

## GOVERNANCE AND AUDIT COMMITTEE 30-06-2022

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### Present:

**Councillors:** Medwyn Hughes, Huw Rowlands, Paul Rowlinson, Jina Gwyrfai, Meryl Roberts, Elfed Wyn ap Elwyn, Angela Russell, John Brynmor Hughes, Richard Glyn Roberts and Rob Triggs

**Lay Members:** Sharon Warnes, Hywel Eifion Jones, Clare Hitchcock and Rhys Parry

**Officers:** Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Caren Rees Jones (Group Accountant - Capital and Management), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager), Caleb Lewis (Professional Trainee - Finance) and Lowri Haf Evans (Democracy Services Officer)

### Others invited:

Councillor Ioan Thomas (Cabinet Member for Finance)  
Alan Hughes and Yvonne Thomas (Wales Audit)  
Dewi Jones (The Council's Business Support Service Manager)

#### 1. ELECTION OF CHAIR

**RESOLVED to elect Mrs Sharon Warnes as Chair of the Committee for 2022-23.**

Councillor Angela Russell (Leader of the Opposition) expressed her discontent that the Chair of the Committee, in accordance with the requirements of the Local Government and Elections (Wales) Act 2021, would transfer to a Lay Member. She added that this change highlighted the Government's intention to deprive Local Councils from leading on the work and making local decisions.

#### 2. ELECTION OF VICE-CHAIR

**RESOLVED to elect Mr Eifion Jones as Vice-chair of the Committee for 2022-23.**

#### 3. APOLOGIES

Apologies were received from Councillor Menna Baines.

#### 4. DECLARATION OF PERSONAL INTEREST

None to note.

#### 5. URGENT ITEMS

None to note.

#### 6. MINUTES

The Chair signed the minutes of the previous meeting of this committee, held on 10 February 2022 as a true record.

#### 7. FINAL ACCOUNTS 2021-2022 – REVENUE OUT-TURN

The Cabinet Member for Finance highlighted that the report had been submitted to the Cabinet on 14 June 2022 and the Cabinet had approved all the recommendations and financial transactions.

The Senior Finance Manager gave the context to the report. It was noted that the reports elaborated on the Council's expenditure in 2021/22, the out-turn position of the underspend or overspend of individual departments, and the reasons for this. Reference was made to a summary of the final financial position of all the departments, which highlighted the amounts to be carried forward at the end of the year together with the principal matters and areas where there had been significant differences. It was highlighted,

- That the financial impact of Covid-19 had again been significant for the Council in 2021/22, with £17.5 million claimed from the hardship fund and Furlough by the end of the year (a combination of additional costs of £15.2 million and income losses of £2.3 million).
- The Council had received a number of substantial additional grants late in the year that transformed the financial position by the end of the financial year - the substantial grants included:
  - a Local Government Settlement Addition 21/22 (£2.5 million)
  - social care hardship grant (£1.9 million)
  - social care recovery fund (£1.5 million)
  - school maintenance grants for school budgets (£1.8 million)
  - Accelerated Learning in Schools (£1.2 million)
  - Council Tax backlog (£0.9 million)
  - £0.8 million Economic Framework priorities
- There was an underspend by all the departments (except for the Highways and Municipal Department which had overspent by £746k). It was noted that the municipal field continued to be a matter of concern with the most prominent issues in the field of waste collection and disposal. It was added that the department was also facing difficulty to realise savings to the value of £608k.
- There had been an improvement in the position of the Adults Department as a result of receiving substantial grants in the last few months of the year (including a grant of £1.9 million Local Government Social Care Hardship). It was noted that the impact of Covid-19 had continued again in 21/22 to have a substantial impact on the Department which was equivalent to over £3.7 million by the end of the year.
- There were several reasons for one-off underspend on several Corporate headings
- Schools' balances, had increased from £10.7 million at the end of March 2021 to £16.7 million by the end of March 2022 as a result of the impact of Covid-19 and various grants received.
- A review of the adequacy of the Council's specific provisions when closing the accounts had shown that it had been possible to harvest £851k of resources.

It was reported that the statutory financial statements for 2021/22 had already been completed and submitted to Audit Wales for audit.

Staff were thanked for their thorough work and flexibility during this challenging period

During the ensuing discussion, the following observations were made by members:

- that schools' balances were acceptable bearing in mind that it was difficult to spend money linked to the late grants (a lack of supply staff which in turn leads to a reduction in travel and training costs)
- The receipt of grants late in the year did not 'facilitate financial arrangements'

In response to a comment regarding reliance on special grants, it was noted although there was a tendency to receive grants late in the year this situation could not be depended upon.

