
AUDIT AND GOVERNANCE COMMITTEE 17/10/19

Present: Councillor John Brynmor Hughes (Chair)
Councillor Angela Russell (Vice-chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Huw G. Wyn Jones, Sion Wyn Jones, Dewi Wyn Roberts, John Pughe Roberts, Paul Rowlinson and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillor Ioan Thomas (Cabinet Member – Finance)

Also in Attendance: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Assistant Head – Revenue and Risk), Luned Fôn (Audit Manager) and Lowri Haf Evans (Democratic Services Manager)

1. APOLOGIES

Apologies were received from Councillors R. Medwyn Hughes, Peredur Jenkins and W Gareth Roberts

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the previous meetings of this Committee, held on 29 July and 13 September 2019, as a true record.

5. INTERNAL AUDIT OUTPUT 1/4/2019 - 4/10/2019

The Audit Manager presented a report, outlining the Internal Audit's work for the period up to 4 October 2019. Attention was drawn to the relevant assurance level of the plan's audits, and it was noted that the outcomes were positive, and that they all fell into the two highest categories, namely satisfactory (controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks) and high (certainty of propriety can be stated as internal controls can be relied upon to achieve objectives).

No observations were made about the individual audits.

RESOLVED to accept the report and support the actions that have already been agreed with the relevant services.

6. INTERNAL AUDIT PLAN 2019/20

The report of the Audit Manager was submitted for information, which provided the Committee with an update on the current situation in terms of completing the 2019/20 Internal Audit Plan. It was noted that a total of 60 audits had been included in the plan, with the service aiming to have 95% of the audits in the plan either closed or with the final report released by 31 March 2020. As at 4 October, it was noted that Internal Audit's actual achievement was 16.67% (target of 20% by the end of quarter 2), with 10 individual reports having been released in a final version.

It was noted that there had been minor amendments to the plan, with four audits added to the plan. In order to implement this, and in consideration of the support provided by a Senior Auditor to assist Snowdonia National Park Authority to prepare its 2018/19 year end accounts (a total of 52 days), it had been decided to prioritise the audits in the plan based on risk. It had been concluded that seven audits would be cancelled.

In response to a request to clarify the '5 Ways of Working', the Audit Manager noted that the phrase represented statutory working arrangements, where Welsh Government place a statutory requirement to give appropriate consideration to certain principles.

In response to a question regarding the audit work undertaken to assist Snowdonia National Park Authority, it was reported that there was an agreement with the Park to provide 30 days of the Internal Audit section's work, and that 52 days of additional support to prepare the Park Authority's 2018/19 Accounts had been paid separately.

In response to a question regarding the decision to cancel seven of the audits, it was noted that the entire procedure and the annual plan had been considered in conjunction with the Assistant Head – Revenue and Risk. It was added that the seven audits would not 'drop out' of the medium-term plan, as they would be a priority within the 2020/21 Internal Audit plan.

It was suggested, in future update reports on the Internal Audit Plan, that it would be beneficial to include a sentence noting the rationale for any audit 'slippages', in order to clarify the situation.

RESOLVED to accept the report.

7. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

The Audit Manager presented a report which outlined the outcomes of the external assessment completed by Carmarthenshire's Chief Executive. Members were reminded that the Public Sector Internal Audit Standards required an external assessment to be carried out of all the Internal Audit services at least

every five years by an independent, qualified reviewer from outside the organisation.

It was reported that there were 334 best practice requirements within the Standards, and that Gwynedd Council conformed in general to 307 of the requirements, and conformed partially to 13 of the other requirements.

Reference was made to the ratings that designated the 'conformity level', and highlighted that 'generally conforms' meant that the internal activity had a charter, policies and processes that were judged to be in compliance with the standards.

The Audit Manager added that she welcomed the result of the self-assessment. She also noted that no formal feedback on the Chief Auditor's performance would be submitted, but Gwynedd Council's processes in which quarterly performance monitoring meetings were held gave the Cabinet Member an opportunity to report and clarify the delivery measures and to discuss the unit's performance and work.

The Head of Finance Department thanked the Audit Manager and her staff for their commendable work, and it was agreed that the result was one to be proud of.

RESOLVED to accept the report and to congratulate the Internal Audit Service for the professional quality of its work.

8. REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW

The report was presented by Councillor Ioan Thomas (Cabinet Member for Finance) for information, for members to consider the risks that arose from the expenditure projections against the budget. It was highlighted that the report had been submitted to the Cabinet on 15 October. Attention was drawn to the summary of each department's situation, and the resulting mixed picture.

Reference was made to the Adults Service that had an overspend of £1.6m, partially stemming from the failure to deliver the savings plans. It was noted that the Chief Executive had since called a meeting with relevant officers to gain a better understanding, and a clear programme of response. It was noted that the Children's Department had also shown an overspend of £2.9m, and a Task Group had been arranged in order to examine the Department's overspend. It was highlighted that there had been a 15% increase in looked after children during 2018/19 and that the situation was not unique to Gwynedd. The Cabinet Member for Finance further noted that the Children's Department's Task Group would be reporting on improvements in February 2020. It was also noted that there had been an overspend of £733k in the Highways Department, due to problems relating to waste collection and disposal. It was reported that the Environment Department had been given permission to earmark £220k of underspend for unavoidable costs (due to reasons beyond the Council's control) following a recent judicial review relating to the Llanbedr access Road.

Attention was drawn to the status of the Corporate budget, where an underspend of £2,867k was being transferred to funds, partially to mitigate the risk of Council departments overspending in 2019/20.

In response to a question about whether the Chief Executive had met relevant officers in the Adults Department, it was noted that initial meetings had been held, and that the officers had accepted the task of examining the information.

An observation was made that the Youth Department highlighted mixed messages, given that the service had been remodelled in response to the savings programme, but was now showing a significant underspend. In response, it was clarified that changes to posts and activities were responsible for this. It was added that grants had also been received, which meant that there was no underspend against the core budget.

In response to a question about the latest situation regarding the Council Tax Premium, it was reported that it was expected that £2.7m would be collected in the current year in line with the budget estimate, and that officers and Members were pressurising Welsh Government for an update regarding properties that transferred to become businesses.

An observation was made that a Task Group of the Communities Scrutiny Committee had been established to consider options for managing parking in light of financial challenges, but it appeared from the report on the 2019/20 budget that the Environment Department had already exceeded their target income. In response, the Cabinet Member noted that the Environment Department had a historical savings scheme to deliver by 2020/21, and furthermore, in the schemes to realise the current £2m target, departments should propose savings that reduced expenditure, or offered a new income stream, instead of increasing the prices of existing services.

RESOLVED to accept the report and note the situation and relevant risks in the context of the budgets of the Council and its departments.

9. CAPITAL PROGRAMME 2019/20 - END OF AUGUST REVIEW

The report was presented by Councillor Ioan Thomas (Cabinet Member for Finance) for information, for members to consider the risks that arose from the capital programme and to scrutinise the Cabinet's decisions. Reference was made to the main conclusions that were listed in the report, and the details of the additional grants that the Council had succeeded in attracting since the original budget was established. Attention was drawn to the changes to the funding sources that meant an increase of £17.85m in the three-year capital programme since the original budget had been set. It was noted that an additional £5,353k of borrowing in the funding table derived from the Flood Prevention Schemes. In relation to the Local Government Borrowing Initiative, it was explained that Welsh Government funded 75% of the scheme's cost, by recompensing the Council's borrowing costs over a 25-year period through the annual Revenue Support Grant. It was confirmed that the 25% to be funded by the Council had already been earmarked as part of the Assets Plan.

In the context of the Westminster Government's recent decision to increase the PWLB interest rates by 1%, which meant higher borrowing costs for local authorities, it was explained that it was Welsh Government that would fund the interest through the Initiative Plan. As a result, a question was asked whether the funding that we received from the Government reflected the higher interest rate that we had to pay in order to borrow? It was confirmed that the conditions of the arrangement enabled the Council to claim a larger contribution, as the movement in the rate exceeded 0.5%, and therefore Welsh Government would fund the increase.

In response to the observation about the increase in the interest rate, it was

noted that rates had fallen in the past, and that this increase was a return to a low level, rather than 'something unusual'. The Head of Finance noted that the recent increase had been unexpected and although rates had fallen gradually since 2008, an increase of 1% was now a fairly significant jump.

RESOLVED to accept the report and note the situation and relevant risks in the context of the Council's capital programme.

The meeting commenced at 10.00 am and concluded at 11.00 am

CHAIRMAN