



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 17TH OCTOBER, 2019

Location

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

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(DISTRIBUTED 09/10/19)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Huw Gruffydd Wyn Jones
W. Gareth Roberts

Aled Wyn Jones
Berwyn Parry Jones
Paul John Rowlinson

Charles Wyn Jones
Peredur Jenkins
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)

Councillor
Vacant Seat - Gwynedd United Independents

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

4 - 10

The Chairman shall propose that the minutes of the meetings of this committee, held on 29th July and 13th September, 2019, be signed as true records (attached).

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

11 - 35

To submit the report of the Audit Manager (attached).

6. INTERNAL AUDIT PLAN 2019/20

36 - 41

To submit the report of the Audit Manager (attached).

7. EXTERNAL ASSESSMENT OF INTERNAL AUDIT

42 - 49

To submit the report of the Audit Manager (attached).

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

50 - 71

To submit the report of the Head of Finance (attached).

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

72 - 81

To submit the report of the Head of Finance (attached).

AUDIT AND GOVERNANCE COMMITTEE 29/7/19

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

Councillors: Alwyn Gruffydd, Peredur Jenkins, Aled Wyn Jones, Charles Wyn Jones, Dewi Wyn Roberts, John Pughe Roberts, Paul Rowlinson and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillors Ioan Thomas (Cabinet Member for Finance - for items 5 - 7 on the agenda) and Edgar Owen (Ex-officio Member).

Also in Attendance: Dafydd Edwards (Head of Finance Department) Ffion Madog Evans (Senior Finance Manager - for items 5 and 6 on the agenda), Sian Pugh (Group Accountant - for items 5 and 6 on the agenda), Caroline Roberts (Investment Manager - for items 6 and 7 on the agenda), Delyth Wyn Jones-Thomas (Investment and Treasury Management Accountant - for items 6 and 7 on the agenda), Bethan Adams (Member Support Officer) and Ian Howse (Financial Audit Engagement Leader, Deloitte - for items 5 and 6 on the agenda).

Apologies: Councillors Aled Ll. Evans, R. Medwyn Hughes, Berwyn Parry Jones and Huw G. Wyn Jones.

1. DECLARATION OF PERSONAL INTEREST

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

2. URGENT ITEMS

There were no urgent items.

3. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, held on 13 June 2019, as a true record.

4. GWYNEDD COUNCIL'S STATEMENT OF ACCOUNTS 2018/19

The Senior Finance Manager set out the background and context of the report. Attention was drawn to a report submitted to the Committee on 13 June, which presented the end of year position in the form of a simple out-turn which summarised the financial situation for 2018/19, while the Accounts Statement was in standard form for external and governance purposes.

It was noted that the Finance Department had produced the 2018/19 statutory financial statements, and had released them to Deloitte, the Council's external auditors appointed by the Wales Audit Office, before 31 May. It was explained that it had been intended for the final accounts to be presented before the Committee at this meeting, following an audit. It was noted that, unfortunately, confirmation had recently been received from Deloitte to the effect that it had been unable to complete the audit and the External Auditors' ISA260 report for presentation at the meeting. It was confirmed that an extraordinary meeting of the Committee would be held on 13 September in order to present the accounts following the audit, for the Committee's approval.

Members were reminded that the final Harbours accounts had been submitted to the Committee on 13 June. It was noted that confirmation had been received from Deloitte that there were no amendments to be made to the Harbours accounts following the audit, and that there was therefore no need to submit them to the Committee.

The Senior Finance Manager expanded upon the content of the Statement of Accounts. She referred to 'Note 15 - Property, Plant and Equipment', noting that Deloitte, as part of the audit, had raised a matter concerning the value of Council car parks, and that discussions were ongoing between the Property Service and Deloitte to change the value of the car parks. Attention was drawn to the recommendation that the Committee accept and note the Statement of the Council's Accounts (subject to audit) for 2018/19.

The Head of Finance Department noted that Members had an opportunity to ask questions and familiarise themselves with the contents of the final accounts before final approval at the extraordinary meeting. He referred to the legal judgement on the McCloud case which meant that there would be greater transitional protection for members of public services pension schemes. He noted that the Supreme Court had refused the Government's application for the right to appeal against the decision. He explained that some employers were required to set a reserve liability fund, but due to the fact that Gwynedd Pension Fund had predicted actuarial pay inflation in accordance with the case, the Council was not required to amend the figures. He noted that there would be extra wording under 'Note 38 - Pension Costs' to reflect this.

The Deloitte Financial Audit Engagement Leader noted his appreciation that an extraordinary meeting would be held. He explained that the audit was progressing well and that there was a few days' work remaining. He apologised that the ISA260 report was not ready for submission to this meeting, and that lessons would be learnt in terms of completing the work. He noted that they were satisfied with the standard of the accounts, and that the issue surrounding the value of Council car parks was a matter of opinion and that an understanding would be reached.

The Cabinet Member for Finance explained that the Council had completed the final accounts, and noted his disappointment that Deloitte had failed to complete the work in accordance with the schedule. He expressed his appreciation of the Accounting Team's work.

A member of the Committee reiterated the observations made by the Cabinet Member for Finance, noting his appreciation of the team's work.

A member drew attention to the recommendation, noting that it would be unwise to vote in favour of it as it stood. He enquired about the Council's banking over-indebtedness position. He referred to an article in the press regarding North Wales Councils' response to a freedom of information request connected to pension fund investments. He elaborated on this, noting that Gwynedd Pension Fund money was being invested in companies producing weaponry. He noted that this was a moral issue and that he would personally avoid investments of this kind. He added that the Council did not appear to make sufficient enquiries regarding investments, and that there was a need to take action to ensure that the Pension Fund's money was not being invested in companies of this kind.

In response to the above observations, the Head of Finance Department noted the following:

- In terms of the recommendation, it was possible that the wording was unfortunate, but the recommendation was to accept and note the Statement, subject to the audit. He suggested a possible amendment to the wording for the Committee to consider, namely "To accept the pre-audit version of the Council's Statement of Accounts for 2018/19, and to note that the final version would be submitted to the Committee at its extraordinary meeting on 13 September 2019."
- That it was a cash-flow issue which was highlighted by the bank over-indebtedness on 31 March, where the Council was to receive grants to reconcile the situation early in

April. Had the Council borrowed money, there would have been related costs, and so this was the most cost-effective way to fund specific costs.

- That the Council had responded to the press on the pension investments issue. He explained that the pool investments included a number of companies, some of whom - such as Airbus, Siemens and Volkswagen - undertook a small proportion of their work in the defence sector. He emphasised that the Council did not target investments of this kind, but with the Pension Fund's asset managers investing across the stock market, it was inevitable that some companies would have elements of work involving the defence sector. He noted that those who had submitted a Freedom of Information request had misled the press in its findings.

The member asked further whether the Council was taking every possible step to prevent investments of this kind. In response, the Head of Finance noted that the Pensions Committee, in its meeting on 8 November 2018, had approved an Investment Strategy Statement which included amended investment principles. He noted that the Pensions Committee, at its meeting in the afternoon, would consider allocating 12% of the Pension Fund to a low carbon permissive equity fund. He emphasised that it was impossible to predict the Pensions Committee's decision, but that there was a clear move towards more responsible investment. The member noted that he welcomed the move towards more ethical investment.

A member noted, following the decision on the McCloud legal case and the rejection of the Government's appeal, that the Government was looking again at the public services pension schemes situation with associated costs of around £4 billion. It was likely that there would be implications. In response, the Head of Finance noted that the Governmental review was ongoing, and that all Gwynedd Pension Fund employers were fortunate not to have to identify reserve liability.

In response to a question by a member regarding payments made to the former Head of Highways and Municipal, the Head of Finance noted that a redundancy package had been given to the former Head as part of the Council's managerial review. This in turn had achieved a considerable amount of financial savings.

RESOLVED to accept the pre-audit version of the Council's Statement of Accounts for 2018/19, and to note that the final version would be submitted to the Committee at its extraordinary meeting on 13 September 2019.

5. GWYNEDD PENSION FUND FINAL ACCOUNTS 2018/19 AND RELEVANT AUDIT

The Head of Finance submitted the statutory financial statements of the Pension Fund for approval by the committee. He expanded upon the content of the Statement of Accounts. He made reference to two of the Fund's key strategies, namely the finance strategy statement and the investment strategy statement. Attention was drawn to an increase of £143 million in the Fund's net assets over the 2018-2019 year, which brought the value of the Fund to over £2 billion.

He noted that the costs of managing investments had been higher during the 2018-19 financial year as it had been a period of high turnover in companies managing equity assets and associated investments, with accompanying costs. He went on to note that this was mainly following the transfer of most assets from the Fund's appointed managers, namely Fidelity and Veritas, to the Wales Pensions Partnership for joint investment. He noted that, in the long term, it was anticipated that the fees would fall and returns, if not improved, would be more robust due to the dispersal of investment risk.

The Deloitte Financial Audit Engagement Leader submitted the ISA 260 audit report. He noted that the Auditor General intended to issue an unqualified audit opinion on the financial statements.

The following main observations were made:

- In terms of the equalisation of Guaranteed Minimum Pensions (GMPs) in relation to the McCloud case, this was not a material sum when considering the Fund in its entirety. He was therefore satisfied that there was no need to amend any aspect of the accounts;
- No misstatements had been corrected in the financial statements;
- Assurance had been received from the external auditors at Carmarthenshire County Council, the host authority for the Wales Pension Partnership Joint Committee; and there were no matters arising;
- That most of the recommendations raised in previous years had been addressed;
- That the accounts were of an excellent standard.

A member drew attention to the fact that the Council as an employer contributed £22.4 million towards the cost of pensions. The member noted that the Fund was healthy and well administered. The member enquired as to whether the triennial actuarial valuation reduced the Council's contributions as an employer, thus reducing the burden on taxpayers. In response, the Head of Finance noted that he was confident that improvements had been seen in terms of investments, it having been a positive three-year period without market decline. He expanded to note that the situation of the triennial actuarial valuation would be confirmed on the day of the annual meeting of the Pensions Fund on 24 October 2019. He noted that there was no way to predict the actuary's findings, but that he was hopeful that the valuation would lead to equal or lower contributions for the Council as an employer.

A member noted that the income of £14 million on the Fund's assets, which was 0.7% of the Fund's value of £2 billion, appeared low at first glance, considering the level of the dividend. In response, the Head of Finance explained the increase in the investments' capital value had to be considered along with the income from dividends. Expanding on the point, he noted that it was possible to invest in vehicles which would yield a high dividend, but that the value of the asset on the stock market might not increase. He noted that the income, along with the increase in the investments' value, meant an increase of £123 million, around 7% of the Fund's value, which was quite acceptable for the year.

In response to further enquiries by the member, the Head of Finance noted that asset managers were not given instructions about the exact investment, but that the intention was to maintain the Fund's value rather than to receive income via dividends for re-investment. He explained that investments of this kind were in keeping with the long term business plan, in which the value of investments would increase over time.

RESOLVED:

- (i) To approve the Gwynedd Pension Fund Statement of Accounts 2018/19 (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.**

6. TREASURY MANAGEMENT 2018/19

The Investment Manager submitted the report on the Council's actual Treasury Management outcomes during 2018/19, against the strategy established for that financial year. She noted that the Council's borrowing activity was within the limits originally set, and £330,614 of interest had been received on investments, which was higher than the £130,000 within the budget. It was confirmed that none of the banks the Council had used for investments had failed to pay.

In response, the Head of Finance noted that the Council had taken advantage of new-found freedom in 2018/19 to invest in alternative options such as equity and property funds, which had improved return levels.

It was noted that the Investment Manager was commencing a period of flexible retirement, and that she would retire from the Council's service by January 2020. She was wished well on her retirement, and appreciation of her services to the Council and the former Meirionnydd District Council was noted.

RESOLVED to accept the report for information.

7. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

The report of the Chair of the Committee on a meeting of the above-mentioned working group held on 12 July 2019 was submitted. A failure to report on agreed actions at follow-up audits was considered for the following audits:

- a) Arrangements for Children Leaving Care
- b) Smallholdings
- c) Recycling Targets

The working group meeting also gave consideration to audits which had been given a restricted assurance level, namely -

- a) Diesel Tanks and Diesel Management
- b) Safeguarding Arrangements - Establishments
- c) General Data Protection Regulation

The relevant Cabinet Members and officers were invited to attend the meeting in order to discuss the matters arising.

In relation to the Smallholdings audit, a failure to invoice tenants in the past, and the weaknesses highlighted, a member noted a hope that there would be better arrangements in future. The Head of Finance explained that Smallholdings had received a considerable amount of attention lately, and that the matter had again been included in the Internal Audit Plan for 2019-20.

