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## AUDIT COMMITTEE 17/2/15

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**Present:** Councillor John Pughe Roberts (Chairman)  
Councillor Robert J. Wright (Vice-chairman)

**Councillors:** Anwen Davies, Eddie Dogan, Tom Ellis, John B. Hughes, Charles Wyn Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, John Wyn Williams and Peredur Jenkins (Cabinet Member for Resources).

**Also in attendance:** Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager Revenue and Risk), Luned Fôn Jones (Audit Manager), Amanda Hughes (Local Manager, Wales Audit Office), Caroline Lesley Roberts (Investment Manager), Iwan Evans (Head of Legal Services) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Trevor Edwards, Aled Ll. Evans, Aeron M. Jones, Sion Wyn Jones and Mr John Pollard.

### 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 18 December 2014, as a true record.

### 3. 2015/16 BUDGET AND 2015/16 – 2017/18 FINANCIAL STRATEGY

Submitted – the report of the Cabinet Member for Resources on the budget, providing an opportunity for the Audit Committee to scrutinise the information in terms of its financial propriety prior to the report being submitted to the Cabinet on 19 February.

The Cabinet Member for Resources set out the background and context of the report. He noted that it was recommended to consider increasing the Council Tax between 3.5% and 4.5% in 2015/16 to minimise the cuts in 2016/17. He added that increasing the Council Tax and using £2m from the general balances would enable an inclusive consultation on the possible cuts to be conducted prior to implementation.

The Head of Finance Department took the opportunity to thank members who had attended the seminars involving the Financial Strategy. He emphasised that if there was no increase in the council tax, the cuts would have to be increased in 2016/17.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- The seminars which had been held on the Financial Strategy had been of assistance;
- The responsible decision would be to increase the Council Tax by 4.5%;
- An increase in the Council Tax was difficult for those who were working as wages were not increasing and an increase in the Council Tax should be restricted;
- People living in the countryside questioned what they were receiving in terms of services to justify increasing the Council Tax;
- The whole of Gwynedd was rural and the cost per head of services was lower in more urban areas;

- There was a safety net for the individuals receiving assistance (benefits) towards their Council Tax, but there was concern for those on incomes that were slightly above the threshold for receiving assistance;
- The cuts should be identified before deciding on increasing the Council Tax;
- The Council Tax was not increasing in England. It was questioned whether the Welsh Government received money to this end also in Wales;
- Using the balances only deferred the pain, but the member accepted the procedure and hoped that there would be consensus in terms of the cuts;
- It was questioned whether schools could be requested to use their balances to assist the financial situation.

With regard to freezing the Council Tax in England, it was noted that these matters were beyond the Council's control and the Welsh Government had decided to give the money received from this to the Health Service.

It was noted that school reserves and school budgets were the responsibility of Governors and the Council had no right as an Authority to enforce this, although it directed schools to reduce their balances and use them for the children's education.

The Cabinet Member for Resources reported that a full list of the possible cuts would be brought before members in the next few months in order to discuss them.

**RESOLVED to recommend the report to the Cabinet and that the Committee's opinion to increase the Council Tax by 4.5% is reasonable.**

**4. TREASURY MANAGEMENT – TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2015/16**

Submitted – the report of the Head of Finance Department requesting the committee to recommend to the Council on 5 March to adopt the Treasury Management Policy Statement, the Treasury Management Strategy Statement and the Annual Investment Strategy for 2015/16, the Prudential Indicators, the Minimum Revenue Provision Strategy and the merger arrangements with the Pension Fund in terms of investing daily cash flow.

The Head of Finance Department set out the context and the Investment Manager elaborated on the content of the report.

The opportunity for Members of the Committee to ask questions of the officers and of the expert consultant from the Arlingclose company at a briefing meeting held on 30 January, 2015, was noted with gratitude.

