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## GOVERNANCE AND AUDIT COMMITTEE 14/12/23

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**Present:**

**Councillors:** Menna Baines, Jina Gwyrfai, Elwyn Jones, Edgar Wyn Owen, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Paul Rowlinson, Rob Triggs and Elfed Wyn ap Elwyn

**Lay Members:** Sharon Warnes (Chair), Hywel Eifion Jones, Clare Hitchcock, Carys Edwards and Rhys Parry

**Officers:** Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance – Accountancy and Pensions), Siân Pugh (Assistant Head of Finance – Sustainability and Developments), Delyth Jones-Thomas (Investment Manager), Caleb Lewis (Cynllun Yfory – Finance and Accountancy Professional Trainee), Luned Fôn Jones (Audit Manager), Bleddyn Rhys (Audit Leader), Eva Chan Williams (Audit Leader) and Lowri Haf Evans (Democracy Services Officer)

**Others invited:**

Councillor Ioan Thomas (Cabinet Member for Finance)

Item 6: Alan Hughes, Yvonne Thomas and Lora Williams (Audit Wales), Geraint Owen (Corporate Director), Dewi Jones (Business Support Service Manager)

**1. APOLOGIES**

Apologies were received from Councillor Arwyn Herald Roberts and Councillor Angela Russell

**2. DECLARATION OF PERSONAL INTEREST**

None to note

**3. URGENT ITEMS**

None to note

**4. MINUTES**

The Chair accepted the minutes of the previous meeting of this committee, held on 12 October 2023, as a true record.

**5. IMPLEMENTING THE DECISIONS OF THE COMMITTEE**

A report was submitted providing an outline of how the Council's departments had responded to the decisions of the Governance and Audit Committee so that Members could be assured that their decisions were addressed. It was noted that the report gave Members an opportunity to consider the decisions made with the intention of removing

the item / decision when the action had been completed.

Thanks were expressed for the report.

## **RESOLVED:**

### **To accept the report**

Note:

Present to the meeting on 8 February 2024

- Governance Statement (mid-year report)
- Submit an update with regard to transferring the functions of the North Wales Economic Ambition Board to an empowered Sub-committee of the North Wales Corporate Joint Committee

## **6. AUDIT WALES REPORTS**

### **DECISION:**

Alan Hughes, Yvonne Thomas and Lora Williams (Audit Wales), Geraint Owen (Corporate Director) and Dewi Jones (the Council's Business Support Service Manager) were welcomed to the meeting.

#### **Digital Strategy Review – Cyngor Gwynedd**

The Finance Cabinet Member noted that that the audit was held at an unfortunate time (May 2023) which conflicted with the work of the Council's Digital Transformation Board as they led on drawing up a new strategy. The new Digital Strategy had been presented to the Education and Economy Scrutiny Committee in September 2023 where useful observations were received on the plan before presenting it to the Cabinet. In the meantime, the findings of Audit Wales's audit of the Council's digital use had been published in October 2023, and as a result of the conflict, the report did not highlight the good work that the Digital Transformation Board had undertaken to develop the Digital Strategy. The new Strategy was approved by the Cabinet in November 2023. He added that evidence justified that this was a standard strategy, and that the residents of Gwynedd had had an opportunity to submit observations during the consultation period.

The Audit Wales Officer reported on the context of the audit, noting the reasons why the audit was held, the focus of the audit and the findings. Reference was made to the findings, the three recommendations proposed by Audit Wales and the Council's response to those recommendations. It was recognised that the time window of the audit had been tight and that the report had concentrated on evidence revealed at the time. The Council did not have a formal current plan for developing its digital services at the time the audit was held, as the period of the previous 'Digital Strategy' had come to an end in 2018.

The Council's response to the audit was presented by the Corporate Director. As Chair of the Council's Digital Transformation Board, he thanked the Board for their commendable work and highlighted that the written response shows that all the recommendations had already been implemented or were an ongoing task. However, he expressed his disappointment with the general content of the audit. He noted that in March 2023 the creation of a new Digital Strategy had been

included as one of the Council's 2023-2028 Corporate Plan priorities and the situation had been explained to Audit Wales in the hope that the audit would add value to the final Strategy. He highlighted that he rejected Audit Wales's observation on the Council's decision to not consult with the public to develop a Digital Strategy – he noted that there had been a consultation period on the Council Plan and that establishing a Strategy was part of that Plan. He also highlighted his opinion that the report created a misunderstanding of the developments in the field and that they need to avoid this in the future.

