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## AUDIT COMMITTEE 13-02-12

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**Present:** Councillor John P. Roberts (Chairman);  
Councillor Gethin G. Williams (Vice-chairman)

**Councillors:** E.T. Dogan, Huw Edwards, T.G. Ellis, Keith Greenly-Jones, Margaret Griffith, Selwyn Griffiths, Aeron Jones, Charles W. Jones and Sian Gwenllian (Finance Portfolio Leader)

**Also Present:** Dafydd Edwards (Head of Finance Department), Gwen Carrington (Head of Housing and Social Services Department), Dewi Morgan (Senior Audit and Risk Manager), William E. Jones (Senior Finance Manager), Ian Jones (Senior Development Manager – Provider and Leisure Department), George Watson (Facilities Manager – Provider and Leisure Department), Amanda Hughes (Local Manager – Wales Audit Office), Derwyn Owen (Engagement Leader – Wales Audit Office) and Gwyn Parry Williams (Committee Officer).

**Apologies:** Councillors Dylan Edwards, R.L. Jones, Llinos Merks, Dewi Owen and Ioan Thomas

### Welcome

The Chairman welcomed Mr Derwyn Owen, Engagement Leader, Wales Audit Office to the meeting.

### 1. **DECLARATION OF PERSONAL INTEREST**

The following members declared a personal interest in the following items for the reasons noted -

Councillor Keith Greenly-Jones in the item involving the Electronic Banking System as he was the Chair of the Council's Pensions Committee.

Councillors T.G. Ellis, John P. Roberts and Gethin G. Williams in the item involving Smallholdings as they were members of the Council's Smallholdings Panel.

Councillors Selwyn Griffiths and Gethin G. Williams in the item involving Health and Safety – School Trips as they were school governors.

The members were of the opinion that they were not prejudicial interests, and they did not withdraw from the meeting and therefore participated fully in the discussion on those relevant items.

Councillor Aeron Jones declared a personal interest in the item "The Provider and Leisure Department's Response to Internal Audit Reports on Bro Ffestiniog Swimming Pool, Blaenau Ffestiniog" as he was a member of the Council's Employment Appeals Committee which had considered the case of a member of staff at Bro Ffestiniog Leisure Centre within the last twelve months.

The member was of the opinion that it was a prejudicial interest, and he withdrew from the meeting during the discussion on the item.

## **2. MINUTES**

The Chairman signed the minutes of the meeting of this committee held on 17 November, 2011, as a true record.

## **3. OUTPUT OF THE INTERNAL AUDIT SECTION – INTEGRATED CHILDREN’S SYSTEM**

Submitted – the report of the Senior Audit and Risk Manager noting that the committee, following consideration at the previous meeting of the report on the outcome of internal audit work involving the development of the Integrated Children’s System, had requested that the Head of Housing and Social Services Department attended the meeting in order to respond to any questions regarding the latest situation in respect of the development of the system and the risks that the Council faced.

The Senior Audit and Risk Manager reported that the intention of the system was to introduce formal arrangements within local authorities to give assurance on the arrangement for protecting vulnerable children and it had been built on the foundation of the Assessment Framework (2001) and the Child Protection Guidelines (2002 and 2008). A number of documents had been issued by the Westminster Government and the Welsh Government which defined aspects of the system, namely -

- a) ICS 1a (WAGC 21/2005) to be implemented by 31 December 2006.
- b) ICS 1b (WAGC 37/2007) to be implemented by 31 December 2008.
- c) ICS 1c (WAGC 23/2008) to be implemented by 30 April 2010.

He noted that statutory guideline 1c had now been withdrawn in England; however the statutory requirements had not yet been slackened in Wales although local authorities had been awaiting similar direction from the Welsh Government since October 2010.

