



# Complete Agenda

Democratic Services  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

## **AUDIT AND GOVERNANCE COMMITTEE**

Date and Time

**10.00 am, MONDAY, 30TH NOVEMBER, 2020**

Location

**VIRTUAL MEETING**

Contact Point

**Lowri Haf Evans**

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(DISTRIBUTED 20/11/20)

# **AUDIT AND GOVERNANCE COMMITTEE**

## **MEMBERSHIP (19)**

### **Plaid Cymru (10)**

#### Councillors

Aled Ll. Evans  
Huw Gruffydd Wyn Jones  
W. Gareth Roberts  
E. Selwyn Griffiths

Aled Wyn Jones  
Berwyn Parry Jones  
Paul John Rowlinson

Vacant Seat  
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**

5 - 13

The Chairman shall propose that the minutes of the meeting of this committee, held on the 15<sup>th</sup> of October 2020, be signed as a true record.

## **5. LETTERS FROM THE AUDITOR GENERAL FOR WALES**

14 - 19

To present 2 letters from the Auditor General for Wales, dated 30 September 2020 –

- North Wales regional pooled fund in relation to care home places for older people (Appendix 1)
- Regional pooled funds in relation to care home places for older people (Appendix 2)

## **6. MID YEAR TREASURY MANAGEMENT REPORT 2020-21**

20 - 30

To consider the report

## **7. COUNTER FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS**

31 - 35

To consider the report that updates the committee on the council's anti-fraud and anti-corruption work, and progress on the work programme for the next three years

## **8. RISK MANAGEMENT ARRANGEMENTS**

36 - 39

To consider the report which updates the audit and governance committee on the council's risk management arrangements

## **9. INTERNAL AUDIT PLAN 2020/21**

40 - 44

To consider the Audit Managers Report

**10. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP 45 - 48**

To report on the meeting held on 10 November 2020

**11. OUTPUT OF THE INTERNAL AUDIT SECTION 49 - 63**

To outline the work of internal audit for the period to 31 October 2020

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## AUDIT AND GOVERNANCE COMMITTEE 15/10/2020

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**Present:** Councillor John Brynmor Hughes (Chair)  
Councillor John Pughe Roberts (Vice-chair)

**Councillors:-** Aled Evans, Alwyn Gruffydd, Medwyn Hughes, Peredur Jenkins, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams.

Sharon Warnes (Lay Member)

**Officers:** Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager), Siân Pugh (Group Accountant – Corporate and Projects), Caren Rees Jones (Group Accountant – Capital and Management) and Eirian Roberts (Democratic Services Officer)

**Others invited:**

Councillor Ioan Thomas (Cabinet Member – Finance)  
Councillor Edgar Owen (Council Chairman)  
Ian Howse (Deloitte)

**1. ELECTION OF CHAIR**

**RESOLVED to elect Councillor John Brynmor Hughes as Chair of this committee for 2020/21.**

**2. ELECTION OF VICE-CHAIR**

**RESOLVED to elect Councillor John Pughe Roberts as Vice-chair of this committee for 2020/21.**

**3. APOLOGIES**

Apologies were received from Councillor Charles W. Jones.

**4. DECLARATION OF PERSONAL INTEREST**

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

**5. URGENT ITEMS**

None to note.

**6. MINUTES**

The Chair signed the minutes of the previous meeting of this committee held on 30 July, 2020 as a true record.

**7. FINAL ACCOUNTS – GWYNEDD COUNCIL**

Submitted – the report of the Head of Finance Department, requesting that the Committee consider and approve the Statement of Accounts 2019/20 (post-audit), Deloitte's 'ISA260'

report and the Letter of Representation (Appendix 1 to the Deloitte report), before authorising the Chair to certify the letter.

The Head of Finance Department noted that the committee had received the pre-audit accounts on 23 July, but Deloitte had advised late in the day that a minor change was needed to two figures relating to the revaluation of the pension fund commitments - this meant changing the figures from estimated to actual, and a corresponding adjustment to the unusable reserves. With this, the committee was asked to approve the accounts, and delegate the right to the Chair and himself as Head of Finance Department, in consultation with the Vice-chair and the Cabinet Member for Finance, to certify the Statement of Accounts 2019/20 and the Letter of Representation, after making the minor necessary amendments to the accounts.

Ian Howse was then invited to present Deloitte's 'ISA260' report on behalf of the Auditor General for Wales. He noted that the auditors intended to issue an unqualified audit opinion on the accounts this year, once the Letter of Representation had been signed. He provided details on:-

- The effects of Covid-19 on this year's audit
- Proposed Audit Opinion
- Significant issues arising from the audit, including corrected and uncorrected misstatements and other significant matters
- Recommendations

During the discussion members raised the following matters:-

- They enquired whether the matters of pricing the value of investments in property funds and the effect on the Pension Fund was a unique issue to Gwynedd. In response, it was explained that the adjustment was common to the pricing of the value of investments in all Welsh authorities' property funds, with the effect on the value of assets in the accounts dependent on the materiality level of the investments in property funds.
- Referring to Part 3 of Appendix 3 to the accounts – Governance Arrangements and their Effectiveness – Stakeholders (page 112 of the agenda), it was suggested that the weak relationship with the institutional stakeholders should bear a much higher risk score than 9, especially given the impact of Covid-19. In response, it was explained that the committee had already approved and committed to this part of the governance statement, therefore the score could not be revised in this meeting. The member asked that this be reconsidered for next year.

#### **RESOLVED**

- (a) **To approve the Statement of Accounts 2019/20 (post-audit), subject to further minor adjustments in accordance with what was reported verbally at the meeting, and to delegate powers to the Chair and Head of Finance Department, in consultation with the Vice-chair and the Cabinet Member for Finance, to certify the Statement of Accounts 2019/20 and the Letter of Representation (Appendix 1 to the Deloitte report) after making the minor adjustments to the Accounts.**
- (b) **To note and accept the 'ISA260' report by Deloitte on the Gwynedd Council accounts 2019/20.**

#### **8. FINAL ACCOUNTS – GWYNEDD PENSION FUND**

Submitted – the report of the Head of Finance Department, requesting that the Committee consider and approve the Gwynedd Pension Fund Statement of Accounts 2019/20 (post-audit), note and accept Deloitte's 'ISA260' report and the Letter of Representation (Appendix 1 to the Deloitte report), before authorising the Chair and Head of Finance to certify the letter.

The Head of Finance Department noted that the committee had received the pre-audit accounts on 23 July, and although some minor changes had been made to the narrative following Deloitte's audit, there was no change to the figures. The Pensions Committee had also discussed the accounts at its meeting on 14 October, and had had a taste of the auditors' report.

Ian Howse was then invited to present Deloitte's 'ISA260' report on behalf of the Auditor General for Wales. He noted that the auditors intended to issue an unqualified audit opinion on the accounts this year, to include a paragraph on 'emphasis of matter' – material uncertainty related to the valuation of UK property funds on the financial statements. He provided details on:-

- The effects of Covid-19 on this year's audit
- Proposed Audit Opinion
- Significant issues arising from the audit, including uncorrected misstatements, corrected misstatements, significant risks and other areas being addressed by audit, and other significant issues
- Recommendations

It was noted that the members were delighted to have received such an excellent report by the auditors this year, and they noted that much of this thanks was owed to the work by the Investment Manager and her team.

In response to a question, it was confirmed that it was not currently a requirement to disclose environmental, social and governance factors in the statutory official accounts, but they did intend to refer to this in the annual report which would be submitted with the accounts to the Fund's Annual General Meeting on 19 November.

#### **RESOLVED**

- (a) To approve the Gwynedd Pension Fund Statement of Accounts 2019/20 (post-audit)**
- (b) To note and accept the 'ISA260' Report by Deloitte on the Gwynedd Council Pension Fund accounts 2019/20.**
- (c) To authorise the Chairman and the Head of Finance Department to certify the Letter of Representation (Appendix 1 to the Deloitte report).**

The Head of Finance Department thanked Ian Howse and Lauren Parsons for leading the work on behalf of Deloitte again this year. He added that this would be the last time that Ian Howse would submit the report on the accounts in his current role as external auditor for Gwynedd in this contract, as the work would be undertaken internally from next year onwards, and he thanked him for this work over the past five years.

## **9. SAVINGS OVERVIEW – PROGRESS REPORT ON REALISING SAVINGS SCHEMES**

Submitted – the report of the Cabinet Member for Finance requesting that the Committee notes the position and relevant risks in respect of the Savings Overview, considers the Cabinet's decisions of 13 October, 2020 and provides comments as required.

As a general point at the beginning, the Cabinet Member for Finance noted:-

- In implementing the savings and innovation strategy, that the Council had been very fortunate e.g. before the pandemic, 138 users were able to work from home, but by March this year, 1,292 were using equipment from home. He thanked everyone in the Information Technology Service for their work in ensuring that all the work required for the items under consideration at this meeting could be completed.
- He wished to thank all the staff for the incredible work that had been achieved in a very tight timescale.

The Cabinet Member for Finance then set out the context for the report in question and noted:-

- That there were clear signs of difficulties in achieving the savings, and that there was concern about the Children and Supporting Families Department and the End to End scheme specifically.
- Although realising that these were challenging times, it was essential that the process of achieving savings was resumed soon.

He noted that the Cabinet had considered the report at its meeting on 13 October, and had resolved as follows:-

- *To accept the information in the report and to note the progress towards realising the savings schemes for 2020/21, 2019/20 and previous years.*
- *To approve the alternative schemes outlined in Section 6 and Appendix 5 to replace the historical schemes that cannot be delivered.*
- *To note that the impact of Covid-19 has contributed to a slippage in the savings programme, as the Council has given complete precedence to safeguarding the health and lives of the people of Gwynedd in response to the crisis, which has meant that we were unable to continue with the performance challenging and savings arrangements during the crisis period.*
- *To support the intention of the Chief Executive and Head of Finance Department to arrange to meet each Cabinet Member with their Head of Department, to discuss how the procedure of delivering the proposed savings can be resumed, so that the Council can proceed with a proportion of the savings programme, despite the crisis.*

During the discussion, members raised the following matters:-

- It was noted that it was very difficult to realise the savings required of the Children and Supporting Families Department and the Flying Start Scheme. The member enquired whether a timetable had been drawn up for the review that was taking place. In response it was explained that although the Children's Budget Taskforce had begun looking at the savings, they had had to postpone the work as the officers had been drawn into other priorities during the crisis. However, they now intended to move forward and try to come to a conclusion on this. It was noted further that the numbers and the pressure on the Children and Supporting Families Department had increased, and perhaps the assumptions made at the time when setting the savings target for the service had now changed, but the taskforce review would confirm the situation regardless.
- It was noted that the entire care budget was very difficult, and there was concern that there was a genuine risk to children and also adults if we considered further cuts in these fields, particularly during the crisis. In response, the officer referred to the Cabinet's decision to support the intention of the Chief Executive and Head of Finance Department to meet with the responsible Cabinet Member and Head of Department in the five departments where there are risks to the delivery of the historical savings. The pandemic was not the only obstruction, the Council had been battling to find savings for almost 15 years, and the situation grew continually more difficult as time went by. The nature of the demand had shifted in terms of the intensity of the requirements of children and families in need, and had intensified further during the crisis. When discussing with the Cabinet Members and the heads of department, we would have to balance the need to find savings against the needs of the service and the people of Gwynedd, and to do so sympathetically. Also, because of the pressures on the services to cope during the crisis, the Cabinet had not supported the aim to list savings and cuts yet during this period, preferring to wait and see what the draft settlement would be in December.

