

---

## AUDIT COMMITTEE 22-11-12

---

**Present:** Councillor Trevor Edwards (Chairman)  
Councillor John Pughe Roberts (Vice-chairman)

**Councillors:** Eddie Dogan, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron Jones, Charles W. Jones, Sion W. Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, R.J. Wright and Peredur Jenkins (Cabinet Member for Resources)

**Also Present:** Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Manager Audit and Risk), William E. Jones (Senior Finance Manager), John Reynolds (Senior Public Protection Manager), Sheryl Le Bon Jones (Operational Systems Manager – Public Protection Service), Amanda Hughes (Local Manager – Wales Audit Office) and Gwyn Parry Williams (Members Support and Scrutiny Officer).

**Apologies:** Councillors Anwen Davies, Huw Edwards, Selwyn Griffiths, Christopher Hughes, Gethin Williams and Mr John Pollard

Change in the membership of the Committee

The Chairman noted that Councillor Dafydd Meurig replace Councillor Dyfrig Jones on the committee.

**1. DECLARATION OF PERSONAL INTEREST**

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

**2. MINUTES**

The Chairman signed the minutes of the meeting of this committee held on 27 September 2012, as a true record.

**3. THE HUMAN RESOURCES DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF INTERNAL AUDIT – RECRUITMENT – IDENTITY CHECKS**

Submitted - the report of the Senior Manager Audit and Risk. The result of Internal Audit work on the Council's arrangements for performing identity checks during the recruitment processes had been reported to this committee on 27 September 2012. The report included the executive summary of the internal audit report, which had been placed in a 'C' opinion category. The committee resolved to invite the Head of Human Resources Department to this meeting to explain the situation. As the Head of Human Resources Department was unable to attend this meeting, he had met with the Chair and Vice-Chair of the Committee on 8 November 2012 along with the Head of Finance Department and the Senior Manager Audit and Risk in order to explain the latest development in the field, and submit evidence to show the progress that had been made to implement the report's recommendations.

The Senior Manager Audit and Risk noted that the internal audit had been undertaken as part of the 2012/13 audit plan, with the intention of ensuring that there were suitable arrangements for testing the identity of new appointments to the Council and that the arrangements were adhered to. The main findings of the audit were as follows -

A sample was taken of personnel files of officers that had been newly appointed during the 2011/12 financial year and it was seen that only a minority of them included evidence that identity checks had been carried out. In addition, the letters that had been sent to applicants referred to the incorrect legislation – the Asylum and Immigration Act 1996 rather than the Immigration, Asylum and Nationality Act 2006.

It appeared from the audit that no clear guidelines had been established for managers and officers who administrated personnel files on the arrangements, responsibilities and the importance of implementing and testing identity. Due to the lack of evidence and guidelines, the auditor considered that the Council did not have appropriate controls in place for managing the risk of illegal appointments.

The officer provided details of the report's action plan which included five recommendations.

The officer confirmed that the Head of Human Resources Department had submitted amended documents to the Chair and Vice-Chair of the Committee that addressed four of the recommendations. The next step was to distribute these documents among the Council managers and supervisors with the expectation that all relevant officers would act on them. In doing this, the fifth recommendation would also be implemented.

He noted that the Internal Audit intended to undertake a follow-up audit before the end of December 2012 in order to provide independent assurance to the committee that the recommendations had been implemented as expected. A report would be submitted to the Committee on 14 February 2013.

**RESOLVED to accept the report as an explanation of the response of the Head of Human Resources Department to the Internal Audit report "Recruitment – Identity Checks".**

#### **4. THE REGULATORY DEPARTMENT'S RESPONSE TO THE RECOMMENDATIONS OF THE INTERNAL AUDIT – LICENSING UNIT**

Submitted – the report of the Senior Manager Audit and Risk on this audit which had received an opinion category "C" by Internal Audit. It was noted that the Head of Regulatory Department had asked Internal Audit to include the matter in the work programme due to the management changes that were to take place within the department. The department wanted the assurance of Internal Audit of the management arrangements and matters regarding licensing, and a number of improvements needed to be put in place within the Licensing Section in order to manage risk etc. The Regulatory Department and the Senior Managers were aware of the necessary improvements and he referred to the report that was before the committee which listed the recommendations to improve the service.