In response to the continuous overspend in the municipal field and a suggestion to scrutinise this matter, a recent decision by the Cabinet to re-structure the Highways and Municipal Department and to transfer the waste collection field to the Environment Department was noted. However, the suggestion to scrutinise the field and to refer this suggestion to the Language and Scrutiny Unit was accepted. It was added that the vast proportion of the overspend were unrealised savings together with the impact of Covid-19 on the waste field as well as loss of income in the commercial waste field.

## **RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (14 June 2022)**

**Note: A suggestion that issues of overspend and realising savings in the municipal field are scrutinised. It was proposed to refer the suggestion to the Language and Scrutiny Unit for Members of the Communities Scrutiny Committee to consider as a potential field to scrutinise at their annual workshop.**

## **8. CAPITAL PROGRAMME 2021/22 - END OF YEAR REVIEW (31 MARCH 2022 POSITION)**

The Senior Finance Manager highlighted that the main purpose of the report was to present the revised capital programme at the end of the financial year (31 March 2022 position), and to approve the relevant financing sources. The analysis per Department of the £139.3 million capital programme for the 3 years 2021/22 - 2023/24 was referred to together with the sources available to fund the net increase of approximately £11.0 million since the previous review.

The main findings of the review was that the Council had managed to spend £37.1m in 2021/22 on capital schemes, and £29.9m (81%) of it funded through specific grants.

It was reported that the impact of the Covid-19 emergency and the lockdown period on the capital programme was evident and in addition to the £31.2m reported in the previous reviews, a further £26.8m of proposed expenditure had been re-profiled, namely slippage from 2021/22 to 2022/23, and the main plans included:

- £7.6 million in Housing Strategy and Homelessness Plans
- £7.2 million in Flood Prevention and Land Drainage Schemes
- £6.5 million in 21st Century Schools Plans and Others
- £4.0 million in Welsh Government New Grants in the Housing field (slippage replaced resource)
- £3.2 million in Additional General Capital Grant for 21/22 (received in the last quarter of the year with allowance for slippage to 22/23)

In addition, the Council had managed to attract further grants since the last review (over 11 million) these included;

- £3.2 million - Additional General Capital Grant 21/22 - permission for slippage to 22/23
- £3.1 million - Grants from the Land and Buildings Development Fund that allowed replacing current funding for expenditure in 22/23.
- £1.3 million - Intermediate Care Fund Grant - adapting adults establishments as well as facilitating joint working arrangements with other agencies in the care field.
- £1.1 million - Free School Meals Capital Grant - allowing the replacement of current funding for expenditure in 22/23 on adaptations to school kitchens.

The Cabinet's decision (14 June 2022) was to accept all the recommendations and:

- To accept the report
- To note the expenditure of £37,054,000 on the capital programme during the 2021/22 financial year, which would be used as a basis for the statutory financial statements for 2021/22.
- To approve the revised funding:

Thanks were expressed for the report.

In response to a question regarding the assurance of receiving grants or that grants had been lost due to slippage, it was highlighted that some grant terms meant replacement whilst others gave permission to continue

In response to a question regarding identifying the risk of an increase in building costs and the cost of living and for this to be considered within the application / grant sum, it was noted in general that it was necessary to receive some grants and to maximise their use, however, with others an additional application was made to the Welsh Government. It was added, in response to an increase in costs, that decisions were made to defer some plans.

## **RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (14 June 2022)**

## **9. FINAL ACCOUNTS OF GWYNEDD HARBOURS FOR THE YEAR ENDING 31 MARCH 2022**

Submitted - the report by the Senior Finance Manager. It was explained, in accordance with the statutory requirements under the Harbours Act 1964, as a harbour authority, Gwynedd was required to provide an annual accounts statement relating to the activities of Barmouth, Aberdyfi, Pwllheli and Porthmadog harbours. As the Gwynedd harbours turnover was lower than £2.5m, it was considered to be a small local government body, and as such completion of statements of accounts return prepared by the Wales Audit Office satisfied the statutory requirement.

Reference was made to the income and expenditure account, and an overspend of £975 was highlighted at the end of the year. From this sum, it was reported that there was underspend on staffing and buildings (due to less expenditure on maintenance and grounds maintenance), however, there was an overspend mainly on signage, notices and boats maintenance. In terms of income, it was reported that the fee levels were above the income target and this was very promising following the impact of Covid on income levels in 20/21. Reference was made to the cost comparison over the last two years that

indicated that matters had come back to their usual expenditure levels following Covid in 20/21.