An opportunity was provided for Audit Wales to respond to the Corporate Director's observations. It was noted;

- Despite the consultation on the Council Plan, the plan consulted on was extensive and therefore there wasn't sufficient focus on the digital field.
- Lack of evidence of data analysis, creating opportunities with partners and monitoring value for money – no judgement here but opportunities to improve for the future. Need to ensure that the new Strategy adopts these elements.

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

- That a specific focus was needed on digital work to ensure value for money
- A suggestion of misinterpretation between the Council and Audit Wales
- Accept that there was a tight window for the audit – an opportunity now to move forward with the excellent work made drawing up the new Digital Strategy
- The Council Plan was a detailed and comprehensive plan with various priorities. Maybe the Digital Strategy might not have received sufficient attention here.
- That there was a need to ensure that sufficient, permanent resources were available to support the Strategy – **It was proposed that the committee should support any bid for money to support this**
- As a result of a difference of opinion and ensuring that the recommendations were achieved – encourage holding a further audit to give further assurance that the Digital Strategy was achieving
- Although they were supportive of bids to realise the strategy, the reality was frustration side by side with aspirations – resources were not available to realise aspirations and therefore, in future it should be considered not to express aspirations in the first instance.

In response to an observation regarding how consulting on the Digital Strategy on its own would have been beneficial, it was noted that it would have provided stakeholders and members of the public with an opportunity to respond specifically e.g. to software packages. It was added that the old digital strategy had ended in 2018 and that consultation would have placed a focus on shaping the services for the future. He reiterated that the 2018 Strategy was not current and therefore there was no evidence of reporting on progress / value for money since then – it was important to have monitoring arrangements in place.

The Corporate Director noted that he did not agree with the observations and highlighted that the Digital Strategy was an enabler, designed to realise the Council's Plan and support the work of the Council rather than be a stand-alone document. In terms of the observation to ensure value for money, it was recognised that the Strategy had not been refreshed since 2018, so in that respect it was difficult to understand how it would have been possible to monitor

the achievement of a document that did not exist.

In response to a question regarding ensuring feedback was gathered from the systems in place and whether the services themselves would receive feedback from the arrangements, the Corporate Director noted that this would be a key part of the work. It was highlighted that performance challenge and support arrangements were already in place for every improvement priority within the Council Plan as well as for day-to-day service delivery. He reiterated that monitoring and evaluation arrangements based on customer satisfaction was a measurer used by a number of services in order to receive feedback on the provision. He reported that receiving feedback, learning lessons and ensuring continuous improvement was at the centre of the Ffordd Gwynedd way of working.

In response to an observation on financial bids to support the Strategy, the Finance Cabinet Member highlighted that the Council's financial situation was quite serious. He added that the Services would be required to undertake the monitoring work, and although it was agreed there was a need for additional resources, it would be hard to realise this. The Head of Finance added that a one-off fund had been established for supporting task and finish work relating to the Strategy and that bids for permanent revenue had already been submitted to realise other elements of the Digital Plan, but he emphasized, although the bidding arrangements had been considered, the priority would be to consider what was affordable. If the Committee was considering supporting financial bids for realising the Digital Plan, there would be a need to look at the whole picture and not at one specific matter. He also noted that a further discussion was needed on the definition of 'value for money', that is, discuss how value for money and productivity can be measured within the Local Authority.

The proposal for the Committee to support permanent revenue bids for realising the Digital Strategy fell.

### **Work Programme Update and Q2 Timetable**

Submitted – a quarterly update (up to 30 September 2023) on the work programme and timetable of Audit Wales. A discussion was held on the financial audit and local performance audit work, highlighting the thematic Review – Unscheduled Care and Thematic Review – Digital, noting that the work of gathering evidence was ongoing. It was added that the Annual Report would be submitted in the new year and that the audit of Cyngor Gwynedd's Final Accounts was nearly completed – a final report would be submitted to the January 2024 meeting.

Thanks were expressed for the report.

