
AUDIT COMMITTEE 30/06/15

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

Councillors: Anwen Davies, Trevor Edwards, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron M. Jones, Sion Wyn Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Glyn Thomas, Gethin Glyn Williams and John Wyn Williams.

Lay Member: Mr John Pollard

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), Huw Lloyd Jones (Performance Audit Manager, Wales Audit Office) and Bethan Adams (Member Support and Scrutiny Officer).

Apologies: Councillors Eddie Dogan, Peredur Jenkins (Cabinet Member for Resources) and Charles Wyn Jones.

1. CHAIRMAN

RESOLVED to re-elect Councillor John Pughe Roberts as Chairman of the Committee for 2015/16.

2. VICE-CHAIRMAN

RESOLVED to re-elect Councillor Robert J. Wright as Vice-chairman of the Committee for 2015/16.

Items 3 to 5 were chaired by the Vice-chair, as the Chair was late, his arrival was delayed due to an accident on the road.

3. DECLARATION OF PERSONAL INTEREST

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

4. WELCOME

Councillor Glyn Thomas was welcomed to his first meeting of this committee.

5. MINUTES

The Vice-chair signed the minutes of the meeting of this committee held on 17 February 2015 as a true record.

6. OUTPUT OF INTERNAL AUDIT

The work of the Internal Audit Section for the period up to 31 March 15

Submitted - the report of the Audit Manager, outlining the Internal Audit's work during the period between 1 February 2015 and 31 March 2015. When submitting the information on the work completed during the period, the officer referred to -

- 24 reports on audits of the action plan with the relevant opinion category shown
- 4 other reports (memoranda etc.)

- 4 grant reviews
- 5 follow-up audits

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

ICT in Secondary Schools

In response to a member's observation regarding changing passwords, the Audit Manager noted that the same enforcement was relevant to officers and members to change passwords to access the network and that there were specific regulations for other systems.

Health and Safety - Lone Working

In response to a member's observation, the Audit Manager noted that the scope of the audit did not include Councillors, but that conducting such an audit was something to consider for the future.

It was noted that it was the responsibility of managers to ensure that staff received the relevant training and that Health and Safety Officers were available to assist when risk assessments were undertaken.

Protocol for Member-Officer Link

In response to a member's observation regarding the need for Councillors to sign in and out as they visited any of the Council's property, the Head of Finance Department noted that introducing a digital procedure of registering in and out with a card (used for printing) had been explored, but that it meant a significant investment due to the number of doors in the buildings.

A member noted that he sometimes had difficulty when receiving response to enquiries from the Planning Service. In response, the member was advised to contact the Temporary Head of the Regulatory Department regarding the matter.

A member added that a list of officers' contact details along with their working days would be beneficial to members.

The Head of Finance Department noted that he would raise the matter of contacting officers in the next meeting of the Management Group.

Network Convergence

It was noted that an opinion category had not been noted on this audit as the plan had progressed, and it was not always appropriate to place a category in such circumstances.

Children Services - Commissioning Care

In response to a member's observation, the Audit Manager noted that an inclusive review had been undertaken and that work to formalise arrangements was underway.

Parking Enforcement

In response to a member's observation regarding Civil Enforcement Officers' working hours and lone working arrangements, it was noted that this had not been included in the audit's scope.

A member noted that given the financial challenge that the Council faced, expanding the role of Civil Enforcement Officers to include duties such as dog fouling and planning enforcement should be considered.

The Head of Finance Department suggested that the hours and lone working situation could be focussed upon, along with alternative duties for the Civil Enforcement Officers at the Controls Improvement Working Group with the 'Health and Safety - Lone Working' audit, if the relevant manager was invited.

RESOLVED:

- (a) to accept the reports on the work of the Internal Audit Section for the period 01 February 2015 until 31 March 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.
- (b) that the Chairman and Vice-chairman of the committee, along with Councillors Trevor Edwards, John B. Hughes, Dilwyn Morgan and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion, focussing on the hours and lone working situation along with alternative duties for the Civil Enforcement Officers with the 'Health and Safety - Lone Working' audit.

7. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2014/15

Submitted - the report of the Senior Revenue and Risk Manager and the Audit Manager.

The Senior Revenue and Risk Manager noted that the Public Sector Internal Audit Standards requires him to submit his opinion on the Council's internal control framework annually. On the basis of the work that had been completed during 2014/15, the officer was satisfied that Gwynedd Council had a sound framework of internal control.

It was reported that 87 out of 91 audits in the final amended internal audit plan had been completed by 31 March 2015, which corresponded to 95.6% of the plan, against a performance target of 95% for 2014/15.