A “Progress report on the performance of the Social Services Department” had been submitted to the Children and Young People Scrutiny Committee on 30 November 2010 explaining why the Council had not complied with ICS 1a, despite the original target being 31 December 2006. In recognising the failure to implement 1a, it had been explained that the ICS project would not achieve its key targets for that period due to the more ambitious targets of ICS 1b and 1c that had also yet to be implemented. The situation with regards to resources and the pressure on the service as the number of referrals and looked after children increased had been discussed. As a result of the outcome of the “Baby P” report, it had been accepted that further changes were on the horizon in this area and that the ICS was expected to come to an end in its current form, although confirmation had not yet been received that the scheme was to come to an end in Wales. Therefore, as the ICS should continue, theoretically, until formal confirmation of its abolition had been received, audit assurance on the controls in place could not be given as a large element of risk remained attached to it.

The Head of Housing and Social Services Department reported that the historical situation was that each Council had been expected to implement the ICS arrangements. In 2004/2005 there had been increasing concern regarding the Council’s ability to report on adults work fields. In terms of procedure, the Council had to try to reach a decision regarding allocating resources in terms of priorities within the department and the outcome had

been that fewer resources had been available to work on the ICS programme as resources had been redirected to look at matters in the adults field. The children's service which had been under the Development Directorate at that time had not been happy with this. Since then, resources had continued to be provided for the work programme. She noted that the work programme had been funded through grant funding but that, by now, the grant had ended with the result of an element of providing less money to the Council's budget which also meant a reduction in the number of jobs. She also referred to criticism which was increasing nationally in England and Wales that the ICS arrangements had sent officers increasingly down the information technology route and this had led to a change of emphasis on a national basis. In relation to the situation in Wales, she noted the intention to review the procedure which would be included in the work programme. In relation to the situation in Gwynedd, ICS was involved in practice, and there was an expectation for that practice to be recorded electronically. Many templates/forms had been published in Wales which were English only. She noted that the Assembly had refused to translate these forms and, because of this, this Council had undertaken the work of translating them for the use of staff. Therefore, this had created additional work for the department's staff. Last year, a review had been undertaken of the additional resources which would be needed to undertake the work, and it was estimated that approximately four additional officers would be needed. She noted that the current situation was that the national context was changing. In co-operation with the Assembly and other counties in Wales, it was intended to set local measures standards in this field. It was confirmed that the department had introduced ICS in order to ensure good quality practice and, in doing so, had avoided the fields which would lead to national criticism at present. An example of this was the risk assessment model which had been developed within the ICS programme. The model had received national recognition and awards. It was also emphasised that the practice work programme continued in order to introduce the templates in a suitable way within the available resources.

A member expressed dissatisfaction that the Assembly had refused to translate the forms and that a letter should be sent to them reminding them of the language policy involving the use of the Welsh language as a corporate status.

#### **RESOLVED**

**a) To accept the Head of Housing and Social Services Department's explanation in relation to the update on the development of the Integrated Children's System.**

**b) To send a letter to the Assembly expressing dissatisfaction as they refused to translate the forms and reminding them of their language policy involving the use of the Welsh language, also drawing attention that this affects the human rights of the officers to work in their chosen language.**

#### **4. THE DEPARTMENT'S RESPONSE TO INTERNAL AUDIT REPORTS ON BRO FFESTINIOG SWIMMING POOL, BLAENAU FFESTINIOG**

Submitted – the report of the Senior Audit and Risk Manager noting that the swimming pool remained under the management of the Provider and Leisure Department but that the management of the sports hall had been transferred to Ysgol y Moelwyn. An audit had been completed in February 2011 and it

had received an opinion category of "C" as the management arrangements in place were inadequate. A follow-up audit had been held during the summer of 2011 and it had been seen that the implementation of the recommendations was unsatisfactory. The original report had included 22 recommendations with 21 relevant to the Provider and Leisure Department. He noted that, at its meeting on 17 November 2011, the committee had requested that the Head of Provider and Leisure Department attended the meeting in order to respond to any questions regarding the latest situation.