A discussion was held regarding the Recycling Targets audit. It was noted that changes to collection arrangements had come into force in the Dwyfor Area on 1 July, and that there had been an improvement in the standard of collection work. Attention was drawn to the fact that changes to collection dates had caused confusion, especially amongst older adults, and that an eye should be kept on the situation and an update received on the plan's implementation.

A member noted, in relation to the Diesel Tanks and Diesel Management audit, that it had become evident that site managers had not had responsibility for the condition of tanks in the past, and that he hoped that this situation would improve as site managers were now required to inspect tanks on a monthly basis. In response, the Head of Finance noted that the Internal Audit Service would conduct a follow-up audit.

RESOLVED to accept the report.

The meeting commenced at 10.00am and concluded at 11.25am.

CHAIR

SPECIAL MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE 13/9/19

Present: Councillor Angela Russell (Vice-chair)

Councillors: Alwyn Gruffydd, R Medwyn Hughes, Peredur Jenkins, Berwyn Parry Jones, Aled Wyn Jones, Charles Wyn Jones, Dewi Wyn Roberts, Paul Rowlinson and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillors Ioan Thomas (Cabinet Member for Finance) and Edgar Owen (Ex-officio Member).

Also in Attendance: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager) Siân Pugh (Group Accountant), Lowri Haf Evans (Member Support Officer) and Clare Skivens (Financial Audit Engagement Manager, Deloitte)

1. **APOLOGIES:** Councillors Aled Ll. Evans, John Brynmor Hughes, Huw G. Wyn Jones and John Pughe Roberts

2. **DECLARATION OF PERSONAL INTEREST**

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

3. **GWYNEDD COUNCIL FINAL ACCOUNTS 2018/19 AND RELEVANT AUDIT**

The Head of Finance thanked Members for their efforts to attend the special meeting. Although the intention was to present the Auditor General's report at the Committee on 29th of July 2019 with the final accounts, Gwynedd Council's external auditors were unable to release their report within the timetable. The Head of Finance Department explained that the 2018/19 Statements of Accounts (pre-audit) had been presented and scrutinised appropriately at the meeting on the 29th of July.

Together with the final version (post audit) of the Statement of the Accounts 2018/19 the 'ISA260' report of the Auditor General for Wales was presented by Clare Skivens, Financial Audit Engagement Leader, Deloitte. It was highlighted that the external auditors had no concerns regarding the qualitative aspects of accounting practices and the Council's financial reporting. The accounting team were applauded for the quality and presentation of the accounts.

Members were referred to one 'misstatement' namely the second valuation of the Council's car parks. Following the second valuation by the Council in 2018-19, the difference between the projections used by the Council and those suggested in relevant RICS guidance was noted.

The Council had adapted the final version of the accounts to reflect the guidance for financial statements 2018/19, and had agreed to re-visit the valuation methods jointly with the external auditors in the future.

In response to a question regarding if the 'valuation differences' was a common matter, the Head of Finance Department stated that the external auditors of several Councils had looked in detail at the value of property assets this year, and Gwynedd's internal valuer had amended

the valuation basis. As a result of the differences, the external auditor appointed a specialist valuer to discuss this unique situation. It was added, as a response to a supplementary question regarding methodology and who determines the methodology, that there were several methodologies in the field but the matter in question would be reviewed for the following annual accounts.

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

RESOLVED:

- (i) to approve the Gwynedd Council Statement of Accounts 2018/19 (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 Vice-chair of the Committee to certify the "letter of representation" in relation to Council accounts and present it to the Auditor General for Wales.**

The meeting commenced at 10.00am and concluded at 10.20am

CHAIR

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	17 OCTOBER 2019
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 4 OCTOBER 2019
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of Internal Audit for the period from 1 April 2019 to 4 October 2019.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 4 October 2019:

Description	Number
Reports on Audits from the Operational Plan 2018/19	2
Reports on Audits from the Operational Plan	10

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 4 October 2019, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Travelling Expenses – Self-service	Corporate	-	Satisfactory	Appendix 1
Use and Control of Social Media	Corporate	Communications	Satisfactory	Appendix 2
Pupil Development Grant	Education	Resources	Satisfactory	Appendix 3
Regional Consortia Schools Improvement Grant	Education	Resources	High	Appendix 4
Payments System – Change in Standing Data	Finance	Financial	Satisfactory	Appendix 5
Harbours Statement of Accounts 2018/19	Finance	Accountancy	High	Appendix 6
Joint Planning Policy Committee Statement of Accounts 2018/19	Finance	Accountancy	High	Appendix 7
North Wales Economic Ambition Board Statement of Accounts 2018/19	Finance	Accountancy	High	Appendix 8
Supporting People Grant	Adults, Health and Wellbeing	Supporting People	High	Appendix 9
Syrian Refugees Resettlement Plan	Adults, Health and Wellbeing	Homelessness and Supported Housing	Satisfactory	Appendix 10

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Care and Support Plans (Children) under Part 4 Social Services and Wellbeing Act (Wales) 2014	Children and Supporting Families	Family Support	High	Appendix 11
Flood Management	YGC	-	High	Appendix 12

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

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

3. WORK IN PROGRESS

3.1 The following work was in progress as at 7 October 2019:

- Overtime (*Corporate*)
- The 5 Ways of Working (*Corporate*)
- Culture and Ethics (*Corporate*)
- Proactive Prevention of Fraud and Corruption and the National Fraud Initiative (*Corporate*)
- GwE – Value for Money (*Education*)
- Appointment and Cost of Supply Teachers – Secondary (*Education*)
- Ysgol Pendalar (*Education*)
- Ysgol Hafod Lon (*Education*)
- Section 106 Agreements (*Environment*)
- Road Safety Unit (*Environment*)
- AONB Grant (*Environment*)
- Arrangement for Returning Equipment (*Finance*)
- Universal Credit (*Finance*)
- Benefits – Review of Key Controls (*Finance*)

- Welsh Church Fund (*Economy and Community*)
- Harbours – Health and Safety (*Economy and Community*)
- Parc Padarn Safety Measures (*Economy and Community*)
- Bed and Breakfast Costs (*Adults, Health and Wellbeing*)
- Plas Pengwaith (*Adults, Health and Wellbeing*)
- Plas Gwilym (*Adults, Health and Wellbeing*)
- Bryn Blodau (*Adults, Health and Wellbeing*)
- Llys Cadfan (*Adults, Health and Wellbeing*)
- Youth Club Accounts (*Children and Supporting Families*)
- Payments to Foster Carers (*Children and Supporting Families*)
- Hafan y Sêr (*Children and Supporting Families*)
- Repair and Maintenance of Playing Areas (*Highways and Municipal*)

4. RECOMMENDATION

- 4.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 1 April 2019 to 4 October 2019, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

**TRAVELING EXPENSES – SELF-SERVICE
CORPORATE**

1. Background

1.1 The Council has adopted a new procedure where employees with an IT account can claim travel and subsistence expenses through a self-service system. As part of this procedure, travel details are submitted online and does not require authorisation by a manager in order for the payment to be processed, but they do have the ability to refuse claims if they consider it inappropriate or incorrect. The purpose of the new procedure is to reduce the administrative burden related to the previous paper based procedure that required authorisation by the line manager, certification by the budget holder and then inputted by administrative officers into a system to produce the payment. An audit on the system was undertaken in November 2017, where a risk of inappropriate or incorrect claims were identified.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that an efficient and effective process is in place for claiming travel expenses through the self-service system, which reduces the administrative burden and maintains the risk of loss by mistake or fraud to appropriate levels. The audit encompassed the frequency of managers' reviews and verifying a sample of submitted travel claims.

3. Audit Level of Assurance

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

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

4. Current Score Risk

4.1 The audit's risks are as follows:

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

5. Main Findings

- 5.1 The process of submitting applications through self-service significantly reduces administration workload. The responsibility for reviewing claims remains with the managers, so the risk of costly errors or fraud depends on how thoroughly managers review the claims. In this sense, the procedure has not changed in comparison with paper travel expenses claims, but the new procedure is dependent on management's commitment to login to the self-service system on a monthly basis to carry out the reviews.
- 5.2 The procedure assumes that managers review the applications and reject inappropriate ones. A report was produced showing which managers have, and have not reviewed claims over a recent 9 month period, and found that most claims are not reviewed, even though the system generates e-mails to managers who have not logged into the self-service system to review travel expenses, and notes the need to *'review your staff travel expenses in the self-service system before the release date'*, noting the relevant release date. In addition, a reminder appears in the Self Service system.
- 5.3 A report was received of all submitted travel expenses claims to date through the self-service system, in order to verify the effectiveness of the controls in place to prevent the processing of inappropriate claims. Theoretically, every journey should have a clear starting and end point, and the purpose of the journey should be documented. However, this was not clear in all cases, and therefore it was not possible to ensure that the mileage claimed was appropriate. Overall, the 'purpose and location of the journey' appears sufficient for a manager to be able to make a decision on whether or not to refuse the claim. This is because the manager would be aware of the officer's work and understand the circumstances of the journey. However, examples were seen of the descriptions of the journey including a purpose but no location, which does not help external officers who may want to use the system to identify driving patterns, or to verify their appropriateness.
- 5.4 After identifying a number of duplicate payments, a weakness in the system was discovered that processed a claim twice if an individual clicked the submit button more than once ('double click'). Line manager reviews are expected to identify these, but they appear to have been missed in these cases. This was brought to the attention of the IT Service, and the system was modified so that this could no longer happen.
- 5.5 Claims that appeared to be high or inappropriate were reviewed. The lack of detail on the claims means that consideration needs to be given to the possibility that there is sufficient reason to submit a higher than expected claim, such as to avoid traffic, or to share a lift with a colleague from another location.
- 5.6 It was therefore seen that there is a risk of improper travel claims being processed, but it is not significantly higher when compared to the paper travel claims procedure, as both procedures depend on the officer's honesty and the manager's willingness to review and challenge where appropriate.

6. Actions

The Corporate Support Department has committed to implement the following steps to mitigate the risks highlighted:

- **Provide the Heads of Department with a list every 3 months indicating which managers within their department have not reviewed travel costs at all in the previous period.**

USE AND MANAGEMENT OF SOCIAL MEDIA CORPORATE

1. Background

1.1 Social media has become an important way of communicating in society and changes the way people network. The development of social media offers new opportunities for sharing information, receiving and seeking responses and residents' opinions. The different types of social media such as Facebook, Twitter etc. offer a quick, inexpensive and effective method of doing so.

2. Purpose and Scope of Audit

2.1 The aim of the audit was to ensure that suitable arrangements were in place to manage and make effective use of the Authority's social media. In order to achieve this, the audit included reviewing the social media policy, checking the content on the authority's social websites, looking at any computer controls in place and ensuring that there was appropriate accountability and guidance within the communications team.

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 where the arrangements can be tightened 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	0

5. Main Findings

5.1 Gwynedd Council's Social Media Policy was seen to be in place for any account created in the name of Gwynedd Council either corporately by the Communications Unit or by an individual Department or Service. The policy also refers to the accounts of Gwynedd Council which are in partnership with other bodies, officers who use social websites as part of their work and officers who make personal use of social media where they may have negative impact on the authority's reputation. It was observed that controls were in place if the Communications Unit found established accounts that had not received the policy, where they would ask the accounts' administrators to complete the form and appendices in the policy. If the accounts have a suitable objective/purpose then the account is kept.

- 5.2 Whereas the Communications Unit is responsible for approving and policing all applications received to establish a social account or accounts on behalf of a particular service or plan, in accordance with the policy, upon approval of an application, an administrator within the service concerned is responsible for placing content on the account, monitoring it regularly and responding to any queries received. Similarly, responsibility for placing content on the account, monitoring it regularly and responding to any queries received rests with the manager, Senior Manager or Head of the service concerned. It was observed that there is a lack of control in place to ensure that all service social accounts or plans are up to date, continue to promote the authority's services and are regularly maintained as no consistent checks are undertaken.
- 5.3 It was discovered that the Communications Team had a training presentation for social media and that it was being adapted for different services, as well as providing training for councillors. This training is not available to every member of staff to prevent accounts being set up when they are not really needed. The content of the training was checked and there was a lack of awareness/training on cyber risk to administrators that can lead to a risk of cyber- attacks and unsafe use of the authority's social media.
- 5.4 It was observed that good computer controls exists with respect to the corporate accounts administered directly by the Communications Unit as passwords are changed regularly and consistently, usually on a monthly basis. However, there are no such controls in place for the other accounts that are set up on behalf of a particular service or scheme as there are no suggestions within the policy that they should change passwords regularly and establish the requirement for strong passwords on the accounts. The risk of this lack of computerised controls could lead to unauthorised access and misuse of the authority's accounts.
- 5.5 The content was checked for a sample of 10 social media accounts (Facebook, Twitter and Instagram) in order to ensure that the content complies with what has been stated under the policy. It was observed that all accounts were required to have the authority's logo or sub-bands on their websites, the content published bilingually, that all responses were posted by the Council responding in the same language as the query and in a timely manner, and that there was no contact details or photographs of service users/staff without permission. The accounts were seen to be broadly in line with the policy, apart from some inconsistencies such as accounts not displaying the Gwynedd Council logo or sub-bands on their social websites. The Communications Manager stated that this clause of the policy needed to be reviewed by the Communications Team.