It was noted that the Controls Improvement Working Group, that had commenced during 2013/14, had continued with its work of strengthening the Council's arrangements to respond to internal audit reports.

The Senior Revenue and Risk Manager noted that discussions had been held with the relevant officers following submission of the draft internal audit plan for 2015/16 at the last meeting on 17 February, and that the final plan had been included as Appendix 3 of the report.

Attention was drawn to the fact that 3 targets of the Internal Audit performance indicators for 2015/16 had been reduced for the following reasons:

- **Real audit days provided for Gwynedd Council.** The number of auditors had reduced from 10 in 2014/15 to 7 in 2015/16. This was agreed by the Council as part of the efficiency savings schemes.
- **Real audit days provided for external customers.** A service agreement with the Cynefin Group had come to an end, and there was no security whether a contract with an external customer had been successfully secured instead.
- **Percentage of the internal audits that received a category "B" opinion or better.** As the number of Council staff was decreasing, it was anticipated that some internal controls would weaken. However, it was anticipated that this would

be a temporary reduction, before the Gwynedd Way principles were developed within all the Council's services.

A member noted regarding the 'Use of Consultants' audit that would be held in 2015/16, that the ways in which consultants were appointed should be considered, along with their relationship with officers and that it should be ensured that the appointment procedure conformed with OJEC standards. In response to the observations, the Senior Revenue and Risk Manager noted that the work had commenced and that if a member had any concerns in terms of the appointment of a consultant, they should contact the Audit Manager.

In response to a member's observation regarding the number of days noted for conducting the 'National Fraud Initiative' audit, the Senior Revenue and Risk Manager noted that the initiative of comparing the data of public bodies to prevent fraud had been in operation for several years and that more time commitment was required from Internal Audit in 2015/16 than in previous years as the Benefit Fraud Prevention Unit had transferred to the Department of Work and Pensions since November 2014.

In response to an observation regarding a recent article in the Daily Post which noted that the Council had written-off debts of £428,606 after overpaying £1,748,740 in housing benefits between 2012-15, the Senior Revenue and Risk Manager noted that every effort was being made to receive the money that the Council was owed.

The Head of Finance Department added that the Council had a regulatory procedure to write-off debts, which perhaps could mean that the proportion was higher than other councils that did not undertake the exercise as frequently. He noted that the procedure of regularly writing-off debts was good practice.

RESOLVED to accept the report as the formal annual report of the Senior Revenue and Risk Manager and the Audit Manager in accordance with the requirements of the Public Sector Internal Audit Standards for the 2014/15 financial year.

8. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2014/15

The Senior Revenue and Risk Manager set out the background and context of the report.

Changes, which had been made by the Governance Arrangement Assessment Group, to the impact and efficiency scores of some aspects of the governance framework since 2014 were highlighted.

In response to a member's enquiry regarding changing the Equality impact score from 6 to 7, and its efficiency score from 7 to 6, the Senior Revenue and Risk Manager explained that the impact score was increased as the cuts agenda could affect some groups worse than others. Following examples of Judicial Review in England, as no equality impact assessments had been undertaken when cutting services, the efficiency score was reduced as there was a need to ensure that equality impact assessments were more consistently undertaken.

In response to a member's observation regarding the Audit Committee, it was noted that the Committee was continuing to develop its ability to deal with the new responsibilities associated with the Local Government Bill (Wales) 2011 and it was hoped that its score could be increased next year.

A member noted that it was necessary to look at the Council's values and consider the performance indicators and their suitability. In response, the Senior Revenue and Risk

Manager noted that as part of the Gwynedd Way reviews, namely putting the people of Gwynedd at the heart of every decision, a conclusion was sought as to whether the values were prominent in the Council's operations, and whether what the Council did achieved the main purpose of placing the citizens at the centre.

RESOLVED:

- (a) to approve the Annual Governance Statement, incorporating Gwynedd Council's Statement of Internal Control for the 2014/15 financial year;**
- (b) to recommend that the Council Leader and the Chief Executive sign the statement.**

9. GWYNEDD COUNCIL 2015 AUDIT PLAN

Submitted - the report of Amanda Hughes and Huw Lloyd Jones from the Wales Audit Office. It was explained that this year the details of the Financial Audit and the Performance Audit held by WAO in the 2015/16 financial year was included in the submitted plan.

The main financial audit risks were highlighted, noting that a number of the risks were relevant to all Local Authorities, with some being specific to Gwynedd Council.