A member was of the opinion that the Lifelong Learning Portfolio Leader should also be present for this item. In response, the Head of Finance Department noted that the current procedure was to invite the relevant Head of Department, if and when necessary, to attend the meeting in order to respond to any questions arising from the audit reports. The matter could be considered further as a result of changes to the role of the Audit Committee following the local government elections in May 2012.

The Senior Development Manager reported that, as part of the Internal Audit Department's audit programme during 2010, five of the County's leisure centres had been audited and three of them had fallen into opinion category 'C' in terms of compliance with either financial regulations or the Council's implementation procedures and Bro Ffestiniog Leisure Centre was one of the centres in this category. In response to those reports, a report had been prepared for this committee in July 2011 noting the department's intentions in terms of responding to the situation and alleviating the identified risks.

In relation to the Integrated Management System, specific shortcomings were noted regarding the leisure centres' banking arrangements and, as a way of alleviating the risks it was noted that improvements were needed to the management system in terms of quality assurance and staff training. He confirmed that this work had been completed in November 2011. By now, the department had received a positive internal audit report in December 2011 on the leisure centres' banking arrangements and the recommendations for action in that report had also been implemented.

The officer noted that the structural changes had been completed and that they were in place. However, the Quality Monitoring Assistant was on long term sickness absence and, therefore, the Department could not fulfil the monitoring role in accordance with the current wishes; however, the Business Support Officer was available to update the implementation guidelines and to hold staff training.

He further noted that, of the 21 recommendations in the internal audit report, the centre had implemented eight of them in full and twelve partly by September 2011. In relation to the management changes the Centre Manager had been suspended from his work in December, 2010; however the Disciplinary Procedure had not been completed until September, 2011. Therefore, during the period between the first internal audit report and the follow-up report there was no permanent manager at the centre. By now, the situation continued to be fragile but it was hoped that a permanent appointment could be made by the end of March 2012 following receiving a management options appraisal report. In relation to the long-term absence of one member of staff in the department, this had had a detrimental effect on the work of monitoring and improving the centre's systems. However, by reprioritising on a short-term basis, we had succeeded to improve the

situation although work would continue in order to ensure continuous improvement and this could happen sooner once the member of staff would have returned to work.

He noted that the centre had now implemented the recommendations noted in table 1 of the report in full.

A member asked why the management of the swimming pool was not being transferred to Ysgol y Moelwyn also. In response, the officer noted that the school had asked specifically to take over management of the sports hall only.

A member drew attention to the fact that a period of nine months had passed between the time when the Leisure Centre Manager had been suspended from work and the time when the disciplinary procedure had been completed and asked why had the case taken so long. In response, the officer noted that the appeal process in this case, due to complications etc. had taken some time to complete.

**RESOLVED to accept the report.**

## **5. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 November and 31 December 2011. In submitting the information on the work completed during the period, the officer referred to -

- 17 reports on audits in the operational plan with the relevant opinion category shown.
- Five other reports (memoranda etc.)
- Four grant reviews
- One follow-up audit
- Two responsive audits

Details of further work that Internal Audit had in the pipeline were reported upon. This included two draft reports which had been released and 15 audits which were ongoing.

Consideration was given to each report and during the discussion reference was made to the following matters:-

### **Contract Management – Ysgol yr Hendre, Caernarfon**

A member referred to the additional cost of £50,000 involved with the scheme and enquired from which funding source would the money be found. In response, the Head of Finance Department noted that the matter had been considered by the Principal Scrutiny Committee on 9 February 2012 when a bid for £50,000 had been submitted for additional revenue towards the running costs of the building due to the high quality and substantial size of the new building.

### **Grants**

A member enquired whether the grants had been scrutinised by a Scrutiny Committee or Working Group. In response, the Senior Audit and Risk

Manager noted that internal audit looked specifically at the grants in terms of the method of administrating them rather than the reason for receiving the grant.