6. Actions

The Communications and Engagement unit has committed to implement the following steps to mitigate the risks highlighted:

- **Undertake regular checks to ensure that all social media accounts are up to date and continue to promote the Council's services.**
- **Add cyber risk safety information within the training/policy so that users are aware of the need to implement password controls and the risk of using personal devices.**

PUPIL DEVELOPMENT GRANT EDUCATION

1. Background

- 1.1 The purpose of the Pupil Development Grant (PDG) is to improve outcomes for learners eligible for free school means and looked after children. It is intended to overcome the additional barriers that prevent learners from disadvantaged backgrounds from achieving their full potential.
- 1.2 The grant is delegated to Schools / early years with the exception of the 'Looked After Children' element which is managed regionally by the Local Education Consortium, GwE. GwE is also responsible for ensuring that the schools meet the grant requirements and support them to this end. Gwynedd Council is the Grant Lead Authority on behalf of the North Wales Authorities.

2. Scope and Purpose of Audit

- 2.1 The purpose of the audit was to confirm the accuracy of the Audit Certificate, which is the Authority's statement of expenditure for the 2018/19 grant, and confirmation that internal systems and controls are in place to ensure that the grant is used for the appropriate purposes.
- 2.2 This was done by selecting a sample of Gwynedd Council and GwE payments in the form of invoices, journals and salaries in relation to the various elements of the grant, ensuring that they were reasonable and in line with the grant objectives. In addition, it was confirmed that the grant had been delegated directly to schools and that there were appropriate arrangements for monitoring the grant and claiming the funding from the Welsh Government.

3. Assurance Level of Audit

- 3.1 The controls for risk mitigation were checked. The auditor's assessment concluded that the audit assurance level 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	0

5. Main Findings

- 5.1 The administrative arrangements for the 2018/19 Pupil Development Grant were checked and found to be appropriate. Grant expenditure from the financial ledger was reconciled with that stated on the Audit Certificate.
- 5.2 A selected sample of expenditure was found to be in accordance with the requirements and generally followed the guidelines detailed by the Welsh Government. Further inquiries were made regarding two items of expenditure and sufficient explanation was received to justify both.
- 5.3 The Grant Invitation Letter dated April 2018 states: *It is a statutory requirement for all schools in Wales to have a school development plan in place. In order to reduce any bureaucratic burden on schools associated with the PDG, we recommend that consortia support schools to use their scheme as a vehicle to plan their use of the PDG where appropriate.* A sample of 9 School Development Plans were checked. Of those checked, 3 had not clearly stated the figure they expected to receive from the grant for the year and 3 had not clearly stated their plans to spend the money.
- 5.4 Three grant claims were required to be completed during the financial year. All 3 claims were checked and found to be correctly completed and signed by the appropriate officers. The first and third claims were signed before the relevant deadlines so it can be assumed that the bids were received by the Welsh Government correctly and promptly. The 2 officers did not sign the second claim until 11 and 12 days after the deadline. However, the money claimed was received.

6. Actions

The Senior Accountant and the Finance and Business Manager GwE have committed to implement the following steps to mitigate the risks highlighted:

- **Ensure that the School Development Plans include plans on how the PDG will be spent.**
- **Return grant claims promptly and in accordance with the deadline.**

REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT EDUCATION

1. Background

1.1 On 1 April 2015, the Welsh Government merged the following grants to create one main grant, called the 'Education Improvement Grant' (EIG):

- Foundation Phase
- 14-19 Learning Pathways
- School Effectiveness Grant (SEG)
- Welsh in Education Grant (WEG)
- Minority Ethnic Achievement Grant
- Education of Gypsy and Traveller Children
- Induction of Newly Qualified Teachers
- Higher Level Teaching Assistants
- Lead and Emerging Schools
- Support for Reading and Numeracy Tests
- Funding for Band 4 & 5 Schools

1.2 The EIG has by now been incorporated into the new 'Regional Consortia School Improvement Grant' (RCSIG). The purpose of the grant is to improve educational outcomes for all learners and to reduce the impact of deprivation on learner outcomes.

1.3 The core principle of the grant is that the vast majority is used for front-line provision with the terms and conditions of the 2018-19 grant setting out the expectation that a minimum of 80% of the total EIG will be delegated directly to schools. Gwynedd Council is the lead Authority for RCSIG and GwE is responsible for ensuring that the schools meet the grant requirements and support the schools to that end.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that there are appropriate internal controls for the administration of the 2018-19 RCSIG, in order to mitigate risks in accordance with the terms and conditions of the grant as well as to confirm that the figures presented on Gwynedd Council's and GwE's expenditure statements are based on the grant and follow up the figures to the ledger to confirm their accuracy and appropriateness.

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 seen that there is a sound basis for the figures recorded on the Gwynedd Council and GwE expenditure statements in relation to the grant. A sample of the figures were traced back to the Council's financial ledger and were found to be correct.

- 4.1.1 Good arrangements appear to be in place for the administration of the RCSIG. It was seen that the appropriate percentage of gross funding had been delegated directly to schools and that the appropriate percentage of grant funding had been reserved for administration purposes in accordance with the terms and conditions of the grant.
- 4.1.2 The expenditure audited was found to be reasonable for the grant objectives. However, in many cases it was seen that neither Gwynedd Council nor GwE were using orders properly:
- orders were not used in all cases,
 - the date of the order was after the invoice date which suggests that it was written following receipt of the goods / service
 - instances where the officer who had placed the order had also authorised the invoice for payment.
- 4.1.3 There have been several instances whereby Gwynedd Council and GwE invoices took over 30 days to pay.
- 4.1.4 It is expected that an analysis of the total grant allocation for schools will be included in school development plans. A sample of Gwynedd's secondary and primary school plans were examined and it was found that this was being implemented

PAYMENT SYSTEM – CHANGE IN STANDING DATA FINANCE

1. Background

1.1 In 2016/17, British businesses lost over £32m to mandate fraud (fraudulent claims to change bank details made by individuals claiming to represent an organization which receives regular payments). This figure has more than tripled to over £99m in 2018/19¹ according to RSM (a group of limited partnerships and accountancy consultancy firms). In the current climate, it is essential that the Council's arrangements for changing standing data within the system at the request of the business are robust and thorough.

2. Scope and Purpose of Audit

2.1 The purpose of the audit was to ensure that appropriate arrangements were in place to manage the Council's suppliers' data, thereby mitigating the risk of fraud. In order to achieve this, the audit encompassed checking the processes for entering and modifying suppliers' data on the Council's financial system, reviewing the arrangements for fraud training and awareness, including data protection controls.

3. Assurance Level of Audit

3.1 The controls for risk mitigation were examined. The auditor's assessment concluded that the audit assurance level 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	0

5. Main Findings

5.1 The Payments Service's arrangements for dealing with suppliers' fixed standing were audited and appropriate controls were in place to mitigate the risk of mandate fraud.

5.2 Copies of the forms completed by the Payments Service staff when a request to change a suppliers' bank details were checked. These include a record to confirm that a member of the Payments Service had checked the validity of the request to change a Suppliers' details.

¹ <https://economia.icaew.com/news/july-2019/mandate-fraud-losses-up-28pc> (Accessed on 01/08/2019)

The forms sent to suppliers to set up a new account were also checked. The forms in question were found to contain the relevant information for their purposes. Controls were in place to ensure that the accuracy and validity of changes to standing data were checked by 2 officers from the Payments Service as well as the Senior Payments Officer.

- 5.3 The Senior Payments Officer stated and evidenced that any fraudulent request was shared via email with all Payments Service staff as well as Internal Audit and the Assistant Head of Finance. Fraud cases are shared with other Councils' finance managers where they might be relevant to them (e.g. sharing information about a fraudulent claim purporting to be from a construction company that operates in more than one county).
- 5.4 The Payments Service receives a significant number of requests to set up or change supplier data in a year as well as their responsibilities to ensure that the Council's payments are properly administered. Because of this, many of the relevant applications and forms completed had not been filed. This was discussed with the Senior Payments Officer and he stated that a suitable computer system could save the Service time and facilitate a more robust filing system.
- 5.5 Training was checked for all Payments Service staff. Although there is awareness of mandate fraud within the Service, 3 staff were found not to have completed the Data Protection e-learning module (2018) and 3 had not completed any IT Security training. The Senior Payments Officer stated that the Service was short on time due to a lack of resources and it was difficult for staff to find time to complete training.

6. **Actions**

The Senior Payments Manager has committed to implement the following steps to mitigate the risks highlighted:

- **Share the requirements of the Payments Service with the IT Service to establish whether it is possible to develop a solution within iGwynedd that would assist in authorising and filing requests to change standing data.**
- **Ensure that the Payments Service staff complete IT security e-learning/training and relevant data protection training.**

HARBOURS STATEMENT OF ACCOUNTS FINANCE

1. Background

The Harbours Act 1964 requires that Gwynedd, as a harbour authority, prepares an annual statement of accounts relating to Pwllheli, Porthmadog, Abermaw and Aberdyfi harbour activities.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to confirm the accounts on the Harbours' annual statement for the 2018/19 financial year, as well as to confirm that appropriate internal controls were in place.

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 Assurance can be given that the Harbours' accounting statement for the 2018/19 financial year was appropriate. Based on the tests carried out, it was seen that there was an appropriate audit trail for the figures and that the internal controls could be relied upon to achieve their objectives. Appropriate accounts have been kept and bank reconciliations are made as part of Council wide bank reconciling.
- 4.2 Based on the tests carried out it was seen for a sample of payments selected, including petty cash payments, that they were supported with appropriate invoices or receipts, and that value added tax had been dealt with appropriately. There was also an appropriate trail for a sample of other payments made through internal transfers.
- 4.3 An unannounced visit was made to Porthmadog Harbour as part of the 2018/19 'Income Collection - Maritime and Country Parks' audit. Due to the increasing use of card payment machines, the amount of income received as cash has decreased and only card transactions were received in the harbour on the day of the visit. The banking arrangements were reviewed and found to be appropriate.
- 4.4 Staff costs are administered through Gwynedd Council's Payroll Unit where PAYE and National Insurance requirements have been applied appropriately.
- 4.5 The fixed asset figure on the accounting statements is supported by an asset register, which includes an addition of £20,000 during 2018/19. This capital expenditure is properly included as 'other total payments' expenditure on the statement.

**JOINT PLANNING POLICY COMMITTEE STATEMENT OF ACCOUNTS
(GWYNEDD AND ANGLESEY COUNCILS)**

1. Background

1.1 The Joint Policy Committee is a joint committee established in accordance with Section 101 of the Local Government Act 1972 by Gwynedd Council and the Isle of Anglesey County Council. Separate accounts are required for joint committees. As Gwynedd Council is the leading council in respect of the finance and accountancy service for the Joint Committee, it is Gwynedd Council's responsibility to complete the financial statements. The accounts are in the form of an annual return.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure the accuracy of the accounts on the Committee's annual statement for the year 2018/19, as well as to confirm that appropriate internal controls were in place.

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 Assurance can be given of the accuracy of the accounting statements of the Joint Planning Policy Committee (Gwynedd and Anglesey Councils) for the 2018/19 financial year. Based on the tests carried out, it was seen that there was an appropriate audit trail for the figures and that internal controls could be relied upon to achieve objectives. Appropriate accounts have been kept and bank reconciliations are held as part of activities across the Council.

4.2 Based on the tests carried out it was seen that the sample of payments selected had been supported with invoices relevant to the period in question, and that value added tax had been dealt with appropriately. There was also an appropriate audit trail for a sample of other payments made through internal transfers.

4.3 Staff costs are administered through Gwynedd Council's Payroll Unit where PAYE and National Insurance requirements have been applied appropriately. These costs are recorded against 'staff costs' in the statement. It was ensured that a sample of these officers had appropriate employment contracts.

4.4 Other payments include transport, other service supplies, scheme development costs and central support costs.

4.5 The VAT element reimbursement for month 12, a total of £33.33, is reflected in the 'debtors and stock balances' column on the accounting statement 2018/19.

