
AUDIT COMMITTEE 15/07/14

Present: Councillor John Pughe Roberts (Chairman)

Councillors: Anwen Davies, Eddie Dogan, Huw Edwards, Trefor Edwards, Tom Ellis, John B. Hughes, Dafydd Meurig, Dilwyn Morgan, Angela Russell, Gethin Glyn Williams and Peredur Jenkins (Cabinet Member for Resources)

Lay Member: Mr John Pollard

Also Present: Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Audit and Risk), Alan Hughes (Financial Audit Team Leader – Wales Audit Office), Ffion Madog Evans (Finance Manager – Resources and Corporate), Delyth Wyn Jones-Thomas (Pensions and Treasury Management Accountant), and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Aled Ll. Evans, Michael Sol Owen and Robert J. Wright.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 6 May 2014, as a true record.

3. REVENUE OUTTURN 2013/14 – FINAL REVIEW

Submitted –

- (a) the report of the Head of Finance Department on the final financial position of the Council's departments for 2013/14.
- (b) the Cabinet's decision notice, dated 10 June.

The Cabinet Member for Resources set out the background and context of the report. He referred to financial transfers made to clear the overspend of the Social Services Department so that the Head of Adults, Health and Well-being Department and the Head of Children and Supporting Families Department could start off debt-free at the beginning of 2014/15.

It was noted that money had been transferred to the Corporate Redundancy Fund as redundancies would be increasingly unavoidable in the future due to the financial climate.

The Head of Finance Department noted that the Cabinet's decisions had allowed for the final accounts for 2013/14 to be closed in order. Attention was drawn to the fact that one-off funding had been transferred from the contingency budget to a specific budget to meet the cost of establishing a new Complaints Procedure.

In response to a question from a member regarding the savings situation, the Cabinet Member for Resources noted that initial work of assessing the savings programmes of the departments was in progress, with firm savings schemes being submitted before a working group of the Scrutiny Forum before being submitted to the Cabinet for a decision.

In response to a member's observation regarding deleting vacant posts, the Head of Finance Department noted that a saving derived from this as the relevant budget included a provision for the posts and that the savings could be harvested.

A member enquired whether or not the Council intended to ask staff whether or not they wished to take voluntary redundancy.

In response, the Head of Finance Department noted that some councils had offered the option of voluntary redundancy to their staff and that in some cases it had led to problems in some departments within those councils due to the volume of applications. He explained that savings schemes that minimised the harm to the residents of Gwynedd had to be selected, as well as manage staff expectations in the context of the process. The Head of Finance Department added that compulsory redundancies would lead to permanent revenue savings and that he would undertake negotiations in relation to the contribution of relevant departments and the Corporate Redundancy Fund towards redundancy compensation.

It was noted that the balances of primary schools had increased. In response, the Cabinet Member for Resources noted that discussions were being held regarding the matter at the Schools Budget Forum. The Head of Finance Department added that a letter had been sent to the schools suggesting that school reserves should be no more than 5% of their budget or £50,000, whichever was lowest; however, it was not managed to establish a policy enforcing that because of the objection of some school governing bodies.

A member questioned how the Adults, Health and Well-being and the Children and Supporting Families Departments could keep within budget for 2014/15, considering that financial transfers had to be made to clear the overspend of the Social Services Department for 2013/14.

In response, the Head of Finance Department noted that there had been more demand on this service over the past six months and that a sum had already been included in the 2014/15 budget to meet the demographic growth. He added that the departments were attempting to identify a long-term solution by reconsidering the current arrangements and managing demand.

A member drew attention to the £1.727m of Housing Finance Account that had been earmarked for the time being in a specific fund, in order to reduce the pension liabilities that had been unavoidably inherited when transferring the housing stock. The Head of Finance Department explained that due to the challenging budgetary situation that the money had been placed in a reserve in the hope that it could be transferred to the Pension Fund. He added that it was prudent to place the money in a reserve so that it could be used for another priority if special or emergency situations arose.

RESOLVED to accept the report.

4. 2013/14 STATEMENT OF ACCOUNTS

The Head of Finance Department set out the background and context of the report. Attention was drawn to the fact that unaudited draft accounts were being submitted here, with the final version to be submitted for the Committee's approval at the meeting on 25 September 2014.

The Senior Finance Manager noted that the Cabinet, at its meeting on 10 June 2014, had given its approval to carry forward the net underspend of services of £362,000. The departments were congratulated for their work with the underspend which represented only 0.14% of the budgets.

In the context of the situation with balances at the end of 2013/14, it was noted that they had increased from £8.1 million to £8.4 million. It was added that the financial picture as a whole was healthy.

In response to a question regarding 'Note 20 – Short-term Debtors', the Senior Finance Manager noted that what was noted under the heading 'Other Entities and Individuals' showed the situation at a specific time with the picture changing on a daily basis.

In response to a member's enquiry regarding a difference in the figures for 2012/13 and 2013/14 under the heading 'Central Services to the Public' on page 9 of the draft accounts, attention was drawn to a bullet point that explained that changes in the reporting arrangements should reflect a change in the funding source of the Council Tax Reduction Scheme from the Welsh Government.

In response to a member's observation, it was noted that no specific amount or percentage that should be kept as a reserve was determined. It was added that a risk assessment would be undertaken in terms of the need for reserves alongside the financial projections, the provision for inflation, etc. and that the reserve amount at the end of the 2013/14 financial year was acceptable in terms of the Council's turnover.

All staff associated with preparing the accounts and all Council staff involved with the Council's budgets were thanked for their hard and detailed work.