- A member expressed concern that the second wave of Covid-19 would be very hard on families, with many people losing their jobs.
- In response to a question regarding a Highways and Municipal scheme to transfer playgrounds to others (page 191 of the agenda), it was explained that although some of the schemes were progressing, the pandemic had stalled this process.
- Reference was made to the scheme for changing the operating arrangements of recycling centres and charge fees (page 193 of the agenda), and it was emphasised how important the recycling centres were for the residents. In response, it was explained that the scheme to change the recycling centres' operations replaced two historical schemes to charge traders and to charge a fee for the disposal of DIY waste.
- The members welcomed the Chief Executive and Head of Finance Department's intention to look at the savings with the Cabinet Members and heads of department, and they hoped that the situation would be examined carefully before considering ending any resource or service. It was also noted that should the Council find in due course that it needed to re-establish a resource, the cost of doing so would be high.
- It was noted that any proposal to charge for using recycling centres would lead to decreased use of the resource, and increased fly-tipping. In response, it was noted that the finance officers could not respond in full on every scheme, and that the Cabinet Members and heads of department were meeting with the Chief Executive, or Corporate Director, and the relevant scrutiny members. The savings were being scrutinised in different ways, and the members were asked to trust the officers to have the right balance in moving forward with this. The Cabinet Member for Finance added that there was no reference here to a cut to the Highways and Municipal Department, and that savings should not affect the service for the citizen. It was a challenging time for everyone, but he assured the members that he would look at the departments' situation sympathetically.

**RESOLVED to accept the information, to note the risks arising from slippages with some of the savings schemes, and support the Cabinet's relevant decisions.**

## **10. REVENUE BUDGET 2019/20 – END OF AUGUST REVIEW**

Submitted – the report of the Cabinet Member for Finance requesting that the Committee notes the position and relevant risks in respect of the Council's budgets and those of its departments, considers the Cabinet's decisions of 13 October, 2020 and provides comments as required.

The Cabinet Member for Finance set out the context for the report, noting the following:-

- This report again demonstrated the impact of the pandemic and the pressure on the departments.
- Appendix 1 to the report was important, as it showed the receipts received from the Welsh Government per department, and illustrated the situation clearly to the members.

He noted that the Cabinet had considered the report at its meeting on 13 October, and had resolved as follows:-

- *To accept the report on the end of August 2020 review of the Revenue Budget, and consider the latest financial position regarding the budgets of each department/service.*
- *To note the financial impact of Covid-19, which is a combination of additional costs, income losses and slippage in the savings programme, as the Council has given complete precedence to safeguarding the health and lives of the people of Gwynedd in response to the crisis, which has meant that it was not possible to continue with the performance challenging and savings arrangements during the crisis period.*

- *To support the intention of the Chief Executive and Head of Finance Department to arrange to meet each Cabinet Member with their Head of Department, to discuss how the procedure of delivering the proposed savings can be resumed, so that the Council can proceed with a proportion of the savings programme, despite the crisis.*
- *To note that there is significant overspend by the Adults, Health and Well-being Department this year, as complex details need to be clarified in Adult care; the Chief Executive has already commissioned work to obtain a better understanding of the matters and a clear response programme.*
- *To note that a Children's Budget Taskforce has been commissioned by the Chief Executive to address the complex financial issues of the Children and Families Department in order to get to the root of the overspend, with the aim of presenting a report to the Cabinet which will detail the response plan.*
- *To approve the following recommendations and financial virements (as outlined in Appendix 2).*
  - *On Corporate budgets, that:*
    - *(£250k) relating to capital costs is transferred to the capital programme fund.*
    - *a net underspend of (£1,127k) on Corporate budgets will go to the Council's general balances to assist in facing the financial challenge ahead of the Council, particularly so in light of the Covid-19 crisis.*
- *That grant receipts from the Government to compensate for added expenditure and income losses related to the Covid-19 crisis are allocated to the relevant departments in accordance with what is noted in Appendix 1.*

During the discussion, members raised the following matters:-

- Referring to the table on page 221 of the Agenda, there was a £1m difference between the total grant applied for from the Welsh Government's hardship fund and the total grant received, and the member enquired whether there were further grant monies to be received, or was the Council expected to bear this difference? In response, it was explained that the Welsh Government rejected some applications, and deferred before paying some others. For example, claims for Free School Meal payments had been deferred since August, and were worth £200,000, with the Council awaiting receipt of the money. It was added that the Senior Finance Manager and her team were to be commended, since Gwynedd was amongst the top 6 authorities in terms of the amount they had managed to draw down from the Government's Covid Hardship Grant, and was the best in Wales in respect of the amount rejected i.e. the lowest amount rejected. This Council's method of putting forward the information had been praised by the Government as an intelligible approach, and consequently Gwynedd was managing to access the funding more quickly than other councils. It was also noted that over £400,000 had been spent on laptops to enable staff to work from home since March, and that they had managed to recover half of this cost from the fund. This was a considerable success, bearing in mind that these laptops would be an asset for the Council in future.
- Again, referring to the table on page 221 of the agenda, it was noticed that no grant had been received for August, and a member enquired whether they were right in assuming that the Council was expecting to receive a grant of £800,000 (i.e. that the deficit between the sum applied for and the amount to be received would only be around £200,000), or whether there was a problem with the August application? In response, it was explained that this was a timing issue, and that the Council awaited information back from the Welsh Government regarding this application. The Welsh Government was assessing applications from all the Welsh Councils, therefore there was a delay between submitting the application, and being notified that the application had been approved and the money being paid over. In response to a further question, it was confirmed that they expected to receive the amount applied for in this case.
- The Chief Executive's intention to get to grips again with the Children's Budget Taskforce was welcomed. A member enquired whether the findings of this work could

be used to press on and discuss with the Government, and with other councils, to see if there was room to re-examine the budget coming from the Government for this field in particular. In response it was explained that the Society of Welsh Treasurers had compiled a survey to try to gather information about the pressure and demands in the children's field across the 22 local authorities in Wales in order to put this on the Government's radar. However, without knowing the result of the UK Government's one year spending review, and what would be the settlement for Wales, the Welsh Government was not in a position to commit to anything at present.

**RESOLVED to accept the information, note the risks arising from the projected expenditure against the budget, and support the Cabinet's decisions in respect of the budgets of the Council and its departments.**

## 11. CAPITAL PROGRAMME 2019/20 – END OF AUGUST REVIEW

Submitted – the report of the Cabinet Member for Finance requesting that the Committee notes the position and any risks in respect of the Council's capital programme, scrutinises the Cabinet's decisions of 13 October, 2020 and provides comments as required.

The Cabinet Member for Finance set out the context for the report, noting the following:-

- The main point in this report again was the impact of Covid-19 on schemes, but he emphasised that although there was some re-profiling, there was no loss of funding.
- The table in part 3 on page 224 of the capital programme showed an investment of over £100m in the county's communities over the next three years.

He noted that the Cabinet had considered the report at its meeting on 13 October, and had resolved as follows:-

- *To accept the report on the end of August review (31 August 2020 position) of the capital programme.*
- *To approve funding the revisions as shown in part 4 of the report, namely:*
  - *use of various sources, worth a total of £3,646,000, to fund actual slippages from 2019/20,*
  - *a reduction of £558,000 in the use of borrowing,*
  - *an increase of £7,105,000 in the use of grants and contributions,*
  - *no change in the use of capital receipts,*
  - *an increase of £53,000 in the use of revenue contributions,*
  - *no change in the use of the capital reserve, and*
  - *an increase of £283,000 in the use of renewal funds and others.*

During the discussion, members raised the following matters:-

- The departments were congratulated on attracting substantial grants to Gwynedd.
- In response to a question, it was explained that a large proportion of the £11m housing and property capital programme would go towards the Housing Action Plan. It had originally been intended for the plan to be operational by now, but the pandemic had delayed the process. The plan would be submitted to the Cabinet in November. Evidently, the total amount would not be spent this year, as the pandemic had resulted in having to defer some of the schemes.
- It was noted that the Housing Action Plan was an encouraging and ambitious report, and members greatly hoped that it would come into fruition.

**RESOLVED to accept the information, note the risks in respect of the Council's capital programme, and support the Cabinet's relevant decisions.**

## 12. BUDGET STRATEGY 2021/22

Submitted – the report of the Cabinet Member for Finance requesting that the Committee notes the uncertainty in relation to the Council's budget for 2021/22, and provides comments on the strategy.

The Cabinet Member for Finance set out the context for the report. He emphasised the importance of the virtual seminars on the budget for members in January, and he pressed on everyone to attend the sessions.

He noted that the Cabinet had considered the report at its meeting on 13 October, and had resolved as follows:-

*To approve the procedure and timetable for producing the 2021/22 Budget, while also noting that financial planning is extremely challenging, and therefore if there was a funding gap to balance the 2021/22 budget, the Council will use contingencies and reserves to mitigate resource losses in the short term, rather than giving intensive and unnecessary consideration to lists of potential savings and service cuts during a probable second wave of the Covid-19 pandemic.*

The Head of the Finance Department noted that, further to what was contained in the report, he had pleaded with the Welsh Government in the past few days to stick to this year's draft budget, otherwise it would be impossible to plan for 2021/22.

During the discussion, members raised the following matters:-

- In response to a question on the Council's policy with regard to balances, it was explained that keeping reserves was part of a bigger picture. It depended on how much risk was incorporated into budgets in terms of things like provision for inflation and unknown issues. Many of the reserves had been committed to specific purposes, but the Council did have general balances of £8m, which basically reflected the risk of a possible cut in the Council's grant. Over the past two years, the Council had stuck to this amount, in case it found itself in a situation of having to buy time to deal with the need to find savings and cuts.
- A member enquired whether consideration had been given to borrowing money to fill the gap in the short term, since interest rates were so low at present. In response, it was explained that the regulations did not permit borrowing for revenue purposes, unless the Welsh Government permitted a Capitalisation Direction. Some other councils had been calling for this in Wales, but no statement had been made on this to date. Also, in keeping with the spirit of the Future Generations Act, the Council did not wish to pass on problems to the next generation, and preferred to try to address the problem from the reserves available.
- It was noted that should the reserves be used, the Council should ensure that the funds were replenished in the following years, and it was emphasised that the current crisis had underlined the importance of the reserves.
- It was noted that the UK Government had caused difficulties in setting a budget by cancelling the Autumn Budget, although we understood the reasons for doing so in the circumstances. However, this had led to the problem being transferred to the Welsh Government who, in turn, had transferred the problem to the councils. It was agreed that it was not appropriate to allocate staff time to search for savings when they were under pressure dealing with the crisis. It was believed that these factors meant that the two governments had a moral duty to ensure that there were no cuts in the grant and that the final settlement was sufficient, and it was important that the Council stated this clearly. The pandemic had highlighted just how damaging the cuts to the public sector had been over the past ten years, especially in health, but also in other fields, and the

public infrastructure throughout Wales and Britain was not adequate to deal with the challenges faced.

- A member enquired whether there was a risk of the Government allocating a smaller grant to a council that had reserves. In response, it was explained that the factors which drove the various element of the formula were things like population changes, the number of school pupils, elderly etc.