**NORTH WALES ECONOMIC AMBITION BOARD STATEMENT OF ACCOUNTS
FINANCE**

1. Background

The North Wales Economic Ambition Board is a collaborative group of private and public organisations in North Wales committed to promoting economic growth in Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham. The Ambition Board co-ordinates the "Growth Deal" bid for North Wales, which involves targeting significant resources and new powers for the region, specifically in order to strengthen the economy and create employment.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to confirm the accounts on the Board's annual statement for the 2018/19 financial year, as well as to confirm that appropriate internal controls were in place.

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 Assurance can be given that the North Wales Economic Ambition Board accounting statement for the 2018/19 financial year was appropriate. Based on the tests carried out, it was seen that there was an appropriate audit trail for the figures and that the internal controls could be relied upon to achieve their objectives.
- 4.2 The North Wales Economic Ambition Board has been operational since the 1st of February 2019. Appropriate accounts have been kept and encompass the period between the 1st of February to the 31st of March 2019. Bank reconciliations are made as part of Council wide bank reconciling.
- 4.3 Based on the tests carried out it was seen for a sample of payments selected that they were supported with invoices relevant to the period in question, and that value added tax had been dealt with appropriately. There was also an appropriate trail for a sample of other payments made through internal transfers.
- 4.4 A risk register was presented to the Board on the 12th April 2019 which focuses on programme risks arising from the initial work programme submitted to the Board on 1st February 2019. Risks are reported quarterly to the Board and on a monthly basis to the Executive Officers Group.
- 4.5 For the period in question, the Board did not employ employees directly, and therefore no costs were recorded against 'staff costs' in the statement. However, 'other payments' include 70% of the Council's Corporate Director's time and subsistence costs for the period 1st February to 31st March 2019. These costs are appropriately and correctly included under the 'other payments' heading because the officer is employed by Gwynedd Council and not the North Wales Economic Ambition Board.

**SUPPORTING PEOPLE GRANT
ADULTS, HEALTH AND WELLBEING**

1. Background

A grant in excess of £5 million was allocated to Gwynedd Council by the Welsh Government during 2018-19 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 2018-19, by reviewing the costs claimed and 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 Assurance can be given that the Supporting People grant audit certificate for the 2018-19 financial year was correct. Based on the tests carried out, it was seen that there was an appropriate audit trail for the figures and that the internal controls could be relied upon to achieve their objectives.

4.2 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 and type of support given. The providers present this information for each individual (except the service users that only receive the Alarm Service) to Conwy County Borough 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.

4.3 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 seen that the use of pink slips, as agreed during the 'Supporting People Grant' internal audit, dated October 2018, was now in place, but a number of payments made before October had used yellow slips, 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.

**SYRIAN REFUGEE RESETTLEMENT PROGRAMME
ADULTS, HEALTH AND WELLBEING**

1. Background

Gwynedd Council volunteered to take part in the Syrian Refugee Resettlement Programme managed by the Home Office. In 2016, Gwynedd Council welcomed the first refugees from Syria, where 12 refugees were housed in the north of the county and the housing department worked with private landlords in order to arrange suitable accommodation for them. There are now 7 families already established in Gwynedd, with 40 refugees expected to be accepted by the Authority by September 2019. The programme supports the refugees for five years, where the authority is responsible for managing the family requirements for education, health, employment and integration into society.

2. Purpose and Scope of Audit

2.1 The aim of the audit was to ensure that suitable arrangements were in place for issuing funds for the Syrian Refugee Resettlement Programme. In order to achieve this, the audit covered the verification of the financial arrangements in place including checking that the service was following financial procedures in accordance with the requirements, that accountable officers had been established, that grant applications and reconciliations have been made in a timely and complete manner, expenditure against the plan is appropriate and there is evidence to support it.

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 where the arrangements can be tightened to further mitigate the risks.

4. Current Score Risk

4.1 The audit's risks are as follows:

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

5. Main Findings

5.1 The service follows the *'Funding Instructions for Local Authorities in the support of the United Kingdom's Resettlement Schemes'* guidance from the Home Office for the funding of the scheme.

The guidance enables the recipient to support refugees in the first 12 months after their arrival in the UK and during the following 48 months. On the day of the refugee's arrival in the UK, the recipient will be eligible to claim 40% of the total qualified amount. The remainder will then be payable in two equal instalments at the end of the fourth and eighth months following the refugee's arrival in the UK. After the first year, the Authority will approve only one entitlement for each refugee by year.

- 5.2 A sample of 20 expenditure were checked from the ledger under the codes VB70 4009/1201, and it was observed that there was an invoice or receipt for each of the sample and that amounts are accurately recorded for each one. All invoices were seen to have been approved by a different officer to the person who created the order. In addition, it was checked if the payments had been distributed according to the requirements. The correct amounts were seen to have been given to the families in accordance with the age of the children, supply costs and schedule, and that the payments have been distributed in accordance with the requirements.
- 5.3 A sample of 20 claims made to the Home Office were checked to ensure that the amount claimed was accurate and complete for the families re-located in Gwynedd. The amount claimed was found to be accurate, complete and in accordance with the requirements of the Funding Instruction. Dates on the claims which were submitted to the Home Office were compared with the dates on the Ledger, and it appears that none of the payments were received later than 3 months from the date the money was claimed.
- 5.4 As part of the programme, each refugee receives an allowance of £200 on arrival for food and toiletries only. Other purchases such as bus passes are made by debit card. It appears that appropriate arrangements have been made in approving payments. The Gwynedd Syrian Refugee Resettlement Programme Co-ordinator was reported as the only one making use of the debit card and allocating monies, with another team member/Project manager using the Barclaycard Spend Management system for approving the payments. The Co-ordinator will add receipts to the system to support the expenditure for approval by the Project Manager. It was confirmed by checking a list of payments from the ledger that the Co-ordinator is the only officer who has made use of the card.
- 5.5 It was discovered that a financial monitoring report is created by the Finance Department on a monthly basis that list all revenue budgets, and is sent to the attention of the Project Manager for review. Also, it is seen that any contribution made by the Home Office is included in the financial monitoring report. The service asks the Finance Department to prepare a cashflow for the Home Office grant/contribution on a casual basis for that purpose. However, no confirmation had been received from the service or the Finance Department that reconciliations of the amount received following the claims made to the Home Office were being held.

6. **Actions**

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

- **The service to discuss with the Finance Department an arrangement for identifying and notifying when the financial transactions reach the account, as well as maintaining reconciliations of monies received regularly to ensure that the claims made to the Home Office have been received complete, timely and accurate.**
- **The Project Manager to consider getting access to the ledger system in order to be able to identify the money claimed.**

**CARE AND SUPPORT PLANS (CHILDREN) UNDER PART 4 SOCIAL SERVICES ACT 2014
CHILDREN AND SUPPORTING FAMILIES**

1. Background

1.1 The Social Services and Well-Being Act (Wales) 2014 came into force in April 2016. The purpose of this Act was to completely transform the way social Services are provided in Wales in order to meet the individual's needs and to make the services sustainable for the future. The Act gives service users a stronger voice and control over the support they need to remove barriers to their well-being. It concentrates on earlier interventions to prevent needs from becoming serious.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the service's arrangements are appropriate in order to ensure that Gwynedd's children and young adults' care and support needs are met in line with Part 4 of the Social Services and Well-Being Act (Wales) 2014. In order to achieve this, the audit encompassed reviewing a sample of files in order to ensure that they comply with the Care and Support (Eligibility) (Wales) Regulations 2015 and with the Care and Support (Care Planning) (Wales) Regulations 2015.

3. Audit Level of Assurance

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

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

4. Main Findings

4.1 A Care and Support Plan is drawn for an individual whom has eligible needs. An assessment (Part 3 – SSWA – Assessing the needs of individuals) is done in order to assess if the individual has eligible needs or not. If the needs identified meets the eligibility success criteria then they are eligible to receive the Care and Support Plan (Part 4 – SSWA – Meeting Needs).

4.2 Dedicated teams within the Children and Supporting Families Department conduct the assessments and then produce Care and Support Plans. A sample of staff were selected from these teams in order to confirm that they have the appropriate qualifications. It was seen that every Social Worker was appropriately qualified and had registered with Social Care Wales. Members from the Team Around the Family, that deal with preventative cases, are not qualified as social workers but it is good practice that they complete specific training modules. The team's qualifications were reviewed and it appeared that some had completed these modules.

4.3 Training was provided to the workers by an external officer. Again it is good practice for every member of staff to attend these courses. Courses are held on the basic principles of the Act, an introduction to the documents, in addition there are specific courses for the assessment of children and children receiving accommodated care (looked after children) etc.

The staff development module was reviewed in order to discover if the sample of staff selected had attended these courses; in particular the basic principles of the Act and the introduction to the documents. It was seen that not all had received training, but it was noted that these workers would have a chance to attend the training once another course was arranged.

- 4.4 It was confirmed that every member of staff in the sample had a current DBS disclosure.
- 4.5 The Care and Support Plan for the sample was reviewed, and it was seen that the North Wales regional template was used. Attention was given to the eligible needs/the individual's personal outcomes and the steps to be taken to help the individual achieve their personal outcome and/or meet their eligible needs. In addition, details of how they would monitor the extent to which the personal outcomes have been achieved where relevant, and a record of the roles and responsibilities of the relevant people were noted.
- 4.6 The revision date for the Plan is recorded, of which shouldn't be greater than 6 months after completing the Plan. The revision dates in the sample were compared against the date the review was completed. From the 6 cases in the sample, a review was completed for every one of them. These reviews weren't held on the day recorded in the Care and Support Plan in every case, due to a range of reasons i.e. the availability of officers or the service user in question.
- 4.7 In line with Part 10 of the SSWA, 'Complaints, Representations and Advocacy Services', it is required for a local authority to arrange an advocacy service to be made available to people with needs for care and support. *"Advocacy services' are services which provide assistance (by way of representation or otherwise) to persons for purposes relating to their care and support."* There is a dedicated part in the North Wales regional Care and Support Plan template in order to record if an advocacy service was offered or not, the sample was reviewed and it was seen that it had been appropriately offered i.e. 3 individuals received the offer, 3 others had not because they were under 5 years old.

FLOOD MANAGEMENT YGC

1. Background

1.1 Fairbourne is a village to the south of the Mawddach estuary. It is built on low lying land on the coast and although adequate protective controls against flooding are present, climate change means the village will be at increased risk of flooding, as stated in the 'West of Wales Shoreline Management Plan 2 (SMP2)' 2013. Following this, a project board was established by Gwynedd Council to investigate further the impact of climate change on the village and the technical, legal and social implications.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that relevant grants to investigate and protect from floods in Fairbourne had been utilised and administered appropriately. In order to achieve this, the audit encompassed reviewing a sample of payments and working papers relating to the grants, ensuring that the grant requirements had been met.

3. Audit Level of Assurance

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

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

4. Main Findings

4.1 6 grants relating to Fairbourne flood risks were reviewed: Fairbourne Masterplan, Fairbourne Engagement & Inclusion (Moving Forward), Shoreline Management Plan Effects Research Project, Feasibility Study for Buy to Let Scheme, Building Community Resilience and Self-Sufficiency, and Fairbourne Monitoring Regime. The amounts claimed and received for each grant were found to be within the allocation detailed in the relevant grant offer letters.

4.2 A sample of 4 individual claims were reviewed for 4 of the 6 different grants. 85% of the relevant expenditure was reimbursed by the grant up to the allocated maximum. It was seen that 3 of the 4 grant claims had spent within or up to the maximum. There was greater expenditure than the grant allocated for the 31/03/2017 claim as part of the Shoreline Management Plan Effects Research Project grant, therefore the maximum grant was received and the remainder funded by YGC.

4.3 For the sample of 4 claims, evidence of the appropriateness of the expenditure was reviewed. It was seen that the expenditure was appropriate in each case as it was in keeping with the purpose detailed in the grant offer letter. An invoice and / or receipt was seen for each transaction included in the selected sample. Much of the work was done internally within the YGC Department. It was seen that details of the hours spent on the various projects were attached to YGC invoices. The relevant documents are kept in a dedicated folder by the Senior Support Services Officer.

4.4 For the sample of 4 grant claims, it was seen that claim forms had been completed correctly and appropriately and that the documentation requested in the grant offer letter had been prepared.

Agenda Item 6

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	17 OCTOBER 2019
TITLE	INTERNAL AUDIT PLAN 2019/20
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2019/20 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 2019/20 Internal Audit Plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2019/20 internal audit plan is included in Appendix 1 with the status of the work as at 4 October 2019 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	22
Working Papers Created	9
Field Work Started	14
Field Work Completed	1
Draft Report	4
Final Report Issued	10
Total	60
Cancelled	7

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 2020. 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 4 October 2019 was **16.67%** - out of **60** individual audits contained in the 2019/20 plan, **10** had been released in a finalised version.

