

---

## AUDIT AND GOVERNANCE COMMITTEE 10/5/18

---

**Present:** Councillor R. Medwyn Hughes (Chair)  
Councillor John Brynmor Hughes (Vice-chair)

**Councillors:** Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Berwyn Parry Jones, Charles Wyn Jones, Huw G. Wyn Jones, Sion Wyn Jones, Dewi Wyn Roberts, Paul Rowlinson, Angela Russell and Cemlyn Williams.

**Lay Member:** Sharon Warnes

**Others invited:** Peredur Jenkins (Cabinet Member for Finance)

**Also in Attendance:** Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Ian Howse (Financial Audit Engagement Leader, Deloitte - for Item 7 on the agenda), Alan Hughes (Performance Audit Leader, Wales Audit Office - for Item 7 on the agenda) and Bethan Adams (Member Support Officer).

**Apologies:** Councillors Peter Read, John Pughe Roberts and Gethin Glyn Williams.

### 1. CHAIR

**RESOLVED to re-elect Councillor R. Medwyn Hughes as Chair of the Committee for 2018/19.**

### 2. VICE-CHAIR

**RESOLVED to re-elect Councillor John Brynmor Hughes as Vice-chair of the Committee for 2018/19.**

### 3. DECLARATION OF PERSONAL INTEREST

Councillor John Brynmor Hughes declared a personal interest in item 8 on the agenda, (Internal Audit Output 29/1/18-31/3/18 - Appendix 4 – Food Hygiene) as he was a public house and restaurant owner.

Councillor Berwyn Parry Jones declared a personal interest in item 8 on the agenda, (Internal Audit Output 29/1/18-31/3/18 - Appendix 11 - Victoria Dock) as his wife worked for Caernarfon Harbour Trust.

The members were not of the opinion that they were prejudicial interests, and they did not withdraw from the meeting during the discussion on the item.

### 4. URGENT ITEM

The Chair reported that he had received a request from two Committee members to discuss the letter sent to Council staff informing them of the Council Cabinet's decision on 13 March 2018 to adopt changes to Council employment conditions as an urgent item. He informed the Committee that he had received guidance from the Monitoring Officer that there was a need for proper preparations before it was submitted for discussion by the Committee. He noted that a report regarding the matter would be submitted to the Committee either at its meeting on 28 June or 19 July.

### 5. MINUTES

The Chair signed the minutes of the meeting of this Committee held on 8 February 2018, as a true record subject to amending the second bullet point on page 5 under the item 'Capital Programme 2017/18 – Third Quarter Review' to read as follows:

"Discussions had been held with the Education Department and the Environment Department in terms of alternative solutions rather than using taxis to transport pupils to schools. As the overspend was unavoidable, *mainly as pupils were transported to Ysgol Hafod Lon*, bridging finance would be transferred to the Education Department at the end of the financial year."

## 6. EXTERNAL AUDIT PLAN

### (a) GWYNEDD COUNCIL

Submitted - a report by the Financial Audit Manager (Deloitte) and the Performance Audit Leader (Wales Audit Office).

Members were guided through the report, which detailed the WAO's audit arrangements for 2018. The main financial audit risks and the work in relation to GwE's grant income and expenditure were highlighted. Attention was drawn to the performance audits carried out at a national level, and those that were specific to Gwynedd. It was noted that fees for audit work continued to be the same as the previous two years, but a reduction of approximately 25% was likely on the fee to undertake certification work on the Council's grant claims and forms as there was an expectation that Welsh Government would simplify their assurance arrangements by introducing a 'Summary Schedule of Certified Welsh Government Grants' to every authority.

The Head of the Finance Department expressed his gratitude for the plan and the beneficial and professional dialogue that had been held with Deloitte officers. He informed the Committee that Paul Goodlad was retiring and that Alan Hughes had been promoted to Performance Audit Leader WAO. He was congratulated on his appointment.

In response to a question by a member regarding audits under the Future Generations Well-being (Wales) Act 2015, the Performance Audit Leader (Welsh Audit Office) noted that authorities were finding their feet in terms of operating in accordance with the Act. It was explained that a piece of work had already been undertaken with authorities in terms of the initial steps taken and that another two work packages to examine how authorities operated in accordance with the Act were in the pipeline. He noted that the Wales Audit Office was holding regional meetings/events in order to share good practice.

