
Limit on principal invested beyond year end	£40m	£20m	£10m
Actual	£2.18m	£0	£0

7. Investment Training

During the period, officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

8. Outlook for the remainder of 2018/19

Having raised policy rates in August 2018 to 0.75%, the Bank of England’s Monetary Policy Committee (MPC) has maintained expectations of a slow rise in interest rates over the forecast horizon.

The MPC has a definite bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. While policymakers are wary of domestic inflationary pressures over the next two years, it is believed that the MPC members consider both that (a) ultra-low interest rates result in other economic problems, and that (b) higher Bank Rate will be a more effective weapon should downside Brexit risks crystallise and cuts are required.

Arlingclose’s central case is for Bank Rate to rise twice in 2019. The risks are weighted to the downside. The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in Q2 2018, but the annual growth rate of 1.2% remains well below the long term average.

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Ca	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Downside risk	0.00	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

The view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Central bank actions and geopolitical risks, such as prospective trade wars, have and will continue to produce significant volatility in financial markets, including bond markets.

Agenda Item 10

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	29 NOVEMBER 2018
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 16 NOVEMBER 2018
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 17 September 2018 to 16 November 2018.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 16 November 2018:

Description	Number
Reports on Audits from the Operational Plan	8

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 16 November 2018, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Interfaces with the Financial Ledger	Finance	Accountancy	High	Appendix 1
Council Tax - Refunds	Finance	Revenue	High	Appendix 2
Plas Ffrancon Leisure Centre	Economy and Community	Leisure	Satisfactory	Appendix 3
Glaslyn Leisure Centre	Economy and Community	Leisure	Satisfactory	Appendix 4
Penllyn Leisure Centre	Economy and Community	Leisure	Satisfactory	Appendix 5
Glynllifon - Income	Economy and Community	Maritime and Country Parks	Satisfactory	Appendix 6
Supporting People Grant	Adults, Health and Wellbeing	Supporting People	High	Appendix 7
Disabled Facilities Grant	Adults, Health and Wellbeing	Private Sector Housing	High	Appendix 8

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.

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 16 November 2018, there was acceptable implementation on **58.28%** of the agreed actions, i.e. 95 out of 163.

4. WORK IN PROGRESS

4.1 The following work was in progress as at 16 November 2018:

- Safeguarding Arrangements - Establishments (*Corporate*)
- Practive Prevention of Fraud and Corruption (*Corporate*)
- Managing the Risk of Fraud and Corruption (*Corporate*)
- Information Management – Establishments (*Corporate*)
- General Data Protection Regulations (*Corporate*)
- National Fraud Initiative (*Corporate*)
- Employment Status IR35 (*Education*)
- TRAC Project (*Education*)
- GwE – Employment Status IR35 (*Education*)
- Purchasing Equipment through the School (*Education*)
- Schools - General (*Education*)
- Property Repairs and Maintenance (*Environment*)
- Public Transport (*Environment*)
- Systems – Patch Management (*Finance*)
- Contributions from Employers (*Finance*)
- Benefits – Review of Key Controls (*Finance*)
- Cybersecurity (*Finance*)
- Welsh Church Fund (*Economy and Community*)
- Social Services Annual Report (*Adults, Health and Wellbeing*)

- Houses into Homes Scheme (*Adults, Health and Wellbeing*)
- Children – Out of County Placements (*Children and Family Support*)
- Diesel Tanks and Diesel Management (*Highways and Municipal*)
- 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 17 September 2018 to 16 November 2018, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

INTERFACES WITH THE FINANCIAL LEDGER FINANCE

1. Background

1.1 The Council has several systems for individual services that are fed into the main ledger through interfaces on a daily basis. The creditors and debtors systems are integrated with the ledger, whilst other systems are being fed through interfaces. The data is automatically transmitted, with some depending on manual intervention by loading on a temporary server or creating a record via journals. The reports are produced from individual service systems and then fed directly to the ledger or to sub-ledgers of the creditors and debtors system. Once the data has been received and posted to the ledger, it is the responsibility of the services to ensure that the information is accurate and complete by conducting reconciliations to service systems.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that suitable systems were in place for systems interfaces to the Council's main financial ledger. In order to achieve this, the audit covered checking the procedures and controls of the interfaces in place, including checking a sample of systems that feed into the ledger to ensure their accuracy in data processing and reconciliation. A sample of interfaces was selected through the Payroll system, AIM - cash receipts, Capita Council Tax and Non Domestic Rates ("Academy") and transfers to subcontractors to the main ledger.

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 During the audit, it was found that there were strong arrangements in place to ensure that transactions from the systems reviewed fed into the main ledger in a complete and accurate manner.

4.1.1 Processing controls were found to be in place for the information entered into the feeder systems, and it was found that the Systems Manager or the Technician who receive and authorise the data presented. In addition, it was found that the process was documented.

4.1.2 From the sample of interfaces checked, it was seen that the totals are reconciled regularly. Control totals were produced independently of each other, and then used to verify and reconcile. It was noted from the sample checked that a deputy officer could undertake the task of reconciling the figures in the absence of the responsible officer.

- 4.1.3 Controls were found to be in place within the independent systems for identifying and preventing duplicate data being transmitted.
- 4.1.4 Interfaces to the ledger could identify and prevent invalid codes from being utilised before transferring to the main system. It was noted that any invalid codes loaded into the system were either rectified or placed in a suspense account.