3. AMENDMENTS TO THE PLAN

3.1 The following audits have been added to the plan:

- Harbours Statement of Accounts 2018/19 – 4 days
- Joint Planning Policy Committee Statement of Accounts 2018/19 – 4 days
- North Wales Economic Ambition Board Statement of Accounts 2018/19 – 4 days
- 5 Ways of Working (commissioned by the Governance Group) – 30 days

A Senior Auditor assisted the Eryri National Park Authority to prepare the 2018/19 year end accounts and establish budgets for 2019/20 – this amounted to a total of 52 days.

3.2 To reflect the above in the Annual Plan, it was decided to prioritise the audits in the plan based on risk and it was concluded that the following audits would be cancelled:

- Smallholdings – 15 days
- Category Management – 15 days
- North Wales Economic Ambition Board – 15 days
- Llanbedr Project – 15 days
- Public Conveniences – 12 days
- Customer Relationship Monitoring – 10 days
- Post-16 Budgeting Arrangements – 10 days

4. RECOMMENDATION

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2019/20 audit plan, and offer comments thereon and accept the report.



Internal Audit Plan 2019/2020

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
CORPORATE						
1-CORFF-08/2020	Value for Money	20.00	0.00	20.00		Planned
1-CORFF-09/2020/001	Supporting Ffordd Gwynedd Reviews	20.00	0.00	20.00		Planned
1-CORFF-09/2020/002	Women in Leadership	5.00	0.00	5.00	0.14	Planned
1-CORFF-09/2020/003	Staff Development Module	8.00	0.00	8.00		Planned
1-CORFF-11/2020	Overtime	25.00	0.00	25.00	5.65	Field Work Started
1-CORFF-13/2020	Travelling Expenses - Self-service	5.00	0.00	5.00	4.96	Final Report Issued
1-CORFF-15/2020/001	The 5 Ways of Working	0.00	30.00	30.00	6.82	WP Created
1-CORFF-19/2020/001	Safeguarding Arrangements	15.00	0.00	15.00	0.54	Planned
1-CORFF-19/2020/002	Safeguarding Arrangements - Establishments	4.00	0.00	4.00	0.20	Field Work Started
1-CPW-01/2020/001	Culture and Ethics	15.00	0.00	15.00	9.57	Field Work Started
1-CPW-01/2020/002	Customer Relationship Monitoring	10.00	0.00	10.00		Cancelled
1-CPW-02/2020	Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	40.00	0.00	40.00	3.35	Field Work Started
2-ADGC-DPA/2020cy	Information Management - Establishments	6.00	0.00	6.00	0.55	Field Work Started
Communications						
BD-PW-03/2020	Use and Control of Social Media	8.00	0.00	8.00	11.54	Final Report Issued
EDUCATION						
Resources						
4-DAT-X-ADD/2020GDD	Pupill Development Grant	10.00	0.00	10.00	10.53	Final Report Issued
4-DAT-X-ADD/2020GGA	Regional Consortia School Improvement Grant	15.00	0.00	15.00	15.31	Final Report Issued
4-DAT-X-ADD/2020o16	Post-16 provision in Schools Grant	3.00	0.00	3.00		Planned
4-DAT-X-ADD/2020TC	Post-16 Budgeting Arrangements	10.00	0.00	10.00		Cancelled
GwE						
4-GWE/2020	GwE - Value for Money	20.00	0.00	20.00	4.01	WP Created
Schools						
EADDA16/2020	Appointment and Cost of Supply Teachers - Secondary	25.00	0.00	25.00	8.74	Field Work Started
EADDA18/2020	Trust Funds	5.00	0.00	5.00		Planned

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
EADDA32/2020	Schhol Funds	20.00	0.00	20.00		Planned
EADDA35/2020	Schools - General	5.00	0.00	5.00	0.07	Planned
EADDAY7002/2020	Ysgol Pendalar	12.00	0.00	12.00	5.09	WP Created
EADDAY7010/2020	Ysgol Hafod Lon	12.00	0.00	12.00	4.43	WP Created
ENVIRONMENT						
Planning						
DCYN-RD-01/2020	Section 106 Agreements	15.00	0.00	15.00	15.84	Draft Report Issued
Council Land and Property						
BA-EID-04/2020	Smallholdings	15.00	0.00	15.00		Cancelled
BA-EID-05/2020	Category Management	15.00	0.00	15.00	2.20	Cancelled
Transportation and Street Care						
DDAT-CC-01/2020	Transport - Post-16 Travelling Costs	12.00	0.00	12.00		Planned
PPR-RS-03/2020	Road Safety Unit	8.00	0.00	8.00	3.55	WP Created
Countyside and Access UNit						
4-AMC-X-GRANT/2020	AONB Grant	10.00	0.00	10.00	9.58	Draft Report Issued
NORTH AND MID WALES TRUNK ROAD AGENCY						
3-AMC-CACGC/2020	Accreditations	15.00	0.00	15.00		Planned
FINANCE						
Across the department						
AW-TG-12/2020	IT Systems	30.00	-15.00	15.00		Planned
AW-TG-12/2020/001	Exit Interviews	0.00	15.00	15.00	10.62	WP Created
Financial						
AE-TAL-01/2020	Payments System - Change in Standing Data	10.00	0.00	10.00	11.70	Final Report Issued
Accountancy						
AN-ACY-08/2020/001	Harbours Statement of Accounts 2018-19	0.00	4.00	4.00	3.82	Final Report Issued
AN-ACY-08/2020/002	Joint Planning Policy Committee Statement of Accounts 2018-19	0.00	4.00	4.00	4.07	Final Report Issued
AN-ACY-08/2020/003	North Wales Economic Ambition Board Statement of Accounts 2018-19	0.00	4.00	4.00	3.77	Final Report Issued
AN-ACY-13/2020	Banc Reconciliation	20.00	0.00	20.00		Planned

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
Revenue						
AB-BD-01/2020cc	Universal Credit	15.00	0.00	15.00	10.70	Field Work Started
AB-BD-01/2020kc	Benefits – Review of Key Controls	12.00	0.00	12.00	10.05	Field Work Started
AC-TR-01/2020	Council Tax - Self-service	10.00	0.00	10.00		Planned
CTC-01/2020	Town and Community Councils	65.00	0.00	65.00	98.36	Planned
ECONOMY AND COMMUNITY						
Community Regeneration						
EADDZ-01/2020	Welsh Church Fund	3.00	0.00	3.00	0.54	Field Work Started
Across the department						
DDAT-CON-01/2020	Llanbedr Project	15.00	0.00	15.00		Cancelled
Record offices, museums and the arts						
EDIW-MU-01/2020/001	Lloyd George Museum Accounts	5.00	0.00	5.00	0.91	Planned
Business support						
DDAT-AD-04/2020/001	ARFOR	8.00	0.00	8.00	0.27	Planned
DDAT-AD-04/2020/002	STEM Gogledd	8.00	0.00	8.00		Planned
Maritime and country parks						
EHAMM-02/2020	Harbours - Health and Safety	5.00	0.00	5.00	1.16	Field Work Started
EHAMZ-01/2020	Parc Padarn Safety Measures	3.00	0.00	3.00	0.62	WP Created
Strategy and development Programmes						
DDAT-AD-05/2020	North Wales Economic Ambition Board	15.00	0.00	15.00		Cancelled
ADULTS, HEALTH AND WELLBEING						
Supporting People						
GDAPR-SP01/2020	Supporting People Grant	15.00	0.00	15.00	14.95	Final Report Issued
Homelessness and Supported Housing						
T-TAI-D01/2020/001	Syrian Refugees Relocation Plan	8.00	0.00	8.00	11.54	Final Report Issued
T-TAI-D01/2020/002	Bed and Breakfast Costs	10.00	0.00	10.00	17.50	Draft Report Issued
Residential and Day						
5-GOF-CART1340/2020	Plas Pengwaith	12.00	0.00	12.00	14.30	Field Work Started
5-GOF-CART1344/2020	Plas Gwilym	12.00	0.00	12.00	8.51	Field Work Started

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
5-GOF-CART1355/2020	Bryn Blodau	12.00	0.00	12.00	13.00	Draft Report Issued
5-GOF-CART1357/2020	Llys Cadfan	12.00	0.00	12.00	12.03	Field Work Started
GGWAS-D04/2020	Learning Disabilities - Day Centres	25.00	0.00	25.00		Planned

CHILDREN AND FAMILY SUPPORT

Children and Families

EADDI01/2020clwb	Youth Club Accounts	8.00	0.00	8.00	5.62	Field Work Complete
GGWAS-P03/2020	Payments to Foster Carers	12.00	0.00	12.00	15.05	Field Work Started
GGWAS-PLANT2/2020	Hafan y Sêr	12.00	0.00	12.00	4.96	WP Created

HIGHWAYS AND MUNICIPAL

Highways Maintenance and Municipal

PZ01/2020	Business Continuity Plans	12.00	0.00	12.00	0.58	Planned
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Municipal Works

M-GMG-C01/2020	Repair and Maintenance of Playing Areas	12.00	0.00	12.00	3.05	WP Created
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Highways Works

PPR-CON-01/2020	Bridges - Work Programme	10.00	0.00	10.00	0.41	Planned
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Waste Management and Streets

3-AMG-TOI/2020	Public Conveniences	12.00	0.00	12.00		Cancelled
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GWYNEDD CONSULTANCY

Across the department

PYMG-CON/2020	Accreditations	15.00	0.00	15.00		Planned
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Agenda Item 7

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	17 OCTOBER 2019
TITLE	EXTERNAL ASSESSMENT OF THE INTERNAL AUDIT SERVICE TO ENSURE CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)
PURPOSE OF THE REPORT	TO PRESENT THE RESULTS OF THE EXTERNAL ASSESSMENT
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO APPROVE THE REPORT AND COMMENT ON THE CONTENTS

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards and CIPDA’s Local Government Application Note requires the Audit Manager (the “chief audit executive” in the Standards’ terminology) to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.
- 1.2 A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Audit Manager should encourage oversight by the Audit and Governance Committee (“the board” in the Standards’ terminology) in the quality assurance and improvement programme.
- 1.3 The quality assurance and improvement programme must include both internal and external assessments.
- 1.4 A checklist has been developed by the Relevant Internal Audit Standard Setters to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Local Government Application Note in order to give comprehensive coverage to both documents.
- 1.5 An external assessment must be carried out at least once every five years by an independent, qualified reviewer from outside the organisation, either by conducting a full external assessment or a self-assessment validated by an external assessor.

2. INTERNAL ASSESSMENTS

- 2.1 A self-assessment was conducted in 2017/18 and the results along with the Quality Assurance and Improvement Programme was presented to the Audit and Governance Committee on 13 July 2017.

3. EXTERNAL ASSESSMENTS

- 3.1 In accordance with the Standards, external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:
- The form of external assessments
 - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 3.2 The Welsh Chief Internal Auditor's Group have collaborated to adopt a peer review approach in respect of external assessments, whereby the self-assessment will be validated by an external assessor. This arrangement was approved by the Head of Finance and the Assistant Head of Finance – Revenue and Risk.
- 3.3 The external assessment of Gwynedd Council's Internal Audit Service was conducted by the chief audit executive of Carmarthenshire County Council.
- 3.4 The report of the chief audit executive of Carmarthenshire County Council is included as an Appendix to this report. It provides details of conformance with the Standards and provides assurance that Gwynedd Council's Internal Audit Service "**Generally Conforms**" with the Standards.

4. RECOMMENDATION

- 4.1 The Audit and Governance Committee is requested note and comment on the contents and approve the report.

Cyngor Sir Gâr

Carmarthenshire County Council

**External Assessment of
Gwynedd County Council
Internal Audit Service**

CONTENTS	PAGE
1. Introduction	2
2. Purpose	2
3. Results	2
4. Areas of Non-Conformance or Partial Conformance / Suggested Areas for Improvement	3
5. Overall Opinion	5

External Assessment of Gwynedd County Council Internal Audit Service

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) became effective from 1st April 2013 (revised as from 1 April 2017) and introduced a requirement for an external assessment of all internal audit services, which must be conducted at least once every five years by a qualified, independent reviewer from outside the organisation.
- 1.2 The two possible approaches to external assessments outlined in the standard included either a full external assessment or an internal self-assessment validated by an external reviewer.
- 1.3 Members of the Welsh Chief Internal Auditors Group elected to adopt the self-assessment approach, with another member of the Group undertaking the validation.

2. Purpose

- 2.1 The purpose of the external assessment is to help improve the delivery of the audit service to the organisation. The assessment is designed to be a supportive process that identifies opportunities for development which ultimately help to enhance the value of the audit function to the authority.

