

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	17 FEBRUARY 2015
TITLE	REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP
PURPOSE OF THE REPORT	TO REPORT ON THE MEETING HELD ON 16 JANUARY 2015
AUTHOR	JOHN PUGHE ROBERTS, CHAIR OF THE AUDIT COMMITTEE
ACTION	TO ACCEPT THE REPORT AND CONSIDER THE RECOMMENDATIONS

1. INTRODUCTION

1.1 At its meeting on 18 December 2014, the Audit Committee decided:

- **That the Chairman and Vice-chairman of the committee, along with Councillors Tom Ellis, Dilwyn Morgan and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the follow-up audit of Ports. The Committee agreed that it is the responsibility of any member who cannot be present at the Working Group to arrange that a substitute attends in their place.**
- **To invite the Cabinet Member for the Environment and relevant officers from the Regulatory Department to the next meeting of the Controls Improvement Working Group regarding the Pont Briwet scheme.**

1.2 The executive summaries of 13 reports were submitted to the Audit Committee meeting on 18 December 2014, which represented reports that were released finally between 13 September 2014 and 30 November 2014. Two of these reports had received a 'C' opinion.

1.3 In accordance with the requirements of the Local Government (Wales) Measure 2011, the Audit Committee is expected to scrutinise budget monitoring reports, and to consider all aspects of the Council's risk management when appropriate. Therefore, in addition to discussing internal audit reports which had received a 'C' opinion, the working group addressed the Pont Briwet capital scheme. The capital budget was addressed by the Cabinet on 25 November 2014, and the impact of the delay in the scheme was addressed by the Communities Scrutiny Committee on 2 December.

2 WORKING GROUP MEETING

2.1 A meeting of the Working Group was held on 16 January with the Chairman and Vice-Chairman of the Committee and Councillors Tom Ellis and Angela Russell, and Dewi Morgan, Senior Managers Revenue and Risk.

2.2 In addition to the Briwet Bridge Capital Scheme, the Internal Audit reports that the Working Group addressed were:

TITLE	DEPARTMENT	SERVICE	OPINION
Food Hygiene, Health and Safety Inspection Programmes	Regulatory	Public Protection	C
Leisure Centres	Economy and Community	Leisure	C
Follow-up - Ports	Economy and Community	Maritime and Country Parks	Unsatisfactory

2.4 Pont Briwet

- 2.4.1 Aled Davies (Head of Regulatory) and Pat Jones (Co-ordinator of the Pont Briwet Project) attended the meeting in order to update the Working Group on the risks the Council faces as the project to build the new bridge proceeds. The Head of Finance was also present for this item.
- 2.4.2 It was noted that the Communities Scrutiny Committee had reviewed the matter in December to consider the impact that closing the bridge has had on citizens. The Senior Manager Revenues and Risk explained that Internal Audit had examined the scheme in terms of the arrangements to mitigate risks, and was comfortable that there are clauses within the agreement with the contractor that go a long way to protect the Council's interests. It was noted that it is not possible to have a development of this kind without inherent risks, and that there are further risks when the building work is in a difficult geographical position, such as in this case.
- 2.4.3 The Head of Regulatory explained that there are many things that could go wrong with a scheme of this kind, and that this has already been highlighted, with a damaged electricity pylon and an old bomb being discovered in the water. Whilst accepting that work had slipped from the original timetable, and that it is understandable that people are unhappy as a result of this, he expressed his view that a comparatively small fraction of people has exaggerated some of the problems to make them appear much more than they are.
- 2.4.4 The Head of Regulatory also acknowledged that there are financial risks associated with the scheme, but this has been closely monitored by officers from the start. He noted that officers are aware that the closing date for the expenditure of the grants is a key date and every effort is being made to claim the money in its entirety before that date.
- 2.4.5 The Co-ordinator of the Pont Briwet Project said that it was necessary to consider two aspects:
- The Public. Everyone acknowledged that the public have been affected. This aspect has already been addressed by the Communities Scrutiny Committee.
 - The Council. In terms of the Council, time is the greatest risk and an application for a time extension has been made to the Welsh European Funding Office (WEFO). Unfortunately, the programme which funds the Pont Briwet scheme is coming to an end and therefore it is unlikely that it will be possible to slip beyond June 2015.
- 2.4.6 The Working Group was aware that the contractors have submitted claims for further costs. The officers reported that the Council is of the opinion that it is not currently possible to decide on their financial value, but that formal correspondence would focus on the key matters. The officers were confident that the robustness of the formal contract offers the Council a means of dealing with these claims appropriately, and that the matter is receiving legal attention.
- 2.4.7 The officers were questioned on the tendering procedure. The Project Co-ordinator explained that it is the Council who is leading on the tendering process as Network Rail's arrangements did not meet WEFO's conditions. It was noted that discussions with Network Rail are ongoing.
- 2.4.8 A member asked what the timetable is now? The Project Co-ordinator replied that the original contract noted the end of February, and that the whole bridge has been closed to meet that date. The completion date that has now been offered by the contractor is the end of June. It was explained that events such as the pylon have eaten into the provision for inclement weather.
- 2.4.9 The officers acknowledged that lessons had been learnt in terms of how to communicate with the public with a plan of this type.