### **Certification and Accuracy of Invoice Coding within Council Departments**

A member drew attention to the bullet point in the report which referred to “that a valid VAT number had been marked on the invoice together with the VAT rate” and he asked whether this was factually correct. In response, the Senior Audit and Risk Manager noted that the bullet points reported the specific matters and the tests held during this specific audit and that they did not include all the controls in the payments system. In relation to the validity of the VAT numbers, the officer noted that a relevant formula had been used to discover the validity of the VAT number.

### **Health and Safety – School Trips**

A member suggested that every school head teacher should receive a copy of this audit report. In response, the Senior Audit and Risk Manager referred to an arrangement which existed with the Education Department where schools were notified of the findings/weaknesses when school audits would be undertaken. He noted that only one school was a cause of concern when this audit had been undertaken.

### **Electronic Banking System**

**RESOLVED to send a letter to the Finance Department congratulating them on receiving an “A” opinion category.**

### **Banking Arrangements in the Leisure Centres**

A member referred to the fact that this matter had come before the committee some months ago when it had been reported that the audit had received a poor opinion. By now, the situation had improved as the latest audit had received a “B” opinion category and that the Provider and Leisure Department should be congratulated for that.

**RESOLVED to send a letter to the Provider and Leisure Department noting that, by now, the situation has improved as the latest audit received a “B” opinion category and to congratulate them for that.**

### **Development Control – Delegated Decisions**

**RESOLVED to send a letter to the Regulatory Department congratulating them on receiving an “A” opinion category.**

**RESOLVED to accept the reports on the Internal Audit Section’s work for the period between 1 November and 31 December 2011 and to support the recommendations already submitted to the managers of the relevant services for implementation.**

## **6. INTERNAL AUDIT PLAN 2011/12**

Submitted – the report of the Senior Audit and Risk Manager providing an update of the current situation in terms of completing the 2011/12 internal audit plan.

He provided details of the situation as at 27 January 2012 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan -

<b>Audit Status</b>	<b>No.</b>
Planned	12
Field work started	16
Draft Report	3
Final Report	79
Closed	3
<b>Total</b>	<b>113</b>
Cancelled	7

He noted that the 2011/12 performance target was to have 95% of the audits in the amendments plan to be either closed or with the final report released by 31 March 2012. He noted that Internal Audit's actual achievement by 27 January 2012 was 72.6% and out of the 113 individual audits in the 2011/12 revised plan, 79 had been released finally and another three had been closed.

In relation to the amendments to the plan, the officer provided details of those amendments to the members.

**RESOLVED to note the contents of the report as an update on progress against the 2011/12 audit plan.**

## **7. INTERNAL AUDIT STRATEGY 2012-2015**

Submitted – the report of the Senior Audit and Risk Manager presenting the Council's three year Internal Audit Strategy.

He noted that section 7.1 of the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 ("the Code of Practice") stated that the Head of Internal Audit was required to produce an audit strategy - it was a high-level statement of how the internal audit service would be delivered and developed in accordance with the terms of reference and how it linked to the organisation objectives and priorities.

It was reported that the Strategy contained numerous headings regarding the provision of Internal Audit:

- The purpose of Internal Audit
- How does Internal Audit live the Council's values?
- How we could maintain standards
- Which audits had to be delivered annually
- How would further audits be chosen
- Collaborating with others
- Types of audits which would be held
- Reporting methods
- Provisions
- Available resources
- Quality measures
- Risks faced by Internal Audit

A member suggested that every member of the Audit Committee, following the local government elections in May 2012, should receive a copy of the strategy as a separate document.

**RESOLVED to approve the 2012-2015 Internal Audit Strategy and that every member of the Audit Committee, following the local government elections in May 2012, should receive a copy of the strategy.**

#### **8. DRAFT INTERNAL AUDIT PLAN 2012/13**

Submitted – the report of the Senior Audit and Risk Manager providing details of the draft plan of the Internal Audit Section’s work for the 2012/13 financial year in order for members to voice their opinions on it and approve it, subject to further discussions with officers.