**RESOLVED to accept the information, to note the uncertainty in respect of the Council's budget for 2021/22, and support the strategy to balance the budget by using contingencies and reserves to mitigate resource losses in the short term, rather than give thorough and unnecessary consideration to lists of potential savings and service cuts during the likely second wave of the Covid-19 pandemic.**

### 13. AUDIT AND GOVERNANCE COMMITTEE FORWARD PROGRAMME

Submitted – the report of the Assistant Head (Revenue and Risk), outlining the work programme of the committee for the year ahead, up to July 2021.

During the discussion, members raised the following matters:-

- It was noted that Savings Overview was down twice on the forward-programme (February and May meetings)
- A member enquired whether it was intended for the committee to receive a report in due course on the Children and Adults Taskforce schemes specifically, depending on the timetable for the work. In response, it was noted that we would have to check where exactly this fell between this committee and scrutiny of the relevant department, but the member was assured that this would be addressed. Even if it was not a stand-alone item, it would be duly addressed in the Savings Overview report.
- It was noticed that the February meeting was very heavy. In response, it was noted that the agenda was heavy because of the annual procedure, but consideration could be given to rescheduling the self-assessments.
- A member enquired whether the committee could receive evidence before discussing the self-assessments. In response, it was agreed to give consideration to this, and the member who raised the issue was asked to pass on any suggestions to the officers.
- It was suggested that the committee did not discuss policies generally e.g. the borrowing policy. In response, it was explained that borrowing came under Treasury Management, and that borrowing would form part of the annual presentation with the Treasury Management Advisors in January.

**RESOLVED to accept the forward programme, and ask the officers to consider the observations made during the meeting that the 11 February 2021 programme was too bulky, that evidence must be secured prior to discussing self-assessments, and that the possibility of borrowing should be considered in the annual presentation of the Treasury Management Advisors on 27 January, 2021.**

The meeting commenced at 10.00 and concluded at 12.20pm.

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CHAIR

# Agenda Item 5

MEETING	<b>Audit and Governance Committee</b>
DATE	<b>30 November 2020</b>
TITLE	<b>Letters from the Auditor General for Wales</b>
PURPOSE	<b>To present 2 letters from the Auditor General for Wales, dated 30 September 2020 –</b> <ul style="list-style-type: none"><li>• <b>North Wales regional pooled fund in relation to care home places for older people (Appendix 1)</b></li><li>• <b>Regional pooled funds in relation to care home places for older people (Appendix 2)</b></li></ul>
AUTHOR	<b>Dafydd L Edwards, Head of Finance</b>

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1. The first letter (**Appendix 1**) was sent by the Auditor General for Wales to the chief executives of Flintshire, Gwynedd, Isle of Anglesey, and Wrexham Councils, and Betsi Cadwaladr University Health Board, following receipt of comments on extracts from local reports to Conwy and Denbighshire councils which contained a reference to Gwynedd Council as one of the north Wales region's local authorities.
2. The second letter (**Appendix 2**) was sent by the Auditor General for Wales to Dr Andrew Goodall CBE, Director General for Health and Social Services / Chief Executive NHS Wales at Welsh Government, following the completion of two reviews looking at residential and nursing care in north Wales, specifically in Conwy and Denbighshire councils.
3. Audit Wales and Welsh local authorities have different views on this, and I emphasize that it is not a 'Gwynedd Council issue'. Along with other regions on each health board's footprints, the north Wales region has established a pragmatic solution to the pooled budget problem created by requirements of the Social Services and Well-being (Wales) Act 2014.
4. While appearing to be absurd out of context, the pragmatic action taken here allows this region's local authorities to meet our responsibilities under the Act. That legislation created concerns regarding accountability and a risk was identified that the pooled budget would be too large to be controlled effectively.
5. In practice, the quarterly exchange of funds provides value for money by avoiding handing over control of a significant part of our authorities' budgets. It also complies with the Act's requirements, and identifies the scale of relevant operations across the region. Unfortunately, the national legislation put the (pooled budget) cart before the horse (wholly integrated working and proper governance arrangements), while the regional response wisely minimises the risk.

6. I hope this explanation helps committee members to understand the reasons behind our region's pragmatic solution. Further, I trust that committee members will appreciate that before effecting any change we would need to reconsider agreements between local authorities and health boards in several Welsh regions, as well as re-igniting sensitive negotiations with Welsh Government Ministers and officials.

7. **RECOMMENDATION**

Members of the Audit and Governance Committee are asked to note the position of the region's local authorities and health board, further to the Auditor General's letters.

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Chief Executives of:  
Flintshire County Council  
Gwynedd Council  
Isle of Anglesey Council  
Wrexham County Borough Council  
Betsi Cadwaladr University Health Board

**Reference:** AC/214/caf

**Date issued:** 30 September 2020

Dear Dilwyn

### North Wales regional pooled fund in relation to care home places for older people

My staff contacted you on the 30th July 2020 inviting comments on extracts from local reports to Conwy and Denbighshire councils which contained some references to your organisation. The responses we received were helpful and we have now finalised the reports. Copies of these final reports are attached.

Whilst these reports look primarily at local arrangements in Conwy and Denbighshire, they also raise some specific concerns about the North Wales regional pooled fund in relation to care home places for older people. As you know, this regional pooled fund is a partnership between all six North Wales councils and Betsi Cadwaladr University Health Board.

We found that, in practice, the North Wales pooled fund is no more than a transfer of funds back and forth between the pooled fund host and its contributors. We concluded that the pooled fund does not offer value for money and does not deliver any of the intended benefits of a pooled fund.

In respect of the pooled budget arrangement we proposed to both councils that they **should engage with partners to review the current pooled budget arrangement for residential care for older people, to ensure that transfers of funds between public bodies have a tangible benefit such as better more integrated commissioning of residential and nursing home care.**

I feel it important to draw this to your attention as Conwy and Denbighshire councils cannot action this proposal for improvement alone. This proposal is applicable to all partners contributing to the pooled fund and as such all partners need to play their part in driving improvement.

I have also written to Welsh Government seeking assurance from them over the actions they intend to take to better support delivery of pooled funds in Wales.

As part of our ongoing activities we intend to monitor how North Wales councils, the Health Board and Welsh Government address our concerns about the pooled fund.

If you wish to discuss any aspect of this work, please contact Jeremy Evans or Andrew Doughton

Yours sincerely



**ADRIAN CROMPTON**  
**Auditor General for Wales**

cc: Iwan Davies, Chief Executive, Conwy County Borough Council  
Judith Greenhalgh, Chief Executive, Denbighshire County Council  
Albert Heaney, Director - Social Services and Integration, Welsh Government

Huw Rees, Dave Thomas, Directors, Audit Wales  
Jeremy Evans, Audit Manager, Audit Wales  
Andrew Doughton, Audit Lead, Audit Wales

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Dr Andrew Goodall CBE  
Director General – Health and  
Social Services Group/Chief Executive  
NHS Wales.  
Welsh Government

**Reference:** AC/211/caf

**Date issued:** 30 September 2020

Dear Andrew

### Regional pooled funds in relation to care home places for older people

My staff have recently completed two reviews looking at residential and nursing care in North Wales, specifically in Conwy County Borough Council and Denbighshire County Council. As part of this work my team spoke with Welsh Government officials in your Social Services and Integration Directorate to inform the work, and again during the clearance of the reports. Copies of these reports are attached.

Whilst these reports look primarily at local arrangements, they also raise some specific concerns about the North Wales regional pooled fund in relation to care home places for older people. This regional pooled fund is a partnership between all six North Wales councils and Betsi Cadwaladr University Health Board.

We found that whilst funding from the relevant organisations is initially deposited into a pooled fund administered by Denbighshire County Council, each contributor gets their funding returned to them 24 hours later. From speaking to Welsh Government officials, we understand that this meets the minimal technical requirements under the Social Services and Well-being (Wales) Act 2014. However, for obvious reasons we have concluded that this neither offers value for money, nor any of the intended benefits of a pooled fund.

Whilst Audit Wales has not tested the arrangements in other regions, we understand they are of a similar nature. This may have been picked up in your review of the implementation of pooled budgets as part of the Pooled Budgets Evaluation Framework, which we understand is due to report shortly.

I wish to highlight this matter with you because it raises some significant concerns around the practical application of pooled budgets for care home provision in North Wales, and potentially more widely in Wales. What we have observed in North Wales appears to fall some way short of the wider benefits of pooled budgets envisaged through the Social Services and Well-being Act (Wales) 2014.

In that regard I would welcome an indication of the actions the Welsh Government plans to take to address these concerns and any specific recommendations that have arisen from work undertaken as part of the Pooled Budget Evaluation Framework.

The sums of public money involved in these arrangements across Wales will amount to several hundred million pounds. You will therefore appreciate that I am looking for some assurance that the necessary arrangements are in place to allow the Welsh Government to deliver its ambition for these pooled funds in ways that represent value for money and deliver the intended benefits for the end service user.

I look forward to receiving your response.

Yours sincerely



**ADRIAN CROMPTON**  
**Auditor General for Wales**

cc: Albert Heaney, Director - Social Services and Integration, Welsh government  
Local Authority and Health Board Chief Executives

# Agenda Item 6

MEETING:	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE:	<b>30 NOVEMBER 2020</b>
TITLE:	<b>TREASURY MANAGEMENT 2020/21 – MID YEAR REVIEW</b>
PURPOSE:	<b>CIPFA’s Code of Practice recommends that a report on the Council’s actual Treasury Management during the current financial year is produced.</b>
RECOMMENDATION:	<b>RECEIVE THE REPORT FOR INFORMATION</b>
AUTHOR:	<b>DAFYDD L EDWARDS, HEAD OF FINANCE</b>

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## **EXECUTIVE SUMMARY**

**During the six month period between 1 April and 30 September 2020, the Council’s borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money. Furthermore, it is estimated that the Council’s actual investment income will be lower than the expected income in the 2020/21 budget.**

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## **1. INTRODUCTION**

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

The Council’s treasury management strategy for 2020/21 was approved by full Council on 5<sup>th</sup> March 2020. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council’s treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council’s Capital Strategy, complying with CIPFA’s requirement, was also approved by full Council also on 5<sup>th</sup> March 2020.

## 2. EXTERNAL CONTEXT

**Economic background:** The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.

The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.

**Financial markets:** Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

**Credit review:** Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.

After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.

There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31<sup>st</sup> December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under

constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

### 3. LOCAL CONTEXT

On 31<sup>st</sup> March 2020, the Council had net investments of £27.4m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

These factors are summarised in the table below.

#### Balance Sheet Summary –

	<b>31.3.20 Actual £m</b>
General Fund CFR	177.1
Less: *Other debt liabilities	(2.0)
<b>Borrowing CFR</b>	<b>175.1</b>
External borrowing	(124.9)
<b>Internal borrowing</b>	<b>50.2</b>
Less: Usable reserves	(78.0)
Less: Working capital	0.4
<b>Net investments</b>	<b>27.4</b>

\* finance leases, PFI liabilities

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

The treasury management position at 30<sup>th</sup> September 2020 and the change during the period is shown in the table below.

