



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

GOVERNANCE AND AUDIT COMMITTEE

Date and Time

10.00 am, THURSDAY, 14TH DECEMBER, 2023

Location

Virtual Meeting

*** NOTE ***

*** For public access to the meeting, please contact us***

Contact Point

Lowri Haf Evans

01286 679878

Lowrihafevans@gwynedd.llyw.cymru

(DISTRIBUTED 08/12/23)

GOVERNANCE AND AUDIT COMMITTEE

MEMBERSHIP (18)

Plaid Cymru (8)

Councillors

Edgar Wyn Owen
Jina Gwyrfai
Paul John Rowlinson

Arwyn Herald Roberts
Elfed Wyn ap Elwyn
Huw Rowlands

Menna Baines
Meryl Roberts

Independent (4)

Councillors

Angela Russell
Rob Triggs

Richard Glyn Roberts
Elwyn Jones

Lay Members (6)

Sharon Warnes
Hywel Eifion Jones
Clare Hitchcock
Elwyn Rhys Parry
Carys Edwards
Vacant Seat

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. APOLOGIES

To receive apologies for absence.

2. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

3. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

4. MINUTES

5 - 14

The Chairman shall propose that the minutes of the meeting of this committee, held on 12th October 2023, be signed as a true record.

5. IMPLEMENTING THE DECISIONS OF THE COMMITTEE

15 - 18

To consider the report and offer comments

6. AUDIT WALES REPORTS

19 - 60

To consider and accept the update on report(s) recently published by Audit Wales

- Digital Strategy Review – Cyngor Gwynedd
- Work Programme Update for Quarter 2

7. INTERNAL AUDIT OUTPUT

61 - 75

To note the contents of the report as an update on progress against the 2023/24 audit plan, offer comments thereon and accept the report.

8. INTERNAL AUDIT PLAN 2023/24

76 - 79

To note the contents of the report as an update on progress against the 2023/24 audit plan, offer comments thereon and accept the report.

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

80 - 97

To consider the contents, offer comment thereon, and resolve whether to undertake a self-assessment

- | | |
|--|-----------|
| 10. TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW | 98 - 108 |
| To receive the report for information. | |
| 11. CYNGOR GWYNEDD - AUDIT WALES DETAILED PLAN | 109 - 130 |
| To consider the report | |

GOVERNANCE AND AUDIT COMMITTEE 12 October 2023

Present:

Councillors: Elwyn Jones, Edgar Wyn Owen, Arwyn Herald Roberts, Meryl Roberts, Richard Glyn Roberts, Huw Rowlands, Paul Rowlinson, Angela Russell, Rob Triggs and Elfed Wyn ap Elwyn

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

Officers:

Dewi Morgan (Head of Finance Department), Ffion Madog Evans (Assistant Head of Finance Department - Accountancy and Pensions), Siân Pugh (Assistant Head of Finance Department - Sustainability and Developments), Delyth Jones-Thomas (Investment Manager), Caren Rees Jones (Group Accountant - Capital and Management), Caleb Lewis (Cynllun Yfory - Finance and Accountancy Professional Trainee), 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 11: Alan Hughes and Yvonne Thomas (Audit Wales), Dewi Jones (Council Business Service Support Manager) and Vera Jones (Democracy and Language Services Manager).

1. APOLOGIES

Apologies were received from Councillor Menna Baines and Councillor Jina Gwyrfaï.

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 7 September 2023, as a true record.

Item 6: Annual Report of the Governance and Audit Committee 2022-23 - *'the intention to submit a report to the next meeting regarding undertaking a self-evaluation of the Committee's work'* - it was noted that the report would be submitted to the meeting on 14 December 2023.

It was good to see Sharon Warnes Chairing the committee following her recovery after a period of ill-health. Councillor Paul Rowlinson was thanked for presenting the Annual Report of the Governance and Audit Committee 2022-23 to the Full Council at the end of September in her absence. Wishes for a speedy recovery were extended to Luned Fôn Jones (Audit Manager).

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.

Gratitude was expressed for the report.

In response to an observation regarding the long-term absence of staff in the Internal Audit Service, it was noted that staff within the service had stepped up and that there was good management in delivering statutory duties. In response, it was proposed that the output of the internal audit section item and the complaints item would remain on the list for now.

RESOLVED:

To accept the report

Note: That the complaints item and the output of the internal audit section item will remain on the list for now.

6. CYNGOR GWYNEDD'S ANNUAL GOVERNANCE STATEMENT FOR 2022/23

The Statement was presented by the Head of the 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 Governance and Audit 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. Risks were identified in 24 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 areas of very high risks, 4 high risk areas, 12 areas of medium risks and 9 low risk areas. It was noted that the high-risk areas were 'Culture', 'Information', 'Health, Safety and Well-being' and 'Customer Contact'.

Members gave thanks for the report. Reference was made to each risk in turn giving Members an opportunity to enquire about that area. During the ensuing discussion, the following observations were made by members:

- Finance - increasing the risk impact from 3 to 5 was wise, however there was disagreement with changing the probability from 3 to 2 given that 9 out of 10 Departments were overspending. It was added that the comments were acceptable and that management plans were in place, but that reports (such as the revenue position and savings overview) did not reflect the same situation; failure to manage a budget had an impact on many residents and forced the use of reserves.

- In the future more clarification was needed in the comments column - namely, to outline what are the reasons behind the change in assessment e.g., was it a situation, specific matter that had changed or the opinion of officers.
- Customer Contact - that a lack of response and complaints to the service had been evident for years - why then, was this area now being set as a high-risk area?
- How much data work had been considered to assess the risks to ensure that the opinion was sound? Was there a consistency score?
- Was the effect equal amongst the headings? That is, is the same consideration given to external links and internal links? e.g., Natural Resources Wales v Ffordd Gwynedd.
- There was a need to ensure a relationship between customer contact and customer care - if the first contact with the Council was not a successful one then this may reflect further, damaging risks e.g., with partnerships - reputations must be secured, strong relationships maintained and customer satisfaction ensured.
- That exit interviews are called for in the context of workforce planning – the risk score was low given the situation. Concern about long-term sickness and the failure to attract staff to deliver Council services created a significant impact (staff such as teachers, assistants, care staff, waste collection staff).
- A suggestion was made, together with the annual statement, that a mid-year report be submitted to the Committee providing an update of the situation – specifically the 4 high risk areas.