3. Results

- 3.1 An external validation of the self-assessment completed by the Audit Manager of Gwynedd County Council was undertaken by the Head of Revenues and Financial Compliance of Carmarthenshire County Council.
- 3.2 In summary, there are 334 best practice requirements within the PSIAS. A self-assessment review of the conformance against the PSIAS was undertaken by the Audit Manager during 2017/18. The results of the self-assessment and the resulting Quality Assurance Improvement Plan was submitted to the Corporate Governance Committee in 2017.
- 3.3 Following the external validation of the self-assessment, it is considered that the Internal Audit Service of Gwynedd County Council is currently conforming to 307 of the requirements, a partial conformance with 13 and no non-conformance.
- 3.4 The results of the checklist is summarised in Table 1

Table 1 – Summary of Conformance with the Standards

Standard		Conformance				
		Yes	No	Partial	Not Applicable	Total
1.	Definition of Audit Risk	3				3
2.	Code of Ethics	13				13
3.	Attribute Standards					
1000	Purpose, Authority and Responsibility	21				21
1100	Independence and Objectivity	27		1	2	30
1200	Proficiency and Due Professional Care	20		1		21
1300	Quality Assurance & Improvement Programme	23		4	2	29
4.	Performance Standards					
2000	Managing the Internal Audit Activity	43		1	3	47
2100	Nature of Work	30		1		31
2200	Engagement Planning	55		1		56
2300	Performing the Engagement	22				22
2400	Communicating Results	45		4	6	55
2500	Monitoring Progress	4				4
2600	Communicating the Acceptance of Risks	1			1	2
		307	0	13	14	334

3.5 The areas of partial or non-conformance with the PSIAS are provided in section 4 along with suggested areas for improvement.

4. Areas of Non-Conformance or Partial Conformance / Suggested Areas for Improvement

4.1 Standard 1100: Independence and Objectivity

4.1.1 The Standard suggests that the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Auditor. Feedback is currently provided on the Internal Audit Service as a whole through Corporate Management Team, therefore there is no formal feedback currently to the Chief Auditor. Gwynedd Council is in the process of developing a 360 degree appraisal system for managers which will go towards addressing this standard.

4.2 Standard 1200: Proficiency and Due Professional Care

4.2.1 For Continuing Professional Development the Chief Auditor should periodically assess individual auditor against their predetermined skills and competencies. It is acknowledged that there is a coaching culture within the Internal Audit Team and that issues are discussed and dealt with on an on-going basis. It is recommended that in addition to the informal process that periodically there should be a formal review.

4.3 Standard 1300: Quality Assurance and Improvement Programme

4.3.1 The Standards require that a Quality Assurance and Improvement Programme (QAIP) is developed and maintained to enable the internal audit activity to be assessed against the PSIAS for conformance.

4.3.2 The public sector requirement to PSIAS 1320: Reporting on the Quality Assurance and Improvement Programme states *"the results of the quality assurance and improvement programme against any improvement plans must be reported in the annual report"*. The results of the self-assessment carried out in 2017/18 along with the Quality Assurance and Improvement Programme was reported to the Audit and Governance Committee in July 2017.

4.3.4 The Standards require that the Quality Assurance and Improvement Programme include both internal and external assessments. The results of this external assessment should be included in the Quality Assurance Improvement Programme and presented to committee.

4.4 Standard 2000: Coordination: 2050

4.4.1 The PSIAS states, *"has the Chief Auditor carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?"*

4.4.2 External assurance reports are considered when conducting individual audits and in the preparation of the Annual Audit plan. Consideration should be given to formalising this process and to also consider including and identify other sources of assurance.

4.5 Standard 2100: Nature of Work / Standard 2400: Communicating Results 2110: Governance / 2410: Criteria for Communicating

4.5.1 In order to conform with the Standards, the internal audit activity is required to assess, communicate and make appropriate recommendations for improving the governance process. Gwynedd's Internal Audit Service do not make recommendations but an agreed improvement action plan is produced in conjunction with the client which enables better ownership of the actions.

4.6 Standard 2200: Engagement Planning 2220: Engagement Scope

4.6.1 In order to comply with the standard of engagement it's expected that "for a consulting engagement, the scope of the engagement is sufficient to address any agreed upon objectives". It was suggested by the Audit team that in respect of responsive audits that this was not always possible. It is accepted that there may be some ad-hoc reviews that need to be carried out however, a scope of the review should be prepared and agreed at the outset, thus ensuring that it's clear to all parties what the review will involve.

5. Overall Opinion

5.1 The Quality Assessment Manual produced by the Institute of Internal Auditors suggests the following ratings to indicate the level of conformance with the PSIAS.

- **Generally Conforms** – which means that the internal activity has a charter, policies and processes that are judged to be in conformance with the standards.
- **Partially Conforms** – which means that deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- **Does Not Conform** – which means that deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

5.2 The overall opinion following the external validation of Gwynedd Council Internal Audit Service is that it generally conforms with the PSIAS. Some opportunities for further improvement have been identified as shown in this report but none of the items of partial or non-conformance are considered to be a significant failure to meet the Standards.

Agenda Item 8

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 17 OCTOBER 2019

**TITLE: REVENUE BUDGET 2019/20 –
END OF AUGUST 2019 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: FFION MADOG EVANS, SENIOR FINANCE MANAGER

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

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 2019/20 – End of August 2019 Review) was submitted to the Cabinet on 15 October 2019.
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.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet's decisions and comment as necessary.

Appendices:

Revenue Budget 2019/20 – End of August 2019 Review (Cabinet 15/10/2019)

REPORT TO THE CABINET

15 October 2019

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Revenue Budget 2019/20 – End of August 2019 Review

Contact Officer: Ffion Madog Evans, Senior Finance Manager

1. The decision sought

The Cabinet is requested to:

- Accept the report on the end of August 2019 review of the Revenue Budget, and consider the latest financial position in respect of the budgets of every department / service.
- Note that there is a significant overspend by the Adults, Health and Well-being Department this year, as complex details need to be clarified in this picture in Adult care, the Chief Executive has already called a meeting of the relevant officers to gain a better understanding and a clear response program, as is the case in Child care.
- Ask the Cabinet Member for Children and Young People, together with the Head of Children and Families Department, to get to the root of the Department's overspend and take steps to bring the situation within control and within budget by the end of the financial year and report to the Cabinet on their response plan.
- Allow the Environment Department to earmark (£220k) of the department's underspend following a recent judicial review of a capital scheme relating to the Llanbedr access Road, due to reasons beyond the Council's control, by putting it into a specific fund for this purpose.
- On Corporate Budgets, transfer:
 - (£240k) relating to capital costs to the capital program's financing fund.
 - (£995k) relating to repair and maintenance to the repair and maintenance fund.
 - net underspend of (£1,632k) on Corporate Budgets to the Supporting the Financial Strategy Fund to mitigate the risk of overspending of Council departments in 2019/20.

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 2019/20, and a summary of the position by Department is outlined in **Appendix 1**. As this report is for the position at the end of August, the report at the end of November will reflect the new structure, which includes the Housing and Property Department which took effect from 1 September 2019.

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.

There are signs that some difficulties in realising savings are being highlighted this year, as we are trying to minimise the impact on Gwynedd residents by achieving efficiency savings, it is much more difficult than cutting services.

Clearly there are significant difficulties in some departments this year:

2.1 Adults, Health and Wellbeing Department

Latest forecasts suggest over £1.6 million of overspend, which is a combination of a number of factors including failure to realise a number of savings schemes worth nearly one million. Increase in the numbers in Older People's residential and nursing placements and Supported Accommodation, with the overspend by the Provider service continuing.

2.2 Children and Families Department

The latest statistics confirm that there has been a 15% increase in the number of children in care since 2018/19. Following on from this, the level of overspend by the Children and Families Department intensifies further this year to £2.9 million, with a forecast overspend of over £2.5 million on placements, with a significant proportion of the overspend on out of county placements. A Children's Budget taskforce has already been set up to address the complex financial issues in this field.

2.3 Highways and Municipal Department

Overspend problems in waste collection and disposal continue this year, transitional costs before moving to new arrangements have led to a higher overspend this year.

2.4 Environment

A combination of exceeding on income, underspend on supplies and services and achieving savings in advance is a Department-wide trend. The department is eager for the Cabinet to allow them to earmark (£220k) of the underspend towards unavoidable costs beyond the Council's control, following a recent judicial review relating to the Llanbedr access road.

2.5 Corporate

Favourable forecasts of additional Council Tax yields, but continued trend of backdating transfers from Council Tax to Non Domestic Rates reduces income on Council Tax Premium. Take-up of Council Tax Reductions is at its lowest level for the fourth year running, consistent with the trend across North and Mid Wales Councils.

Net underspend on Corporate budgets which includes capital costs, corporate repair and maintenance, higher returns on interest receipts, bids returned and savings achieved in advance.

It is recommended that the general underspend on Corporate is transferred to the Financial Strategy Reserve to mitigate the risk of overspending of Council Departments in 2019/20, with the capital cost underspend to be earmarked to fund the asset management plan and corporate repair and maintenance underspend be transferred to a specific fund for the purpose.

3. General

The end of August review on the budgets show a mixed picture with acceptable level of financial management by a number of the Council's departments. The pressure on departments is evident this year, with departments struggling to cope with this additional demand. A combination of specific implementation steps is recommended for the Adults, Health and Well-being Department and for the Children and Families Department, to ensure control of their budgets by 31 March 2020.

4. Next steps and timetable

Implement the presented recommendations and present a subsequent report on the situation at the end of November 2019, to Cabinet on 21 January 2020.

Local member's views

Not relevant

Opinion of the Statutory Officers**Monitoring Officer:**

Nothing to add 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 net budget position for each department

Appendix 2 – Budget details and substantial variances

Revenue Budget 2019/20 - Summary of position by Department

	End of August Review				<i>Final Position 2018/19</i> £'000
	Proposed Budget 2019/20	Estimated Gross Over / (Under) spend 2019/20	Recommended Adjustments	Estimated Adjusted Overspend / (Underspend) 2019/20	
	£'000	£'000	£'000	£'000	
Adults, Health and Wellbeing	52,877	1,678	0	1,678	15
Children and Supporting Families	14,391	2,909	0	2,909	100
Education	89,819	87	0	87	100
Economy and Community	5,125	(7)	0	(7)	28
Highways and Municipal	25,736	733	0	733	100
Environment	7,283	(299)	220	(79)	(100)
Gwynedd Consultancy	65	42	0	42	(59)
Corporate Management Team and Legal	1,786	(117)	0	(117)	(76)
Finance (and Information Technology)	6,440	(61)	0	(61)	(59)
Corporate Support	7,469	(100)	0	(100)	(61)
Corporate Budgets <i>(Variances only)</i>	*	(2,867)	2,867	0	0
Totals (net)	210,991	1,998	3,087	5,085	(12)

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Adults, Health and Wellbeing Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adults Services</u>						
Older Peoples Services						
Residential and Nursing - Homes	13,191	13,836	645	0	645	(540)
Home Care	6,831	6,370	(461)	0	(461)	(310)
Other	455	1,360	905	0	905	81
	20,477	21,566	1,089	0	1,089	(769)
Physical Disability Services	2,350	2,274	(76)	0	(76)	(217)
Learning Disability Services	18,190	18,498	308	0	308	(241)
Mental Health Services	3,465	3,500	35	0	35	(30)
Other Services (Adults)	2,989	3,013	24	0	24	2
<u>Adults Services Total</u>	47,471	48,851	1,380	0	1,380	(1,255)
<u>Provider Services (showing net budget)</u>						
Residential Care	104	45	(59)	0	(59)	171
Day Care	30	344	314	0	314	154
Community Care	0	375	375	0	375	564
Other	0	32	32	0	32	62
<u>Total Provider Services</u>	134	796	662	0	662	951

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Adults, Health and Wellbeing Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Other Services</u>						
Housing Services	1,898	1,974	76	0	76	89
Departmental Central Services (including the Department's savings schemes)	3,374	3,583	209	0	209	230
Use of specific reserve	0	(649)	(649)	0	(649)	0
<u>Total Other Services</u>	5,272	4,908	(364)	0	(364)	319
<u>Adults, Health and Wellbeing Total</u>	52,877	54,555	1,678	0	1,678	15

Adults, Health and Wellbeing

Older People's Services - numbers in residential and nursing care are up, with 28 new cases in 2018/19 and a further 21 cases this year. Failure to realise £669k of savings within the 'Other' heading and an overspend of £425k on Supported Accommodation, with the costs of establishing the Hafod y Gest scheme accounting for a significant proportion of the overspend. Reduction in demand for home care packages continues again this year.

Physical Disability Services - the trend in the reduced number of home care packages continues.

Learning Disability Services - the impact of an increased demand on supported accommodation and day services is being reduced by an underspend on residential and nursing.