The officer explained that the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 stated that “the audit committee should approve, but not direct, the internal audit plan”. The report explained the factors considered and the technical process used to produce the plan before submitting it to the committee.

He noted that the 2012-2015 Internal Audit Strategy had formed the basis of Internal Audit work for the period in question and explained how the Internal Audit work would offer assurance on the internal controls that were in place within Gwynedd Council. The strategy also explained how the work of Internal Audit would be planned in the period in question and explained how it would assist the Council to improve in the interests of the citizen. Also, it outlined the resources expected to be available to it and stated the projections in relation to collaborating with others.

On the basis of analysing the available staffing resources, including the consideration of reasonable budgets for ‘unproductive’ work such as holidays, illness, management and meetings, it had been anticipated that a resource requirement of approximately 1,360 audit days would be available to complete the audit plan. This had taken place after considering provisions for advising on controls and propriety, responsive work and follow-up work.

He noted that the strategy provided a detailed description of the steps that had been followed in order to create an operational audit plan for 2012/13. As a first step, consideration had been given to matters which had to be included in the plan annually and then consideration had been given to other audits which needed to be planned for. A systematic procedure would be used to undertake an audit needs assessment and identify fields to be audited.

It was intended to hold discussions with the relevant heads of departments and managers before commencing these audits and their suggestions would be incorporated in the final plan.

In relation to the audit that was intended to be carried out on “management of secondary school building maintenance – value for money”, a member suggested that those schools should receive a copy of the outcomes of the audit in due course.

The Head of Finance Department noted that members could contact the Senior Audit and Risk Manager if they were of the opinion that deserving matters needed to be addressed in the plan during the year but it would be



timely to contact him within the next six weeks so that it would be possible to adapt the plan before the start of 2012/13.

**RESOLVED to approve the draft audit plan for the period 1 April 2012 to 31 March 2013, subject to minor amendments to be undertaken by the Senior Manager – Audit and Risk, in consultation with the Head of Finance Department, following further discussions with officers.**

**9. TREASURY MANAGEMENT**

**a) Revision of the Treasury Management Policy Statement following publication of a revised code by CIPFA**

**b) Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy for 2012/13**

Submitted – the report of the Head of Finance Department asking the committee to consider the policies in relation to the Council's borrowing and investment referring to the Policy Statement and Strategies for 2012/13 and the changes to the Treasury Management Schedules to the full Council for adoption.

Several members referred to a very useful workshop which had been arranged by the Finance Department for them with Arlingclose consultants and it was noted that the full background of aspects of this report was given at the workshop.

In relation to the Investment Strategy, a member asked which investments that this Council made gave consideration to ethical investments. In response, the Head of Finance Department noted that it was the Council's cash flow that was dealt with mainly but that the Pensions Committee had a specific policy involving the ethical aspects of the pension fund investments in equity.

**RESOLVED to recommend that the Council Board on 14 February 2012 recommends to the full Council on 1 March 2012 that the Treasury Management Policy Statement (Appendix A), Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy for 2012/13 (Appendix B), Prudential Indicators (Appendix C) and changes to the Treasury Management Schedules (Appendix CH) are adopted.**

**10. REVENUE BUDGET 2011/12 - THIRD QUARTER REVIEW (DECEMBER 2011)**

The Head of Finance Department submitted -

a) The quarterly report on the latest review of the Council's revenue budget for 2011/12 and a summary of the position of each department.

b) Further details relating to the main issues and the budget headings where significant variances were forecasted along with specific recommendations.

The Head of Department confirmed that the departments' budgets were under firm control this year and that this was despite the element of risk taken when drawing up the 2011/12 budget in order to save £1.2m. He referred to some of the matters arising in relation to inflation, the Social Services and Consultancy Departments, department spending (general), landfill tax and using part of the reserve budget. In relation to the Highways and Municipal

Department, he noted that there was potential for the department to underspend should the need for gritting be less this winter.