In response to the comments the Head of Finance noted that the scoring process was guided by a combination of perceptions or events and that there was an element of objectivity as well as science behind the process. He reiterated that an engagement score e.g., was re-assessed due to a change in legislation while customer contact was highlighted as high risk due to the need to respond to the number of complaints and to present improvements. It was accepted that there was a tendency to over-think headings and try to fit the performance into a category, but he confirmed that the risks were challenged at service level at the performance challenge meetings and by the Governance Arrangements Assessment Group. He agreed that a failure in the customer contact field could disrupt all Council departments, and therefore that risk needs to be maximised to ensure that the area is properly addressed so that the right response was delivered to the right people within the right time.

In the area of Finance risk, the observation was accepted that the risk ratings did not highlight the Council's actual financial position, but that the risk here was a reflection of the Council's governance in the financial field, and that there was a separate budgetary risk in the corporate risk register. He reiterated that the Council had robust arrangements to report on the Council's actual financial position and that examples of transparency had recently been highlighted, e.g., in responding and identifying savings for the 2023/24 financial deficit. Reference was made to Birmingham Council where financial governance issues had arisen as they had not identified a job appraisal regime and consequently stated that it could not balance its budget without support.

In response to a comment regarding the loss of staff and the failure to recruit, it was noted that steps had been taken by the Council to restore the situation and that this had improved stability. It was reiterated that a Project Group had been set up to respond to the situation with a focus on carrying out work to make the Council a more attractive place to work. However, it was noted that pockets of services were still experiencing problems and that e.g., overspending in employing agency staff in the care area was creating an impact on other areas of work.

It was outlined that the risk ratings were continually reviewed and that the high-risk areas were areas where long-term plans had been identified to improve the situation. Meanwhile, Heads of Department will report on the action and ensure the work is going

in the right direction. It was agreed that a half-year update would be submitted to the committee and that all comments would be referred to the Governance Arrangements Assessment Group.

RESOLVED:

To accept and approve the statement for the Council Leader and the Chief Executive to sign the statement

Note:

- There was a need to consider service continuity - impact of one field on another
-
- A suggestion together with the annual statement, that a mid-year report is submitted to the Committee to give an update of the situation.

7. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

A report was submitted by the Cabinet Member for Finance summarising the Council's savings position and asking the committee to identify the relevant situation and risks in respect of the Savings Overview before submission to the Cabinet on 7.11.23.

The Assistant Head of Finance - Accountancy and Pensions explained that in order to close the funding deficit this year, £7.6 million worth of savings had to be implemented during 2023/24, which was a combination of almost one million previously approved, savings for Schools of £1.1 million, £3 million for Council departments and a further £2.4 million in reviewing the Council's capital debt repayment policy.

It was added, as had been consistently reported to the Committee, that there were difficulties in realising savings in some fields (the most prominent being the Department for Adults, Health and Wellbeing and the Waste Field). It was noted that in July 2023, all savings plans were reviewed, and it was assessed which plans were now unattainable. A programme was designed to scrap £2 million worth of schemes that had significant risks to achieve. Reference was also made to the historic savings schemes for the 2015/16 financial year to 2023/24 and that while some of these schemes had been scrapped, 98%, over £33.7 million of the £34.3 million of savings, had now been realised.

Reference was made to new schemes in the current financial year and that 81% of 2023/24 savings had already been realised with a further 6% to be delivered in a timely manner. It was reiterated that there was a slight delay to the realisation of £700k worth of 2023/24 savings schemes, however the Departments did not foresee a problem to realise these. It was reported that the majority of this amount, which included savings of £539k from schools, was slipping as the schools worked in line with the academic year, and so realisation would slip into the next financial year. The value of savings already approved for 2024/25 onwards was discussed along with further savings and cuts schemes for 2024/25 that were already under consideration. These will be subject to a further report.

In summing up, it was reported that £39.1 million of savings have been realised which was 96% of the required £41 million over the period. It was anticipated that a further 1% would be realised by the end of the financial year, but there would be delays and some risks to delivering the remaining plans.

Gratitude was expressed for the report. The need to focus on the success was noted - that 96% of the Savings had been realised - the tendency was to focus too much on those that had not been realised, which may be more difficult to deliver.

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

- That there was a consistent historical pattern of overspending in the Adults, Health and Well-being Department
- Although there was overspending in ten schemes by the Adults, Health and Well-being Department, there was no clear explanation or reasons for the overspending. Had a Project Manager been appointed? There was a need to ensure that arrangements were tightened, and lessons learned. The Cabinet was urged to question more about the situation
- A suggestion to consider giving external attention to the plans - identify experts to take a closer look at the situation
- That there was a duty to share information about the savings schemes with the Committee – difficult for the Committee to give a realistic view, and the Committee was open to criticism for not contesting more thoroughly. There was a need to consider how the Committee could better fulfil their role.
- Expressed pride that 95.6% of the savings had been realised - the officers needed to be congratulated on this

The Cabinet Member thanked the Committee for their comments and echoed the pride that a substantial sum had been saved. He noted that those Councillors who attend meetings to challenge the performance of the Departments were empowered to challenge the financial situation – this was essential.

RESOLVED

To accept the report and note the situation and relevant risks in the context of the Savings Overview

Note: To recommend to the Cabinet that detailed challenge was required on unrealised schemes - there was a need to ensure regular review of those schemes.

8. REVENUE BUDGET 2023/24 - END OF AUGUST REVIEW 2023

- a) A report was submitted by the Cabinet Member for Finance asking the committee to scrutinise the situation and relevant risks in relation to the Council's budgets and its departments. He noted his concern about overspending in the area of learning disability and the lack of income in the waste field. He took the opportunity to thank staff at the Finance Department for their work completing the information and to Committee members for their good scrutiny and collaboration.