#### Treasury Management Summary

	<b>31.3.20 Balance £m</b>	<b>6 month Movement £m</b>	<b>30.9.20 Balance £m</b>	<b>30.9.20 Rate %</b>
Long-term borrowing	104.3	0.2	104.5	5.5
Short-term borrowing	20.6	(15.1)	5.5	3.2
<b>Total borrowing</b>	<b>124.9</b>	<b>(14.9)</b>	<b>110.0</b>	
Short-term investments	12.9	18.1	31.0	1.2
Cash and cash equivalents	14.9	17.2	32.1	0.1
<b>Total investments</b>	<b>27.8</b>	<b>35.3</b>	<b>63.1</b>	
<b>Net Position</b>	<b>97.1</b>	<b>(50.2)</b>	<b>46.9</b>	

#### 4. BORROWING STRATEGY

At 30<sup>th</sup> September 2020 the Council held £104.4m of loans as part of its strategy for funding previous years' capital programmes, £4.0m of loans for cash flow purposes and £1.6m for specific projects. Outstanding loans on 30<sup>th</sup> September are summarised in the table below.

##### Borrowing Position

	<b>31.3.20 Balance £m</b>	<b>6 months Movement £m</b>	<b>30.9.20 Balance £m</b>	<b>30.9.20 Rate %</b>
Public Works Loan Board	88.2	0.0	88.2	5.8
Bank (long term)	16.2	0.0	16.2	4.2
Local Authority	19.0	(15.0)	4.0	1.6
Specific Projects	1.5	0.1	1.6	0.0
<b>Total borrowing</b>	<b>124.9</b>	<b>(14.9)</b>	<b>110.0</b>	

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

With short term interest rates remaining much lower than long term rates, the Council considered it to be more cost effective in the near term to use internal resources and borrow short term loans instead. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

##### Borrowing Update

On 9<sup>th</sup> October 2019 the PWLB raised the cost of certainty rate borrowing to 1.8% above UK gilt yields making it relatively expensive. Market alternatives are available, however the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction.

The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 31<sup>st</sup> July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year.

**5. INVESTMENT ACTIVITY**

Since April, the Council has received Welsh government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £62m was received, temporarily invested in short- dated, liquid instruments such as call accounts and Money Market Funds. £59m was disbursed by the end of September.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council’s investment balance ranged between £49.6 and £110.4 million due to timing differences between income and expenditure. The investment position during the period is shown in the table below.

**Treasury Investment Position**

	<b>31.3.20</b>	<b>6 month</b>	<b>30.9.20</b>	<b>30.9.20</b>
	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>	<b>Income</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>Returns</b>
				<b>%</b>
Banks & building societies (unsecured)	8.7	5.0	13.7	0.22
Local authorities	0.0	6.0	6.0	0.08
Debt Management Office	0.0	4.0	4.0	0.01
Money Market Funds	9.1	20.3	29.4	0.07
Pooled Funds (initial investment)	10.0	0.0	10.0	3.30
<b>Total investments</b>	<b>27.8</b>	<b>35.3</b>	<b>63.1</b>	

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

In the light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council has kept more cash available at very short notice than is normal. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

£10m of the Authority’s investments are held in externally managed strategic pooled property and equity funds where short- term security and liquidity are lesser consideration, and the objectives instead are regular revenue income and long- term price stability. Because these funds have no defined maturity date, but are available for

withdrawal after a notice period, their performance and continued stability in meeting the Authority's investment objective are regularly reviewed.

The performance of our pooled property and equity funds at 30 October 2020 can be seen below:

STRATEGIC POOLED FUND PORTFOLIO			GWYNEDD				From: 21/02/2019	To: 31/10/2020		
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	1,158,480	1,145,158	-104,842	99,997	1.7	-8.39%	8.00%	-0.39%	12.2%
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,524,344	4,250,328	-749,672	305,882	1.7	-14.99%	6.12%	-8.88%	6.2%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	1,209,599	1,202,221	-47,779	85,516	1.7	-3.82%	6.84%	3.02%	6.3%
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	4,783,773	1,518,370	-981,630	256,234	1.7	-39.27%	10.25%	-29.02%	17.7%
<b>GRAND TOTAL</b>			<b>8,116,076</b>	<b>-1,883,924</b>	<b>747,629</b>	<b>1.7</b>	<b>-18.04%</b>	<b>7.48%</b>	<b>-11.56%</b>	<b>6.8%</b>
			Unrealised capital loss:	-1,883,924			Annualised income return:	4.38%		

It is evident that the combined capital value of £8.116m is less than the initial investment of £10m. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters, and even years; but with the confidence that over a three to five year period total returns will exceed cash interest rates. Investment in these funds will be maintained in the medium term.

The falls in the capital values of the underlying assets, in particular bonds and equities were reflected in the 31<sup>st</sup> March 2020 fund valuations with most funds registering negative capital returns over a 12-month period. Since March there has been improvement in market sentiment which is reflected in an increase in capital values except for the property funds where dealing was suspended in March 2020. The relative infrequency of property transactions in March as the pandemic intensified meant that it was not possible for valuers to be confident that their valuations correctly reflected prevailing conditions. To avoid material risk of disadvantage to buyers, sellers and holders of units in the property fund, the management company was obliged to suspend transactions until the required level of certainty is re-established.

## Investment Benchmarking

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

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2020	4.99	A+	100%	31	1.97
30.06.2020	4.39	AA-	71%	13	0.85
30.09.2020	3.98	AA-	74%	14	0.68
<b>Similar LAs</b>	<b>4.41</b>	<b>AA-</b>	<b>44%</b>	<b>177</b>	<b>0.40</b>
<b>All LAs</b>	<b>4.14</b>	<b>AA-</b>	<b>64%</b>	<b>18</b>	<b>0.90</b>

## Treasury Management Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

Investment income in the Council's 2020/21 budget was set against a very different economic backdrop. Bank rate, which was 0.75% in February, now stands at 0.1%, but interest earned from short dated money markets will be significantly lower. In relation to income from the Council's externally managed strategic funds, dividend and income distributions will ultimately depend on many factors, including but not limited to the duration of COVID-19 and the extent of its economic impact, the fund's sectoral asset allocation and securities held.

The Council's budgeted investment income for the year is £0.4m, however the actual expected investment income for the year 2020/21 is estimated at £0.08m. This is based on the following expectation:

- Bond funds and property fund: 20% lower
- Multi asset income funds: 25% lower
- Equity income funds: 50% lower
- Overnight rate: 0.01%-0.06%

## 6. COMPLIANCE

The Council's borrowing and investments remained well within the limits originally set. The only indicator that was not met is Interest Rate Exposures.

### Debt Limits

	Maximum during period	30.9.20 Actual	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied
Borrowing	£124.9m	£110.0m	£184m	£194m	✓
PFI & finance leases	£1.7m	£1.7m	£6m	£6m	✓
<b>Total debt</b>	<b>£126.6m</b>	<b>£111.7m</b>	<b>£180m</b>	<b>£200m</b>	✓

### Investment Limits

	Maximum during	30.9.20 Actual	2020/21 Limit	Complied

	<b>period</b>			
Any single organisation, except the UK Government	£7m	£7m	£8m each	✓
UK Central Government	£45.4m	£4m	Unlimited	✓
Any group of organisations under the same ownership	£0	£0m	£8m per group	✓
Any group of pooled funds under the same management	£5m	£5m	£20m per manager	✓
Negotiable instruments held in a broker's nominee account	£0	£0	£40m per broker	✓
Limit per non-UK country	£5m	£4m	£8m per country	✓
Registered providers	£0	£0	£20m in total	✓
Unsecured investments with building societies	£0	£0	£8m in total	✓
Loans to unrated corporates	£0	£0	£8m in total	✓
Money Market Funds	£40m	£29.4m	£40m in total	✓
Real Estate Investment Trusts	£0	£0	£20m in total	✓

### Treasury Management Indicators

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

**Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one year revenue impact of a 1% rise or fall in interest was:

<b>Interest rate risk indicator</b>	<b>2021/21 Limit</b>	<b>2020/21 Target</b>	<b>Complied</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£374,303	£324,000	✘
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£5,096	£23,000	✓

Since setting this indicator the economic outlook for interest rates has changed completely with the onset of the global pandemic. The average interest rate received on short term balances was 0.07% during the six month period to 30<sup>th</sup> September 2020, with more recent investment being made as low as 0.01%. This indication was set when

the base rate was 0.75% and therefore it is reasonable that there is such an impact of a 1% rise, and demonstrates the severe impact that the pandemic has had on investment returns.

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

	Target	Actual	Complied
Portfolio average credit score	6.0	3.98	✓

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

	30.9.20 Actual	2020/21 Target	Complied
Total cash available within 3 months	£53.1m	£10m	✓

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

	Upper	Lower	Actual
Under 12 months	25%	0%	5.0%
12 months and within 24 months	25%	0%	1.4%
24 months and within 5 years	50%	0%	8.6%
5 years and within 10 years	75%	0%	9.9%
10 years and above	100%	0%	75.1%

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

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

	2020/21	2021/22	2022/23
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£20m	£20m	£20m
<b>Complied</b>	✓	✓	✓

## 7. INVESTMENT TRAINING

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

## 8. OTHER

IFRS 16: The implementation of the new IFRS 16 Leases accounting standard has been delayed until 2021/22.

## 9. OUTLOOK FOR THE REMAINDER OF 2020/21

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
<b>Arlingclose Central Case</b>	<b>0.10</b>												
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Q3.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.

Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 NOVEMBER 2020
TITLE	COUNTER FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS
PURPOSE OF REPORT	TO UPDATE THE COMMITTEE ON THE COUNCIL'S ANTI-FRAUD AND ANTI-CORRUPTION WORK, AND PROGRESS ON THE WORK PROGRAMME FOR THE NEXT THREE YEARS
AUTHOR	DEWI MORGAN, ASSISTANT HEAD OF FINANCE (REVENUES AND RISK)
ACTION	CONSIDER AND CHALLENGE THE CONTENTS OF THE REPORT

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## INTRODUCTION

- 1 The “**Risk of Fraud, Bribery and/or Corruption**” has been identified as one of the Council’s corporate risks. Currently, this is still considered to be of a **low risk** (score of 4) within the context of the Council’s governance framework because of:
  - An **Impact score of 2** (A **significant** effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a **visible** effect on many residents), and
  - A **Likelihood score of 2** (the likelihood of it happening is low – but is still there). It is believed that the likelihood is low because internal controls are generally robust; this is confirmed by the work of Internal Audit.
- 2 The purpose of this report is to:
  - Present information to the Committee on the Council’s fraud investigations.
  - Update the Audit and Governance Committee on progress on the programme of work of Gwynedd Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy for 2019-2022 adopted by the Audit and Governance Committee on 14 February 2019

## FRAUD INVESTIGATIONS

- 3 The Council's officers are not currently investigating allegations of fraud against it.

## **PROGRAMME OF WORK OF THE ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY STRATEGY**

- 4 Gwynedd Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy for 2019-2022 was adopted by the Audit and Governance Committee on 14 February 2019. The strategy includes eight actions which should be delivered over the three years to strengthen the Council's anti-fraud arrangements within available resources.

### IDENTIFYING EMERGING RISKS

#### **Action: Hold regular workshops of relevant officers to discuss matters arising, emerging risks and share good practice**

- 5 A draft plan submitted by the Audit Manager to the Audit and Governance Committee on 13 February 2020 was the result of discussion with the Assistant Head of Finance (Revenue and Risk) and meetings with the heads of department. In the wake of the pandemic, however, the work of the unit was temporarily paused, and a new plan was presented to the Committee on 30 July. This scheme includes specific audits that respond to areas that may be subject to fraud in the wake of the crisis.
- 6 Action to identify further fraud risks will continue, but clearly any meetings will take place virtually for the foreseeable future.