The Head of Finance Department noted that there was a need to tie-in the Well-being Act with Council proceedings. He reminded members that the report submitted to the Committee on 8 February 2018, regarding the 2018/19 Budget and 2018/19 - 2020/21 Financial Strategy, included an explanation of how the budget addressed the aim and objectives of the Well-being Act.

### (b) GWYNEDD PENSION FUND

Submitted - a report by the Financial Audit Manager (Deloitte). He provided details on the content of the report which noted the external auditor's audit plan with regards to the Gwynedd Pension Fund, and he highlighted the main financial audit risks. He noted that a specialist team had drawn up the plan and were undertaking the audit which strengthened the audit work undertaken by Deloitte. He confirmed that the fee for this work continued to be the same as the previous year.

The Head of Finance Department welcomed the plan and noted that it was not a particular plan for Gwynedd and that it was a standard audit plan for pension funds.

**RESOLVED to accept the reports.**

## 7. OUTPUT OF THE INTERNAL AUDIT SECTION 29/1/18 – 31/3/18

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 16 reports on audits from the action plan had been completed.

A member stated his disappointment that so many reports highlighted weaknesses in controls, with debts in terms of Council smallholdings, income in some pay and display car park machines did not match, a sample of staff highlighting that only half of them had received checks on their qualifications and a lack of medication monitoring in residential homes with improperly qualified staff. He noted that the Committee needed to address these matters.

Each individual report was considered and, during the discussion, reference was made to the following matters –

#### **Staff Development Module (MoDS)**

A member referred to the fact that approximately £90,000 excluding VAT had been paid to an external IT consultant to undertake work and collect information and details because of a lack of clear and definite brief of the needs and direction of the project rather than focusing on technical elements. He noted that it was a waste of money before commencing the work.

#### **Obtaining references, proof of identity and evidence of qualifications**

A member noted that checking this information was fundamental and expressed his disappointment about the shortcoming.

#### **School Meals Income**

A member enquired when all schools would be on the system and when it was anticipated that an official opinion on the audit could be provided. In response, the Head of Finance Department noted that the on-line payment system was developing and improving. The Audit Manager reiterated the observation noting that it was premature to provide an official opinion as the system was not fully operational at the time of the audit. She confirmed that there was an intention to undertake a follow-up audit in October or November 2018, to give schools a chance to use the on-line payment system. She noted that the follow-up audit would be reported upon to the Committee.

#### **Food Hygiene**

A member noted that the Communities Scrutiny Committee had considered the Food Standards Agency's detailed audit on the Council's food hygiene arrangements, where weaknesses had been identified in the Council's administrative arrangements. As the matter was a high risk for the Council, the member enquired why the audit had received opinion category B instead of C.

In response, the Audit Manager noted that the basis of the opinion category was a matter for the auditor. She explained that the Internal Audit Service had quality assurance arrangements and that the Team Leader and that she, as the Audit Manager, examined the reports. She noted that there was an intention to submit a report to the Committee soon in terms of tying-in risk scoring with noting an opinion category.

In response to a further observation by a member, the Head of Finance Department drew attention to the fact that the definition of opinion categories B and C had been noted in the annual report of the Head of Internal Audit. He noted that the Audit Manager was acting independently when reaching her opinion, and that he supported this independent professional opinion. He noted that the Committee could either call-in the audit to the Controls Improvement Working Group or send a message to the Environment Department noting that the audit would not be called-in but that the Committee expected an improvement.

#### **Smallholdings**

A member noted that she had not witnessed any report receiving opinion category CH since she had been a member of the Committee.

Bearing in mind that the Property Unit had undertaken a systems thinking review, a member noted that the report highlighted that officers needed to be reminded of procedures. He emphasised that it was unacceptable that a lack of controls had led to a financial loss of £38,000 in terms of rent collection.

It was noted that the Committee was unhappy with the situation with regards to this matter.

### **School Building Projects - Ysgol Glancegin**

A member noted that the report highlighted a major weakness in controls as only the Property Development Manager had signed the final scoring document in relation to the tender. In response to the observation, the Audit Manager noted that all individuals who were part of the process were expected to sign the documents. As part of a follow-up audit to an audit that was undertaken in July 2016, evidence was seen that the correct procedure was now being implemented.