Provider Services - providing hours above the budget level in Community Care together with costs over and above the income earned leading to an overspend of £375k. Overspend of £314k within Day Care. Additional staffing costs also contribute to the overspend with other factors contributing such as homes having been in special measures, recommendations from the Care Inspectorate Wales, and appointing staff over and above the budget.

Housing Services - increasing pressure on temporary homeless accommodation and slippage in realising savings schemes, but receipt of income and grants reduces reported overspend.

Departmental Central Services - income receipts and vacant posts reduces the impact of the slippage in realising £277k worth of savings schemes.

Given the financial position this year, it is appropriate that the funding of £457k, which is equivalent to a social services support grant received in 2017/18 together with £192k from the department's historical underspend fund, be used to alleviate part of the overspend.

Obviously there is a significant overspend by the Adults, Health and Well-being Department this year, as complex detail needs to be clarified in the context of Adult care, the Chief Executive has already called a meeting of the relevant officers to gain a better understanding and a clear response program, as is the case in Child care.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Children and Families Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	581	605	24	0	24	(20)
Operational	2,210	2,288	78	0	78	311
Placement						
Out of County Placements	1,628	3,246	1,618	0	1,618	1,117
Agency Fostering	911	1,299	388	0	388	(43)
Internal Fostering	1,706	2,188	482	0	482	276
Support Services and Other	1,668	1,704	36	0	36	163
	5,913	8,437	2,524	0	2,524	1,513
Post-16	1,035	1,079	44	0	44	329
Specialist/Derwen	1,814	2,146	332	0	332	328
Youth Justice	280	236	(44)	0	(44)	(44)
Early Years	144	94	(50)	0	(50)	(37)
Youth	851	749	(102)	0	(102)	(160)
Other	1,563	1,666	103	0	103	(24)
2018/19 Grant Receipt						(552)
2018/19 Final Accounts Adjustment						(1,544)
Children and Families Total	14,391	17,300	2,909	0	2,909	100

Children and Families

Operational - staff costs over and above the budget level plus an increase in the number of children in care but not in more expensive placements, continues to overspend despite receiving an additional resource of £100k for 2019/20 onwards.

Placements - the overspend arising from 4 new out-of-county placement cases this year, together with the full year effect of 8 cases that started during 2018/19. In Agency fostering, there are 5 new cases this year and the full year effect of 4 further cases that started during 2018/19. There is also an increase in the number of in-house foster placements. Following a review of the out-of-county commitments, it became clear that the type of cases have changed over recent years, and therefore the associated costs, simultaneously there was also a reduction in Health contributions. Additionally, £370k worth of savings within placements are yet to be realised.

Specialist/Derwen - overspend of £332k which is consistent with 2018/19 position, mainly on support schemes following increased demand for service and specialist support.

Youth - underspend following the recent remodeling of the Youth service.

Early Years - receipt of grants in childcare is responsible for the underspend.

Others - overspend on the out of hours service, professional fees, statutory reviews and increased demand on the commitment on the North Wales advocacy service.

Given the level of departmental overspend that is consistent with the 2018/19 trend, a Children's Budget Task Force, has been commissioned by the Chief Executive to address the complex financial issues of the department.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Education Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	74,738	74,738	0	0	0	0
Schools Quality Services	(305)	(549)	(244)	0	(244)	(315)
Infrastructure and Support Services						
Transport	4,820	5,008	188	0	188	365
Supplementary Service	413	660	247	0	247	43
Other	3,552	3,234	(318)	0	(318)	(120)
	8,785	8,902	117	0	117	288
Leadership and Management	2,267	2,267	0	0	0	23
Additional Learning Needs and Inclusion	4,334	4,548	214	0	214	120
2018/19 Final Accounts Adjustment						(16)
Education Total	89,819	89,906	87	0	87	100

Education

School Quality Services - savings in advance, staff turnover and use of grants are responsible for the favorable position.

Transport - following the overspend in this field over recent years, £400k of additional funding has been allocated for 2019/20. Nevertheless, the overspend continues, with latest estimates suggesting £188k, with £39k on School Buses, £46k income shortfall on Post 16 Transport and a projected overspend of £103k on School Taxi Transport.

Transport has been the subject of a review in an attempt to control the increase in expenditure. The £400k allocated this year was a partial solution with the need for further work from the Education Department and the Environment Department continuing, so that efficiency opportunities could be exploited.

Infrastructure and Support Services - Ancillary Service - lack of income for the care element of the breakfast and school meals scheme together with an overspend deriving from staffing matters and sickness in School Catering, Cleaning and Caretaking.

Infrastructure and Support Services - Other - reduced demand on various budgets including the Integration budget.

Additional Learning Needs and Inclusion - the overspend relating to circumstances in one particular center continues and accounts for £179k of the overspend, with the remainder of the one-off overspend arising from the transition period of the Pre-School Early Years Education Units and Education other than in Schools.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Economy and Community Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	352	352	0	0	0	29
Regeneration Programs and Community Support	390	361	(29)	0	(29)	(31)
Maritime and Country Parks	75	61	(14)	0	(14)	14
Leisure Contracts	1,430	1,463	33	0	33	340
Sports Programs	105	80	(25)	0	(25)	(77)
Economic Development Programs	49	28	(21)	0	(21)	(57)
Marketing and Events	272	272	0	0	0	(35)
Gwynedd Libraries	1,593	1,582	(11)	0	(11)	(45)
Gwynedd Museums, Arts and Archives	859	919	60	0	60	47
2018/19 Final Accounts Adjustment						(157)
<u>Economy and Community Total</u>	5,125	5,118	(7)	0	(7)	28

Economy and Community

Regeneration Programs and Community Support - vacant posts and savings realised early account for the forecasted underspend.

Maritime and Country Parks - lack of income and overspend on seasonal staffing by the Beaches cancelled by the Country Parks and Hafan, Pwllheli. Latest figures suggest a balanced position by the Harbours, which has been problematic in recent years, following a reduction in its income target this year.

Leisure Contracts - leisure provision transferred to Cwmni Byw'n Iach on 1 April 2019, projected overspend of £33k on Leisure Center's running costs.

Gwynedd Museums, Arts and Archives - problems persist in Storiol with forecast deficit of £70k, which is a combination of staff overspend and income shortfall, the underspend on Arts is helping the financial position somewhat.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW

Highways and Municipal Department (including Trunk Roads Agency)	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	9,950	9,944	(6)	0	(6)	94
Engineering Services	384	438	54	0	54	(5)
Municipal Services						
Waste	11,345	12,066	721	0	721	503
Other	4,057	4,021	(36)	0	(36)	26
2018/19 Final Accounts Adjustment						(518)
Highways and Municipal Total (including Trunk Roads Agency)	25,736	26,469	733	0	733	100

Highways and Municipal (including Trunk Roads Agency)

Engineering Services - delay in realising a savings scheme together with lack of income, but negotiations continue to seek a resolution.

Waste - increase in the overspend trend seen in 2018/19 in Waste to £721k. Projected overspend of £211k on the transitional waste handling and transport costs through the regional 'Energy from Waste' facility based in Deeside.

Although the department has taken steps to reduce costs by changing shifts and waste collection cycle arrangements, implementation has been delayed. The new arrangements have now come into effect in Dwyfor, with Arfon to follow in November 2019. Associated transitional costs and sickness costs account for £162k of the overspend.

Increased operating and transport costs, lack of grant and income on waste, recycling materials and from solar panels.

Although some steps have already been taken on the Waste side during the year in order to operate within the budget, there has been a delay in implementation.

Other Municipal Services - although an underspend of (£36k) has been reported, there is a mixed picture on different elements of the service with some such as Public Conveniences and Open Space overspending but mitigated by an underspend in other areas such as Administration, Bereavement Services and Commercial Waste.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Environment Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	437	379	(58)	0	(58)	(50)
Planning Services	402	547	145	0	145	(163)
Street Works and Transport Services						
Network Management (Transport)	637	580	(57)	0	(57)	(256)
Parking and Parking Enforcement	(1,681)	(1,902)	(221)	0	(221)	(9)
Intergrated Transport	1,567	1,566	(1)	0	(1)	91
	523	244	(279)	0	(279)	(174)
Countryside and Access	724	736	12	0	12	10
Public Protection	1,677	1,620	(57)	0	(57)	(80)
Property, Caretaking, Catering and Cleaning	3,520	3,458	(62)	0	(62)	(35)
End of August 2019 Review Adjustment				220	220	0
2018/19 Final Accounts Adjustment						392
Environment Total	7,283	6,984	(299)	220	(79)	(100)

Environment

Management - the Department's overall underspend and savings in advance have resulted in one-off savings on the Management heading.

Planning Service - the general trend of a shortfall in Development Control income continues again this year, but is reduced from underspends on services, supplies and transport.

Street Works and Transport Services - over-achieving on income on Traffic and Statutory Arrangements being one of the department's savings schemes for the years to come. Favourable income forecasts together with reduced expenditure on Parking and Enforcement.

Integrated Transport - a one-off underspend on staff costs and a surpass of income reduces the impact of the additional costs on bus contracts. The Department also makes use of a ring-fenced fund for such purposes, to meet the increased costs. The Department is in the process of conducting a review of public transport and has commissioned research work from the University to review the provision.

Public Protection - the service is in a time of transition and therefore overspends on staffing costs which is eliminated by surpassing income in the Licensing, Taxis and Pest Control areas and by reduced expenditure on water sampling materials and supplies and services.

Property, Caretaking, Catering and Cleaning - the underspend is mainly due to vacant posts and secondments.

Following a recent judicial review of a capital scheme relating to the Llanbedr access Road, due to reasons beyond the Council's control a commitment of £220k is envisaged. Under the circumstances, it is **recommended** that the Cabinet allows the Environment Department to earmark (£220k) of it's underspend to a specific fund for this purpose towards the relevant costs.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Consultancy Department	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(637)	(620)	17	0	17	(62)
Sustainable Drainage Systems (SuDS) Unit	37	37	0	0	0	0
Flood Risk Management Unit Services	571	572	1	0	1	(16)
Building Control	94	118	24	0	24	19
Consultancy Total	65	107	42	0	42	(59)

Consultancy

Roads and Engineering Services - latest forecast suggests a £17k income shortfall, but the service continues to bid for work on various schemes from external organisations such as other Councils and the Welsh Government to attract more income.

Sustainable Drainage Systems Unit (SuDS) - forecasts of income shortage during the establishment of this new unit are reduced by underspend on staff costs.

Building Control - lack of income and overspend on transport costs are responsible for the forecasted overspend.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Central Departments	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,786	1,669	(117)	0	(117)	(76)
Finance (& Information Technology)	6,440	6,379	(61)	0	(61)	(59)
Corporate Support	7,469	7,369	(100)	0	(100)	(61)
Central Departments Total	15,695	15,417	(278)	0	(278)	(196)

Central Departments

Corporate and Legal Management Team - latest forecast suggesting an underspend of (£117k), as a result of the Corporate Director's post becoming vacant for part of the year together with the receipt of additional income by the Legal Unit.

Finance (and Information Technology) - underspend due to a combination of reasons including a one-off underspend on staff turnover, secondments and receipt of additional income and grants. Additional income from various sources, including the Welsh Government for the administration of non-domestic rate relief and an additional grant from the Department for Work and Pensions (DWP) for the transitional period in the Benefits service. Furthermore, the department has achieved savings in advance this year and diverted them for Corporate purposes.

Corporate Support - the underspend mainly on the receipt of external income that is above the budget level in a number of areas across the department including Human Resources Advisory Service, Translation, Registration and Democracy Service. Vacant posts also contribute towards the favorable position, in preparation for savings in the coming years, as there is no call on the savings this year the department has already transferred part of its savings in advance for Corporate purposes.

REVENUE BUDGET 2019/20 - END OF AUGUST REVIEW						
Corporate (Only reflecting the variances)	Proposed Budget 2019/20	Estimated Final Position 2019/20	Estimated Gross Overspend / (Underspend) 2019/20	Use of Other Sources or Other Recommended Adjustments	Adjusted Estimated Overspend / (Underspend) 2019/20	Net Overspend / (Underspend) Final Position 2018/19
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(392)	392	0	(24)
Council Tax Reduction	*	*	(201)	201	0	(265)
Net Interest Receipts	*	*	(226)	226	0	(139)
Capital Costs	*	*	(240)	240	0	0
Corporate Repair and Maintenance	*	*	(995)	995	0	0
Bids and Budgets Returned by the Departments	*	*	(423)	423	0	(937)
Savings Realised in Advance	*	*	(373)	373	0	0
Other	*	*	(17)	17	0	(651)
2018/19 Final Accounts Adjustment						2,016
Corporate Total	*	*	(2,867)	2,867	0	0

Corporate

Council Tax and Council Tax Premium - Favourable additional tax position of (£392k) on Council Tax. A neutral position is reported in respect of the Council Tax Premium, with the Valuer's Office having already allowed up to the end of August for 187 properties to be transferred from Council Tax to the Non-Domestic Rates list, (453 in 2018/19, 282 in 2017/18, and 199 in 2016/17). We are awaiting a response from Welsh Government and the Valuer's Office relating to Gwynedd's campaign to prevent owners of second homes from evading the tax.