### COUNCIL TAX REDUCTION FRAUD

#### **Action: Collaboration with the Department for Work and Pensions to develop the work of investigating Council Tax Reduction fraud**

- 7 It was reported to the Committee in November 2019 that three Benefits officers and three Taxation officers were working for the CIPFA Accredited Counter Fraud Technician (ACFTech) qualification. It is good to report that each one of them passed the qualification. This is a significant investment in our fraud prevention procedures.
- 8 The qualification is accredited by the Counter Fraud Professional Accreditation Board, and the officers are recognised as 'Accredited Counter Fraud Technicians'. This will be an important step forward in developing the skills and qualifications necessary for Benefit Officers to be able to work more closely with the Department for Work and Pensions (DWP) fraud investigators.
- 9 A Workshop was held in Pwllheli on 12 February with the Assistant Head of Finance (Revenue and Risk), the Benefit Manager and Benefits officers to establish a way of moving forward to conduct investigations into fraudulent claims specifically relating to the Council Tax Reduction Scheme (claims that do not have an element of state benefits, and are therefore not investigated by DWP Fraud Investigators). One of the main expected outputs of the training was to enable officers to conduct fraud interviews, and to offer administrative penalties or to prosecute in the most serious cases. However, despite planning further action, this year's circumstances have not allowed further action to be taken as expected.
- 10 When the strategy was presented to the Committee in February 2019, members were keen to ensure that Council Tax fraud was also addressed. The qualification of Taxation officers will also enable them to develop their fraud investigation skills.

## CIPFA COUNTER FRAUD CENTRE

**Action: Continue to subscribe to the CIPFA Counter Fraud Centre and make use of the facility, including the source for identifying fraud risks, to ensure access to good practice**

- 11 We are committed to membership for the current financial year, and we expect that we will continue thereafter. Further, we aim to be proactive, and have contributed to the service's annual "Fraud Tracker" exercise again this year.

## COMMITTEE REPORT

**Action: Include an item on counter fraud work on the Audit and Governance Committee agenda twice a year**

- 12 There was an expectation that we would report to the May and November meetings of the Committee to give an update on this work, but the meeting of the Audit and Governance Committee that was due to be held in May 2020 was cancelled.
- 13 This report is therefore presented as an update, with the expectation that it will be possible to report again to the Committee in May 2021 – this has already been noted that was approved on 15 October 2020.

## USE OF DATA

**Action: Assess the possibility of using data better in order to identify and investigate fraud**

### ***Review of Council Tax Discounts***

- 14 It was reported to the Committee meeting in November 2019 that Gwynedd Council is working with Datatank, to undertake a "rolling review" of single person discount applied to Council Tax accounts. False claims for this discount is amongst the most common frauds committed nationally, and studies have shown that the public sees this amongst the most "acceptable" of frauds.
- 15 This shows that single person discount fraud is common and recurring – and there is no reason to think that Gwynedd is different to the rest of Wales.
- 16 At present, around 18,000 Gwynedd households are in receipt of a 25% Council Tax single person discount which is awarded when there is only one adult living at a property.
- 17 Where incorrect claims are identified, the Council will terminate the claims, writing to the taxpayer and seeking to reclaim the discount.

### ***National Fraud Initiative***

- 18 The National Fraud Initiative (NFI) is a biennial data-matching exercise that helps detect and prevent fraud and overpayments from the public purse across the UK.
- 19 The NFI matches data across organisations and systems to help public bodies identify fraud and overpayments. A full NFI exercise will be undertaken soon, and work is ongoing to prepare data so that it can be passed to Audit Wales by the deadline of 5pm on 1<sup>st</sup> December.
- 20 These are the data sets that local authorities must provide:

- Payroll
- Pensions

- Trade creditors' payment history and trade creditors' standing data
  - Housing benefits (supplied by DWP)
  - Housing – Tenants, waiting list, Right to Buy
  - Council tax (annual submission)
  - Council tax reduction scheme
  - Electoral register (annual submission)
  - Students eligible for a loan (to be supplied by SLC)
  - Private supported care home residents (date of collection to be confirmed)<sup>1</sup>
  - Transport: residents parking and blue badges (blue badge data to be supplied by the Blue Badge Digital Service) and concessionary travel passes and permits
  - Licences – taxi driver (market trader-operator and personal alcohol licence data may be submitted on a voluntary basis)
  - Personal budgets (date of collection to be confirmed)
  - COVID-19 business support grants data
- 21 The Council will begin to receive the results of the data matching work from January 2021, and work will commence at that time to check the reports that have been produced to identify any cases of fraud.

#### NEW DEVELOPMENTS

#### **Action: The Council will be alert to the risk of fraud with new developments within the Council**

- 22 This action goes hand-in-hand with the work to strengthen and develop the Council's risk management arrangements. With that in place, it should become natural for officials to identify new developments within the Register. It is important to note that the main risk of the majority of developments is not fraud, but we must be aware that there is potential fraud in any situation where money transfers.
- 23 Members will note from the list in paragraph 22 above that one of the new datasets that must be submitted to the National Fraud Initiative this year is COVID-19 business support grant data. As part of the fiscal stimulus package to support businesses in Wales through the Covid-19 pandemic, Welsh Ministers introduced two non-repayable grant instruments that are linked to non-domestic properties:
- Grant 1:** A grant of £25,000 for retail, leisure and hospitality businesses occupying properties with a rateable value of between £12,001 and £51,000 on 20 March 2020.
- Grant 2:** A £10,000 grant to all businesses eligible for small business rates relief (SBRR) in Wales with a rateable value of £12,000 or less on 20 March 2020.
- 24 The Taxation Service administered these grants. By 19 November 2020 the service had paid 528 Grant 1 and 4,645 Grant 2, with a total value of £59.64m. It is inevitable that a scheme where significant money is allocated in times of crisis, particularly where payments are expected to be made quickly, will be attractive to fraudsters. We believe that robust arrangements are in place within the Taxation Service to administer the grants and check the validity of the applications – while this had attracted complaints from those who saw delays in getting their payments, it appears that an appropriate balance was been struck between paying quickly and paying correctly.

## RAISING AWARENESS

**Action: Establish a team Task and Finish Group to identify ways of raising awareness of fraud across the Council**

25 This has not yet happened and has slipped due to the exceptional circumstances this year.

## TRAINING EVENTS

**Action: Being proactive by attending training events provided by professional bodies, and/or provide training jointly with other authorities in order to maximise effectiveness**

26 A number of officers from the Finance Department have attended online webinars on Fraud and Corruption matters since the start of the lockdown period, including some that have been provided by CIPFA, the IRRV and others. The fact that events have had to move to online has made it easier and cheaper for many officers to attend and learn remotely.

27 In addition to Benefit and Taxation officers, two of the internal auditors have also qualified as CIPFA *Accredited Counter Fraud Technicians* (ACFTech). One of these auditors is currently on secondment with another public body and working specifically in the area of fraud investigation while the permanent post holder is on maternity leave. The expectation is that the officer will learn from this valuable experience and use it with us at Gwynedd Council in the near future when they return to their usual post.

## **RECOMMENDATION**

28 The Audit and Governance Committee is asked to accept this report as an update on the Council's anti-fraud and anti-corruption work.

# Agenda Item 8

COMMITTEE

AUDIT AND GOVERNANCE COMMITTEE

DATE

30 NOVEMBER 2020

TITLE

RISK MANAGEMENT ARRANGEMENTS

PURPOSE OF REPORT

TO UPDATE THE AUDIT AND GOVERNANCE COMMITTEE ON THE COUNCIL'S RISK MANAGEMENT ARRANGEMENTS

AUTHOR

DEWI MORGAN, ASSISTANT HEAD OF FINANCE (REVENUES AND RISK)

ACTION

RECEIVE AN UPDATE ON FURTHER DEVELOPMENTS TO THE RISK MANAGEMENT ARRANGEMENTS, THE NEXT IMPLEMENTATION STEPS, AND CONSIDER IF THE RESPONSE ADDRESSES THE MATERS RAISED IN THE AUDITOR'S LETTER

## 1. INTRODUCTION

- 1.1 One of the statutory responsibilities of the Audit Committee is to review and assess the Authority's arrangements for risk management, internal control and corporate governance, in accordance with part 81(1)(c) the Local Government (Wales) Measure 2011.
- 1.2 The purpose of this report is to give the Committee an update on developments in the risk management area.

## 2. CURRENT SITUATION

- 2.1 Committee members are aware of the arrangements that are in place for assessing and scoring risks, as it is regularly introduced as part of the Audit Manager's update on the work of Internal Audit. Since 2018, Internal Audit's approach to assessing the risks of the audited services follows this procedure.
- 2.2 Similarly, the Annual Governance Statement has for some time now been prepared on the basis of the 22 governance risks that have been identified and are continually assessed by the Governance Arrangements Assessment Group.
- 2.3 The arrangements consider two factors when scoring the size of risks:
  - The **Impact** of the event if the risk were realised
  - The **Likelihood** of the risk being realised.

2.3.1. The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

### **Impact**

Score	Impact	Definition
5	Catastrophic	A <b>catastrophic</b> effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A <b>destructive</b> effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a <b>very substantial</b> effect on many residents
3	Very Substantial	A <b>very substantial</b> effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a <b>significant</b> effect on a many residents

2	Significant	A <b>significant</b> effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a <b>visible</b> effect on many residents
1	Visible	A <b>visible</b> effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a <b>marginal</b> effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

### Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

2.3.2. The Impact Score and Likelihood Scores are multiplied together to give a Current Risk Score, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Moderate Risk
Score 1-5	Low Risk

### Current Assessment

2.4 The risk management arrangements is a specific area that is addressed in the assessment of the Council's governance arrangements. The Annual Governance Statement (approved by the Committee on 30 July) describes the current position as follows:

2.5 We have assessed that this is currently a **Medium** risk, because:

**There are strong arrangements for monitoring our compliance with certain types of operational risks, such as Health and Safety, Safeguarding Children and Adults and Emergency Planning and Business Continuity. There is quantitative evidence that performance in these areas is improving-although there are examples of room for further improvement.**

**Each risk in the Corporate Risk Register has been considered from the perspective of the risk to the people of Gwynedd, not from the Council's introverted point of view.**

**The Council's risk management arrangements continue to develop, and they will evolve further as the Ffordd Gwynedd culture permeates the Council. Recent work to develop a corporate risk register for the whole authority, and to do so hand-in-hand with arrangements where business units record obstacles and actively try to resolve those immediately, is beginning to show success.**

**The Covid-19 pandemic has been a significant test for the Influenza Pandemic Plan and for the Council's service continuity plans. We immediately saw what happens with any such plan, that there were things that were not addressed in the plan. For example, the flu pandemic plan did not envisage that society itself would be locked down and there would be a need to cope not only with staff absences but also with staff all working from home.**

**However, a response was achieved and the comparatively lower incidence of cases than predicted in the original projection; the limiting of the number of deaths and the fact that the Council has been able to continue to deliver its Priority 1 services is evidence of this.**

### **3. FURTHER STEPS**

- 3.1 The 2019/20 Annual Governance Statement notes the following as further steps which need to be taken to further strengthen the risk management arrangements:

**Work still needs to be done to ensure that all Council departments maintain the procedure of recording their major risks and review them regularly. The Insurance and Risk Service will support all departments to ensure that the use of the Corporate Risk Register is consistent across the Council, and that risks are continuously updated. The procedure of considering the contents of risk registers when monitoring the performance of departments will develop further.**

- 3.2 Since the approval of the Governance Statement, the following steps have been taken to continue to develop the arrangements:

3.2.1. The Chief Executive or Corporate Director has held a series of meetings with each department's management teams and their responsible Cabinet Member during September 2020 for an update on the risks of those departments individually.