The Assistant Head of Finance - Accountancy and Pensions explained that the report detailed the latest review of the Council's revenue budget for 2023/24, and the forecasts for the end of the financial year. The report would be presented to the Cabinet on 7 November 2023.

Following the end of August review, it was noted that the forecasts suggested that nine out of the ten departments would overspend by the end of the year, with significant overspending by the Adults, Health and Well-being Department, Education Department, Highways, Engineering Department and YGC and the Environment Department. It was explained that in recent years there had been regular reporting of risks to achieve some savings schemes, most prominent in the Adults, Health and Well-being Department and in the field of Waste. Following a recent review of the unrealised savings, it was decided to scrap £2 million worth of savings schemes by using the savings risk provision to fund this. Therefore, the report reported on the financial situation following the removal of those savings.

Attention was drawn to the main matters:

- Adults, Health and Well-being Department - the latest forecasts suggested £6.6 million overspend, which was a combination of several factors including several new cases and costly supported accommodation cases in the learning disability service. In the context of community care, it was noted that there were higher staffing costs and rates of non-contact hours and, therefore, had a negative impact on the recovered income. In the context of older people's services, there had been higher fees from private providers. but a reduction in the increasing use of agency staff in various areas that also contributed to the overspending.
- Education Department - there was a trend of increasing pressures on the school taxi and bus budget that was becoming more pronounced this year, with a predicted overspend of £1.5m. It was noted that the transport field had already been undergoing a strategic review to try to control the increase in expenditure, and it was suggested that further work was needed to try and reduce overspending and take advantage of efficiency opportunities.
- Byw'n lach – with Covid having had an impact on the Byw'n lach Company's income, in 2022/23 the Council provided £550k in financial support to Byw'n lach to enable them to maintain their services. It was reported that the financial support would continue this year and the required amount had reduced to £375k.
- Highways, Engineering Department and YGC - an overspend of nearly one million was forecast by the department, with a reduction in the work being commissioned by external agencies negatively impacting the income of highway services. In the context of the municipal services field there was a combination of reasons, which included additional pressure on street cleaning budgets and cleaning public toilets. It was also noted that there were income losses with ground maintenance and public toilets, but an increase in income from bereavement services which reduced the overspending.
- Environment Department – that the annual trend of overspending in waste collection and recycling continued. This was identified as a combination of additional routes that have resulted in overspending on employment and fleet costs, sickness levels and overtime plus additional costs of vehicle hire.
- Housing and Property – there was a continuing trend of significant and intense pressure on homelessness temporary accommodation services; this year £3m of Council Tax Premium was allocated along with a one-time £1.4m allocation of corporate Covid provision to address the extra costs.
- Corporate - that there were prudent assumptions when setting the 2023/24 budget and a reduction in the numbers who have claimed council tax reduction compared to previous years. The impact of the recent increase in interest rates had led to the receipt of interest worth an additional £1.8 million and the impact of the current treasury management policy had made external lending avoidable. It was added that underspending on other budgets helped ease anticipated additional pressures. (The national increase in pay for Local Government employees was yet to be confirmed).
- It was anticipated that the Council's reserves would have to be used to fund the £5.9 million funding deficit for 2023/24.

The Cabinet Member for Finance's wish for the Committee to scrutinise the situation and risks in relation to the Council's budgets and its departments was noted and to recommended to Cabinet that they approve the reports.

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

- The Cabinet needed to look at the Education Department's specific action plan to deal with transport issues. Whilst accepting that inflation and recent re-tender costs of £833,000 had added to the problem, the issue was historic and required an innovative plan to take it forward.
- Recycling issues needed to be solved

- That a method of charging the Airbnb service to raise income for the Council needed to be considered
- There was a need to consider the risk in the reduction of pupil numbers in Gwynedd schools and this therefore would lead to a reduction in future funding
- There was a need to ensure that the funds from the second homes premium were only used for the homeless service

RESOLVED

- 1. To accept the report and note the situation and relevant risks in the context of the Council's budgets and its departments**
- 2. To agree with the recommendation to the Cabinet:**
 - **To transfer £3,275k of underspend on corporate budgets to the Council's Financial Strategy Reserve Fund**
 - **That work had already been commissioned by the Chief Executive to gain a better understanding of exceptional overspending by the Adults, Health and Well-being Department, setting out a clear programme in response to the situation**

Note: there was significant overspending by the Adults, Health and Well-being Department, Education Department, Highways, Engineering and YGC Department and the Environment Department.

9. CAPITAL PROGRAMME 2023/24- END OF AUGUST 2023 REVIEW

A report was submitted by the Cabinet Member for Finance and he explained that the main purpose of the report was to present the capital programme (end of August 2023 position) and approve the relevant funding sources. He reiterated that the report was positive and that the additional grants were good news.

Reference was made to a Department-by-Department analysis of the £178.6 million capital programme for the 3 years 2023/24 - 2025/26 together with the sources available to fund the net increase which was approximately £78.8 million since the original budget.

The Assistant Head of Finance - Accounting and Pensions added,

- that the Council had firm plans in place to invest approximately £107.3 million in 2023/24 on capital schemes, with £42.8 million (40%) funded by attracting specific grants.
- that the impact of recent financial challenges continued on the capital programme, with only 11% of the budget spent up to the end of August this year, compared with 11% over the same period last year and 16% two years ago.
- that a further £12.5 million of proposed expenditure had been re-profiled from 2023/24 to 2024/25 and 2025/26 with the main plans including:
 - £5.7 million - Schools Schemes (Sustainable Learning Communities and Others)
 - £2.8 million in Carbon Management and Solar Panels Schemes
 - £1.5 million - Penygroes Health and Care Hub Scheme
 - £1.4 million Residential Organisations, Day Care and others in the Adults field
 - £0.9 million Flood Prevention Plans

Attention was drawn to the list of additional grants that the Council had managed to attract which included the Shared Prosperity Fund Grant from the UK Government to be distributed across the counties of north Wales. Shared Prosperity Fund Grant from the UK Government to be distributed across the counties of north Wales; Grants from the

Local Transport Fund (LTF) and Active Travel Fund (ATF) from the Welsh Government. Sustainable Learning Communities Programme - Schools Community Use 2023-2025.