Council Tax Reductions - projected underspend of (£201k) as the overall Council Tax Reduction (benefit) scheme applications are at their lowest level for the fourth year running across North and Mid Wales. In Gwynedd there has been a reduction of almost 10% over the period.

Net Interest Receipt - recent changes in the treasury management field enabling Welsh Councils to invest in investment properties which has resulted in higher returns.

Capital Costs - existing treasury management policy means that external borrowing could be avoided for half of this year which creates an underspend against the capital costs budget. Following the establishment of the Asset Management Plan 2019/20 onwards at the beginning of the financial year, it is suggested that the underspend should be earmarked specifically to assist with the financing of the capital program.

Corporate Repair and Maintenance - receipt of additional grants responsible for an underspend on the repair and maintenance program this year and it is therefore suggested that the money be transferred to a specific fund for the purpose of financing future expenditure.

Budgets and Bids returned by Departments - a bid of (£193k) on Education's Integration that is not required in 2019/20 is returned, together with other issues as demand not as intense as what was anticipated at budget setting.

Pre-Achieved Savings - savings realised early this year.

It is recommended that (£240k) relating to capital costs be allocated to fund the capital program, (£995k) on corporate repair and maintenance be transferred to a repair and maintenance fund, with the remainder of the net underspend (£1,632k) on Corporate budgets be transferred to the Financial Strategy Support Fund to mitigate the risk of overspending of Council departments in 2019/20.

Agenda Item 9

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 17 OCTOBER 2019

**TITLE: CAPITAL PROGRAMME 2019/20 –
END OF AUGUST 2019 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: FFION MADOG EVANS, SENIOR FINANCE MANAGER

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

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 2019/20 – End of August 2019 Review) was presented to the Cabinet on 15 October 2019 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.
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:

Capital Programme 2019/20 – End of August 2019 Review (Cabinet 15/10/2019)

REPORT TO THE CABINET
15 OCTOBER 2019

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Capital Programme 2019/20 –
End of August Review (31 August 2019 position)

Contact Officer: Ffion Madog Evans, Senior Finance Manager

The decision sought / Purpose of the report

To accept the report on the end of August review (31 August 2019 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- £8,304,000 various sources utilised to fund actual slippages from 2018/19
 - £5,936,000 increase in the use of borrowing
 - £3,411,000 increase in the use of grants and contributions
 - £82,000 increase in the use of capital receipts
 - £37,000 decrease in the use of revenue contributions
 - No change in the use of the capital reserve
 - £154,000 increase in the use of renewal and other reserves
-

1. Introduction / Summary

This technical report is presented as part of the 2019/20 budget review 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 recommendations in part 7:

Part 3: Analysis by Department of the £87.794m capital programme for the 3 years 2019/20 – 2021/22.

Part 4: The sources of finance for the net increase of approximately £17.850m since the opening budget with £8.304m of the increase due to slippages from 2018/19 (previously reported as part of the year-end review on 21 May 2019).

Part 6: Detail on additional grants since the establishment of the original budget.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the proposed 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 2019/20 to 2020/21
- Appendix C: First 5 months' expenditure in 2019/20

2. Main Findings

The main findings that arise from the revised position are:

- There are firm schemes in place to invest approximately £39.7m in 2019/20 on capital projects, with £17.2m (43%) of it being financed by attracting specific grants.
- An additional £7.9m of proposed expenditure has been re-profiled from 2019/20 to 2020/21, but no loss of funding was caused to the Council where schemes have slipped.

3. Capital Programme 2019/20 to 2021/22

See below the revised proposed capital programme as at the end of August 2019. It includes allocations of the Asset Scheme to the relevant Departments as presented to Cabinet on 2 April 2019.

DEPARTMENT	END OF AUGUST REVIEW				INCREASE / (DECREASE) SINCE THE OPENING BUDGET	SLIPPAGES ADJUSTMENT	OTHER CHANGES
	2019/20	2020/21	2021/22	TOTAL			
	£'000	£'000	£'000	£'000			
Education	10,967	6,184	1,895	19,046	5,283	84	5,199
Environment	5,203	3,991	406	9,600	8,913	4,301	4,612
Corporate Support	106	13	-	119	106	106	-
Finance	713	481	1,237	2,431	2,356	211	2,145
Economy and Community	1,955	880	330	3,165	1,338	73	1,265
Adults, Health and Wellbeing - Housing Unit	4,611	6,250	4,300	15,161	5,277	701	4,576
Adults, Health and Wellbeing - Other	1,755	2,846	2,400	7,001	5,357	93	5,264
Children and Families	1,344	1,113	250	2,707	356	-	356
Highways and Municipal	11,287	4,548	2,257	18,092	5,047	591	4,456
Consultancy	685	3,539	3,410	7,634	6,684	-	6,684
Corporate	1,123	1,030	685	2,838	(22,867)	2,144	(25,011)
TOTAL	39,749	30,875	17,170	87,794	17,850	8,304	9,546

4. Changes to the Sources of Finance

The budget for the three year programme shows an increase of £17.850m since the opening budget position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	ADOLYGIAD DIWEDD AWST				INCREASE / (DECREASE) SINCE THE OPENING BUDGET	SLIPPAGES ADJUSTMENT	OTHER CHANGES
	2019/20	2020/21	2021/22	TOTAL			
	£'000	£'000	£'000	£'000			
Supported Borrowing	7,995	7,535	6,610	22,140	-	-	-
Other Borrowing	2,234	3,668	2,567	8,469	6,289	353	5,936
Grants and Contributions	17,177	4,235	-	21,412	4,753	1,342	3,411
Capital Receipts	431	750	-	1,181	333	251	82
Departmental & Corporate Revenue	1,268	-	-	1,268	(20)	17	(37)
Capital Fund	1,442	842	3,801	6,085	918	918	-
Renewals & Other Funds	9,202	13,845	4,192	27,239	5,577	5,423	154
TOTAL	39,749	30,875	17,170	87,794	17,850	8,304	9,546

5. Additional Other Borrowing

£5,353k of the additional amount opposite the heading Other Borrowing in the table above in part 4 arises from the Flood Alleviation Schemes. Through the Local Government Borrowing Initiative (LGBI) the Welsh Government funds 75% of the scheme costs by reimbursing the Council's borrowing costs over a period of 25 years in the annual Revenue Support Grant (RSG). The remaining 25% which is to be funded by the Council has already been earmarked as part of the Asset Plan.

6. Additional Grants

Since setting the original budget at the end of March, the Council succeeded in attracting the following additional grants totalling £3,792k. A number of adjustments including a reduction of £387k for a lower cost scheme brings the total movement to £3,411k (see Appendix A for more information) :

- £1,538k Local Transport Fund Grant towards several different schemes including sustainable bus partnerships and transport hubs
- £1,327k 21st Century Schools Grant – Condition and Adaptation schemes and Community Hub
- £527k(net) Intermediate Care Fund (ICF) grant for adapting adults' establishments
- £165k Housing Enable Grant from Welsh Government to facilitate independent living

- £95k Specific Grant from Welsh Government towards the Caernarfon Waste Transfer Site as part of the regional scheme
- £73k Sure Start Grant scheme at Plas Ffrancon Centre and Intermediate Care Fund contribution towards the Maesgeirchen Centre
- £67k Grant from Natural Resources Wales towards the second phase of the Coastal Path scheme

7. Recommendations

The Cabinet is asked to:

- accept the 2019/20 to 2021/22 revised programme, and
- approve the relevant sources of finance (part 4 above).

8. 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 2019/20 – 2021/22 capital schemes.

9. 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.

10. 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 to add 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 :

	2019/20	2020/21- 2021/22
	£'000	£'000
Grants and Contributions		
<ul style="list-style-type: none"> 21st Century Schools Grant – Condition and Adaptation schemes and Community Hub (<i>Education Department</i>). 	1,327	
<ul style="list-style-type: none"> Sure Start Grant scheme at Plas Ffrancon Centre and a contribution from the Intermediate Care Fund towards the Maesgeirchen Centre (<i>Children and Families Department</i>). 	73	
<ul style="list-style-type: none"> Intermediate Care Fund (ICF) – additional Welsh Government grant for adapting establishments to admit dementia and specialised care beds as well as facilitating joint working arrangements with other agencies (<i>Adults, Health and Wellbeing Department</i>). 	952	(425)
<ul style="list-style-type: none"> Specific Grant from Welsh Government to upgrade the Caernarfon Waste Transfer Site as part of the regional scheme (<i>Highways and Municipal Department</i>). 	95	
<ul style="list-style-type: none"> Local Transport Fund Grant from Welsh Government towards several different schemes including sustainable bus partnerships and transport hubs (<i>Environment Department</i>). 	1,538	
<ul style="list-style-type: none"> Grant from Natural Resources Wales towards the second phase of the Coastal Path scheme (<i>Environment Department</i>). 	67	
<ul style="list-style-type: none"> Housing Enable Grant from Welsh Government to facilitate independent living (<i>Housing Unit, Adults, Health and Wellbeing Department</i>). 	165	
<ul style="list-style-type: none"> Llanberis Flood Alleviation Scheme – lower than expected costs (<i>Consultancy Department</i>) 	(387)	
Other Borrowing		
<ul style="list-style-type: none"> Local Government Borrowing Initiative contribution to the funding of a number of Flood Alleviation Schemes (<i>Consultancy Department</i>). 	173	5,180
<ul style="list-style-type: none"> Recycling and Municipal Vehicles (<i>Highways and Municipal Department</i>). 	585	

Capital Receipts		
• Adults Services Vehicles (<i>Adults, Health and Wellbeing Department</i>).	22	
• Glan y Don Depot Upgrade (<i>Highways and Municipal Department</i>).	54	
Departmental Revenue		
• Contribution towards information technology system for Planning services (<i>Environment Department</i>).	62	
• Llanberis Flood Alleviation Scheme – lower than expected costs (<i>Consultancy Department</i>)	(105)	
Renewals and Other Funds		
• Upgrading Highways and Municipal Depots (<i>Highways and Municipal Department</i>).	175	
• Adjustment to Vehicle Renewals projection for several Highways and Municipal Department units as well as other departments (<i>Highways and Municipal Department</i>).	(241)	
• Waste Management Schemes e.g. skips, recycling carts (<i>Highways and Municipal Department</i>).	114	10
• Car Parks' Pay and Display machines (<i>Environment Department</i>).	44	
• Contribution towards information technology system for Planning services (<i>Environment Department</i>).	50	

Budget Re-profiling – Main Schemes

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

	2019/20 £'000	2020/21 £'000
Schools' Schemes (21 st Century and Other) (<i>Education Department</i>)	(1,318)	1,318
Adults establishments' schemes (<i>Adults, Health and Wellbeing Department</i>)	(975)	975
Penygroes Health and Care Hub (<i>Adults, Health and Wellbeing Department</i>)	(250)	250
Segontium Day Service Relocation Scheme (<i>Adults, Health and Wellbeing Department</i>)	(171)	171
Flood Alleviation Schemes (<i>Consultancy Department</i>)	(181)	181
Vehicles Renewals (<i>Highways and Municipal Department</i>)	142	(142)
Transport Schemes (<i>Environment Department</i>)	(379)	379
Adaptation Schemes, Repairs and Maintenance etc on Council Buildings (<i>Property Unit, Environment Department</i>)	(2,176)	2,176
Council's Carbon Management Schemes (<i>Property Unit, Environment Department</i>)	(1,099)	1,099
Housing Strategy Schemes (<i>Housing Unit, Adults, Health and Wellbeing Department</i>)	(1,450)	1,450

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.

Capital Expenditure First 5 Months 2019/20

SUMMARY	CAPITAL PROGRAMME FULL YEAR (reviewed August) 2019/20	ACTUAL EXPENDITURE FOR THE 5 MONTHS TO 31/08/2019
	£'000	£'000
Education	10,967	2,270
Environment	5,203	384
Corporate Support	106	-
Finance (and Information Technology)	713	9
Economy and Community	1,955	81
Adults, Health and Wellbeing – Housing Unit	4,611	1,786
Adults, Health and Wellbeing - Other	1,755	106
Children and Families	1,344	161
Highways and Municipal	11,287	2,563
Consultancy	685	250
Corporate	1,123	-
TOTAL	39,749	7,610

Note:

The percentage that has been spent this year (19%) is lower than the position this time last year (amount spent in 5 months in 2018/19 was 21%).