- 2.4.10 It was explained that a plan within the contract which deals with losses for the Council is the subject of discussions with barristers.
- 2.4.11 The Working Group was aware that the failure to install a temporary bridge, and having to use the convoy system in its place, was the subject of considerable attention locally. The Working Group was also given to understand that the price of a temporary bridge was included in the agreement. It was therefore asked, why wasn't the temporary bridge installed? The Project Co-ordinator replied that a temporary bridge was included in the "indicative plan", but that the principles of "best value engineering" give companies who submit tenders the chance to offer alternative plans. The successful company's proposal did not include a temporary bridge, but rather a deck installed next to the railway. The prices of those companies which offered temporary bridges were much higher, and beyond the budget that was in place. Transport management was not included in the contract, and the officers came to the conclusion that using traffic management on the road through Maentwrog rather than a temporary deck would be a cost neutral. It was emphasised that discussions were held with the community when coming to this decision.
- 2.4.12 It was noted that there are arrangements in the pipeline to consider the effect of building work on local businesses.
- 2.4.13 A member enquired about the effect that opening the new bridge will have on the centre of Penrhyndraeth. The Head of Regulatory responded by explaining that his Department has examined the probable impact on the area, but of course feasibility and financial consideration will need to be given to improving the road network in the village. It is the Welsh Government that is responsible for the trunk road, and monitoring work will commence immediately in order to establish whether further work is needed to deal with a higher volume of traffic.
- 2.4.14 The Working Group was of the opinion that the lowest tender does not always offer the best solution. Would a higher tender have been "better", and does the extent of the risk by now mean that accepting a higher tender would ultimately have been more economical? The officers explained that the tender has been assessed and awarded based on both price and quality, and there were no indications to suggest that there was reason to doubt the successful company's ability, as they have the necessary licences etc. Until the Council receives details of additional costs, it will not be possible to put a final price on the financial risk. Nevertheless, the Council officers are confident that the quality of our records to support the Council's view is very good.
- 2.4.15 The Project Co-ordinator explained that there are good project managers and quantity surveyors on the site, with the Head of Regulatory confirming his opinion that the Council has a good and experienced team there. It was noted that the Council went through a formal procurement process before appointing the project managers and quantity surveyors.
- 2.4.16 To close, the Head of Regulatory emphasised the complexity of this project. It is not the same as a normal bridge as there is a railway on it as well. It was necessary to buy in expertise from the outside to assist with the work. This has paid off due to the need to deal with the delay and additional costs.
- 2.4.17 The Working Group was eager for the Committee to receive an update in some months. It was agreed that they would receive updates through the work of Internal Audit.
- 2.4.18 The officers were thanked for attending the meeting and for explaining the situation. The Working Group concluded that it was not possible to quantify the final financial risk, but it appreciated that definite steps have been taken throughout the project to manage the risks reasonably.**

2.5 Food Hygiene, Health and Safety Inspection Programmes

2.5.1 The main findings of the audit were as follows:

Significant progress has been made by the Department to try to ensure that they address deficiencies identified in the Food Standards Agency's audit report. It was seen that good practice has now been developed in a number of procedures within the service. Detailed new Food Inspections forms have been produced and piloted. New guidelines, the Food Procedure Notes, have also been developed for the service. These were in draft form at the time of the audit with a view to final approval and publication as soon as possible. However, there are some issues that have not been implemented by the service. It is seen that there are weaknesses in the internal monitoring system and in delegation arrangements should an officer be absent from work, and the Service should ensure that the relevant documents are presented in a final form as soon as possible.

2.5.2 Aled Davies, Head of Regulatory, was present to discuss this item.

2.5.3 The Senior Manager Revenues and Risk presented the background to the report. He explained that the audit was included in the Internal Audit work plan 2014/15 at the request of the Head of Regulatory, after the Environmental Health service received a critical report regarding elements of food hygiene work from the Food Standards Agency. The Senior Manager was pleased to report that a number of problems within the Council which led to this have now been addressed, and the auditor saw that progress has been made since the Food Standard Agency's report. It was also noted that this matter has been addressed by the Communities Scrutiny Committee in July 2014.