The members gave thanks for the report and to the officers for finding additional grants.

In response to a comment regarding significant increases in construction costs resulting in now-approved projects becoming more costly, it was noted that there had been a purposeful delay in projects while prices / inflation were high. It was reiterated that this was reflected in the slippages.

DECISION:

To accept the report and note the situation and risks in the context of the Council's capital programme

10. TREASURY MANAGEMENT QUARTERLY UPDATE

The Investment Manager presented a report on the actual results of the Council's treasury management during 2023/24 to date, against the Treasury Management Strategy for 2023/24 as approved by the Full Council in March 2023. It was noted that the strategy required the Investment Manager to report on the indicators on a quarterly basis – this was the first report of its kind.

It was reported that the year had been very busy and prosperous for the Council's treasury management activity as the activity remained within the limits imposed. It was confirmed that there was no failure to pay back by the institutions the Council had invested money with and that interest rates had been high and generated substantial interest income.

On 30 June 2023, the Council was in a very strong position with net investments, which had resulted from a high level of investments and operational capital. This included Ambition Board and Pension Fund funding.

In the context of investments, it was reported that lending activity had been very quiet in the period with only loan repayments taking place. It was reiterated that the Council had continued to invest with Banks and Building Societies, Money Market Funds, Pooled Funds, Local Authorities, and the Debt Management Office which was now consistent with the type of investments the Fund had operated for a number of years.

Reference was made to the Liabilities Benchmark, and it was noted that it was an important tool to consider whether the Council is likely to be a long-term lender or long-term investor in the future, and therefore shaped the strategic focus and honed decisions. It was clarified that the Council expected to continue lending above its liability benchmark up to 2025 and this was because the Council held reserves with cash flow to date, having been lower than the assumptions made when the money was borrowed.

When looking to the future, it was noted that, based on current projections, borrowing was not necessary in the long term, but may be necessary in the short term to near future. It was noted that all activities had fully complied with the CIPFA code of practice apart from a one indicator (Interest Rate Disclosure). It was explained that this indicator was set in the low interest conditions of March 2023 and therefore it was reasonable that the amounts were so different.

Gratitude was expressed for the report.

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

- Liabilities Benchmark figure / Column 31.3.24 (Objective) / Less: Balance Sheet Resources needed to be amended from 177.1 to 117.1.
- The Council's situation would have been much worse had it not been for the reserves

In response to a question regarding the 1% Interest Rate Disclosure indicator, and if it was the Council who set the 1%, it was agreed that a better indicator needed to be looked at, however at the moment they had to report on the current indicator.

RESOLVED: To accept the report for information.

11. AUDIT WALES REPORTS

Update on the reports recently published by Audit Wales 'Review of Scrutiny Effectiveness - Cyngor Gwynedd'.

Alan Hughes and Yvonne Thomas (Audit Wales), Dewi Wyn Jones (Council Business Support Service Manager) and Vera Jones (Democracy and Language Manager) were welcomed to the meeting.

It was highlighted that the report was encouraging. The findings were discussed, and reference was made to the six recommendations proposed by Audit Wales. In response from the Council, while accepting that the service was going in the right direction, there was scope for improvement and to hone the existing arrangements.

Thanks were expressed for the report.

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

- That members of the Governance and Audit Committee were previously invited to attend Scrutiny workshops – there was a need to organise how the Governance and Audit Committee could input into the Scrutiny regime.
- That the report was optimistic. Scrutiny Committees 'offered opinions,' with no effect to be seen on decisions. That there was a sense that the aim was to present information - members questioned where their power to influence decisions lay.
- Was there any value in conducting an exercise of not holding committees for a year as a means of seeing whether there was a difference?
- There was a need to secure an action plan to give assurance that scrutiny gives power and places pressure on decision-making
- That the Governance and Audit Committee had re-established the improvement working group to deal with areas of concern - would there be a right to scrutinise this?
- That better collaboration was needed between the Cabinet and Scrutiny Committees
- That better collaboration was needed between the Scrutiny Committees and Audit Wales - in the past meetings were held jointly

In response to the comments, the Audit Wales Officer noted that the scrutiny process ideally offered quality outputs and clear recommendations, but Cyngor Gwynedd's scrutiny records were not in the form of recommendations, i.e. the output was not visible. It was accepted that there were some frustrations, but it was hoped to deliver quality outputs and establish a valuable scrutiny process that would dovetail into the Council's programme of work. This was a good opportunity to hone arrangements and highlight scrutiny.

The Democracy and Language Services Manager reiterated that there was frustration with the Council's regime and the scrutiny relationship with the Cabinet, and while

accepting that relevant Cabinet Members were invited to the scrutiny meetings, the relationship needed to be strengthened and the recommendations sharpened. It was clarified that there were three Scrutiny Committees (Education and Economy, Communities and Care) with 18 elected members (+ co-opted members on the Education and Economy Scrutiny Committee)

The Head of Finance added that the role of the Governance and Audit Committee was to scrutinise the Council's risks and governance arrangements and that the Committee's power was not subordinate to the Scrutiny Committees which scrutinised the Council's specific areas and policies. He noted that Cyngor Gwynedd was following the requirements of the Scrutiny Regulations Act.

RESOLVED to accept the report

Note: Need to consider the procedure for the work of the Governance and Audit Committee to inform the Scrutiny system.

12. 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 April 2023 up to 30 September 2023. It was highlighted that eight of the 2023/24 Action Plan audits had been completed with five showing a high assurance level and three showing an adequate assurance level. The Head of Finance noted that the Department's staffing levels were currently low due to one member of staff being on long-term sickness, one on secondment and another on maternity leave. Bleddyn Rhys and Eva Williams were commended for leading the service during this time.

Gratitude was expressed for the report.

In response to a comment regarding the submission of an update on the 2023/24 audit plan it was noted that it was difficult to plan ahead with current staffing levels within the Unit, but that it was intended for a modified Plan to be submitted to the December 2023 meeting. The suggestion to 'park' some audits for a period of time and prioritise those at high risk was accepted, but it was highlighted that this was already being implemented. It was also noted that there was an intention to work towards a more flexible plan for the future rather than setting a plan with a budget of a specific time. This would create a process of completing work to the best standard rather than setting a specific 'plan' for the work. It was reiterated that a number of councils were now moving to operate without a specific plan.