The Senior Public Protection Manager reported that, following the retirement of the former Public Protection Manager (Licensing) in 2012, and the

allocation of his duties to two existing Public Protection managers, it had become apparent that the administrative arrangements within the Licensing Section of the Public Protection Service were not fit for purpose. To this end, the Internal Audit Service was asked to carry out an audit of the Licensing Unit. He provided details of the actions that were to be undertaken by the Licensing Unit which included 26 recommendations in order to respond to the audit's requirements. In relation to the third recommendation in the report, the officer noted that the Licensing Policy had been submitted to the Council on 16 December 2010 when errors were discovered in the policy. Since 2010, he referred to the staffing changes within the department and also some changes to the Licensing Policy and it was intended to submit an amended version of the policy to the Central Licensing Committee on 10 December 2012, but unfortunately due to the timescale and the work needed on the policy this had not been possible.

A member drew attention to the fact that four of the recommendations involved training and asked what was the situation with the training to date. In response, the Senior Public Protection Manager informed the committee that these matters had become apparent following the retirement of the Licensing Manager and the transfer of his duties to the new manager. He noted that there were more detailed arrangements in the pipeline regarding training and it was expected that these would be operational by 1 January 2013.

A member asked whether or not it was intended to have one CRB system within the Council as a separate check was needed for each activity. In response, the Senior Public Protection Manager noted that the reference to the administration fee of the CRB check in the recommendation was not relevant to the member's question, but he promised to address the matter.

The Head of Finance Department noted that school governors and the Cabinet Member for Education were required to have a CRB check but that this was a matter that was currently beyond the control of the Council. The member was of the opinion that each member of the Council should have a CRB check as they were required, as part of their duties, to visit people in their homes. It was agreed to draw the attention of the Head of Democracy and Legal Department to the matter.

The Senior Manager Audit and Risk noted that he had discussed CRB checks with the Head of Human Resources Department and that it was an area that was of great concern to him and it had been agreed to amend the Audit Plan and to undertake a thorough internal audit across the Council on the authority's arrangements in dealing with CRB checks. The main concern at present was that the arrangements were inconsistent.

The Senior Manager Audit and Risk noted that it was intended to undertake a follow-up audit in relation to the Licensing Unit prior to the end of March 2013.

**RESOLVED to accept the report as an explanation of the response of the Head of Regulatory Department to the Internal Audit report "Licensing Unit".**

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

**The work of the Internal Audit Section for the period up to 30 September 2012**

Submitted – the report of the Senior Manager Audit and Risk outlining the work of the Internal Audit Section in the period between 1 August and 30 September 2012. In submitting to the information on the work completed during the period, the officer referred to -

- 14 reports on audits of the operational plan with the relevant opinion category shown.
- two other reports (memoranda etc.)
- five grant reviews

Details of further work that Internal Audit had in the pipeline were reported upon. This included two draft reports which had been released and 17 audits which were ongoing.

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

### **Appointment of Management Consultants, Education Department**

A member noted that he was pleased to see the report included in the audit.

### **Supply Appointments (Education)**

The Senior Manager Audit and Risk informed the committee that one of the recommendations that derived from the audit was that the Education Department should renew CRB checks periodically.

### **Barclaycard Credit Cards**

A member drew attention to the recent difficulties with one County Council in north Wales where one of the heads of department had used a credit card without the authority to do so. He asked for the assurance of the Internal Audit Section that the expenditure undertaken on these cards was completely valid and that there was a receipt for each item. In response, the Senior Manager Audit and Risk informed the committee that only a limited number of cards were available at present which meant that it was practical to check each item. It was noted that some items of expenditure had been drawn to his attention and that they would be addressed further in a separate audit. However, he noted that the majority of the expenditure on the card of the Support Unit did not leave the office and that it was used for convenience and to order goods online which enabled officers to check each item separately.