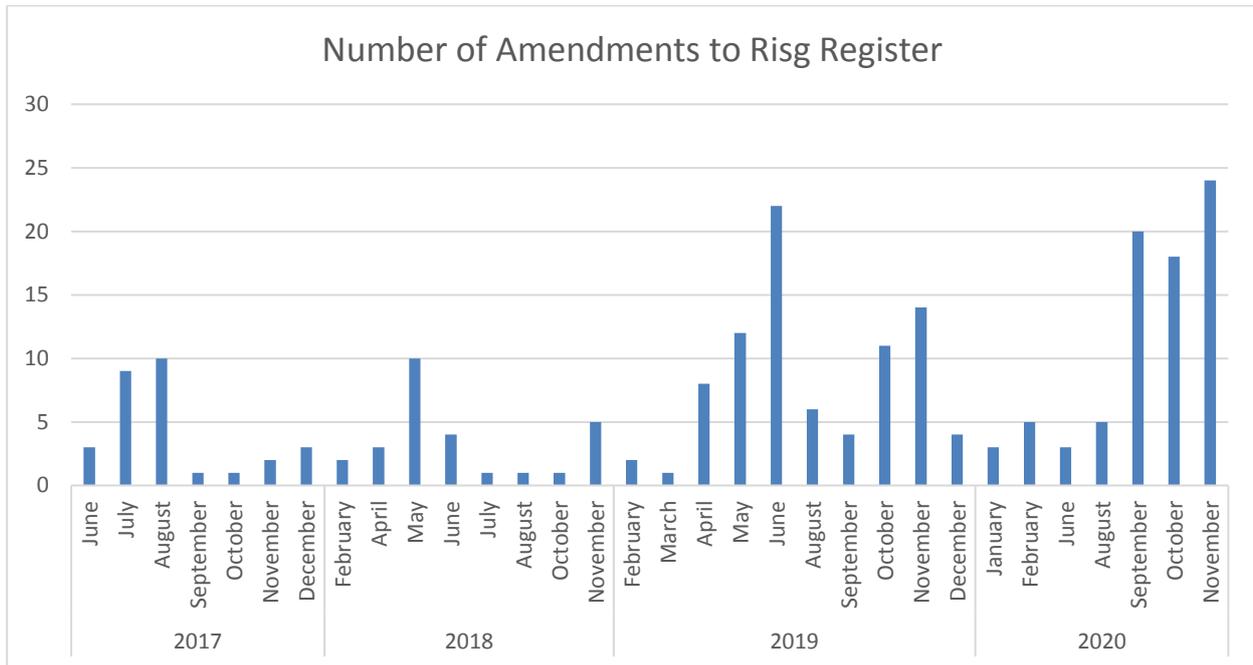
3.2.2. The Chief Executive / Corporate Director subsequently met with all heads of department, responsible Cabinet Member and Chair and Vice Chair of relevant scrutiny committee (Audit and Governance Committee for reports relating to the Finance and Corporate Support departments) to identify issues requiring attention for the next year.

3.2.3. The Corporate Risk Register has then been specifically addressed by the Chief Executive at Managers Network meetings during October / November 2020. The opportunity was used to explain to managers that each department needs to consider its main risks using the normal system of identifying matters that can happen and whether it would affect the ability of a business unit to realise its purpose. One of the risks of the of the Finance Department was used as an example, namely the risk of a property transferring from a domestic resident paying Council Tax to being a non-domestic property.

3.2.4. It was explained that the content of the risk register, and the progress being made to address the issues within it that need attention, will play a central role in performance review meetings in future.

3.2.5. All officers at manager level or higher have access to the risk register with a view to ensuring that it is updated appropriately as soon as possible. Of course, the register will never be completed as it is a live document, but the expectation is that we will have reached a point within the next few weeks where the register is at any point in time is a true reflection of the Council's situation.

3.2.6. The graph below shows how the number of amendments made to the register by month. While in the past there has been a lot of occasional activity, usually when there is a specific request to update the register, the issue is now being addressed much more consistently, which is an indication that managers have started to see updating the register as a natural part of the normal work.



3.3 It should be noted that work is also underway within the Council to prepare by the end of the transition period that ends after the United Kingdom leaves the current separate Brexit risk register before the end of the transition period on 31 December 2020.

**4. RECOMMENDATION**

4.1 The Committee is requested to receive this report as an update on the progress made by the Council to ensure that a complete risk register is in place.

# Agenda Item 9

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 NOVEMBER 2020
TITLE	INTERNAL AUDIT PLAN 2020/21
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2020/21 AUDIT PLAN
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	FOR INFORMATION

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## 1. INTRODUCTION

1.1 This report is a progress report on completion of the 2020/21 Internal Audit Plan.

## 2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2020/21 internal audit plan is included in Appendix 1 with the status of the work as at 31 October 2020 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	19
Working Papers Created	1
Field Work Completed	1
Field Work Started	10
Final Report Issued	7
<b>Total</b>	<b>38</b>

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 2021. 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 31 October 2020 was **18.42%** - out of **38** individual audits contained in the 2019/20 plan, **7** had been released in a finalised version/completed.

**3. RECOMMENDATION**

- 3.1 The Committee is asked to note the contents of this report as an update on progress against the 2020/21 audit plan, and offer comments thereon and accept the report.



# Internal Audit Plan 2020/2021

Audit Code	Audit Name	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
<b>CORPORATE</b>						
1-CORFF-11/2021/001	Employment Statements	8.00	0.00	8.00	5.46	Final Report Issued
1-CORFF-15/2021/001	Climate Change	20.00	0.00	20.00	0.81	Field Work Started
1-CORFF-19/2021/001	Safeguarding Arrangements	10.00	0.00	10.00	5.51	Field Work Started
1-CORFF-20/2021/001	Business Arrangements as a result of Covid-19	30.00	0.00	30.00	5.51	Field Work Started
1-CORFF-20/2021/002	Respond to key issues affecting the internal control environment	30.00	0.00	30.00		Planned
1-CORFF-20/2021/003	Business Continuity Plans (across the Council) and Lessons Learned	40.00	0.00	40.00		Planned
1-CORFF-20/2021/004	Supply chain risks	20.00	0.00	20.00	2.64	Field Work Started
1-CORFF-20/2021/005	Home Working Arrangements	20.00	0.00	20.00	2.86	Field Work Started
1-CPGV-02/2021	Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	40.00	10.00	50.00	11.82	Field Work Started
<b>EDUCATION</b>						
<b>Resources</b>						
4-DAT-X-ADD/2021/001	Pupil Development Grant	10.00	0.00	10.00	9.96	Final Report Issued
4-DAT-X-ADD/2021/002	Regional Consortia School Improvement Grant	15.00	0.00	15.00	15.07	Final Report Issued
4-DAT-X-ADD/2021/003	Post-16 provision in Schools Grant	3.00	0.00	3.00		Planned
<b>Schools</b>						
EADDA32/2021/001	School Funds	30.00	0.00	30.00		Planned
EADDA35/2021/001	Schools - General	5.00	0.00	5.00		Planned
<b>ENVIRONMENT</b>						
<b>Public Protection</b>						
2ADN-GGYC-GYC/2021	Street and Parking Enforcement	12.00	0.00	12.00		Planned
<b>FINANCE</b>						
<b>Across the department</b>						
AW-TG-12/2021/001	IT Systems	30.00	0.00	30.00	5.30	Planned
<b>Accountancy</b>						

<b>Audit Code</b>	<b>Audit Name</b>	Original Plan	Adjustment	Revised Plan	Actual Days	Audit Status
AN-ACY-08/2021/001	Harbours Statement of Accounts 2019-2020	4.00	0.00	<b>4.00</b>	<b>4.27</b>	Final Report Issued
AN-ACY-08/2021/002	Joint Planning Policy Committee Statement of Accounts 2019-2020	4.00	0.00	<b>4.00</b>	<b>2.84</b>	Final Report Issued
AN-ACY-08/2021/003	North Wales Economic Ambition Board Statement of Accounts 2019-2020	10.00	0.00	<b>10.00</b>	<b>4.27</b>	Final Report Issued
<b>Pensions and Payroll</b>						
AL-CYF-18/2021/001	Payments to Care Workers	15.00	0.00	<b>15.00</b>	<b>6.01</b>	Field Work Started
AP-PEN-11/2021/001	New Starters	12.00	0.00	<b>12.00</b>	<b>0.31</b>	Planned
<b>Revenue</b>						
AB-BD-01/2021/001	Council Tax Reduction Scheme	10.00	0.00	<b>10.00</b>	<b>9.61</b>	Field Work Complete
AC-TR-01/2021/001	Welsh Government Business Support Grants	120.00	0.00	<b>120.00</b>	<b>126.11</b>	Field Work Started
<b>ECONOMY AND COMMUNITY</b>						
<b>Community Regeneration</b>						
EADDZ-01/2021/001	Welsh Church Fund	3.00	0.00	<b>3.00</b>	<b>0.41</b>	Planned
<b>Record offices, museums and the arts</b>						
EDIW-MU-03/2021/001	Storiell	6.00	-1.00	<b>5.00</b>		Planned
EDIW-COR-01/2021/001	Lloyd George Museum	6.00	0.00	<b>6.00</b>	<b>2.73</b>	Planned
<b>Business support</b>						
DDAT-AD-04/2021/001	STEM Gogledd	8.00	0.00	<b>8.00</b>	<b>3.24</b>	Field Work Started
<b>Maritime and country parks</b>						
EHAMT-01/2021/001	Beach Management Plan	10.00	-2.00	<b>8.00</b>		Planned
<b>Strategy and development Programmes</b>						
DDAT-AD-05/2021/001	North Wales Economic Ambition Board	15.00	0.00	<b>15.00</b>		Planned
<b>Tourism, marketing and customer care</b>						
DDAT-BS-02/2021/001	Business Units	12.00	0.00	<b>12.00</b>	<b>1.46</b>	WP Created
<b>ADULTS, HEALTH AND WELLBEING</b>						
<b>Residential and Day</b>						
5-GOF-CART/2021/001	Private Care Home Fees	30.00	0.00	<b>30.00</b>		Planned
<b>CHILDREN AND FAMILY SUPPORT</b>						
<b>Children and Families</b>						

<b>Audit Code</b>	<b>Audit Name</b>	Original Plan	Adjustment	<b>Revised Plan</b>	<b>Actual Days</b>	Audit Status
GGWAS-P03/2021/001	Risk Assessment Arrangements and Training Programme	12.00	0.00	<b>12.00</b>	<b>0.00</b>	Planned
GGWAS-P06/2021/001	Statutory Assessments (AMHP)	20.00	0.00	<b>20.00</b>		Planned
GGWAS-PLANT2/2021	Arrangements for "Fee School Meals"	12.00	0.00	<b>12.00</b>	<b>3.01</b>	Field Work Started

#### **HIGHWAYS AND MUNICIPAL**

##### **Highways Maintenance and Municipal**

PZ01/2021/001	Risk Assessments	25.00	-5.00	<b>20.00</b>		Planned
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#### **HOUSING AND PROPERTY**