Attention was drawn to the external auditors' standard form together with the Annual Governance Statement, that gave assurance of a robust internal control system. It was highlighted that the accounts had already been subject to an internal audit and had now been submitted to the external auditors, namely Audit Wales' External Auditors. It was added that only if changes were required following the audit would an amended version be presented to the Committee in October.

**The members expressed their thanks for the report.**

## **RESOLVED**

**To accept the report**

**To Approve:**

- **The Revenue Income and Expenditure Account 2021/22**
- **Annual Return for the Year ending 31 March 2022, subject to audit by Audit Wales**

## **10. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2021-22**

The Statement was presented by the Head of Finance Department. He explained that the statement, although not part of the accounts, was a statutory document which needed to be published with the accounts. In accordance with the Accounts and Audit (Wales) Regulations and the CIPFA Code of Practice, all Local Authorities must ensure that a statement of internal management is in place. It was reported that the Chief Executive and the Council Leader were required to sign the statement, although the Audit and Governance Committee's approval was needed.

Some of the background to the statement was given. The statement which was based on the CIPFA/SOLACE framework identified seven core principles for good governance and these had been divided further into sub-principles. It was highlighted that the Governance Arrangement Assessment Group, led by the Chief Executive, had considered these principles and sub-principles and had created a Governance Risk Register, which was part of the Council's Corporate Risk Register. The Governance Risk Register identified risks in 23 different areas of governance, noting the controls that the Council have in place to mitigate these risks.

It was reported that there were four types of risks and that each risk had departmental ownership; the Group had concluded that there were 0 fields of very high risks, 2 high risk fields, 12 fields of medium risks and 9 low risk fields. It was noted that the high risk fields were 'Culture' and 'Health, Safety and Well-being'.

The members expressed their thanks for the report. Reference was made to every risk in turn giving Members an opportunity to enquire about that field. During the ensuing discussion, the following observations were made by members:

- Culture and Conduct - why was the impact score for culture a 4 and the impact score for conduct a 2 bearing in mind that both fields were similar?
- 'Planning the workforce' - should 'change to risk' be here considering that it was difficult to recruit / staff working from home / staff retention?
- Finance - the risk impact was 3 and a likelihood of 3 appeared low considering the increase in costs, wages, inflation

- Many of the headings were 'more important than others' and the principles were not equal - too much narrative - need to sharpen the evidence
- Some of the risks were historical - there was a suggestion to establish a group to review the list

In response to a question whether or not the 23 risks were common to every Local Authority, it was noted that these risks were unique to Gwynedd.

## **RESOLVED**

**To accept the report**

**To approve the statement**

**To recommend that the Council Leader and the Chief Executive sign the statement**

**Note:**

**A suggestion to establish a sub-group to review the risks and challenge the headings**

## **11. TREASURY MANAGEMENT 2021/22**

The Investment Manager presented a report on the actual results of the Council's treasury management during 2021/22, against the strategy approved by the Full Council on 04/03/21. It was reported that the end of year position was very robust with an increase in the usable reserves and as a result the net borrowing had reduced. This fed into the treasury management summary where a higher level of investments was seen due to the higher reserves.

In the context of the Council's borrowing activity, a quiet year was highlighted with only borrowing repayments having occurred. It was highlighted that the Council had continued to invest with Banks and Building Societies, Local Authorities, Financial Market Funds, Pooled Funds and for the first time this year the Debt Management Office (DMO). This had been done as the Council's finance levels were high and therefore needed to disperse the monies further and the DMO rates were competitive. During the year it was seen that the financial rates had been very low, but had improved once the basic rate was increased from December 2021 onwards.

Reference was made to the revisions to the code of practice that outlined that Councils cannot borrow to invest specifically for financial gains, and were not able to increase the CFR unless it involved the Council's activities. It was reported that the Council did not intend and did not need to borrow and therefore the changes did not impact Gwynedd activities

The members expressed their thanks for the report.

## **RESOLVED**

**To accept the report and note the information**

## **12. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted for information, a report by the Audit Manager updating the Committee on the internal audit work for the period from 31 January 2022 until May 2022. It was highlighted that 16 reports on audits from the operational plan had been completed and 4 reports had been released in draft form.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That training sessions needed to be concise
- In the context of language designations, had a comparison been made with pay scale?