The Chair noted her disappointment that the timetable of Cyngor Gwynedd's Final Accounts audit had slipped although the information had been submitted timely

### **RESOLVED**

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

Note:

Digital Strategy Review – to approve Cyngor Gwynedd's response to the recommendations of Audit Wales

## 7. INTERNAL AUDIT OUTPUT

Submitted, for information, the report of the Audit Manager updating the Committee on the internal audit work for the period from 1 October 2023 up to 30 November 2023. It was highlighted that six of the 2023/24 Operational Plan audits had been completed with five accepting a satisfactory assurance level and one accepting a high assurance level. Reference was made to the work in the pipeline and Members were given the opportunity to question / provide observations on the Audits completed.

The Audit Manager took the opportunity to thank Bleddyn Rhys and Eva Williams for leading the service during her absence from work.

Thanks were expressed for the report.

In response to a question regarding the brief of the five audits that were related to Care homes and residential homes in the County, and whether the purpose of the audit was to check the governance and structure of the care, was there a further audit looking at the medication and well-being of residents, it was noted that these were broad audits and they were focused mainly on the risks for residents. It was noted that the assessments checked the care package of every resident, checked the speciality of the care in respect of the contents of the care package and ensure that the risk assessments had been completed. It was added that the local surgery and Betsi Cadwaladr University Health Board (BCUHB) kept an eye on the medical elements and the suitability of the care, and Care Inspectorate Wales kept an eye on the care and safety elements.

In response to an observation that the Audit Unit would look at professional reports if a concern arose when implementing an audit in this field, it was noted that looking at and responding to the recommendations of recent reports was part of the field work.

### **RESOLVED:**

**To accept the report and support the agreed actions that have already been submitted to the managers of the relevant services.**

## 8. INTERNAL AUDIT PLAN 2023/24

Submitted, for information, a report by the Audit Manager updating the Committee on the current situation in terms of completing the Internal Audit Plan 2023/24. Reference was made to the status of the work and the time spent on each audit. It was highlighted that up until 30 November 2023, of the 30 individual audits in the plan, 14 (47%) had been released in a finalised version or had been closed.

Reference was made to amendments made to the Plan as a result of long-term illness, holidays, other sickness, training and meetings, explaining that it was inevitable that some audits could not be undertaken due to these reasons. It had therefore been resolved to cancel 12 audits and adapt 3 to prepare the Internal Audit Plan 2024/25.

Thanks were expressed for the report.

In response to a question about how the decision was made to cancel audits and whether this was made based on risk with the intention of reviewing the audit at the next cycle of audits, it was confirmed that the decision was based on risk. It was added that audits that slip would be included on the 2024/25 Plan and if others needed prioritising, discussions would take place with the heads. For the future, it was noted that it was intended for the Plan to be more flexible as the plans in the past had been frustrating and too fixed.

In response to the observations, it was suggested to note more information / reasoning for cancelling on the report in future. It was added that it would be possible for the Committee to give input on the 'based on risk' aspect when the 2024/25 Plan would be submitted to the February meeting.

In response to a concern that 47% of the 30 individual audits had been completed, it was highlighted that the indicator profile per quarter noted a target of 50% for the end of quarter 3, therefore 47% was a positive performance. The Head of Finance added that he had a responsibility as the 151 Officer to ensure quality, and despite the challenging year and having to cancel audits, he was confident that the team had undertaken their work to the required standard. Had the work not been completed to the expected standard, it would be his duty to highlight this.

**RESOLVED:**

**To accept the report and note the progress against the 2023/24 Audit Plan**

**9. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE**

Submitted – a report by the Head of Finance Department outlining the need for the Committee, designated as 'those responsible for governance' to undertake a periodic self-assessment of its effectiveness. It was reported that the Committee had not held a self-assessment since November 2018 and as the current Council had now been in place for a year and a half, with new members on the Committee, it would be timely to hold a self-assessment exercise.

In the Welsh Government's Statutory Guidance made under the Local Government Measure 2011 (June 2012), it notes that the Government had already approved the CIPFA publication, "Audit Committees: Practical Guidance for Local Authorities" and were advising local authorities to look at these documents as supplementary ones to the statutory guidance. It was added that the CIPFA guidelines included tools to help audit committee members conduct a self-assessment and that the outcome of this assessment would be evidence for the Council's risk register (risk L18, Unsuitable internal control arrangements which means that we either do not protect ourselves against risks or are wasting resources on over-control) and for the Annual Governance Statement.

It was suggested to arrange a workshop (before publishing the Annual Governance Statement) as an opportunity to review the work, to be open and to realise the full potential of the Committee. Members were also asked to consider an external facilitator to host the meeting.