### **Supervision of Duty Managers**

A member referred to a report that had been submitted to this committee during the past eighteen months on the county's leisure centres where it had been noted that there was no consistency between the managers of these centres in relation to banking and the audit had received a "C" opinion category. The member asked if this had been considered when undertaking the report on the audit that was before them today. In response the Senior Manager Audit and Risk informed the committee that the main focus of this audit was to audit the arrangements to ensure that the duty managers acted on their responsibilities in an appropriate way in the absence of the manager. This could include responsibility for banking arrangements.

## **Workshops – Health and Safety Supervision (Highways and Municipal)**

A member asked whether or not seasonal workers had to comply with the Health and Safety requirements. In response, the Senior Manager Audit and Risk informed the committee that every worker employed by the Council was expected to adhere to the Health and Safety Act.

## **Appointment of Engineering/Bridges Contractors**

In relation to the recommendation of the audit on bridges namely “Currently there are no arrangements for the rotation of contractors. It would be good practice if the Structures Unit were to keep a record of how much work it has appointed for all contractors to ensure that no company receives inappropriate preference”, a member asked if this had been acted upon. In response, the Senior Manager Audit and Risk informed the committee that the follow-up work had not been undertaken thus far.

**RESOLVED to accept the reports on the Internal Audit Section’s work for the period between 1 August to 30 September 2012 and to support the recommendations already submitted to the managers of the relevant services for implementation.**

## **6 . REVENUE BUDGET 2012/13 - SECOND QUARTER REVIEW (SEPTEMBER 2012)**

Submitted – the report of the Head of Finance Department which noted that the Council, in the wake of some of the requirements of the Local Government (Wales) Measure 2011 had changed from “alternative arrangements”, namely the Council Board, to “executive arrangements” namely a Cabinet, since May 2012. He noted that the Measure had also changed the Audit Committee’s emphasis to scrutinise some financial matters that had been previously submitted to the Principle Scrutiny Committee, including quarterly budget monitoring reports and treasury management reports on borrowing and investment. The committee members had trialled this approach in 2011/12, and in the same manner, this item and the items “2012/13 Revenue Budget – Second Quarter Review” and “Capital Programme 2012/13 – End of Second Quarter Review” was submitted as new “Finance” items, rather than traditional “Audit” items.

The Cabinet Member for Resources reported that the first quarter budget review reports had been submitted to the Cabinet on 24 July 2012 and the second quarter review report that was before the committee today was much more detailed, namely the most thorough budget review during 2012/13. The Cabinet Member for Resources confirmed that the Cabinet had considered the report on 20 November 2012 and he submitted the following decisions to the attention of the committee to scrutinise -

- (a) Housing and Social Services Department:-
  - (1) Central Services – Transfer a budget of (£50k) on a one-off basis to ease the overspend position anticipated in the Children and Families Service budgets.
  - (2) Children and Families Service – Resources Service – Transfer (£50k) of the underspend seen on the Central Services heading, and

the under spend of (£200k) seen on the Older People heading on a one-off basis to ease the overspend position on the Resources Service.