In response to the comments, the Chair noted that there was no issue with a high risk and that this was good news. The Head of Finance reiterated his thanks to Bleddyn Rhys and Eva Williams for leading the service during the audit manager's long-term sickness.

RESOLVED

- **To accept the report on the work of Internal Audit for the period 1 April 2023 to 30 September 2023**
- **To support the actions that had already been agreed with the relevant services**

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

CHAIR

Agenda Item 5

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	14 DECEMBER 2023
TITLE	IMPELEMENTING THE DECISIONS OF THE COMMITTEE
PURPOSE OF REPORT	TO PRESENT AN UPDATE ON IMPLEMENTING THE COMMITTEE'S PREVIOUS DECISIONS
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	FOR INFORMATION

1. INTRODUCTION

- 1.1 The purpose of this report is to outline how Council departments have responded to the decisions of the Government and Audit Committee, so that members can receive assurance that their decisions are being addressed.
- 1.2 This contributes to reassuring members that the Council's governance is operating effectively.
- 1.3 This item is an opportunity for all members of the Governance and Audit Committee to consider the decisions made. Where the action has been completed, or where further action was not necessary, the line is removed from the table after the Committee has considered the matter.

2. DECISIONS SINCE ESTABLISHING THE NEW COUNCIL (MAY 2022)

Meeting of 17 November 2022

Item	Decision	Update
COMPLAINTS AND SERVICE IMPROVEMENT ANNUAL REPORT 2021/22	<ul style="list-style-type: none">• To accept that the Council's arrangements and performance in relation to dealing with complaints and service improvements are extremely effective.• That the report, in future, will be submitted to the Governance and Audit Committee prior to the Cabinet. <p>Suggestions:</p> <ul style="list-style-type: none">• To include an observation on the positive impact that complaints can have on the Council's performance.• To include a summary of the main fields / developmental fields that receive complaints• Categorise or set out a wider context for the departments that receive the majority of the complaints, in order to understand the circumstances• The Chair to revisit the Committee's responsibilities - should there be an overview of 'all Council departments' (including Care Services and Education that have their own statutory arrangements)?	<p>The latest Annual Report for 2022/23 was presented to the Governance and Audit Committee on 7 September 2023 and to the Cabinet on 19 September 2023.</p>

Item	Decision	Update
<p>UPDATE ON THE REPORTS RECENTLY PUBLISHED BY AUDIT WALES</p>	<ul style="list-style-type: none"> • To accept the report and the managers' response to the recommendations in 'Arrangements for Responding to the Local Government and Elections (Wales) Act 2021' • To present a report in six months' time to update the Committee 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, to streamline governance and avoid duplication between both bodies • To accept the report and the managers' response to the recommendations in 'Update on Decarbonisation Progress' 	<p>In respect of transferring the functions of the North Wales Economic Ambition Board to an empowered sub-committee of the North Wales Corporate Joint Committee, the project is progressing at a regional level. The target date of transfer is 1 April 2024.</p>
<p>OUTPUT OF THE INTERNAL AUDIT SECTION</p>	<ul style="list-style-type: none"> • To accept the report • To support the actions that have already been agreed with the relevant services • To request an update from the Audit on Taxi Safety (limited assurance level) • That the matter of not implementing regulatory procedures in Care Homes should be referred to the Care Scrutiny Committee. 	<p>Taxi Safety is the subject of a subsequent audit this year. Follow up work was completed during September and the report finalised on October 4th 2023.</p> <p>Care Homes item was considered at the Care Scrutiny Committee's Annual Workshop on 09/05/23. The item was made a priority by programming it for the 23/11/23 meeting on the 2023/24 draft work programme. Follow up work continues as 3 other Homes are to be fully audited.</p> <p>14/12/23 update: The following are reported to the Committee on 14 December 2023; Plas Maesincla and Plas Ogwen homes along with a follow up on Hafod Mawddach, Bryn Blodau and Plas Gwilym. A draft report has been published for Cefn Rhodyn.</p>

Meeting of 25 May 2023

Item	Decision	Update
OUTPUT OF THE INTERNAL AUDIT SECTION	<ul style="list-style-type: none"> To accept the report. To support the actions that have already been agreed with the relevant services. To refer the 3 limited fields to the Improvement Working Group. <ol style="list-style-type: none"> Planning – Communication Arrangements Deprivation of Liberty Safeguards Measures Smallholdings 	Due to long-term sickness absence in the Internal Audit Service, the Controls Improvement Working Group has not yet met.
ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT	<ul style="list-style-type: none"> To accept the report in accordance with the requirements of the Public Sector Internal Audit Standards for the 2022/23 financial year. To re-establish the Controls Improvement Working Group. 	See above regarding the Controls Improvement Working Group

Meeting of 12 October 2023

Item	Decision	Update
CYNGOR GWYNEDD'S ANNUAL GOVERNANCE STATEMENT FOR 2022-23	<p>To accept and approve the statement for the Council Leader and the Chief Executive to sign the statement.</p> <p>Note:</p> <ul style="list-style-type: none"> There was a need to consider service continuity - impact of one field on another A suggestion together with the annual statement, that a mid-year report is submitted to the Committee to give an update of the situation. 	No further action.
SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES	<p>To accept the report and note the situation and relevant risks in the context of the Savings Overview.</p> <p>Note: To recommend to the Cabinet that detailed challenge was required on unrealised schemes - need to ensure regular review of those schemes.</p>	No further action.