##### **Homelessness and Supported Housing**

GDAPR-SP01/2021	Supporting People Grant	12.00	0.00	<b>12.00</b>	<b>11.61</b>	Final Report Issued
T-TAI-D01/2021/001	Bed and Breakfast Costs	30.00	0.00	<b>30.00</b>	<b>0.54</b>	Planned

#### **GWYNEDD CONSULTANCY**

##### **Across the department**

PYMG/CON/2021/001	Budgeting and Expenditure	15.00	-5.00	<b>10.00</b>		Planned
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COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	30 NOVEMBER 2020
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 10 NOVEMBER 2020
AUTHOR	COUNCILLOR JOHN BRYNMOR HUGHES
ACTION	TO ACCEPT THE REPORT

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## 1. INTRODUCTION

- 1.1 A virtual meeting of the Working Group was held on 10 November 2020 with the Chair of the Audit and Governance Committee, Councillor John Brynmor Hughes and Councillors John Pughe Roberts, Angela Russell, Medwyn Hues, Paul Rowlinson, Dewi Roberts, Sharon Warnes (Lay Member), Steffan Jones (Head of Highways and Municipal), Eurig Williams (Human Resources Advisory Services Manager) and Luned Fôn Jones (Audit Manager) present.
- 1.2 It was decided at the Audit and Governance Committee held on 30 July 2020 to further discuss the **“Overtime”** audit at a meeting of the Controls Improvement Working Group. The audit received a “Limited” level of assurance, **“Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.”**

## 2. MAIN FINDINGS

- 2.1 The main findings of the audit were as follows:

*Payments for voluntary overtime were seen in all services within the department and any new regulations or legislations would have implications meaning that it is unsustainable to continue paying overtime at the same rates. The department has already identified this and are in the process of identifying opportunities to modify staff structures and operating procedures.*

*There are a number of services where overtime payments are unavoidable, maintenance work on busy roads is carried out at night to minimise the effect on traffic as well as for the workers’ safety and well-being. Responding to accidents on highways as well as gritting overnight are duties carried out outside of normal working hours which cannot be planned for and overtime is therefore the most effective way to pay the workforce. Tasks such as road resurfacing need to be completed on the same day, and in many instances, the length of a normal shift is not sufficient.*

*It is more efficient to continue working on overtime rates rather than attempt to set up and continue on the following day, the characteristics of materials like 'tarmac' and the need to avoid waste is also relevant in the decision making.*

*Expenditure on overtime is very high in municipal services such as recycling and refuse collections. Overtime is paid in order to cope with time lost through vehicle breakdowns, failure to complete tasks within a shift and for missed collections. It is impractical to argue with residents over missed collections and overtime is paid to workers to return to collect them. The nature of the 12.33-hour shifts is such that the staff vary the routes they work on and do not necessarily collect recycling/refuse from the same properties. The department hopes that returning to weekly shifts will ensure more consistency concerning collection times for the residents and an improvement in the workers' familiarity of the routes and 'back door' collections.*

*The procedure to return to a normal working day of 7.5/7 hours has already started in Dwyfor since July and in Arfon since November with Meirionnydd to follow in 2020. Additionally, the department have negotiated with the unions in order to discard the 'task and finish' practice. The aim is to reduce the unproductive hours among the workforce, reduce overtime payments for work in addition to a normal shift and reduce the motivation to rush the work, which leads to injury and sickness absences. A direct correlation could be seen between sickness leave and the services where overtime payments were most prevalent namely refuse collection and recycling, Street Cleaning and waste sites. A large proportion of the overtime is in order to cope with lack of staff availability and to ensure service continuity.*

*The Working time Directive (1998) is a law that prevents employers from forcing workers to work beyond an average of 48 hours per week over a period of 17 weeks. Voluntary work such as voluntary overtime is not included in this total and employers are required to keep evidence when an employee signs a declaration to opt out of this regulation. Numerous staff work in numerous roles across different departments. The total hours recorded each week are high and in excess of 48 hours and therefore it should be checked whether there are any workers who need to opt out of the regulation.*

*The overtime rate varies across services and areas. Overtime in some areas was predominantly on a basic rate while other areas pay the majority on a 'time and a half' rate. It appears that work beyond a normal shift is paid at a 'time and a half' rate while a basic rate is paid for additional shifts, which cover staff absences. According to the relevant policies, officers on or above a pay grade of 23 are not entitled to receive overtime payments at a rate of 'time and a half' but a number of examples of this was seen.*

*Guidelines within the Highways and Municipal department state that planned overtime is to be paid at 'time and a half' while unplanned overtime should be paid at basic rate. This has been the subject of many discussions, but a definitive conclusion has not been reached and no definitive guidance has been provided due to differences in the nature of the work and different circumstances within different departments. The Human Resources service is in the process of reviewing the policy in order to publish a revised version, which is more suitable and appropriate.*

*In addition to changing the working procedures within the recycling and refuse work areas, the department are undergoing a process of restructuring since the appointment of a new head of service with the aim of the Highways, Municipal and Commissioning units operating within a more consistent and similar approach. The department also intend to review the procedural and staff structures of services within the department with the objective of reducing overtime expenditure. Successful trials have already been held in some services such as a waste site in Meirionnydd where the weekend has been incorporated into the normal working week. The department is progressing carefully due to the need to consider the nature of the work in different areas of Gwynedd before deciding on a practical and feasible structure.*

- 2.2 The Head of Highways and Municipal and the Human Resources Advisory Services Manager were welcomed to the meeting.
- 2.3 The Audit Manager provided some background to the audit highlighting her concern regarding overtime payments to employees on salary point 23 or above. It was explained that Human Resources had stated that as a rule, staff employed on salary points 23 and above would normally receive basic pay rate for overtime work but that Heads of Departments are entitled to authorise payments at a rate of time and a half for staff who are paid on salary point 23 and above provided that the work is planned in advance. The Audit Manager stated that this can lead to inconsistencies across services/departments as an officer in one service/department may receive overtime pay on a time and a half basis while an officer in another service will only be paid at the basic pay rate.
- 2.4 The Human Resources Advisory Services Manager stated that there was a lack of consistency in claiming overtime but that the policy stated that overtime is paid for planned work.
- 2.5 The Head of Highways and Municipal provided an update on the Department's situation and expressed the need for control on the workforce of the Highways and refuse collection (Municipal) workforce. He explained that due to Covid-19 and the need to respond to the needs of Gwynedd residents as a matter of priority, all the actions in the agreed action plan have not been addressed.

- 2.6 The Head of Highways and Municipal explained that the shift pattern of working was not fit for purpose and that was the reason for the introduction of working 37 hours over five days. He stated that the arrangements for migrating to the new system of working had slipped in the Meirionnydd area and that the new arrangements would come into effect in March 2021.
- 2.7 A member inquired whether the Department was properly funded and if there were sufficient staff. In response, the Head of Highways and Municipal explained that, of course additional funding would be appreciated and that significant savings had already been made and reflected in the Waste Services' budget. He added that a project is currently underway reviewing job descriptions and working conditions but discussion with the relevant unions would be required before the introduction of any new arrangements.
- 2.8 A Member stated that sickness absence was a factor for the Department and perhaps the solution would be to have more staff rather than pay overtime. The Audit Manager stated that the current policy was not sensible in terms of paying overtime – she stated that overtime can be paid for planned work but not for unplanned work. It was further stated that if Managers were aware of any planned work, then there was no logic as to why this could not be scheduled into normal work schedules and overtime payments paid for emergencies only, e.g. when there has been significant disruption to services due to the lack of IT systems. Members agreed with this comment.
- 2.9 In response to the above the Human Resources Advisory Services Manager stated that the policy had been established some time ago and that the overtime policy and arrangements require revisiting on a corporate level. He further stated that a project to address the matter was already underway.
- 2.10 A Member asked if technology could be used and utilised to facilitate processes. The Head of Highways and Municipal responded by stating that they already use technology for some aspects of the work such as using a spread rate for gritting roads during inclement weather.
- 2.11 In conclusion, The Head of Highway and Municipal stated that he would revisit the action plan and update it in terms of implementation dates. In light of the current circumstances, the Audit Manager had no objection to reviewing the timetable for implementation.
- 2.12 The Officers were thanked for attending the meeting and several Members expressed their gratitude to the Head of Highways and Municipal for the manner the Refuse Collection and Recycling Services had maintained and continued to deliver and provide services to the residents of Gwynedd during the Covid-19 pandemic.

COMMITTEE	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE	<b>30 NOVEMBER 2020</b>
TITLE	<b>OUTPUT OF THE INTERNAL AUDIT SECTION</b>
PURPOSE OF REPORT	<b>TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 OCTOBER 2020</b>
AUTHOR	<b>LUNED FÔN JONES – AUDIT MANAGER</b>
ACTION	<b>TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES</b>

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**1. INTRODUCTION**

- 1.1 The following report summarises the work of Internal Audit for the period from 1 April 2020 to 31 October 2020.

**2. WORK COMPLETED DURING THE PERIOD**

- 2.1 The following work was completed in the period to 31 October 2020:

<b>Description</b>	<b>Number</b>
Reports on Audits from the Operational Plan	6
Reports on Audits from the Operational Plan 2019/2020	2
Other Reports from the Operational Plan	1

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

## 2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 October 2020, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Pupil Development Grant	Education	Resources	High	Appendix 1
Regional Consortia School Improvement Grant	Education	Resources	High	Appendix 2
Harbours Statement of Accounts 2019/2020	Finance	Accountancy	High	Appendix 3
Joint Planning Policy Committee Statement of Accounts 2019/2020	Finance	Accountancy	High	Appendix 4
North Wales Economic Ambition Board Statement of Accounts 2019/2020	Finance	Accountancy	High	Appendix 5
Supporting People Grant	Housing and Property	Homelessness and Supported Housing	High	Appendix 6
ARFOR	Economy and Community	Business Support	High	Appendix 7
Plas Gwilym	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 8

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

<b>LEVEL OF ASSURANCE</b>	<b>HIGH</b>	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	<b>SATISFACTORY</b>	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	<b>LIMITED</b>	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.
	<b>NO ASSURANCE</b>	Controls in place are considered to be inadequate, with objectives failing to be achieved.

2.2.3 In addition to the above, work was undertaken on the audit of "Employment Statements". The purpose of the audit was to verify that a clause regarding statutory training such as safeguarding had been included in the employment statements of all council staff in order to reinforce the importance that the accountability applies to everyone. A sample of 40 staff across the Council who were new to their job since January 2020 were selected and their employment statements and training records checked. It was found that the clause was not included in any of the selected statements of employment. Following consultation with the Human Resources Service (Corporate Support Department), the Human Resources Advisory Services Manager confirmed that no work had been done to include the clause as Covid-19 had impeded in achieving this requirement. To this end, it has been decided not to allocate a category in respect of assurance level, but Internal Audit intend to revisit the area in the near future.