**RESOLVED to recommend to the Full Council on 5 March to adopt the Treasury Management Policy Statement (Appendices A, B and C), the Treasury Management Strategy Statement and the Annual Investment Strategy for 2015/16 (Appendix CH), the Prudential Indicators (Appendix D), the Minimum Revenue Provision Statement (Appendix DD) and the merger arrangements with the Pension Fund for the investment of daily cash flow.**

**5. PROPOSED CHANGES TO THE CONSTITUTION ARISING FROM THE PUBLIC SERVICE PENSIONS ACT 2013 AND THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (GOVERNANCE) REGULATIONS 2014**

Submitted – the report of the Head of Finance Department and the Head of Legal Services on the proposed changes to sections of the Constitution to ensure that the Council, as an

Administrative Authority for the Gwynedd Local Government Pension Fund, complied with the requirements of the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2014 relating to the creation of a Local Pension Board.

It was agreed that there should not be an over-reaction to the requirements or commitment to unnecessary substantial costs when establishing a Pension Board.

It was noted that the proposed amendments, which were recommended to the full Council, defined the functions, membership and operational structure of the Gwynedd Pension Board. It was explained that in addition to the recommendation noted in the report, delegated powers were requested to make minor amendments to the governance arrangements of the Local Pension Board should the need arise.

**RESOLVED to recommend to the Council:**

- (i) To review sections of the Constitution that relates to the LGPS, to ensure that the Council, as the Administrating Authority for the Gwynedd Local Government Pension Scheme, complies with the Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.**
- (ii) Establish the Gwynedd Pension Fund Pension Board in accordance with the report, the Terms of Reference and Governance, with delegated powers to the Head of Finance Department, in consultation with the Head of Legal Services, to make minor amendments to the governance arrangements of the Local Pension Board should the need arise.**

**6. REVENUE BUDGET 2014/15 - THIRD QUARTER REVIEW (DECEMBER 2014)**

Submitted - the Head of Finance Department's monitoring report on the latest financial situation.

The Cabinet Member for Resources set out the context and the Senior Finance Manager elaborated on the content of the report. Reference was made to the likely overspend of the Adults, Health and Well-being Department and it was noted that there was a substantial reduction in the overspend level anticipated at the end of the second quarter. It was explained that the likely overspend of the Department had nearly halved and steps had been taken to try to strengthen financial management.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- It was heartening that Departments were underspending but this money was planned savings and would not be available in the future;
- There was a risk for the Adults, Health and Well-being Department.

In response to members' observations, the Cabinet Member for Resources noted that the way in which services were provided had to be changed quite soon or the Council could not undertake its duties. The Head of Finance Department added that growth in expenditure had to be avoided by taking financial and managerial steps.

**RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments.**

**7. CAPITAL PROGRAMME 2014/15 – END OF THIRD QUARTER REVIEW (31 December 2014)**

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

Attention was drawn to the fact that re-profiling in the capital programme from 2014/15 to 2015/16 did not mean a loss of grant.

**RESOLVED to note the situation and the relevant risks in the context of the Council's capital programme.**

## 8. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted - the report of the Chairman of the Audit Committee, providing information on the meeting of the above working group that had been held on 16 January 2015, to consider the capital scheme of Pont Briwet, the follow-up report on 'Harbours', which had received an unsatisfactory opinion category and two audits which had received a 'C' Opinion Category during the period between 13 September 2014 and 30 November 2014, namely.

- a) Food Hygiene, Health and Safety Inspection Programmes
- b) Leisure Centres

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

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

It was noted that with regard to the Food Hygiene, Health and Safety Inspection Programmes, that it was heartening that 'Which?' magazine had placed Gwynedd Council amongst the best in Wales regarding food enforcement work in a performance table of local authorities and this should be publicised.

A member noted that it was extremely important that the Working Group had considered the Pont Briwet capital scheme because of the possible risks.

**RESOLVED to accept the report.**

## 9. INTERNAL AUDIT OUTPUT

The Chairman explained the changes to the staffing structure of the Internal Audit Section and he noted that Luned Fôn Jones was the Audit Manager and she would be responsible for the work of the Internal Audit Section from now on. It was noted that the Senior Manager – Revenue and Risk would be responsible for supervising the work of the Internal Audit Section. The Senior Manager – Revenue and Risk was thanked for his work and both the officers were wished well in their new posts.