REVENUE BUDGET 2023/24 - END OF August 2023 REVIEW	<p>1. To accept the report and note the situation and relevant risks in the context of the budgets of the Council and its departments</p> <p>2. Agree with the recommendation to the Cabinet:</p> <ul style="list-style-type: none"> • To transfer of £3.275k of underspend on corporate budgets to the Council's Financial Strategy Reserve. • Work had already been commissioned by the Chief Executive to have a better understanding of the exceptional overspend by the Adults, Health and Well-being Department setting a clear programme in response to the situation. <p>To note that there was significant overspend by the Adults, Health and Well-being Department, Education Department, Highways, Engineering and YGC Department and the Environment Department.</p>	No further action.
CAPITAL PROGRAMME 2023/24 - END OF AUGUST 2023 REVIEW	To accept the report and note the situation and risks in the context of the Council's capital programme.	No further action.
TREASURY MANAGEMENT QUARTERLY UPDATE	To accept the report for information.	No further action.
AUDIT WALES REPORTS	To accept the report Note: Need to consider the procedure for the work of the Governance and Audit Committee to inform the Scrutiny system.	No further action.
INTERNAL AUDIT OUTPUT	<ul style="list-style-type: none"> • To accept the report on the work of Internal Audit for the period 1 April 2023 to 30 September 2023 • To support the actions that have already been agreed with the relevant services 	No further action.

3. RECOMMENDATION

- 3.1 The Governance and Audit Committee is asked to consider the contents of the tables above and to offer comments.

Agenda Item 6

MEETING	Governance and Audit Committee
DATE	14 th December 2023
TITLE	Audit Wales Reports
AMCAN	Provide an update on report(s) recently published by Audit Wales - Digital Strategy Review – Cyngor Gwynedd
RECOMMENDATION	Members are asked to accept the report.
AUTHOR	Dewi W. Jones, Council Business Support Service Manager/Alan Hughes, Audit Lead, Audit Wales

1. BACKGROUND

- 1.1. The Audit and Governance Committee has a role to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council and as part of this role there is an expectation to consider the reports of external review bodies such as Audit Wales, Estyn and Care Inspectorate Wales (CIW).
- 1.2. As well as actively considering reports the committee are expected to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them.
- 1.3. A report on ‘Digital Strategy Review – Cyngor Gwynedd’ has been included as **Appendix 1** with the management response document included as **Appendix 2** which outlines what we as a Council propose to do in response to the recommendations within the report. Geraint Owen, Corporate Director, Dewi Aeron Morgan, Head of Finance and Huw Ynyr, Assistant Head - Information Technology will attend the meeting to set context and respond to any questions if necessary.

Digital Strategy Review – Cyngor Gwynedd

Audit year: 2022-23

Date issued: October 2023

Document reference: 3729A2023

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

Report summary	4
Detailed report	
What we looked at and why – the scope of this audit	6
Why we undertook this audit	6
The Council's digital strategy	7
What we found: The Council does not have a strategic approach to digital and has not demonstrated that its next digital strategy will be developed in accordance with the sustainable development principle	
Appendices	
Appendix 1: key questions and audit criteria	11

Report summary

Report summary

Exhibit 1: report summary

The exhibit below summarises the reason we undertook this audit, our key findings and recommendations for the Council.

Why a strategic approach to digital is important

- 1 Digital technology is key to delivering a wide range of council services in a more economic, efficient and effective way, is also an important means of councils delivering their wellbeing objectives and carrying out sustainable development.
- 2 Having a clearly articulated strategic approach to digital can bring several benefits such as:
 - establishing a common vision for use of digital and the intended outcomes for local communities linked to the council's strategic objectives;
 - helping to ensure that councils' use of digital technology is aligned with their key strategic objectives and other plans and strategies and is informed by a good understanding of current and future trends;
 - reducing the risk of duplication both within councils and with partners;
 - consideration of resourcing digital over the short, medium and longer term together; and
 - providing a framework against which to monitoring progress over the short, long and medium term.

The focus of our audit

- 3 We looked at the extent to which the Council's strategic approach to digital has been developed in accordance with the sustainable development principle and that it will help to secure value for money in the use of the Council's resources.

Our key findings

- 4 The Council does not have a current strategic approach to digital or an approved digital strategy or equivalent. The absence of a strategic approach means that the Council is unable to demonstrate that it is planning over an appropriate timescale, informed by relevant considerations and the involvement of stakeholders. It also means that the Council has not considered the resource implications of its approach to digital over the short and longer term and has not developed measures to monitor progress in implementing it.

Our recommendations for the Council

Strengthening the evidence base

- R1 To help ensure that its next digital strategy is well informed and that its resources are effectively targeted, in developing its strategy the Council should draw on evidence from a wide range of sources, including;
- involving stakeholders with an interest in the digital strategy as well as drawing on the views of stakeholders from existing sources
 - the objectives and strategies of other public bodies, and identifying opportunities to collaborate
 - analysis of current and future trends (see our audit criteria for Q.1.1 and Q1.2 in **Appendix 1** for some examples of what this might include)
-

Identifying resource implications

R2 To help ensure that its next digital strategy is deliverable the Council should identify the short- and long- term resources implications of delivering it together with any intended efficiency savings.

Arrangements for monitoring value for money

R3 To be able to monitor the value for money of its next digital strategy, the Council should strengthen its arrangements for monitoring both its progress and impact over the short, medium and longer term.

Detailed report

What we looked at and why – the scope of this audit

- 1 We reviewed Cyngor Gwynedd's (the Council's) strategic approach to digital, and specifically the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of the Council's resources.
- 2 Our findings are based on document reviews and interviews with a sample of cabinet members and senior officers. The evidence we have used to inform our findings is limited to these sources. We undertook this work during May 2023.
- 3 We set out to answer the question '**In developing its digital strategy has the Council acted in accordance with the sustainable development principle and put in place proper arrangements to secure value for money in the use of its resources?**' We did this by exploring the following questions:
 - Is the Council's digital strategy informed by a good understanding of current and future trends?
 - Does the Council have a clear vision of what it wants to achieve through the use of digital technology?
 - Is the Council working effectively with the right people and partners to design and deliver its digital strategy?
 - Has the Council resourced delivery of its digital strategy so it can deliver long-term/preventative benefits?
 - Is the Council monitoring and reviewing progress?
 - Is the Council learning lessons from how it works?
- 4 **Appendix 1** sets out the detailed questions we set out to answer along with the audit criteria we used to arrive at our findings.