### 3. WORK IN PROGRESS

3.1 The following work was in progress as at 31 October 2020:

- Climate Change (*Corporate*)
- Safeguarding Arrangements (*Corporate*)
- Business Arrangements as a result of Covid-19 (*Corporate*)
- Supply Chain Risks (*Corporate*)
- Home Working Arrangements (*Corporate*)
- Proactive Prevention of Fraud and Corruption and the National Fraud Initiative (*Corporate*)
- Payments to Care Workers (*Finance*)
- Council Tax Reduction Scheme (*Finance*)
- Welsh Government Business Support Grants (*Finance*)
- STEM Gogledd (*Economy and Community*)
- Business Units (*Economy and Community*)
- Arrangements for Free School Meals (*Children and Supporting Families*)

**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 2020 to 31 October 2020, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

## PUPIL DEVELOPMENT GRANT

### 1. Background

- 1.1 The purpose of the Pupil Development Grant is to improve outcomes for learners eligible for free school meals 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 settings with the exception of the 'Looked After Children' element and 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 northern authorities.

### 2. Purpose and Scope 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 2019/20 grant, and confirmation that internal systems and controls are in place to ensure that the grant is used for the appropriate purposes. 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. 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 Appropriate arrangements were seen to be in place for administering the Pupil Development Grant. Expenditure on the Audit Certificate was reconciled with the ledger and the expenditure appears to be appropriate and in line with the grant objectives.

## REGIONAL CONSORTIA SCHOOL IMPROVEMENT GRANT

### 1. Background

1.1 On 1st April 2015, The Education Improvement Grant (EIG) was created after the Welsh Government joined the following grants:

- Foundation Phase
- 14-19 Learning Pathways
- School Effectiveness Grant (GEY)
- Welsh in Education Grant
- Minority Ethnic Achievement Grant
- Education of Gypsy Children 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 and 5 Schools

1.2 The EIG has now been incorporated into a new 'Regional Consortia School Improvement Grant (RCSIG)'. The purpose of the grant is to improve educational outcomes for all learners and 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 2019-20 grant stating that a minimum of 80% of the total (RCSIG) is devolved directly to schools. Gwynedd Council is the host authority for RCSIG and the Local Education Consortium, GwE is responsible for ensuring that schools meet the grant requirements and support the schools to this end.

### 2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that there were appropriate internal controls in place for the administration of the 2019-20 RCSIG, in order to mitigate risks in accordance with the terms and conditions of the grant. To confirm the figures presented on Gwynedd Council and GwE's expenditure statements in relation to the grant, by tracing the figures to their source to confirm their accuracy and propriety.

### 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

#### **4. Main Findings**

- 4.1 Assurances can be expressed in the accuracy of Gwynedd Council and GwE's expenditure statements in relation to the Regional Consortia School Improvement Grant. A sample of figures were traced back to the Council's financial ledger, and found to be accurate, reasonable and in line with the objectives of the grant.
- 4.2 Good arrangements appear to exist for the administration of the RCSIG. It was seen that the appropriate percentage of gross funding had been delegated directly to the schools and that the appropriate percentage of grant funding had been retained for the purpose of administration in accordance with the terms and conditions of the grant.

## HARBOURS STATEMENT OF ACCOUNTS

### 1. Background

- 1.1 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 the Audit

- 2.1 The purpose of the audit was to confirm the accounts on the Harbours' annual statement for the 2019/20 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 Assurance can be given that the Harbours' accounting statement for the 2019/20 financial year was accurate. 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 transactions 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 appropriately accounted for in the statement and a sample of these officers' employment contracts were reviewed.
- 4.4 The fixed asset figure on the accounting statements is supported by an asset register.
- 4.5 As part of the 2019/20 internal audit plan, the Harbours were visited as part of a 'Harbours' Health and Safety' audit, which encompassed reviewing risk assessments. It was seen that appropriate arrangements were in place for drawing them up and that they were reviewed annually or more frequent.

**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 lead council in respect of the finance and accountancy service for the joint committee, it is Gwynedd Council's responsibility to complete the financial statements.

**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 2019/20 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

**4. Main Findings**

- 4.1 Assurance can be given that the Joint Planning Policy Committee's accounting statement for the 2019/20 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 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 transactions 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 appropriately accounted for in the statement and a sample of these officers' employment contracts were reviewed.
- 4.4 Other payments include transport, other service supplies, scheme development costs and central support costs.

## NORTH WALES ECONOMIC AMBITION BOARD STATEMENT OF ACCOUNTS

### 1. Background

1.1 The North Wales Economic Ambition Board is a collaborative group of private and public organisations committed to promoting economic growth in Anglesey, Conwy, Denbighshire, Flintshire, Gwynedd and Wrexham. The key objectives include encouraging business investment in North Wales, helping local companies take advantage of supply chain opportunities, and encouraging work-related skills in the region.

### 2. Purpose and Scope of the Audit

2.1 The purpose of the audit was to confirm the accounts on the Board's annual statement for the 2019/20 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 Assurance can be given that the North Wales Economic Ambition Board accounting statement for the 2019/20 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 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 transactions made through internal transfers.
- 4.3 A risk register was presented to the Board on the 12<sup>th</sup> of April 2019 which focuses on programme risks arising from the initial work programme submitted to the Board on the 1<sup>st</sup> of February 2019. Risks are added to the register during the year.
- 4.4 Staff costs are administered through Gwynedd Council's Payroll Unit where PAYE and National Insurance requirements have been applied appropriately. These costs are appropriately accounted for in the statement and a sample of these officers' employment contracts were reviewed.

## SUPPORTING PEOPLE GRANT

### 1. Background

1.1 A grant in excess of £5 million was allocated to Gwynedd Council by the Welsh Government during 2019/20 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 the Audit

2.1 The purpose of the audit was to certify the Supporting People grant's audit certificate for the 2019/20 financial year, by reviewing the costs claimed, as well as ensuring that the Service had complied with the conditions of the grant offer letter.

### 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

4.1 Assurance can be given that the Supporting People grant audit certificate for the 2019/20 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.

## ARFOR

### 1. Background

- 1.1 The ARFOR programme operates across Gwynedd, Anglesey, Ceredigion and Carmarthenshire. The programme is intended to support the creation of more and better jobs in the areas that are strongholds of the Welsh language while supporting its continuity and growth. The Welsh Government's Economy Minister confirmed that a £2 million budget is available to the four councils for the programme which will run from the start of the 2019/20 financial year to the end of 2020/21.

### 2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable governance arrangements were in place to achieve the objectives of the ARFOR programme. The audit covered checking the controls in place in Gwynedd, as the lead authority, to govern the programme, mitigating the risks relating to the project.

### 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
<b>HIGH</b>	<b>Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.</b>

### 4. Main Findings

- 4.1 The leaders of the four Local Authorities have been meeting regularly over the last year in order to discuss priorities for the programme. An Arfor programme board has been established which includes the Leaders of the four authorities with Welsh Government commentators present. At a meeting of the programme board, Gwynedd Council was asked to act as a lead body for the four counties and co-ordinate the relationship with Welsh Government. A statement of purpose is set out in the ARFOR Board Terms of Reference (adopted on 26 November 2018): 'To work in partnership to establish a framework where economic development and linguistic planning will be interlinked'. The Board's responsibilities include ensuring implementation and monitoring all projects as well as scrutinising progress reports and authorising changes to the programme. The board consists of the leaders of the four Local Authorities and representatives of the Welsh Government and WLGA. The individual members are all responsible for reporting back to their organisations on the progress of the programme. The ARFOR board meet quarterly and they were seen to complete what is required of them when looking at the notes of their meetings. The officers Group which reports to the board every 2 months. There is representation from all counties, WLGA and the Welsh Government. The Gwynedd Steering Group meets every 2 months. This Group oversees Gwynedd projects in detail at county level. There are Gwynedd officers who run the projects, an Economy and Community Cabinet member and a Language Cabinet member in this Group. Each authority has an equivalent group that achieves the same purpose.

- 4.2 At its 16 July 2019 meeting the Cabinet decided to authorise the Head of Economy and Community in consultation with the Head of Legal Services to agree to complete an agreement between an appropriate authority. An appropriate IAA (Inter Authority Agreement) document has been sent to the councils involved in the ARFOR project (Anglesey, Carmarthenshire and Ceredigion County) project. An email was sent on 24 January 2020 from Gwynedd Council's Property, Contracts and Procurement Lawyer to representatives from each council involved in the ARFOR scheme. The IAA agreement has been attached and councils have been asked to approve, sign and seal before forwarding.
- 4.3 Risk registers are completed and updated every time a claim is made. The Gwynedd Rural Development Programme Manager is responsible for compiling and updating the risk register. The content of the risk registers were reasonable. There was responsibility, likelihood, impact and operations for each listed risk. The need for a lessons learned register for the project was discussed with the Gwynedd Rural Development Programme Manager who expressed that no register existed at the time of the audit because the project was still in the early days. It was confirmed that one will be created when more information is available.
- 4.4 The Development Programme Manager for Rural Gwynedd stated that project expenditure was discussed at the Steering Group meetings. Evidence of budget discussions for each of the Gwynedd projects was seen in the notes of the Steering Group meetings. He also expressed that official meetings were held with companies. The budget for the whole plan is checked in the form of profiles before each claim by comparing the actual expenditure with the budget. This budget is set out in the offer letter and incorporated in the brief which was approved by the board on 26 November 2018.
- 4.5 There are 4 projects taking place in Gwynedd: Llwyddo'n lleol, Enterprising Communities Challenge, Support for Enterprise and FFIWS. The arrangements were checked to assess applications and the scoring matrix were used to determine merit and it was observed that appropriate checks had been carried out where the applications were expected.

## PLAS GWILYM

### 1. Background

1.1 Plas Gwilym residential home in Penygroes offers care for up to 27 residents.

### 2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the management and maintenance of Plas Gwilym Residential Home is appropriate and in accordance with relevant regulations and standards.

2.2 In order to achieve this, the audit included verifying that the Home's arrangements were sufficient in terms of administration and staffing, budgetary control, procurement of goods and receiving income, health and safety, and performance monitoring along with ensuring that service users and their property were protected.

### 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
<b>SATISFACTORY</b>	<b>There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.</b>

### 4. Current Score Risk

4.1 The audit's risks are as follows:

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

### 5. Main Findings

5.1 A sample of 10 members of staff was selected and their training records were checked using the training data and the Staff Development Module. Training in areas such as manual handling and safeguarding was seen to be adequate for the individuals in the sample. The DBS status for each of these 10 staff members was also up to date at the time of the audit.

5.2 Payment arrangements as well as the home's income arrangements were checked. An adequate record was kept in the home and invoices and income forms verified as part of the sample were completed correctly.

- 5.3 During the visit, it was observed that there were strong controls in place in relation to medication. The sample of MAR records was in line with the home's other records and the number of medication stored. The room was secure with all permanent staff with access using a code to open the door. The fridge and room temperature records were recorded twice a day and checked on a monthly basis.
- 5.4 Quarterly supervision is required by RISGA (2017 draft). The Manager expressed that these are held as individual or group supervision. There was no evidence of quarterly supervision in the files of the staff in the sample selected. This control can be improved by ensuring that records of supervision are kept on file for all members of staff.
- 5.5 The most recent check date on the home's property register was May 2016. Properties were checked against the register during the visit and minor updates such as a television were not undertaken. It would be good control to check the register per room annually.
- 5.6 The home's time management was effective but there was a complex routine with different staff working on a different length rota (3 or 4 weeks). This meant that more of the deputy's time was spent verifying timesheets than what would normally be required. The Manager expressed an impending IT system is to be developed for the purpose of staff time management at the home.

## **6. Actions**

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

- **Ensuring that records are maintained for all staff supervision**
- **Ensure that the asset register is checked and updated annually.**