COUNCIL TAX REFUNDS FINANCE

1. Background

- 1.1 During the financial year 2017/18, the council collected approximately £67 million of council tax revenue and approximately £2 million refunds were made throughout the year, which is equivalent to 3,400 refund transactions.
- 1.2 The service can process a refund to any account that is in credit, as a result of any overpayment made by the taxpayer. The taxpayer is able to apply for a council tax rebate or the system automatically generates a refund when it is allowed i.e. when an account is closed, to clear any remaining credit. Taxpayers receive refund payments by cheque, but has the option of applying to receive payments through BACS which is processed through the Payments Unit based on the submission of the payment instruction form TR27b.
- 1.3 Recently, a case of fraud in an authority in South Wales has been reported on the news. A member of staff generated false claims and diverted money into her personal bank account. It was reported that over £48,000 funds had been stolen. In the current economic climate, there has been a reduction in the traditional methods of conducting thorough checks. This emphasises the importance of compensating controls to counter fraud.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements are in place for generating council tax refunds. During the audit, a sample of refunds made during the 2018/19 financial year were examined to ensure appropriate procedures were in place, that they had been followed correctly and an audit trail was in place.
- The Revenue Systems Manager expressed an intention of establishing a new system for payment of refunds, with the first option to receive payment by BACS with an aim to reduce payments by cheque. This is intended to reduce the costs of processing cheques. The audit therefore included checking controls for mitigating any risk of fraud that may arise from these changes.

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 (the opinion excludes the proposed processing of refunds by BACS directly from the Academy system as the arrangement is not currently operational and there is no certainty to date what controls/exception reports can be produced to mitigate risks):

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 strong internal controls were in place for the payment of Council Tax refunds. A random sample of 65 refunds was selected consisting of 15 transfers between bills, 20 refunds specifically processed through BACS for the financial year 2018/19 to ensure that council tax refund had been carried out in an appropriate manner.
- 4.1.1 From the sample of refunds checked, all appear to be valid with evidence or/and appropriate reasons supporting them.
- 4.1.2 A sample of transfers were checked within accounts/from bill to bill and all were found to have been transferred correctly and agreed with the credit from the previous bill. No transfer of payments between systems was found.
- 4.1.3 The refund approval procedure was reviewed and the Revenue Systems Manager confirmed that certain officers carried out checks before the batch of refunds were released for payment. It was found that separation of duties existed within the system for the process of generating and authorizing the refunds.
- 4.1.4 Reconciliations of payments are maintained and tests were carried out to ensure that the system agreed with the totals paid.
- 4.1.5 Under the new arrangements for payment of refunds by BACS as the first option, it was found that the risk of fraud arising has increased. The BACS refunds are authorised and paid directly from the system, with no additional checking arrangements in place such as checking how many refunds are made to the same bank account. It has therefore been agreed with the Taxation Manager and the Revenue Systems Manager that the service investigates the generating of bespoke reports to conduct these checks or the possibility of establishing compensating controls.

5. Actions

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

- **Investigate the possibility of producing a report with all repayments by BACS including details of the payee, the date of payment, the amount and details of the bank account that the refunds will be paid into them.**

**PLAS FFRANCON LEISURE CENTRE
ECONOMY AND COMMUNITY**

1. Background

1.1 Gwynedd Council's Leisure Centres are a part of the Healthy Communities Service within the Economy and Community department. Four Area Managers are responsible for managing the Centres which are under the Authority's management. Plas Ffrancon Leisure Centre provides a number of services to the public, including fitness/weight rooms and fitness classes.

2. Purpose and Scope of Audit

- 2.1 Ensure that robust arrangements have been established at Plas Ffrancon Leisure Centre, in order to properly manage and mitigate risks and to ensure compliance with the Council's internal procedures and other relevant laws.
- 2.2 The audit covered visiting the Centre to conduct an audit to ensure that appropriate arrangements were in place for managing various risks that might exist in the areas of income collection, budgetary control, procurement, storage of goods and health and safety.

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 risk are as follows:

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

5. Main Findings

5.1 Satisfactory internal controls were observed at Plas Ffrancon Leisure Centre, with the need to tighten on some aspects, the areas that need attention are detailed below:

5.1.1 A sample of TR34 and TR34cc forms were reconciled during the visit. Income was generally dealt with accurately but it was found that in many cases a surplus/deficit had been recorded under codes other than 'J'. Trying to find a reason for surplus/deficit is good practice but use of the 'J' account should be made if there is no robust explanation for a surplus/deficit.

- 5.1.2 On August 20, 2018, the time observed on the CCTV system was 8 minutes later than the actual time. The Duty Manager stated that the difference had been more at times and staff were not aware of how to reset the system's time and date. Each Duty Manager has access to the CCTV system. It was expressed during the visit that the Centre's managers had not received training on the CCTV. Concerns were also expressed that there was no longer a company responsible for the maintenance of the system as the previous agreement had expired.
- 5.1.3 The Leisure Centre has adopted the 'Legend' system. The system is a digital solution to record many tests/tasks carried out in the Center on a daily/weekly/monthly basis. The Duty Manager stated that difficulties with the system's upload process led to loss of data. This meant that, although the Duty Manager was confident that the tests had been completed, there was no record of the completion of fire and legionella tests for several weeks.
- 5.1.4 The Leisure Centre stock records are kept on Excel spreadsheets. Drink stock records for June and July 2018 were checked. Cleaning stock records were received for July 2018. On the day of the visit, stock levels were found to be reasonable, therefore there was no risk of loss of income due to insufficient stock levels. Stock checking documentation, on the other hand, was problematic. June records showed that 0 'Brecon water' bottles were in stock or had been bought or sold for the month. Water bottles were found in the store. '*total stock @ end of the month*' column was completed as '0' for each item in June. In July, each box was '0'. It is likely that no stock checks were carried out through July and the beginning of August. The number of items seen in the cleaning materials store was different from what was seen on the stock check sheets in some cases. There were also examples of negative numbers in the '*remaining*' stock column for some items. This may be the result of spreadsheet formula errors.

6. Actions

The Duty Manager and the Area Manager have committed to implement the following steps to mitigate the risks highlighted.