Why we undertook this audit

- 5 This audit was undertaken to help fulfil the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015.
- 6 We sought to:
 - provide assurance that councils' digital strategies will help to deliver well-being objectives in a way that secures value for money in the use of resources;
 - provide assurance that councils are acting in accordance with the sustainable development principle in the design of their digital strategies;
 - explain how councils are using/planning to use digital technology to meet people's needs and deliver better outcomes; and

- inspire and empower councils and other public sector bodies by identifying and sharing examples of notable practice/approaches where relevant.

The Council's digital strategy

- 7 Since its previous IT Strategy expired in 2018, the Council has been operating in the absence of a digital strategy. The Corporate Director chairs a Digital Transformation Board to conduct research projects via its sub-groups for four specific fields. These are data, administrative, customer contact and technical.
- 8 At the time of our fieldwork in May 2023, the Council were preparing a new digital strategy. This report reflects the Council's progress at that time while recognising the Council had more work to do before the new strategy would be available for member scrutiny. In May 2023, officers intended to present a new digital strategy to members in the autumn of 2023. In terms of monitoring arrangements, the Council has informed us that the Department of Finance and Information Technology will report on the progress of the Plan and its projects in accordance with arrangements to challenge and support corporate performance. And that the Digital Transformation Board will present an annual report on what is achieved. These arrangements were not in place when we undertook our work.
- 9 The Council has a Digital Schools' Strategy with the aim of *supporting digital learning to ensure the best opportunity for Gwynedd pupils*.
- 10 Some current and planned digital projects are also featured within the Council Plan for 2023-28, as well as its ten-year asset plan and its seven-year Climate and Nature Emergency Plan.

What we found: The Council does not have a strategic approach to digital and has not demonstrated that its next digital strategy will be developed in accordance with the sustainable development principle

The Council has not drawn on a wide range of evidence sources to help inform its digital strategy

- 11 The Council has not drawn on a wide range of evidence to inform its next digital strategy. The Council is aware of issues such as difficulties in recruiting people with digital skills, but the development of its next digital strategy has not been well informed by evidence from sources such as:
- service sustainability/resilience and resourcing challenges;
 - the needs of citizens and communities;

- the underlying causes of current demand/issues to be addressed; and
 - analysis of future trends and how they might impact, including for example, social, economic, political, environmental, cultural or technological.
- 12 There is limited evidence that the Council is planning over an appropriate timescale. In developing its next digital strategy, the Council is focussed on a relatively short-term timescale and has not developed medium and longer-term milestones which would enable it to assess impact and value for money of the individual digital projects.
- 13 The Council has not fully considered how its next digital strategy will contribute to its Well-being Objectives. The next digital strategy will be aligned to support some of the programmes in the 2023-28 Council Plan but will not necessarily be produced to directly support the Council's well-being objectives. The Council has also not considered how its next digital strategy will align with Welsh Government's Digital Strategy for Wales, the national well-being goals or the well-being objectives of other public sector bodies. Aligning its strategy with other public bodies would reduce the risk of duplication and help to identify opportunities to deliver multiple benefits.
- 14 The Council did assess how the Digital Schools' Strategy could contribute to the Council's well-being objectives and the national well-being goals prior to approval. The strategy also contributes towards the vision of the North Wales growth bid and the North Wales Regional Skills Partnership. In developing its next corporate digital strategy, there may be some learning for the Council from the process it undertook to develop its 2021 Digital Schools Strategy.

The Council has not identified the stakeholders it needs to involve in the development and delivery of its next digital strategy

- 15 The Council has decided not to consult with the public in developing its next digital strategy even though it is intended to be specifically 'customer-focused.' It is therefore not involving the full diversity of people affected by its digital strategy to help ensure the strategy meets their needs. It will also be important for the council to ensure that specific elements of the plan reflect service user needs, by drawing on existing consultation info and involving them in design. Not involving citizens in developing the Council's strategic approach, or the delivery of it, risks designing approaches that do not meet citizens' needs and therefore do not secure value for money.
- 16 The Council has not considered which potential partners it could work with in developing and delivering its strategic approach to digital. Mapping out who and how it could work with partners would help the Council have assurance that it has identified all appropriate opportunities for partnership working. It could also help identify opportunities to improve value for money in the delivery of its digital strategy. Monitoring the effectiveness of any partnership arrangements the Council

enters into will also be an important part of arrangements for the Council to assure itself that it is securing value for money.

- 17 In the absence of a clearly articulated strategic approach to digital there is not a common understanding among members and officers of what the Council is trying to achieve. There might be internal barriers to successful delivery of its next digital strategy unless both members and officers understand what the Council is trying to achieve and the potential implications for service users. A common and shared understanding of the strategic approach the Council intends to take will increase the likelihood of it being successfully delivered.

The Council has not identified the long-term resource implications of its next digital strategy

- 18 The costs involved in delivering the next digital strategy in the short term have not yet been calculated and the longer-term resources required to deliver it have not been identified. The Council has considered and approved whole life cost for the Digital Schools' Strategy, but funding will only be secured for the first two years of the corporate digital strategy at the point of being considered by scrutiny and approved by Cabinet and Council.
- 19 The Council has not calculated any savings that it may make through implementing its digital strategy. The Council will use a 'fail fast' approach to digital initiatives which may appear less beneficial than initially envisaged. Evaluating whether digital projects have delivered intended savings is an important element of monitoring value for money of individual projects and of the digital strategy overall.
- 20 The Council has not considered how it could allocate resources to deliver better outcomes over the longer term. For example, investing in digital technology that might incur significant up-front costs but realise efficiencies and improved outcomes over the longer-term. Considering if and how Council resources could best be deployed to deliver benefits over the longer term would help it demonstrate that it is applying the sustainable development principle. It is also an important element of arrangements to secure value for money.

There are weaknesses in the Council's arrangements for monitoring progress

- 21 The Council has identified a potential arrangement to monitor performance against short and medium-term objectives for individual digital projects, but it has not established how it will assess the impact of its next digital strategy as a whole. It has also not undertaken a cost benefit analysis for individual digital projects. The Council has only shared one progress report on the ongoing projects since the 2016-2018 IT strategy expired. In the absence of a digital strategy there has been no reporting of progress against short- medium- and long-term strategic objectives in relation to digital. Monitoring the achievement of objectives for both the Council's

strategic approach and individual digital projects is important to understand the impact of the Council's investment in digital, and therefore of arrangements to secure value for money.