RESOLVED to accept and note the 2013/14 Statement of the Council's Accounts (subject to audit).

5. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2013/14

The Senior Manager – Audit and Risk set out the background and context of the report. It was noted that the Informal Cabinet, at its meeting on 9 July, had noted its support to the annual governance statement.

It was reported that the framework had been submitted before the Corporate Management Group on 14 July, and that the Group had suggested one amendment, namely considering changing the score of Member Training and Development from 7 to 5 because more needed to be done to develop the training programme.

Following a member's comment at the previous meeting of the Audit Committee, it was noted that Equality had now been added to the framework.

In response to a member's observation regarding the importance of engagement, the Cabinet Member for Resources noted that the Cabinet's main workstream was Ffordd Gwynedd, namely putting the people of Gwynedd at the centre of each decision. He added that it would take time to change the culture in the Council but that it would be of great benefit.

In response to a member's question, the Senior Manager - Audit and Risk noted that the Committee would receive an update on the governance framework on a regular basis, as this was one of the Committee's key roles.

RESOLVED:

- (a) To approve the Annual Governance Statement, incorporating the Gwynedd Council Statement of Internal Controls for the 2013/14 financial year, subject to changing the impact score of Member Training and Development to 5;**
- (b) To recommend that the Council Leader and the Chief Executive sign the statement.**

6. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above-mentioned working group held on 6 June 2014 to consider seven audits that had received a category C opinion during the period between 1 February 2014 and 31 March 2014, namely -

- a) Schools Statistics and Censuses
- b) Verification of Performance Indicators
- c) Schools Effectiveness Grant and the Pupil Deprivation Grant
- ch) Control Over Ordering and Payment for Property Repairs and Maintenance
- d) Arrangements for Registering Births, Deaths and Marriages
- dd) Overnight Arrangements at the Council's Homes
- e) Overtime Claims Procedures

Also considered were the Siop Gwynedd Follow-up Audit report that had received an unsatisfactory opinion and the School Health and Safety Risk Assessments report that had received opinion category B.

Senior Managers had been invited to attend the meeting to discuss the matters arising from the audits and the work completed since the audit reports had been published in order to strengthen the internal controls in question.

It was noted that assurance had been received at the Working Group that the issues highlighted by the Internal Audit Unit were receiving due attention and that steps were being taken.

In response to a member's question regarding the Overnight Arrangements at Council Homes audit, the Senior Manager—Audit and Risk noted that a person additional to those on duty had to sleep-in at a home due to fire regulations and the specific standards of the Care and Social Services Inspectorate for Wales (CSSIW).

Following a concern expressed by the Working Group when considering the Overtime Claiming Arrangements that the Council's Translators travelled to meetings where they were not required as the individuals requiring the service had not informed them that they would not be in attendance, the Senior Manager – Audit and Risk noted that Internal Audit had looked into the issue. They had concluded that this was not a problem anymore, although it had been at one time in about 2012.

RESOLVED to accept the report.

7. OUTPUT OF THE INTERNAL AUDIT SECTION

The work of the Internal Audit Section for the period up to 30 June 2014

Submitted – the report of the Senior Audit and Risk Manager outlining the Internal Audit Section's work in the period between 1 April and 30 June 2014. In submitting the information on the work completed during the period, the officer referred to -

- 9 reports on audits of the action plan with the relevant opinion category shown
- 3 follow-up audits

Details of further work that Internal Audit had in the pipeline was reported upon.

Consideration was given to all the reports individually.

A member noted that consideration should be given to inviting staff from Plas Maesincla, Caernarfon to the Working Group's meeting when the report of Plas Ogwen, Bethesda was considered, in order to share good practice between staff as that particular audit had received opinion category B.

In response, the Senior Manager – Audit and Risk noted that it was assumed that sharing good practice between Residential Homes took place outside the audit system and that work had been completed recently to improve arrangements in Plas Maesincla. He added that along with staff from Plas Ogwen, that the manager who had an overview of all Residential Homes, would be invited to the Working Group to provide a full picture.

RESOLVED

- (a) to accept the reports on the Internal Audit Section's work for the period between 1 April 2014 and 30 June 2014 and to support the recommendations already submitted to the managers of the relevant services for implementation.**
- (b) that the following members serve on the working group to consider the audits that received opinion category 'C':-**

The Chairman and Vice-chairman of the Committee, along with John Pollard and Councillors Anwen Davies and Trefor Edwards.

8. INTERNAL AUDIT PLAN 2014/15

Submitted – the report of the Senior Manager - Audit and Risk, providing an update on the current situation in terms of completing the 2014/15 internal audit plan.

He provided details of the situation as at 1 July 2014 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:-

Audit Status	Number
Planned	65
Papers Created	3
Field work started	15
Awaiting Review	4
Draft Report	2
Final Report	8
Total	97
Cancelled	1

It was reported that following discussions with the Head of Adults, Health and Well-being that no audit could be held in the context of the Extra Care Housing review in 2014/15. It was noted that following a request from the Head of Regulatory Department to undertake a Food Hygiene and Health and Safety Inspection Programme audit and the audit had been added to the Internal Audit Plan for 2014/15.

A member noted that the Communities Scrutiny Committee had considered the food hygiene arrangements on 4 July following the publication of the Food Standards Agency's (FSA) report. It had to be ensured that there was clear communication with the press before releasing the Council's formal responses expressing that internal arrangements rather than the food hygiene standards of businesses was in question here.

RESOLVED to note the contents of the report as an update on progress against the 2014/15 audit plan.

The meeting commenced at 10.00am and concluded at 12.05pm.