- **Use J code in TR34 and TR34cc forms where necessary**
- **Liaise with an appropriate officer or company to arrange maintenance for the CCTV system and training on the system for the Centre's Managers.**
- **Healthy Living Service to test the 'Legend' system and report on any problems that arise to the Area Manager.**
- **Ensure that stock checks are completed on a regular basis, that the checks encompass the relevant products and that the spreadsheets used contain appropriate formulas.**

GLASLYN LEISURE CENTRE ECONOMY AND COMMUNITY

1. Background

1.1 Gwynedd Council Leisure Centres are part of the Healthy Communities service which is within the Economy and Community Department. There are four Area Managers who are responsible for managing the Centres under the Authority's control. Glaslyn Leisure Centre provides a number of services for the public, including a swimming pool, fitness/weights room and fitness classes.

2. Purpose and Scope of Audit

- 2.1 Ensure that robust arrangements have been established in the leisure centres, in order to properly manage and mitigate risks, and to ensure compliance with the Council's internal procedures and other relevant laws.
- 2.2 The audit involved visiting a sample of four Leisure Centres in Gwynedd for inspection to ensure that appropriate arrangements were in place for managing various risks that might exist in the areas of income collection, budgetary control, procurement and storage of goods and health and safety.

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	2
LOW	1

5. Main Findings

5.1 Adequate internal controls have been found to exist at Glaslyn Leisure Centre, but some aspects need to be tightened. The areas that need attention are detailed below:

5.1.1 The centre's stock records do not match the quantities that were seen on the day of the visit. A sample of 8 items was selected in the store room and checked in order to ascertain if the quantities agreed with the stock records. The quantities were not correct for any of the items. For one item, the stock records confirmed that July's opening stock number 21, and August's opening stock number was 8. However, no stock was sold during this period.

The Receptionist confirmed that stock checks are conducted on the first of every month, and that August's sales had not yet been recorded, which explained the difference in numbers. He remembered that there had been a problem with the till at end of July, which could mean that sales for the period were not processed until August, and that is why no sales were recorded for the period. Following the visit the Area Manager requested that the Receptionist to kept a more detailed record of the stock.

- 5.1.2 No checks were found to be taking place for the chemical stocks levels. The Assistant Area Manager confirmed during the visit that he was sure these were being carried out, but the records could not be found at the time. Following the visit, confirmation was received that checks were not carried out.
- 5.1.3 The CCTV system is not set at the correct time. The system was checked at 9:15 on Tuesday morning, August 21. However, although the date agreed, the system confirmed the time as 9:47. The Assistant Area Manager confirmed following the visit that the time was now rectified.
- 5.1.4 The Personal Emergency Evacuation Plans (PEEP) are not dated. It was found that the Assistant Area Manager had signed to confirm that he had reviewed the plans, but the date had not been confirmed, making it difficult to know when they were last reviewed. He agreed to do this in the future.
- 5.1.5 The fitness and weight rooms were visited during the visit. It was seen that there was a keypad on the doors, with the code being shared with customers who have paid for the use of the facilities. The keypad code is changed weekly. However, the rooms could be accessed through the unlocked side doors. The Assistant Area Manager confirmed that these were often opened by customers. The door can be locked from the outside with a key, but a key is not required to open the door from the inside. Staff have been instructed to check that the doors are locked, however, they were open during the visit. Following the visit, confirmation was received from the Assistant Area Manager that he had again reminded staff to carry out frequent checks of the doors.

6. Actions

The Area Manager and the Assitant Area Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Ensure that stock records are detailed and accurate at all times, with any discrepancies investigated.**
- **Arrange that monthly checks are carried out on the chemical stock levels.**
- **That frequent checks are made to ensure that the doors are locked.**
- **Ensure the CCTV system is set at the right time.**

**PENLLYN LEISURE CENTRE
ECONOMY AND COMMUNITY**

1. Background

1.1 Gwynedd Council's Leisure Centres are part of the Healthy Communities service, within the Economy and Community Department. There are 4 Area Managers responsible for managing the Centres that are managed by Gwynedd Leisure Company. Penllyn Leisure Centre provides a number of services to the public, including a swimming pool, fitness / weights rooms and fitness classes.

2. Purpose and Scope of Audit

2.1 Ensure that robust arrangements have been established at Penllyn Leisure Centre, in order to properly manage and mitigate risks, and to ensure compliance with the Council's internal procedures and other relevant legislation.

2.2 The audit covered visiting the centre to carry out an audit to ensure that appropriate arrangements were in place for managing various risks that might exist in the areas of income collection, budgetary control, procurement and storage of goods, and health and safety.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were checked. 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 where the arrangements can be tightened to further mitigate the risks.

4. Current Risks

4.1 The audit's risk are as follows:

Risk Level	Number
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

5.1 It was seen that the Centre's arrangements were generally sound with administrative work being completed correctly. Daily tasks were consistently completed in a timely fashion and recorded and administered efficiently:

- 5.1.1 There was stock control for foods and goods but not for COSHH¹ chemicals. Although the correct certificates were available and displayed in the chemical storage areas, staff did not have a system of recording stock levels of any chemicals / substances. Section HS-09-3.1 of the IMS² references the need to record the stock of any COSHH chemicals.
- 5.1.2 It was found that the room that kept the general cleaning materials and chemicals was not locked during the visit. On this occasion, a member of staff was cleaning the fitness room which is opposite the room cleaning chemicals are stored.
- 5.1.3 It was seen that there was regular use of the Legend tablet for daily checks as well as checks related to Health and Safety. In addition, it was seen that the Centre continued to record checks on paper as well. This may be an unnecessary duplication of work.

6. Actions

The Assistant Area Manager has committed to implement the following steps to mitigate the risks highlighted:

- **Ensure records for COSHH chemicals are kept and included in stock check procedures.**
- **Ensure that all rooms that store chemicals are locked at all times.**

¹ COSHH – Control of Substances Hazardous to Health

² IMS – Integrated Management System

**PARC GLYNLLIFON INCOME
ECONOMY AND COMMUNITY**

1. Background

1.1 Following a planned audit on income collection within the Maritime and Country Parks Service, the the Audit and Governance Committee requested an investigation into the arrangements in place for the collection of visitor entry fees to Parc Glynllifon. The current procedure is that the shop holder near the Park's entrance collects fees from visitors and then transfers the money collected (less commission of 15% + VAT) directly to the Council and sends supporting information to the Service. Due to a lack of resources, the Service does not check the number of visitors and there is no evidence to support the information presented by the Shop, however the Service is confident that the figures are reliable and that the arrangement provides value for money to the Council.