- (3) Adults Service:-
  - (3.1) Older People Services – Transfer a budget of £200k on a one-off basis to ease the overspend position in the Children and Families budgets.
  - (3.2) Physical Disability Services – Transfer a budget of £250k on a one-off basis to ease the overspend position seen in the Learning Disability and Mental Health Services.
  - (3.3) Learning Disability – Transfer £250k of the underspend on the Physical Disability heading on a one-off basis to ease the overspend on the Learning Disability heading.
  - (3.4) Learning Disability – Transfer £100k of the underspend seen on the Physical Disability heading on a one-off basis to ease the overspend on the Mental Health budget.
- (b) Highways and Municipal Department – Summary of the department's position (including the Trunk Road Agency) – request that the Cabinet Member for the Environment reports back to the Cabinet on 18 December on the waste position as a whole along with the relevant financial implications.
- (c) Regulatory Department – Car Parks – request that the Cabinet Member for the Environment submits the expected report to the meeting of the Cabinet on 18 December on a comprehensive review of all the parking arrangements along with the implications in terms of relevant income in 2013/14.
- (ch) Consultancy Department – in light of the latest forecasts, that the Head of Department continues to review the position for this year, and also considers the forecasts for next year, and that the Cabinet Member for the Environment submits a detailed and comprehensive report to the Cabinet on 18 December, on measures to rationalise the Department's ability to cope with the latest work prospects.
- (d) Corporate Budgets – Provision in reserve for 2012/13 Pay Settlement – in light of the financial challenge facing the Council and the investment needed to ensure a successful and proper transfer, that £1,475k is kept in reserve for the time being until details of the relevant requirements become clearer towards the end of the financial year.
- (dd) To note the Chairman of the Audit Committee's intention to invite the Cabinet Member for Resources to the meeting of the Audit Committee on 22 November to scrutinise the overall report, along with the abovementioned Cabinet decisions.
- (e) To note the Chairman of the Audit Committee's intention to invite the Cabinet Member for the Environment to the meeting of the Audit Committee on 20 December to scrutinise the Cabinet Member's report to the Cabinet meeting on 18 December on the overall Waste position, Car Parks and the position of the Consultancy Department, along with the decisions of the Cabinet meeting held on 18 December on those matters.

In relation to Commercial Waste Collections, a member drew attention to the over expenditure of £152,000 and he believed that more monitoring work was needed and that the Cabinet Member for the Environment needed to address the matter. He also expressed concern about the over expenditure of £510,000 in the Consultancy Department and the need to address this matter also.

The Head of Finance Department noted that the Cabinet Member for Resources had set out the three fields where there were new concerns about their budgets namely, waste, parking and consultancy and an initial response had been given in the Cabinet by the Cabinet Member for the Environment. The Cabinet's decision was that the three relevant Heads of Department were to collaborate with the Cabinet Member for the Environment to prepare detailed reports for the Cabinet on 18 December 2012 and the report would then be submitted to the Audit Committee on 20 December 2012 when members would be given the opportunity to scrutinise the reports along with the Cabinet's relevant decisions and challenge the Cabinet Member and the three Heads of Department, namely, Regulatory Department, Highways and Municipal Department and Consultancy Department.

### **RESOLVED**

- a) To note the position and the relevant risks in the context of the Council's budgets and its departments.**
- b) To accept the Cabinet's decisions and agree to invite the Cabinet Member for the Environment and the Heads of the Regulatory, Highways and Municipal and Consultancy Departments to the Audit Committee on 20 December 2012 in order to scrutinise the report of the Cabinet Member for the Environment that will be submitted to the Cabinet on 18 December 2012 and the decisions of that meeting, on the waste position, car parks and the Consultancy Department.**

## **7. CAPITAL PROGRAMME 2012/13 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2012)**

Submitted – the report of the Head of Finance Department providing details of the revised programme and the relevant sources of finance.

The Cabinet Member for Resources reported that the report had been considered by the Cabinet on 20 November 2012 and submitted the following recommendations for the attention of the committee to scrutinise -

- (a) To accept the revised capital programme for 2012/13 and to approve the relevant sources of finance as noted in paragraphs 2.2 to 2.8 of the Cabinet Member for Resources's report and to include the solution to the situation of the Ysgol yr Hendre scheme.
- (b) To note the intention of the Chairman of the Audit Committee to invite the Cabinet Member for Resources to the meeting of the Audit Committee on 22 November, in order to scrutinise the report along with the above decision of the Cabinet.

The Cabinet Member noted that the Council had been successful in funding capital investments worth £113m in Gwynedd over the next three years and that £42m of this was to be spent during the existing financial year. This was very encouraging news for Gwynedd.

A member asked whether or not there were restrictions on the expenditure and whether the Cabinet was happy with the expenditure profiles. In response, the Head of Finance Department drew attention to clause 3.2 in the report which referred to the fact that re-profiling would not mean a loss in grant. He also noted another clause (4.2) which indicated an improvement in 2012/13 compared with the first six months of the previous year.