2.5.4 The Head of Regulatory said that he saw Internal Audit as a critical friend who offers reassurance if things are right, or highlights problems if necessary.

2.5.5 The Head of Regulatory provided the context of the situation. On one particular aspect, the Council's internal arrangements for recording investigations were not robust during the Food Standard Agency's review, but since the report the Service has been working with the Food Standard Agency to put arrangements in place. The Agency has returned at the beginning of October, and it was reported that they were happy with the progress that was made.

2.5.6 Furthermore, in a performance league table of local authorities on food enforcement work in Which? Magazine, Gwynedd was amongst the best in Wales and in the ten highest throughout Britain. It was explained that the Chief Executive had received an e-mail from them. The Head was eager to emphasise that this was not an excuse to rest on their laurels, and that the service is working on the improvement programme agreed by the Scrutiny Committee. The relevant officers are confident that the follow-up audit will show great improvement.

2.5.7 Members of the Working Group noted that they appreciate the work and understand the importance of getting this right. In terms of context, the Head of Regulatory noted that there are over 2000 businesses that are relevant to the Service's work which were the subject of the Food Standard Agency review. Of course, some establishments which sell food incur higher risks than others.

2.5.8 The Head of Regulatory was questioned about the Flare System which was referred to in the Internal Audit report. He explained that this was the system used by the Public Protection Services, including Environmental Health, to record and produce monitoring reports.

2.5.9 The Head of Regulatory emphasised that this has been a very difficult time for the team, and he was pleased to report that good progress has been made.

2.5.10 The Head of Regulatory was thanked for his open and forthcoming answers, and he was asked to pass on a message to the whole team from the Audit Committee, congratulating them on their progress and their success in the Which? assessment.

2.6 Leisure Centres

2.6.1 The main findings of the audit were as follows:

Examples of good practice and robust controls were found to be in place in some of the Leisure Centres audited, in order to mitigate a range of risks in the administration and management of the centres. However, it was found that a number of the areas examined need further attention, especially in the areas of health and safety, banking of income and stock control. A number of weaknesses have been found and because of this appropriate steps should be taken to strengthen the arrangements in some of the areas examined. The Leisure Centre Service is in the process of reorganisation in order to strive to manage leisure centres and mitigate risks better in the future.

2.6.2 David Wood (Senior Technical Advisor) and Adam Williams (Deputy Manager of the Tywyn / Bala / Dolgellau Area) from the Leisure Service, Economy and Community Department, were welcomed to the meeting.

2.6.3 The Senior Manager Revenues and Risk presented the background of the audit. It was noted that the audits on the Leisure Centres examined the controls to mitigate a wide range of risks. The risks might not be major ones individually, but as there are so many things that require attention while running leisure centres, such as cash, health and safety, safeguarding etc. they are audited regularly. The Senior Manager also explained the purpose of the Working Group to the Leisure Service's officers.

2.6.4 It was noted that the audit examined a sample of four centres. The Senior Manager noted that perhaps it would be worthwhile to revert to undertaking audits on individual centres from now on, as the standards of implementing the systems in the various centres varied. It was noted that Penllyn Leisure Centre was the one in the sample which had the most room for improvement in terms of risk management.

2.6.5 The Senior Technical Advisor explained that work has been undertaken to examine all leisure centres in the county, and that new arrangements were in place for the Meirionnydd area. He said that the computer system had been rebuilt so as to make it easier for staff to use it. As a result, monitoring systems have been strengthened.

2.6.6 The report included 18 recommendations relevant to the Penllyn Leisure Centre. Officers from the Leisure Service reported to the Working Group that 14 of these have already been implemented, and that only two recommendations have not been implemented in the Bangor Swimming Pool.

2.6.7 Officers were asked about training arrangements for staff. The Senior Technical Advisor replied that it was recognised that perhaps staff had not been fully trained before being placed on the centre's front desk. Therefore, the centres vary - some centres have specific staff for the desk, while in other centres staff undertake all tasks.

2.6.8 It was noted that one matter which is yet to be addressed in the Penllyn Leisure Centre is fire risk assessments. It was unclear who was responsible for what within that centre, but the matter has since been addressed.

2.6.9 In response to a question from a member of the Working Group, it was confirmed that it was necessary for every staff member to have a DBS check.

2.6.10 In order to put the service into context, the Senior Technical Advisor emphasised that the leisure centres bring an income of £2.7m to the Council. Over £600,000 is now paid through direct debit which means that there is less cash in the centres.