2. Purpose and Scope of Audit

2.1 Due to the fact that there are no checks of Parc Glynllifon visitor numbers or the entry fees collected, the purpose of the audit was to look at the arrangements, the income collected since 2009 and a comparison of historic and present entry fee collection arrangements. This was achieved by interrogating at the financial ledger and the current and previous staffing structures.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were checked. 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 where the arrangements can be tightened to further mitigate the risks.

4. Current Risks

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 income collected has been relatively consistent (approximately £14,000 annually) since the start of the arrangement with the Shop in 2014, but as a result of structural changes and staffing responsibilities in the Park, it was not possible to make a fair comparison of the financial performance of collecting entry fees between the current arrangements and those before 2014.

- 5.1.1 Glynllifon Improvement Working Group was established by the Development Scrutiny Committee to consider the options for the management of Parc Glynllifon. A package was formed which included the Shop and the Café and tenders were invited for the lease. Following the commencement of the lease however, the arrangement was not successful and no entry fee income was received in the 2012-13 or 2013-14 financial years. As a result, the tenant yielded responsibility for the Shop and a separate lease was created for the Café and Shop with a tendering process undertaken in 2014. The tender was won by the current occupier who signed a lease for a period of 3 years in August 2014.
- 5.1.2 The lease has not been renewed but the tenant continues to run the Shop. In accordance with the lease, the tenant has paid an annual rent of £2,500 to the Council. It was explained that the Property Service was working on the process to renew the lease and review the rent.
- 5.1.3 The lease stipulates that the tenant is responsible for selling daily and annual tickets for entry to the Park during the opening hours of the shop in accordance with the owner's instruction. It is also noted that the tenant is responsible for keeping a detailed record of the money received for entry tickets and paying these over to the landlord. It was seen that leaflets were available in the Shop promoting the annual membership card and that all the entry fees were clearly displayed on a board behind the counter.
- 5.1.4 Income is transferred to the Council 3 or 4 times a year with a 'payment note' provided to the Service for each transfer. Examples of 'payment notes' from the shop were seen which identified income received for an amount that would not be possible within the pricing list. This suggests that the amounts could be inaccurate or that extra money e.g. small change is given/left by some customers. The Maritime and Country Parks Officer committed to investigate this anomaly by contacting the leaseholder.
- 5.1.5 In 2009 and prior to the restructuring to identify savings, the Council employed a manager, assistant-manager and 2 wardens within the Park. The Council currently employs two members of staff for 4 days, namely an Assistant Manager and Assistant Warden / Estate Worker. This is highlighted in staffing costs and decisions such as to cut the 'Park Manager' Post in July 2011 and 'Parks Assistant' posts. As a result there was a reduction in staffing costs from £110,288 in 2009 compared to £50,765 in 2017. Due to these changes, there are insufficient resources in terms of facilities or time available for the current employees to collect entry fees and monitor visitors.
- 5.1.6 The fact that the shop is open 7 days a week enables income to be collected every day of the week with no additional staffing costs to the Council. Although the Council may be giving up a percentage of the fees as a commission, this option provides better value for money as it seems that alternative arrangements would lead to increased staffing costs to the Council that would outweigh any increase in income. There is a risk attached to the fact that there is no evidence presented with the payments made to the Council, but there is a concern that trying to force the leaseholder to present thorough evidence could adversely affect a relationship that is based on trust. There is also a risk that the leaseholder would be unwilling to work with the Council with the same level of willing cooperation.

5.1.7 The Maritime and Country Parks Officer's view is that the Council should be thankful that any income is received considering the current circumstances with staffing and budget, and that this risk is acceptable when considering the relatively low value of the income, and the costs that would be associated with alternative arrangements.

6. **Actions**

The Maritime and Country Parks Officer has committed to implement the following steps to mitigate the risks highlighted:

- **Discuss with the leaseholder in order to obtain further details of visitor numbers and which category of visitors/payments have been received**

SUPPORTING PEOPLE GRANT ADULTS, HEALTH AND WELLBEING

1. Background

- 1.1 A grant in excess of £5 million was allocated to Gwynedd Council by the Welsh Government during 2017-18 as part of the Supporting People scheme. The scheme commissions and funds a number of providers to offer support to vulnerable individuals to retain their tenancy and avoid homelessness, with the aim of enabling individuals to live independently through the provision of housing related support services. The service can be provided at the home of the individual or in a hostel, sheltered homes, or any supported housing. The scheme provides support to a wide range of people, such as older people, people with domestic violence problems, people at risk of homelessness, people with mental health problems, substance misuse as well as learning disabilities.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure the accuracy of the Supporting People grant audit certificate for 2017-18, by reviewing the costs claimed in the number of reported cases, as well as ensuring that the Service had complied with the conditions of the grant offer letter, good practice and the Council's financial procedure regulations.

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 During 2017-18 the Supporting People scheme had underspent £52k against the total grant allocation. Surplus funds are kept in a specific fund, but over the years, the historical underspend has accrued, and at the request of the Welsh Government the Service funded over half a million of Supporting People expenditure 2017-18 using this historic underspend. The expenditure was reconciled with the ledger and a sample of costs was traced back to their sources, including invoices paid to external providers and internal transfers made where the service was provided by other Units within the Council. They were deemed appropriate and the financial details of the audit certificate was declared to be correct.