A member drew attention to the Hendre School Scheme, where the initial financing of this scheme included a contribution of £355,000 from a private developer as a result of a Section 106 agreement on Tyddyn Pandy. He expressed concern that the contributions that were to be received in instalments would not take place until between 2018/19 and 2023/24 which therefore meant difficulties for the Council. He asked why the Council had not put pressure on the developer to pay the £1.2m, in accordance with the agreement. In response, the Head of Finance Department informed the committee that if the Council had been aware beforehand of the difficulties there would still be a strong business case to proceed with this project, and in that context that it was successful, but a number of issues had been raised and lessons had been learnt when proceeding with the project.

In addition, the Head of Finance Department confirmed that £1.2m had been planned to come from selling the old school site, as explained in clause 2.4 of the report, not from the developer.

The members referred to the development of Victoria Dock when the site had been sold for £1, with a 106 agreement that the developer, when completing the flats would build 1/3 of the units as affordable ones on other land in the area. He was of the opinion that there was space for around 30 houses on the old Hendre School site that would come into the Council's ownership to be sold perhaps to a housing association. In response, the Head of Finance Department informed the committee that the development of Victoria Dock was not under consideration by this committee today, but he pledged to consider this matter further.

**RESOLVED to note the situation and accept the Cabinet's decisions.**

## **8. TREASURY MANAGEMENT 2012/13 – MID YEAR REVIEW**

Submitted – the report of the Head of Finance Department on treasury management activity during the current financial year.

He noted that the CIPFA Code of Practice on Treasury Management recommended that members should be informed of Treasury Management activity at least twice a year. This mid year report ensured that the Council was embracing best practice.

He provided details of the contents of the report namely the economy, loans management, investment activity, compliance with prudential indicators and the outlook for interest rates. He referred in particular to Appendix A which detailed the tendencies of banks in terms of creditworthiness and provided an update on the situation of the investment in Heritable Bank, where it was anticipated to recover 88p/£ and 75p/£ had already been recovered.

In relation to business loans for local companies, a member referred to a loan a furniture company from Caernarfon had received from the Council and enquired about the latest situation. In response, the Head of Finance Department noted that the company had, by now, repaid the total amount of the loan to the Council.

The member was of the opinion that the Council should support more businesses in Gwynedd by offering short-term loans. In response, the Head



of Finance Department informed the committee that £3m had been earmarked for this purpose. A panel had been established which included the Cabinet Member for Resources and the Cabinet Member for the Economy to consider the applications that were received, and several loans had already been approved.

**RESOLVED to accept the report for information.**

**9. TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14**

The Head of Finance Department reminded the members of the training by Arlingclose Company on the matter noted above on 29 January 2013 at 2.00pm in Ystafell Glyder Fawr, Council Offices, Penrallt, Caernarfon.

He noted that four members had already confirmed their interest, but he wished to obtain information beforehand by the remainder of those members who wished to attend the training.

**RESOLVED to note the information.**

**10. INTERNAL AUDIT PLAN 2012/13**

Submitted – the report of the Senior Manager Audit and Risk providing an update of the current situation in terms of completing the 2012/13 internal audit plan.

He provided details of the situation as at 2 November 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>Number</b>
Planned	34
Working Papers Created	2
Field work started	14
Field Work Ended	8
Final Report	40
<b>Total</b>	<b>98</b>
Cancelled	3

He informed the committee that the 2012/13 performance target was to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2013. He noted that Internal Audit's actual achievement by 2 November 2012 was 40.8% and out of the 98 individual audits in the 2012/13 revised plan, 40 had been released finally. In order to meet with the quarterly profile, there would be a need to close or release the final report for the remaining 19 audits by the end of December, namely 59 out of 98, and it was expected that this would be achieved.

The Senior Manager - Audit and Risk submitted an explanation on the amendments made to the internal audit plan since the previous meeting.

**RESOLVED to note the contents of the report as an update on progress against the 2012/13 audit plan.**

The meeting commenced at 10.30am and concluded at 12.00pm.