The details of the Performance Audit were expanded on, it was noted that it had been suggested to submit the report to the Committee in light of follow-up work undertaken by the WAO to assess the progress in terms of implementing the recommendations of previous work.

It was added that the Council's response to national reports had also been assessed.

The Head of the Finance Department noted that a number of the risks highlighted were not specific to this Council, but were general risks in the Welsh context. He reported that in light of national reports, the Council was seeking to respond to the challenge, and that a report would be submitted to the next meeting of the Committee on July 16 regarding WAO's audit 'Responding to Significant Financial Stress'.

In response to a member's observations, it was noted that the Committee's role was to convince itself that the recommendations of external audits received focus and were acted upon. It was added that external audits were regularly reported upon to the Committee.

RESOLVED to accept the report.

10. EVIDENCE OF APPROPRIATE GOVERNANCE (ISA 240, ISA 250 AND ISA 550)

It was reported that a letter had been received from WAO enquiring about standard audits in line with the requirements noted under the International Standards on Auditing (ISA 240, ISA 250 and ISA 550).

Attention was drawn to a draft response to the letter formed by the Chairman of the Committee together with the senior control of the Finance Department. Members went through the draft response and were given an opportunity to make observations on the content.

RESOLVED to approve the content of Appendix A to be submitted to the Wales Audit Office.

11. FINAL ACCOUNTS 2014/15 - REVENUE OUTTURN

The background and context of the report was set by the Senior Finance Manager, noting that the report together with relevant decisions from the meeting of the Cabinet on 2 June would be submitted at the Chairman's request.

Attention was drawn to the fact that the Cabinet had approved the following financial transactions as part of their decisions:

- As the level of underspend permitted to be carried forward is restricted to (£100k), confirm that the (£225k) which is surplus from the Children's Department is to be released and recycled to deal with a deficit in another department.
- Clear the Adults Department's overspend, and finance it by:-
 - re-directing the underspend (£225k) which was above the (£100k) threshold;
 - using (£113k) from general balances.
- Use an additional (£235k) from general balances in order to clear the net deficit on 'Corporate' headings.

It was noted that the 2014/15 performance of individual departments was very good during a time of financial savings.

It was reported that the accounts for the 2014/15 financial year had been completed and sent to the WAO, and the statutory statements would be submitted to the Committee at its next meeting.

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

12. REVIEW OF RESERVES

Submitted - the report of the Head of Finance Department regarding transferring money from the Council's reserves and approving the Council's Policy on Reserves that had been considered by the Council's Cabinet on 23 June 2015. The Council's Decision Notice was distributed at the meeting and its content was expanded upon.

Attention was drawn to the fact that the Chief Finance Officer had a statutory personal responsibility (under Section 25 of the Local Government Act 2003) to ensure appropriate stewarding of reserves, it was noted that a continuous review of their adequacy and use was undertaken.

It was noted that the Cabinet, due to the significant financial challenge that faced the Council during 2015/16 -2017/18, to withdraw from various reserves following a review and to transfer £2,986,685 to the Redundancy Fund, and £1,500,000 to the Transformation Fund / Invest to Save.

In response to a member's observation that the Council's general balances would reduce to around £4m by 31 March 2016, the Head of Finance Department noted that the general balances should not be used regularly to fund continuous spending, but that the practice of transitioning was good practice in the face of the significant financial gap to have time to consider and prioritise cuts during 2015/16 in an inclusive way.

A member noted that it was necessary to ensure that the level of reserves did not get too low, the Head of Finance agreed and noted it is expected that the 2016/17 budget does not rely on the use of balances.

In response to a member's observation regarding school reserves, it was noted that the reserves were under Governors' control. It was added that specific guidelines were in place for schools with consistent monitoring and reviewing of the situation, and that increased stress was being placed by the Education Department on schools with too high reserves to be used for the education of the pupils.

RESOLVED to note the situation and the risks in the context of the Council's reserves and supporting the relevant policy.

13. GWYNEDD HARBOURS' FINAL ACCOUNTS 2014/15

The Senior Finance Manager submitted a report regarding the final accounts of Gwynedd Harbours for the year 2014/15 in line with the statutory requirements under the Harbours Act 1964. It was noted that Gwynedd Harbours was considered a small governing body, as turnover was less than £2.5m, and due to the fact that completing an annual official form for the WAO met statutory requirements.

RESOLVED to accept and approve the information in the appendices, namely -

- **Income and Revenue Expenditure Account 2014/15; and**
- **Annual Official Form for 2014/15 Review**

The meeting commenced at 10.35 am and concluded at 1.10 pm

CHAIRMAN