- 4.2 Condition 11 (a) (iii) of the grant offer letter states that all original documents associated with the funding needs to be retained until the Welsh Government informs the Council that they may dispose of them. Invoices are usually destroyed by the Council six years after the current year. For invoices that need to be retained for an extended period, due to the requirements of an audit trail in the terms of the grant, for example, then pink (as opposed to yellow) TR252 coding and authorisation slips are attached. It was discovered that the Service uses yellow slips when paying invoices, which pose a risk of the invoices being destroyed before the Council receives instruction from the Welsh Government to do so. However, at present, all the Council's invoices are kept for the extended periods, so this risk is low, but it would be good practice to use pink slips from now on.
- 4.3 The number of 'outcomes' reported to the Welsh Government for both periods within the year were reviewed. This is intended to gather information on the number of and type of support given. The providers present this information for each individual to Conwy County Council as the lead body of the North Wales Supporting People region, which then sends a summary report of their database to Gwynedd Council for checking and submission to the Welsh Government. In addition, a spreadsheet containing all the details of each person receiving support is received. This information is used by the Service to select a sample of outcomes to verify when conducting periodic monitoring visits with the providers. It was seen that these reports were consistent with what was reported to the Welsh Government, and that the Service verifies them when conducting visits.

5. Actions

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

- **Use pink invoice coding and authorisation slips (TR252) to ensure that invoices are not prematurely destroyed.**

DISABLED FACILITIES GRANT ADULTS, HEALTH AND WELL-BEING

1. Background

- 1.1 Disabled Facilities Grant (DFG) is available for disabled people to assist them financially with work to provide facilities and make adaptations to their houses. The maximum grant limit in Wales is £36,000 per application, although in exceptional cases, an additional loan may be awarded, by means of a Discretionary Disabled Facilities Loan (DDFL).
- 1.2 The grant may be applied for by a referral from an occupational therapist only, to ensure that the individuals are eligible and meet disabled person's criteria. A means test will be carried out for each applicant based on the individual's income and capital in order to calculate their contribution towards the adjustments.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that there are robust arrangements in place for the administration of Disable Facilities Grants and to confirm that systems and internal controls are in place to ensure that the Grant is being used for the appropriate purposes.
- 2.2 This was done by selecting a sample of applicants who have received the grant to ensure that all individuals have application forms, are eligible and have been referred by an occupational therapist, and that the individual's financial contributions towards the work is calculated correctly.

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 observed that appropriate arrangements were in place for the administration of the disabled facilities grant and that the grant was being used for appropriate purposes.
- 4.1.1 It was seen that the Council had published a 'Disabled Facilities Grant' booklet which summarises what is available to the public. In addition, the Service has their own site within the Council's website, which includes details of the grant. There have been no further advertising, such as on social media, as it can be misleading and could lead to a number of applications that are ineligible. It is believed that there is no significant risk of qualifying individuals missing out, as medical professionals are aware of what is available and inform eligible clients.
- 4.1.2 From the sample of applications checked, all appeared to be eligible to receive the grant and all applicants had submitted the appropriate documentation.

- 4.1.3 It was seen that at least two quotes were received for all applications, and a tender report for significant work. The successful quotes were checked against the actual cost of the work for all the claims and at times the actual cost of the work exceeded the quote given prior to the commencement of the work, but there was a valid reason for this.
- 4.1.4 The monitoring of housing sales ensures that any grant over £5,000 is subject to a local land charge for 10 years. The selected sample was checked and this control was seen to be in place.

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	29 NOVEMBER 2018
TITLE	INTERNAL AUDIT PLAN 2018/19
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2018/19 AUDIT PLAN
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2018/19 Internal Audit Plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2018/19 internal audit plan is included in Appendix 1 with the status of the work as at 16 November 2018 noted, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	12
Working Papers Created	2
Field Work Started	20
Manager Review	1
Draft Report	2
Final Report Issued	<u>22</u>
Total	<u>59</u>
 Cancelled	 2

2.2 The service aims to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2019. The quarterly profile of this indicator is as follows:

End of quarter 1	8%
End of quarter 2	20%
End of quarter 3	50%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit’s actual achievement up to 14 September 2018 was **37.29%** - out of **59** individual audits contained in the 2018/19 plan, **22** had been released in a finalised version.

3. AMENDMENTS TO THE PLAN

- 3.1 Twenty days allocated for the audit of “Grants” in the Children and Supporting Families Department in the original plan have been assigned to two individual audits:
- Out of County Placements – 12 days
 - Flying Start Grant – Childcare – 8 days
- 3.2 Ten days had been allocated to the audit “Management of Software Licences”, but following initial discussions with the Information Technology Support Service Team Leader, Internal Audit was informed that a new system for managing software licences will be introduced in June 2019. Therefore, it was decided to transfer the ten days to conduct an audit of “Cybersecurity”.
- 3.3 A request was made in the Audit and Governance Committee held on 27 September for additional work to be carried out on the arrangements for income collection at Glynllifon. Six days have been allocated to the “Glynllifon - Income” audit.
- 3.4 A request was made by the Finance Unit Manager (Education) for Internal Audit to conduct a review of the arrangements for purchasing equipment on behalf of pupils. A total of 15 days have been allocated to carry out the review.

4. RECOMMENDATION

- 4.1 The Committee is asked to note the contents of this report as an update on progress against the 2018/19 audit plan, and offer comments thereon and accept the report.