Although the report had received opinion category B, a member noted that the Council had incurred costs as a result of modifying the plan and undertaking additional work as some elements of the original plans and the architect's design did not meet health and safety requirements, therefore, the matter should be referred to the Working Group.

### **Car Park Income**

Although the report had received opinion category B, a member noted that consideration should be given to call it into the Working Group as matters raised a concern.

In response to members' observations regarding a failure to identify inconsistencies, the Audit Manager noted that changing the collection company had created difficulties and numerous discussions had been held with the company in terms of report details to meet the needs of the Environment Finance Unit. Following a specific request to the company, she confirmed that they now provided reports to meet their needs.

In response to a member's observation, the Audit Manager noted that the Parking Unit in the Environment Department was responsible for pay and display machines; however, the Environment Finance Unit had drawn the attention of Internal Audit to the matter as they had identified weaknesses when preparing financial management reports. She explained that the Environment Finance Unit had made a request to Internal Audit to examine car park income in order to identify weaknesses and note fields for improvement.

A member referred to missed collections and noted that there was a need to ensure that machines were regularly emptied due to the risk for the Council.

A member enquired whether or not pay and display machines that accepted card payments would improve the situation. In response, the Head of Finance Department noted that a project investigating mobile phone or on-line payments was ongoing. He explained that on-line card payments were directly processed and that electronic payments could be more efficient.

Although the report had received opinion category B and that changes had been made leading to an improved situation, a member noted that consideration should be given to not calling it in to the Working Group and to keep an eye on how things developed. A member noted that the Committee's concern about the situation should be noted to the Environment Department.

In response to a question by a member, the Audit Manager confirmed that follow-up work would be undertaken on agreed steps in accordance with Internal Audit work arrangements.

### **Storiell - Caf  management arrangements**

In response to a member's observation, the Audit Manager noted that a request had been received to assist the Economy and Community Department after management of the café was internalised. She noted that goods procurement arrangements had been confirmed, necessary changes to staff job descriptions had been highlighted and implemented, and training had been identified for café staff.

### **Victoria Dock**

A member enquired about the differences in the Council and Caernarfon Harbour Trust fees. In response, the Audit Manager explained that the Council determined the fees and that the Trust implemented them. She confirmed that correct fees were now charged.

A member highlighted that an audit undertaken in 2007 on Victoria Dock had drawn attention to the need for the Trust to inform HMRC with regards to paying the cleaner with cash. In response, the Audit Manager noted that the Trust was responsible for informing HMRC; paying the cleaner with cash was appropriate but the Trust had a duty to inform HMRC of the arrangements.

In response to a question by a member regarding the risk to the Council that the Trust had not informed HMRC of the arrangement with the cleaner, the Head of Finance Department confirmed that it was the employer's responsibility to inform HMRC of the arrangement.

### **Telecare**

A member expressed concern regarding DBS checks shortcomings given the groups of people that were dealt with through this work. In response, following the publication of the report, the Audit Manager noted that matters regarding DBS checks had now been resolved. She explained that there had been a slight complication as some staff had transferred on TUPE terms to Council employment. She confirmed that DBS checks had been completed or were in the process of being completed.

### **Supported Housing**

A member noted that the same matters were regularly highlighted in audits for residential homes. She noted that it was essential that controls regarding medication were implemented.

A member noted his astonishment regarding shortcomings with fire alarm tests. A member stated that shortcomings in basic health and safety controls were highlighted in the audit and it needed to be ensured that controls were implemented.

In response to the above observations, the Audit Manager noted that the same matters were regularly highlighted in such audits and that she was disappointed that lessons had not been learnt. She reminded members that the Head of Adults, Health and Well-being Department had attended a meeting of the Controls Improvement Working Group on 23 October 2017 to discuss themes regularly highlighted from audits on Residential Homes.

In response to a member's question, the Audit Manager explained that responsibility for management of the houses was different due to their location.

A member enquired whether the Care and Social Services Inspectorate for Wales (CSSIW) had undertaken an audit of the houses and whether or not they had identified the same shortcomings. In response, the Audit Manager noted that CSSIW undertook audits on residential homes, when an audit was undertaken Internal Audit would address CSSIW recommendations and consider progress against the recommendations. She further explained that CSSIW hold discussions with individual residents about their care whilst Internal Audit gave consideration to administrative records.

A member noted that the Council had a responsibility to ensure that support workers had received proper training with a risk for the Council should a problem arise. He added that it was important that the Committee received confirmation that it had been implemented in accordance with agreed steps.