A member drew attention to the fact that some of the recommendations in the report referred to establishing a specific fund rather than transferring funds to the Council's balances. In response, the Head of Finance Department noted that it was intended to review the specific funds and suggested establishing a Panel of members including the Finance Portfolio Leader to undertake the work.

**RESOLVED to agree to establish the following panel to review the specific funds -  
Chair of the Audit Committee and Councillors Huw Edwards, Margaret Griffith, Aeron Jones and Gethin G. Williams along with the Finance Portfolio Leader.**

A member referred to the equal pay settlement for women and that this Council was ahead of many other councils. In response, the Head of Finance Department noted that the Council had moved ahead to reach the pay agreement since 2008. In terms of historical cases, he noted that many other councils faced the potential risk of having to pay out millions of pounds. However, this Council had reached an agreement with approximately 80% of staff who could potentially take a case against the Council, that there were fewer than 20% of specific cases remaining and a specific fund in place to fund it should the need arise.

**RESOLVED to congratulate the Council for playing a prominent part in dealing with the pay agreement.**

**RESOLVED to note the situation as submitted in the report of the Head of Finance Department and to recommend the following to the Council Board:-**

**i) Highways and Municipal Department**

- **Highways Maintenance and Lighting – if circumstances and gritting requirements this winter allow, that the department puts any relevant underspend in a fund in order to support any additional necessary capital expenditure in the waste field in the following years.**

**ii) Consultancy**

- **That the Head of Gwynedd Consultancy Department reviews all the relevant budgetary arrangements in order to resolve the department's financial position.**

**iii) Customer Care**

- **To transfer £65k in order to establish a renewals fund for information technology demands, in order to respond to irregular spending patterns on corporate or cross-departmental matters in the future.**

**iv) Corporate Budgets**

- **Reserve provision for 2011/12 pay settlement – due to the continuous demand for additional capital resources, that £998k**

is released to supplement the demands within the capital programme.

- **Recovery of Landfill Tax paid to HM Customs and Excise – due to the uncertain position in relation to future budgets, that £795k is placed in a specific reserve fund to provide strategic funding to assist and to give some financial flexibility to the Council.**

#### **11. CAPITAL PROGRAMME 2011/12 – END OF THIRD QUARTER REVIEW (31 DECEMBER 2011)**

Submitted – the report of the Head of Finance Department providing details of the revised programme and the relevant sources of finance. He noted that there was an encouraging message in the third quarter review as the actual expenditure up to 31 December 2011 was as much as 54% of the budget, compared with only 46% in the equivalent period last year.

In relation to the changes to the sources of finance, the Head of Department noted that the budget of the three year capital programme had shown an increase of £2,520,000 since the second quarter position. He provided details of the sources of finance.

The Head of Department referred to the 2012/13 slippage noting that the total level of slippages in the capital programme from 2011/12 to 2012/13 had by now increased to £23,292,240 (£19.4m had been identified by the second quarter review). He provided details of the schemes which were likely to slip; however, the slippages would not constitute grant losses.

In relation to the expenditure profiles, a member drew attention to the fact that some departments had presented their profiles at the beginning of the year whilst the remainder of the profiles had been presented approximately six months into the year. He asked whether it would be possible to instruct the departments to improve the procedure of submitting their profiles on time. In response, the Head of Finance noted that the matter had been raised at the last meeting when the second quarter review had been considered and when the relevant heads of departments had been reprimanded. Consideration would be given to improving the procedure for next year. He noted that only a small portion of the capital funds came from bids where it could be insisted that departments submitted their profiles by April, whilst the majority came from specific grants and a portion of that during the year.

**RESOLVED to recommend that the Council Board accepts the 2011/12 revised programme and approves the relevant sources of finance.**

At the end of the meeting, the Chairman noted that this would be the last meeting of this committee for him to chair prior to the local government elections in May 2012. He thanked members and officers for their co-operation during his period as Chairman. He wished those members who were retiring well and also those who would be standing for re-election.

The meeting commenced at 10.30am and concluded at 12.20pm