Internal Audit Plan 2018/19

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-09/2019	Supporting Ffordd Gwynedd Reviews	20.00	0.00	20.00	4.04	Planned
1-CORFF-19/2019/001	Safeguarding Arrangements - Domestic Abuse	15.00	0.00	15.00	9.34	Final Report Issued
1-CORFF-19/2019/002	Safeguarding Arrangements – Establishments	4.00	0.00	4.00	3.57	Field Work Started
1-CPGV-02/2019	Proactive Prevention of Fraud and Corruption	20.00	0.00	20.00	4.19	Field Work Started
1-CPGV-03/2019	Managing the Risk of Fraud and Corruption	0.00	25.00	25.00	10.22	Field Work Started
2-ADN-CGC-DPA/2019cy	Information Management - Establishments	6.00	0.00	6.00	0.15	Field Work Started
2-ADN-CGC-DPA/2019dp	General Data Protection Regulations	15.00	0.00	15.00	21.96	Draft Report Issued
AO-ARL-05/2019	National Fraud Initiative	40.00	0.00	40.00	9.73	Field Work Started
EDUCATION						
Resources						
4-DAT-X-ADD/2019/gy	School Uniform Grant	0.00	6.00	6.00	6.11	Final Report Issued
4-DAT-X-ADD/2019GAD	Pupil Development Grant	10.00	0.00	10.00	9.81	Final Report Issued
4-DAT-X-ADD/2019GGA	Education Improvement Grant for Schools	15.00	0.00	15.00	14.70	Final Report Issued
4-DAT-X-ADD/2019ol16	Post-16 provision in Schools Grant	3.00	0.00	3.00	0.45	Planned
EADDA03/2019/001	Awareness of the Whistleblowing Policy – Primary and Secondary	25.00	0.00	25.00	1.91	Planned
EADDA03/2019/002	School Admissions	15.00	0.00	15.00	14.24	Final Report Issued
EADDA04/2019/IR35	Employment Status IR35	30.00	0.00	30.00	10.81	WP Created
Across the department						
EADDA06/2019	TRAC Project	15.00	0.00	15.00	3.28	Field Work Started
GwE						
4-GWE/2019/IR35	GwE - Employment Status IR35	30.00	0.00	30.00	15.46	Field Work Started
Schools						
EADDA32/2019	Purchasing Equipment through the School	0.00	15.00	15.00	4.32	Field Work Started
EADDA35/2019	Schools - General	10.00	0.00	10.00	0.57	Field Work Started
ENVIRONMENT						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Public Protection						
2ADN-GGYC-GYC/2019dp	Pest Control	12.00	0.00	12.00	3.31	Field Work Started
BB-YSG-11/2019	Licensing Arrangements	8.00	0.00	8.00	5.04	Field Work Started
Council Land and Property						
BA-EID-02/2019	Property Repair and Maintenance	15.00	0.00	15.00	1.68	WP Created
Transportation and Street Care						
DDAT-CC-01/2019	Public Transport	12.00	0.00	12.00	10.46	Manager Review
FINANCE						
Across the department						
AW-TG-12/2019	Systems - Patch Management	12.00	0.00	12.00	14.89	Field Work Started
Accountancy						
AN-ACY-02/2019	Interfaces with the Financial Ledger	20.00	0.00	20.00	20.03	Final Report Issued
Pensions and Payroll						
AP-PEN-07/2019	Contribution from Employers	25.00	0.00	25.00	7.66	Field Work Started
Revenue						
AB-BEN-01/2019kc	Benefits – Review of Key Controls	12.00	0.00	12.00	1.51	Field Work Started
AC-TR-01/2019	Council Tax System - One Digital Portal	10.00	-10.00	0.00	0.54	Cancelled
AC-TR-01/Ad/2019	Council Tax - Refunds	0.00	10.00	10.00	12.31	Final Report Issued
AC-TR-07/2019	Council Tax Debt Suspension and Write-Off	10.00	0.00	10.00	11.57	Final Report Issued
AC-TR-11/2019	Business Rates – Valuation List	6.00	0.00	6.00	5.73	Final Report Issued
Information Technology						
AW-TG-05/2019	Disposal of IT Equipment	8.00	0.00	8.00		Planned
AW-TG-06/2019/001	Cybersecurity	0.00	10.00	10.00	3.51	Field Work Started
AW-TG-08/2019	IT Disaster Recovery Arrangements	10.00	0.00	10.00	2.78	Planned
AW-TG-17/2019	Management of Software Licences	10.00	-10.00	0.00	0.41	Cancelled
ECONOMY AND COMMUNITY						
Community Regeneration						
EADDZ-01/2019	Welsh Church Fund	3.00	5.00	8.00	3.20	Field Work Started
Leisure						

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EHAMAC6401/2019	Arfon Leisure Centre	0.00	10.00	10.00	10.50	Final Report Issued
EHAMAC6406/2019	Plas Ffrancon Leisure Centre	0.00	10.00	10.00	9.97	Final Report Issued
EHAMAC6421/2019	Glaslyn Leisure Centre	0.00	10.00	10.00	10.01	Final Report Issued
EHAMAC6442/2019	Penllyn Leisure Centre	0.00	10.00	10.00	11.14	Final Report Issued
Maritime and country parks						
EHAMT-01/2019	Income Collection - Beaches and Country Parks	10.00	0.00	10.00	10.08	Final Report Issued
EHAZ-01/2019/001	Glynllifon - Income	0.00	6.00	6.00	6.49	Final Report Issued
Strategy and development Programmes						
DDAT-AD-02/2019	Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements	15.00	0.00	15.00	3.20	Planned
DDAT-AD-05/2019	North Wales Growth Board	15.00	0.00	15.00		Planned
ADULTS, HEALTH AND WELLBEING						
Across the department						
5-GOF-GCY-ARALW/2019	On-call and Emergency Arrangements	15.00	0.00	15.00	4.84	Planned
GRH-TW01/2019ab	Social Services Annual Report	8.00	0.00	8.00	4.26	Field Work Started
Business						
GRH-CD01/2019	Commissioning Arrangements	30.00	0.00	30.00		Planned
Supporting People						
GDAPR-SP01/2019	Adult Placement Scheme (Shared Lives Scheme)	15.00	0.00	15.00	10.46	Final Report Issued
Community Care						
GDAPR-GC04/2019	Home Care - Travelling Costs	15.00	0.00	15.00	14.23	Final Report Issued
Residential and Day						
5-GOF-CART1341/2019	Plas y Don	12.00	0.00	12.00	11.49	Final Report Issued
5-GOF-CART1345/2019	Plas Hedd	12.00	0.00	12.00	12.58	Final Report Issued
5-GOF-CART1350/2019	Hafod Mawddach	12.00	0.00	12.00	12.14	Final Report Issued
5-GOF-CART1356/2019	Cefn Rodyn	12.00	0.00	12.00	12.27	Final Report Issued
Private Sector Housing						
T-TAI-G06/2019	Disabled Facilities Grant	15.00	0.00	15.00	11.61	Final Report Issued
T-TAI-G10/2019	Houses into Homes Scheme	12.00	0.00	12.00	12.04	Draft Report Issued