### **The work of the Internal Audit Section for the period up to 31 January 2015**

Submitted - the report of the Senior Manager - Revenue and Risk, outlining the Internal Audit Section's work during the period between 1 December 2014 31 January 2015. In submitting the information on the work completed during the period, the officer referred to -

- 8 reports on audits of the action plan with the relevant opinion category shown
- 1 other report (memoranda etc.)
- 2 grant reviews
- 4 follow-up audits

Consideration was given to all the reports individually.

**RESOLVED to accept the reports on the work of the Internal Audit Section for the period 1 December 2014 until 31 January 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**

#### **10. DISCLOSURE ARRANGEMENTS – AWARENESS OF THE WHISTLE BLOWING POLICY**

Submitted – the report of the Senior Manager – Revenue and Risk, summarising the results of a review on staff awareness and their attitude towards the Council’s Whistle Blowing Policy. It was noted that it was crucially important, in light of recent cases such as Rotherham, that individuals were sufficiently confident in the arrangements to be able to express concern.

It was reported that the questionnaire was restricted to office staff only as it was an on-line questionnaire but it was proposed to hold a similar exercise with manual workers in 2015/16.

Members were given an opportunity to ask questions and to offer their observations. During the discussion the following main points were highlighted:-

- It would be easier for individuals to come forward if there was an independent person as an initial contact point rather than a line manager. In response, the Senior Manager – Revenue and Risk noted that the policy stated that individuals could approach the Head of Department or the Internal Audit Section directly;
- Surprise that the survey showed that 12% of Line Managers were unaware of the policy or 18% of the Human Resources Department;
- It was important to increase awareness of the policy;
- It was crucially important that Council staff had easy access to the policy on the internet;
- There was a need to establish a procedure for Councillors;
- There was a need to ensure that individuals were completely confident to use the procedure;
- Should the Working Group consider the matter;?
- Councillors should receive training on the Policy.

In relation to the observation regarding holding a Working Group to consider the matter, the Senior Manager – Revenue and Risk suggested that they should wait to see the results of the survey of the manual workers in 2015/16 and if needed both surveys could be examined together at that time.

#### **RESOLVED:**

- (i) the Senior Manager – Revenue and Risk to consider members’ observations in relation to strengthening the arrangements further;**
- (ii) that the Committee considers addressing the Whistleblowing Policy at a meeting of the Controls Improvement Working Group after receipt of the manual workers’ survey results.**

#### **11. INTERNAL AUDIT PLAN 2014/15**

Submitted - the report of the Senior Manager – Revenue 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 31 January 2015 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	12
Field Work Started	19
Field Work Ended	2
Awaiting Review	4
Draft Report	3
Final Report	48
Closed	2
Total	90
Cancelled	12

Attention was drawn to the audits that had been withdrawn from the Plan as a result of the loss of 120 days of audit resources. There were fewer days available than planned at the beginning of the year as three posts had been deleted from the structure earlier than the proposed date of 31 March 2015.

It was noted that achieving the target of 95% appeared unlikely now, but all the service's staff were committed to finish as near as possible to the target for the year and they were aware of the expectations.

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

## **12. DRAFT INTERNAL AUDIT PLAN 2015/16**

Submitted – the report of the Senior Manager – Revenue and Risk providing details of the draft plan of the Internal Audit Section's work for the 2015/16 financial year in order for members to voice their opinions on it and approve it, subject to further discussions with officers.

The Senior Manager – Revenue and Risk added that he would bring a final plan before the committee in June after discussing the draft plan with the departments.

**RESOLVED to approve the draft Audit Plan for the period 1 April 2015 to 31 March 2016, subject to amendments derived from further discussions with officers.**

The meeting commenced at 2.00pm and concluded at 4.35pm.