In response to a comment regarding the lack of completion of mandatory training (safeguarding arrangements) it was noted that an operational group had been established to look at the arrangements to ensure that employees completed the training. In accordance with the principles of Ffordd Gwynedd the hope was to empower staff to take responsibility themselves, with responsibility also on the Heads of Department to encourage and lead staff to complete the training. It was accepted that manual workers (such as care and municipal) may not have access to online modules, however, by now a package to transfer the details had been created. The Audit Manager added that she was content with the steps that were in hand.

Thanks were expressed for the report

#### **RESOLVED:**

**To accept the information**

**To support the actions that have already been agreed with the relevant services**

### **13. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2021 - 22**

Submitted - the report of the Audit Manager, expressing Internal Audit's opinion of the overall control environment within the Authority during 2020/21 providing the said annual internal audit opinion to the Authority. It was noted that assurance can never be absolute, and the most that the internal audit service could provide to the Council was a reasonable assurance that there were no major weaknesses in the whole system of internal control.

It was reported that Covid-19 had a significant impact on the Authority as a whole and on the work of Internal Audit and as the majority of the Council's services the Internal Audit officers worked from home. It had not been possible to conduct an audit where it was necessary to visit the organisation due to the Welsh Government guidelines and restrictions. It was stated that Internal Audit had assisted the Test, Trace and Protect Service, a service launched by the Welsh Government and a total of 98.57 days had been spent on this work. Furthermore, officers had also assisted the Benefits Service in dealing with the processing of Self-isolation Payments due to the increase in the number of cases in Gwynedd at the end of 2021 and early 2022 (a total of 96.77 days had been spent on this work).

New audit priorities had been identified in response to the new risks as a result of the impact of Covid-19. These audits were completed during a challenging period with the focus of the audits being on the arrangements as a result of the pandemic and statutory audits such as grants. A limited number of audits had been conducted during 2021/2022 compared to the previous years and this was due to unprecedented and uncommon circumstances. This was considered to be an exception again this year and evidence provided by external regulators was used to support the opinion for the year. On the basis of Internal Audit work completed during 2020/2021, it was concluded that Gwynedd Council's internal control framework during the financial year 2020/2021 had operated at a level which provided reasonable assurance on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control.

A total of 42 assignments were contained in the revised audit plan for 2021/2022 with 30 (71.43% of the plan) completed by 31 March 2022. For the purposes of this measure, an assignment was counted as being completed when the final report/memorandum had been released or, if there was no report/memorandum, the assignment had been closed and no further time was expected to be spent on it - the performance ambition was 95%.

Reference was made to the list of audits from the 2021/2022 plan that had contributed to the opinion expressed.

Thanks were expressed for the report.

In response to a question regarding access to services, the willingness of officers to collaborate in the last two years was noted, however, it was intended to re-visit some schemes. Although Covid-19 may have been used as an excuse for some officers not to work together, this was very rare.

## **RESOLVED**

**The report was accepted in accordance with the requirements of the Public Sector Internal Audit Standards for the 2021/22 financial year.**

## **14. INTERNAL AUDIT CHARTER**

In accordance with the Public Sector Internal Audit Standards 2013 (revised 2017) an Internal Audit Charter needed to be set out and the contents of the Charter needed to address the Local Government Application Note (2019) published by CIPFA. The Gwynedd Internal Audit Charter was presented by the Audit Manager and it was noted that it was the Committee's responsibility to approve the charter.

**Thanks were expressed for the report.**

During the ensuing discussion, the following observations were made by Members:

- That the charter summarised the Committee's role well
- The charter was of good standard and easy to follow
- It was necessary to add the word 'Audit' in point 7.1 (English version of the Charter)

## **RESOLVED**

**To accept the report and approve the Internal Audit Charter**

## **15. INTERNAL AUDIT STRATEGY AND THE ANNUAL AUDIT PLAN 2022/23**

In accordance with the requirements of the Public Sector Internal Audit Standards, a risk-based plan was submitted to determine the priorities of the Internal Audit activity, consistent with the Council's goals. It was explained that the plan was sufficiently flexible to give attention to any matters which became apparent, any adaptations / amendments to be approved by the Committee. Reference was made to the use of the AGILE methodology that provided a flexible and dynamic Internal Audit Planning as a result of continuous risk monitoring.