CHILDREN AND FAMILY SUPPORT

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Children and Families						
5-GOF-X-PL/2019/003	Flying Start Grant - Child Care	0.00	8.00	8.00	0.16	Planned
GGWAS-PLANT3/2019	Children- Out of County Placements	0.00	12.00	12.00	0.24	Field Work Started
GGWAS-PLANT8/2019	Care and Support Plans (Children) under Part 4 – Social Services and Wellbeing Act (Wales) 2014	20.00	0.00	20.00		Planned
HIGHWAYS AND MUNICIPAL						
Fleet						
PGW-TR-02/2019	Diesel Tanks and Disel Management	15.00	0.00	15.00	10.43	Field Work Started
Waste Management and Streets						
3-AMG-GORF/2019	Street Enforcement	12.00	0.00	12.00	0.23	Planned
GWYNEDD CONSULTANCY						
Across the department						
PYMG-CON/2019	Flood Management	15.00	0.00	15.00	4.70	Field Work Started

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	29 NOVEMBER 2018
TITLE	SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE
PURPOSE OF REPORT	TO REPORT BACK FROM THE WORKSHOP HELD ON 5 NOVEMBER 2018
AUTHOR	DEWI MORGAN, SENIOR MANAGER REVENUES AND RISK
ACTION	TO CONSIDER THE CONTENTS AND AGREE THE IMPLEMENTATION STEPS

1. INTRODUCTION

- 1.1 At its meeting on 19 July 2018, the Audit and Governance Committee resolved to organise a workshop during the autumn of 2018 in order to conduct a self assessment of its effectiveness.
- 1.2 The purpose of the Workshop would be to consider if the Committee operates in the most effective way, and where there is scope to do more.
- 1.3 The Workshop was held at the Council's offices at Galw Gwynedd, Penrhyndeudraeth, on 5 November. Seven members of the Committee attended, including the Chair. The Head of Finance, the Senior Manager Revenues & Risk and the Audit Manager attended to facilitate.

2. THE CONTENTS OF THE SESSION

- 2.1 The contents of the CIPFA publication *Audit Committee – Practical Guidance for Local Authorities and Police* was used as the base of the workshop. In accordance with Statutory Guidance for the 2011 Measure, published in 2012, it is expected that the audit committees of local authorities in Wales pay attention to this publication. The Statutory Guidance refers to the version of the CIPFA guidance that was available at that time, namely the 2005 version, but an updated version has been published in 2018.
- 2.2 The CIPFA guidance was used to consider:
 - If the Committee is undertaking the things that it should, in accordance with the statutory requirements and best practice
 - How effectively it is doing these things.

3. SELF-ASSESSMENT OF GOOD PRACTICE

- 3.1 Appendix D of the CIPFA guidance, Self-Assessment of Good Practice, was used to consider if the Committee delivers what is expected from it in terms of statutory requirements and the best practice of professional bodies. The Senior Manager Revenues and Risk and the Audit Manager had already addressed these questions in the run-up to the workshop, and the results were presented to the workshop for discussion.
- 3.2 The results of the Self-assessment of Good Practice can be found on the following pages. After identifying any gaps, an action plan to improve compliance was drawn up.

SELF-ASSESSMENT OF GOOD PRACTICE

	Good practice questions	Yes	Partly	No	Evidence/Comments
Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	✓			Part 9.2.1 of Gwynedd Council's Constitution states " <i>The Council will appoint an Audit Committee to discharge the functions described in Section 13 of this constitution and in accordance with sections 81-87 of The Measure.</i> "
2	Does the audit committee report directly to full council? (Applicable to local government only.)	✓			<p>The Audit and Governance Committee reports directly to the Full Council, and is a full committee (i.e. not a sub-committee).</p> <p>The Council's Scheme of Delegation (Part 13 of the Council's Constitution) specifically delegates the duty to approve the authority's statement of its accounts, income, expenditure and balance sheet or its record of its proceeds and payments (as it happens) to the Audit and Governance Committee.</p> <p>The Audit and Governance Committee has not presented an Annual Report to the full Council, despite this requirement being detailed in the Audit Committee's Terms of Reference. However, the members agreed that any matters that needed further attention would be reported the full Council on an exception basis.</p>
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	✓			Paragraph 1.1 of the Audit and Governance Committee's Terms of Reference.
4	Is the role and purpose of the audit committee understood and accepted across the authority?	✓			No evidence to suggest to the contrary.

	Good practice questions	Yes	Partly	No	Evidence/Comments
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	✓			The Governance Arrangements Assessment Group presents reports to the Audit Committee occasionally. The Annual Governance Statement is presented to the Audit and Governance Committee to be challenged and approved.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		No such formal arrangements have been put in place, but the external auditor considers the effectiveness of the Committee when undertaking the assessment of the authority's governance arrangements.
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
Page 87	<ul style="list-style-type: none"> • good governance 	✓			TOR – Section 2.2
	<ul style="list-style-type: none"> • assurance framework, including partnerships and collaboration arrangements 	✓			TOR – Section 2.2
	<ul style="list-style-type: none"> • internal audit 	✓			TOR – para. 2.2.5 – 2.2.9 and Section 2.3
	<ul style="list-style-type: none"> • external audit 	✓			TOR – Section 2.3
	<ul style="list-style-type: none"> • financial reporting 	✓			TOR – Sections 2.1 and 2.4
	<ul style="list-style-type: none"> • risk management 	✓			TOR – Section 2.2. The members were of the opinion that more frequent reports are necessary.
	<ul style="list-style-type: none"> • value for money or best value 			✓	
	<ul style="list-style-type: none"> • counter-fraud and corruption. 			✓	TOR – para.2.2.10 – 2.2.13. However, specific reports are not presented.
<ul style="list-style-type: none"> • supporting the ethical framework 				✓	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		✓		A formal annual evaluation is not undertaken, but the workshop is an opportunity to undertake a self-assessment.