Thanks were expressed for the report.

During the ensuing discussion, the following observations were highlighted:

- Timely to hold a self-assessment
- That the meeting needed to be held face to face before May 2024
- Agree, if sufficient resources were available, to get an external facilitator to lead the meeting so it would be possible for officers to offer input
- That feedback on the Committee's work from Politicians and Audit Wales would need to be considered and included in the self-assessment

**RESOLVED:**

**To accept the report and undertake a face-to-face effectiveness self-assessment before May 2024**

## **10. TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW**

Submitted, for information, a report highlighting the Council's actual Treasury Management activity during the current financial year. At a meeting of the Full Council in March 2023, the Treasury Management Strategy had been approved for 2023/24. It was highlighted that, during the six months between 1 April and 30 September 2023, the Council's borrowing activity had remained within the limits originally set. It was reiterated that it was estimated that the Council's actual investment income exceeded the expected income in the 2023/24 budget.

It was explained, in the external context that it had been a busy and prosperous time for the Council's treasury management activity. No organisation with which the Council had invested money had defaulted, and high interest rates had produced significant interest income. Reference was made to the economic background, and it was noted, in the local context, that the situation on 30 September 2023 was very strong with the Council in a net investment position as a result of the high level of investments and operational capital that the Council had, including the money of the Ambition Board and the Pension Fund.

In the context of the Council's borrowing position, it was reported that there had been no movement in the level of borrowing during the past six months with the Council continuing with its strategy of using internal resources before borrowing. It was added that the cost of borrowing had raised significantly recently due to the market terms and therefore the Council was in a fortunate situation.

In terms of investment activity, reference was made to the type of investments made, which, as usual, included banks and building societies, local authorities, financial market funds, Debt Management Office and pooled funds. It was reported that the basic bank rate had risen to 5.25% in the period and the returns had been high. It was added that the Council had invested 13m in pooled funds, which was an additional £3m since submitting the latest information. It was noted that the pooled funds were mid/long-term investments which brought in a very good income level, and with the Council's finance levels healthy, it was highlighted that the decision had been made for further investment in these funds, on the advice of Arlingclose.

It was confirmed that treasury management activities undertaken during the period fully complied with the CIPFA Code of Practice as well as the Treasury Management Strategy that highlights robust management of the money, although there was no compliance with the Interest Rate Disclosure indicator. It was

explained that the indicator had been set during the lower interest rates of February 2023 therefore it was reasonable that the amounts were so different. Discussions would be held with Arlingclose to set a different indicator for 2024/25. Attention was drawn to the Liability Benchmark presentation, which was an important tool to establish whether the Council was likely to be a long-term borrower or long-term investor in future, and therefore shaped the strategic focus and decisions.

Gratitude was expressed for the report.

**RESOLVED:**

**To accept the report for information**

**11. CYNGOR GWYNEDD DETAILED AUDIT PLAN**

The Audit Manager from Audit Wales reported that the Detailed Audit Plan had now been published. This outlined the work the auditors undertake to deliver their statutory duty which include keeping an eye on the significant risks to Cyngor Gwynedd's financial statements, ensuring that value for money arrangements were underway and compliance with the sustainable development principle when setting and taking steps to realise well-being objectives with assurance level materiality set at £5.387m.

Reference was made to the risks in the material statements (Management Override) which were relevant to every Local Authority as well as three generic risks, which again were included in every audit plan and weren't specific risks to Gwynedd. Attention was drawn to the proposed performance audit work and that there were no amendments to the information submitted in the outline plan.

It was added that the detailed plan included a time-schedule (it was proposed to submit a report on the work of auditing the Financial Statements to the Committee, although it stated November 2023, there was slippage to January 2024), details of the audit team and the audit fee of £381,197. It was emphasized that Audit Wales could not make any profit on the work and that part of the fee, if the cost of undertaking the audit was less than estimated, would be repaid.

Gratitude was expressed for the report.

In response to an observation that generic audits create a lot of extra work and although accepting that it was possible to place a focus on the matters being audited, the answers were not generic, it was noted, within national audits that the local focus on Gwynedd wasn't obvious but when implementing the thematic audits, local evidence would feed into the national report which would summarise the information gathered.

**RESOLVED**

**To accept the report, for information**



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**CHAIRMAN**