Reference was made to a few plans sharing the purpose of those plans with the Members.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the plan was very clear
- The audit title 'Psychological Safety' appeared terrifying
- Welsh Church Act Fund - continuing for charitable purposes?
- There was a need to consider the willingness of an individual to express an opinion
- The work programme was long - there was a need to ensure that high risk was given priority

In response to a suggestion to conduct exit interviews, it was noted that there was no policy to conduct exit interviews, however, this did not mean that no exit interviews were being conducted and therefore the suggestion to consider holding these interviews was accepted. In a supplementary comment, it was noted that conducting exit interviews would improve work conditions, was part of good practice and an opportunity to express a view without implications. In response, it was highlighted that the Corporate Support Department was piloting a formal system of holding exit interviews with the intention of expanding these once the pilot period had ended.

In response to an observation about a Planning and Environment audit and if the 'historical' was being considered here or the 'new' it was noted that follow-up work was being conducted with evidence of the progress supporting the opinion. It was added that conducting follow-on work was dependent on an agreed timetable.

## **RESOLVED**

**To accept the report**

**To approve the Strategy and the Internal Audit Plan 2022/23**

**Note: 'Psychological Safety Audit' - the Committee recommended, as part of the discussions with the Corporate Support Department, the need to adopt a procedure of holding exit interviews.**

## **16. AUDIT WALES REPORT - QUARTER 4 UPDATE**

A report was presented on the Audit Wales work programme and timetable together with an update on the performance up to the end of March 2022. It was highlighted that a further report summarising the audit work completed since the Annual Audit Summary (published January 2022) would be published in December 2022. It was noted that the report referred to the local, regional and national work that had been completed, as well as the summary of the main messages.

It was confirmed that a 2021-22 Statement of the Council's Accounts had been received and that the work of expressing an opinion on the financial statements had commenced. Reference was made to the financial audit and performance work it was proposed to be completed together with the information about reports that had been published recently.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the report was useful
- There was a need to keep an eye on the impact of inflation

- Concern that assistance from the Government had ended although Covid-19 cases were increasing once more.

## **RESOLVED**

**To accept the report and note the information**

### **17. 2022 AUDIT PLAN - GWYNEDD COUNCIL AND MINOR JOINT COMMITTEES**

A report was submitted by Audit Wales noting the work they intended to undertake during 2022 as a means of achieving their statutory responsibilities as an external auditor for the Council and in accordance with their role under the Audit Code of Practice. It was noted that some of the risks were general to all Local Authorities and not specific to Gwynedd.

The audit of financial statements risks were discussed and it was reported, although Covid-19 restrictions had ended, there was continuous pressure on the Council to present and publish accounts and that discussions were to be undertaken to look at quality monitoring arrangements. In the context of the performance audit programme, it was referred briefly to the four plans - assurance and risk assessment; thematic review (unscheduled care); thematic review (digital) and local review of Scrutiny effectiveness.

Reference was made to the fees, the local audit team and their contact details together with the timetable and the key milestones for the work programme.

Alan Hughes and Yvonne Thomas from Audit Wales were thanked for presenting the information.

## **RESOLVED**

**To accept the report and note the information**

### **18. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS**

Members were reminded that the Committee should be satisfied that appropriate arrangements were in place to ensure that improvement proposals arising from external audits would be realised.

It was noted that the work of responding to most improvement proposals was continuous work and that the Governance Group chaired by the Chief Executive had been addressing the improvement proposals and the progress of the recommendations. It was reported that Wales Audit was now publishing quarterly reports as a means of summarising the audits that were ongoing locally, regionally and nationally.

Attention was drawn to the Local Report for Gwynedd 'The Well-being of Future Generations: Audit of 'Establishing a New Youth Service to Support Young People' noting that discussions regarding audit improvement proposals had been undertaken with Wales Audit to undertake a follow-on review by implementing the new model. Despite efforts to conduct a review, as a result of Covid-19, the work was deferred and the Youth Service had not implemented the new model as the pandemic restrictions had prevented them from providing some elements of the service. As a result, it was determined that the proposals for improvement could be set aside for now with the intention of looking at the arrangements from anew in the future.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were made by Members:

- That the wording of the conclusions were vague - a key should be considered for the conclusions
- It would be better to use the term 'being planned' rather than 'in progress'. It would also be ideal to set a timetable for the plan

## **RESOLVED**

### **To accept the report**

**That the Committee is satisfied that appropriate arrangements are in place to ensure that improvement proposals which arise from external audit reports are implemented**

**Note: Request to review the key to the conclusions and set a timetable for the reports that are 'in progress'**

The meeting commenced at 10:00 and concluded at 13:15

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**CHAIR**