	Good practice questions	Yes	Partly	No	Evidence/Comments
9	<p>Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?</p> <p>These areas are:</p> <ul style="list-style-type: none"> • Being satisfied with standard of assurance (e.g. Governance Statement) • Overseeing, supporting and promoting internal audit • Considering the effectiveness of the risk management arrangements and control environment • Effectiveness of the control environment (value for money, standards and ethics, preventing fraud and corruption) • Reports and recommendations of external audit and inspectors and their implications • Supporting effective relationships • Financial statements. 		✓		<p>The Audit and Governance Committee does undertake some of these areas, e.g. reviewing and monitoring treasury management arrangements.</p> <p>However, the Audit and Governance Committee has not formally considered whether it should undertake the "wider areas".</p> <p>The Audit and Governance Committee does not currently provide oversight of the Annual Report.</p>
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		✓		<p>The core areas where coverage is limited are value for money / best value and proactive fraud work.</p> <p>A report on work undertaken on the National Fraud Initiative will be presented to the Committee in due course.</p>
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			

	Good practice questions	Yes	Partly	No	Evidence/Comments	
Membership and support						
Page 89	12	Has an effective audit committee structure and composition of the committee been selected? This should include:				
		<ul style="list-style-type: none"> • separation from the executive 	✓			Gwynedd Council's Constitution – Section 9.2
		<ul style="list-style-type: none"> • an appropriate mix of knowledge and skills among the membership 	✓			
		<ul style="list-style-type: none"> • a size of committee that is not unwieldy 	✓			The Audit and Governance Committee comprises of 18 members and one lay member. The Control Improvement Working Group has been established to deal with areas where the full committee would be unwieldy.
		<ul style="list-style-type: none"> • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). 	✓			Mandatory in Wales – has been implemented.
	13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	✓			Appropriate procedures were followed, including adverts in the press.
	14	Does the chair of the committee have appropriate knowledge and skills?	✓			This was discussed in the Workshop on 5 November 2018, without the Chair being present. There was consensus amongst members that the Chair's knowledge and skills are appropriate.
	15	Are arrangements in place to support the committee with briefings and training?	✓			Induction training was provided for members in June 2017. Training has been provided on Treasury Management issues.
	16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		✓		A members self-assessment of knowledge and skills has not been undertaken.

	Good practice questions	Yes	Partly	No	Evidence/Comments
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	✓			There are very good working relationships with these key stakeholders
18	Is adequate secretariat and administrative support to the committee provided?	✓			Yes, in accordance with the Council's arrangements
Effectiveness of the committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		✓		It receives informal feedback through the work of the external auditors. The Workshop on 5 November 2018 gave officers an opportunity to provide comments.
20	Are meetings effective with a good level of discussion and engagement from all the members?	✓			All members contribute in Committee meetings
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	✓			This happens in the full Committee as well as in the Control Improvement Working Group
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	✓			Has referred matters to scrutiny committees where appropriate.
23	Has the committee evaluated whether and how it is adding value to the organisation?		✓		Has undertaken a self-assessment in May 2016 and again in November 2018
24	Does the committee have an action plan to improve any areas of weakness?		✓		To be considered in the Committee meeting on 29 November 2018
25	Does the committee publish an annual report to account for its performance and explain its work?		✓		See question 2 above.

Matters requiring attention

3.3 In considering the results of the Self-assessment of Good Practice, members' views that the following gaps need attention were noted:

Question	Matter requiring attention	Ways of Responding
2	The Committee does not formally submit an annual report to the full Council	Following discussion, the members were of the opinion that an exception report to the full Council would be more appropriate.
	A lack of response from the scrutiny function updating the Committee about those matters that have been referred to them.	The issues to be discussed by scrutiny committees is a matter for them, but the expectation is that every committee would be in agreement on issues of high risk. Discuss with officers who support the scrutiny function to ensure that matters receive appropriate attention in scrutiny forums, and review the arrangements for responding to reports by external auditors.
	More detailed information about follow-up work	The Audit Manager and the Senior Manager Revenues and Risk will be giving attention to this. It is believed that reporting on an exception basis on failure to act would be the most effective way of working.
	The Committee eager to receive information form the Senior Information Risk Owner (SIRO)	The Senior Manager Revenues and Risk to discuss with the relevant officer and the head of department.
	More information about anti-fraud and anti-corruption work should be presented	The Senior Manager Revenues and Risk to present a paper to the Committee in its February 2019 meeting.
	More regular reports from the Governance Assessment Working Group should be presented	This will occur in future meetings of the Committee. Senior Manager Revenues and Risk to act.
6	Holding the Committee to account – does not receive feedback formally	Officers from Finance to ask the external auditor for comments.
	Need a specific report on Value for Money / Best Value work	Ffordd Gwynedd thinking will play a key role in this. The Committee to request updates as required.
	Supporting the Ethical Framework	The Senior Manager Revenues and Risk to present a paper to the Committee.
14	Need to consider the training offered to Committee members.	Finance officers to offer suggestions on specific topics for the members of the Audit and Governance Committee, which will include discussions with relevant units of the Corporate Support Department.

4. RECOMMENDATION

4.1 The Committee is requested to:

- **Receive confirmation by those members who were at the workshop on 5 November that this report is a fair reflection of the discussion held there.**
- **Accept the contents of this report as the basis for an action plan for the further development of the Committee, and to resolve to accept an update to every meeting on progress against these actions.**