In response to a member's observation regarding the same matters being identified across services in the Adults, Health and Well-being Department, the Audit Manager noted that the Head of Adults, Health and Well-being Department had noted at the Working Group meeting that one of the problems, especially in some areas in Dwyfor and Meirionnydd, were recruitment issues as there was a failure to attract individuals to posts due to the low salary level in addition to problems retaining individuals in posts. She added that there were new arrangements in terms of workers in residential homes and they were now required to qualify to a specific level.

### **Y Frondeg**

Although no opinion category had been noted for the audit as it was premature to provide an official opinion, a member noted that a number of issues arose.

A member noted that attention should be given to the report at the meeting of the Working Group.

A discussion was held regarding the practicality of holding a meeting of the Working Group with a large number of reports to consider.

### **RESOLVED:**

- (i) to accept the report on the work of Internal Audit for the period 29 January 2018 to 31 March 2018 and to support the agreed actions that have already been submitted to the managers of the relevant services;**
- (ii) to hold two meetings of the Controls Improvement Working Group to consider the audits that have received opinion category 'C' and 'CH' as well as the 'School building projects - Ysgol Glancegin' and 'Y Frondeg' audits; and in accordance with the Committee's decision on 8 February 2018, to invite the Chair of the Safeguarding Children and Vulnerable Adults Operational Panel to attend a meeting of the Working Group to provide details on the work programme;**
- (iii) that the Audit Manager and the Member Support Officer divide the Committee membership in order to serve meetings of the Working Group;**
- (iv) to send a message to the Environment Department noting that 'Food Hygiene' and 'Car Park Income' audits were not being called-in to the Working Group, but that the Committee was expecting an improvement.**

## **8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2017/18**

Submitted - the report of the Audit Manager. On the basis of the work of Internal Audit that was completed in 2017/18, the officer was satisfied that Gwynedd Council had a sound framework of internal control.

It was reported that all audits (58 audits) in the final amended internal audit plan had been completed by 31 March 2018, which corresponded to 100% of the plan, against a performance target of 95% for 2017/18.

It was noted that acceptable action had been taken on 200 out of 222 agreed actions by 31 March 2018, namely 90.09% of actions against a performance target of 85%.

Reference was made to Appendix 4 of the report which noted progress against the Quality Assurance and Improvement Programme in terms of compliance with Public Sector Internal

Audit Standards (PSIAS). It was noted that an external assessment of Gwynedd Council's Internal Audit Service would be undertaken by Carmarthenshire County Council's chief audit executive and that the results of the external assessment would be submitted to the Committee.

In response to an enquiry by a member about using traffic light colours for performance to show an improvement in the annual report, the Audit Manager stated that performance measures were corporate measures and that they did not reflect the work of Internal Audit. She explained that performance in terms of measuring the performance of 'Percentage of audits in the audit plan that are ready to be presented to the Audit and Governance Committee because they have either been closed or the final report has been issued' had a consistent target of 95%.

In response to an observation by a member regarding the time breakdown of Internal Audit during 2017/18, the Senior Revenue and Risk Manager explained that all available days for Internal Audit with seven full time staff members had been noted in the breakdown. Unproductive time such as annual leave and information technology difficulties had been removed, thus noting the total productive days for Internal Audit during 2017/18.

A member enquired about Internal Audit's staffing situation. In response, the Audit Manager confirmed that Internal Audit staffing capacity was full. She explained that one of the reasons why the unit's productive days were lower was due to three officers following a professional course. She noted that training was important and that it would benefit the unit in terms of delivering the work. She informed the Committee that one officer had been nominated as apprentice of the year which was beneficial for the Internal Audit Service, the Finance Department and the Council.

The Head of the Finance Department expressed his gratitude to the Audit Manager for the report, and reiterated her viewpoint that staff training was important. As the three officers were training at the same time, he added that the Department would consider adding a temporary officer to Internal Audit Service staff.

The Chair expressed the Committee's gratitude to the Audit Manager for her work and Committee members' best wishes were sent to her father, Councillor Eric M Jones, following his recent illness.

**RESOLVED to accept the report as the formal annual report of the Head of Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards for the 2017/18 financial year.**

The meeting commenced at 10.05am and concluded at 11.45am

---

**CHAIR**