2.6.11 The Working Group members appreciated that there is a lot of work for the staff to do at times and that there is pressure on them to act. The officers were asked whether there was anything they felt the Audit Committee could do to support them further. It was noted that there wasn't anything in particular at this time. As a result of re-organisation within the service, it was noted that there are currently 4 area managers, rather than 12 managers on the individual centres, and that a Quality Officer had been appointed to assist all centres.

2.6.12 The officers from the Leisure Service were thanked for attending the meeting and for confirming that the audit's recommendations were being addressed.

2.7 Follow-up - Ports

2.7.1 The main findings of the audit were as follows:

Implementation is Unsatisfactory. Of the 33 recommendations made in the report, it was seen only 16 had been implemented fully, 4 had been partially implemented and 13 recommendations had not been implemented. It was not possible for the Auditor to check if one recommendation had been implemented or not.

2.7.2 Llyr Jones (Senior Economy and Community Manager) and Barry Davies (the Senior Maritime and Country Parks Officer) were welcomed to the meeting.

2.7.3 The Senior Manager Revenues and Risk explained that the Working Group had considered the original report - that received a 'C' opinion – about a year ago, but at the time of the follow-up work, half the recommendations had been fully implemented. A further appearance before the Working Group was an opportunity for the Audit Committee and Internal Audit to support the service to deal with any obstacles that prevent implementing fully.

2.7.4 The Senior Economy and Community Manager said that they were disappointed that the follow-up audit has received an unsatisfactory opinion. In terms of setting a context, it was explained that there were serious storms in January 2014 which caused much damage. Recovery plans were adopted to deal with the damage, and all but one of these recovery plans had been implemented by the main summer season.

2.7.5 It was noted that the post of Senior Harbours Officer has been empty for a year. During this period the job's responsibilities were reviewed before advertising. The post is about to be filled, with the new officer starting their responsibilities on 2nd February 2015. The job's responsibilities will include line management of harbour staff, which will deal with the matters connected with the report.

2.7.6 Officers from Economy and Community explained that the current income targets are based on historical income rather than the reality of the current situation. One of the limited options available to the service when in a situation of overspending (a deficit in income) is to refrain from filling posts when they become vacant. This means that implementing recommendations will be more difficult and challenging.

2.7.7 The officers noted that substantial work had been done since September 2014, when the follow-up audit was undertaken. Confirmation was received that ten of the recommendations that had not been implemented fully in September have now been completed.

2.7.8 Despite this, the officers acknowledged that further work was necessary. Reference was made to three recommendations that require further work, namely:

A16 An invoice should be sent for the correct VAT repayment which is due on the electricity costs of Canolfan Dyfi for the previous year.

A26 The risk assessments for harbours should be revised and updated annually, or when a risk changes, with the review date noted on the header of the risk assessment.

A32 The harbours' property lists should be updated and maintained, and reviewed annually.

Implementing these recommendations will be a priority for the Senior Harbours Officer.

2.7.9 The Senior Maritime and Country Parks Officer was pleased that the elements which affected customers are very good, and that it was weaknesses in the administrative arrangements which was unsatisfactory. He said that administrative work does not come naturally to all officers, and that they have been prioritising operational matters.

- 2.7.10 With regard to the future of the service, it was noted that the maritime industry nationally was not currently at its best. The number of boats has reduced, creating a gap in the income. In addition to this, the empty Harbourmaster post has exacerbated the problems. The officers noted that they appreciated the auditor's work, as it has been very thorough. Despite this, attention was drawn to the practicality of some of the recommendations, such as banking every week. It was also noted that it is not possible to pay with a card in the harbours, and that help with these arrangements for collecting income would be appreciated; this would reduce administrative work substantially and reduce this risks of holding cash. The officers were of the opinion that receiving support in securing card payment equipment would be essential.
- 2.7.11 It was explained that there are two full time jobs on the structure in Aberdyfi and Barmouth, but the two are only filled for six months of every year. In response to a question from a member, it was noted that opening the Sailing Academy in Pwllheli should not increase the pressure on the service as a private company would be running the Academy. It was also noted that a direct debit system has been introduced in the Marina.
- 2.7.12 One member of the Working Group enquired about the harbours' safety equipment. Assurance was given that the life jackets are checked annually by a specialist company, but that this was not recorded on the system when the auditor visited. All officers have all the required safety equipment.
- 2.7.13 It was also noted that a successful partnership with a private company has been established to protect the Pwllheli slipway, which demonstrates the opportunities available to work differently.
- 2.7.14 To close, the Senior Economy and Community Manager said that he felt there was value to the report, even though it was not a good feeling to have to go before the Working Group. The report has been useful in showing all staff those areas where there is a need to improve as well as the importance of complying with the Council's procedures.
- 2.7.15 The officers were thanked for attending the meeting and for outlining the latest situation.**