The Council does not regularly review the effectiveness of its strategic approach to digital or share lessons learnt

- 22 Informally collated lessons learnt from the previous IT Strategy 2016-2018 and the hybrid working arrangements of the pandemic are known to the Council. Though they do not reflect upon the lack of collaborative or involvement activity, and the Council does not collate these at a strategic level.
- 23 The Council reviews the progress of its Digital Schools' Strategy 2021 with actions-based measures but has not reviewed the effectiveness and impact of the Strategy. By not routinely sharing lessons learned from the implementation of its digital strategies, the Council risks missing opportunities to improve processes, outcomes, and its arrangements to secure value for money. Completing and sharing post implementation reviews could also help the Council assess whether it has achieved its original aims and learnt lessons to improve future projects.

Appendix 1

Audit questions and audit criteria

Below are the questions we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Main audit question: **In developing its digital strategy has the Council acted in accordance with the sustainable development principle and put in place proper arrangements to secure value for money in the use of its resources?**

Exhibit 2: audit questions and audit criteria

Level 2 questions	Level 3 questions	Criteria
1. Is the Council's digital strategy informed by a good understanding of current and future trends?	<p>1.1 Is there is a thorough understanding of the 'as is' (i.e. current demand/issues to be addressed) and the reasons why/underlying causes?</p> <p>1.2 Is there a thorough understanding of the long-term factors that will impact and the challenges and opportunities that may result (e.g. risks and opportunities)?</p>	<ul style="list-style-type: none">• The Council has drawn on a broad range of information from internal and external sources to develop a thorough understanding of the 'as is' and how it is likely to change. This includes information (including data) relating to:<ul style="list-style-type: none">– service sustainability/resilience and resourcing challenges.– the needs of citizens and communities.– the underlying causes of current demand/issues to be addressed.– analysis of future trends and how they might impact, e.g. social, economic/political, environmental, cultural or technological. They might include known trends e.g. ageing population, depleting natural resources and particularly technological advances. They might also include those with a higher level of uncertainty e.g. jobs and skills needed in the future.• The analysis of the 'as is' and how it is likely to change is well informed by involvement activity, as appropriate, that reflects recognised good practice (e.g. National Principles for Public Engagement in Wales, Future Generations Commissioner for Wales advice and guidance).• The Council uses its evidence base effectively to:<ul style="list-style-type: none">– identify actions in its strategic approach to digital that are likely to be most effective and why, including how they could address the root causes of problems;

Level 2 questions

2. Does the Council have a clear vision of what it wants to achieve through the use of digital technology?

Level 3 questions

2.1 Is the Council planning over an appropriate timescale?

2.2 Has the Council thought about the wider impacts its digital strategy could have, including:

- how it could contribute to each of the seven national well-being goals?
- how delivery will impact on the other things it is trying to achieve (i.e. its well-being objectives and wider priorities)?
- how delivery will impact on other what other public bodies are trying to

Criteria

- inform decisions around its use of digital technology that seek to balance the need to meet short and longer-term objectives.
- The Council has considered what long term means in planning its approach to digital – i.e. how far ahead it can/should plan and why (at least ten years with consideration of longer-term trends as appropriate).
- The Council has considered how actions can deliver the best impact over that timeframe in terms of outcomes and most effective use of resources. This could include consideration of appropriate intervention points linked to the Commissioner’s definition of prevention. (More details can be found in: [Taking account of the Well-being of Future Generations Act in the budget process – The Future Generations Commissioner for Wales](#)).
- The Council has set out measures for its digital strategy that reflect short and long-term impacts and value for money, with milestones that reflect progress as appropriate.
- The Council has set out how its digital strategy will be resourced over the longer term as far as is practical (see also criteria relating to integration).
- The Council has considered how its digital strategy can make a contribution across the well-being goals.
- Staff developing the digital strategy understand what colleagues and partners do and how their work relates, and have sought to integrate their work with that of their colleagues from across the Council and with partner organisations.
- Integration is evident in the alignment of the digital strategy with other key corporate strategies and service plans. For example medium-term financial plan, workforce plan, asset management strategies, well-being statement and carbon reduction plans.
- The digital strategy is aligned with other strategic intents such as:
 - customer experience;
 - management of demand/reductions in demand failure and prevention; and
 - design and implementation of new service delivery models.

Level 2 questions

Level 3 questions

achieve (i.e. their well-being objectives)?

- 2.3 Is there a wide and common understanding of what the Council is trying to achieve?

Criteria

- The Council's digital strategy aligns with the plans/strategies of local and national partners including the Welsh Government's Digital Strategy and well-being plans.
- Councillors and senior officers responsible for implementing the digital strategy have a common and clear understanding of what the Council is trying to achieve and the intended impact on service delivery.
- The Council's digital strategy is clearly communicated to staff and partners who may help deliver it.

Level 2 questions

3. Is the Council working effectively with the right people and partners to design and deliver its digital strategy

Level 3 questions

3.1 Has the Council identified who it needs to involve?

3.2 Is the Council effectively involving the full diversity of people affected by its digital strategy?

3.3 Is the Council collaborating effectively with the right partners?

Criteria

- The Council has a good understanding of who will be directly and indirectly affected by its digital strategy and who it needs to involve.
- The Council has effectively involved the full diversity of views in developing its digital strategy, including from non-traditional sources and from those it may have previously failed to reach.
- The Council has provided genuine opportunities for people to influence the design and delivery of its digital strategy from an early stage, including representatives of groups who share protected characteristics.
- The Council has used the results of involvement to shape the design and delivery of its digital strategy.
- The Council is collaborating to ensure it delivers better outcomes and value for money through its digital strategy and has put appropriate arrangements in place to support this, for example for:
 - sharing or pooling expertise and resources;
 - sharing information;
 - ensuring effective monitoring, evaluation and accountability including consideration of value for money.

Level 2 questions

4. Has the Council resourced delivery of its digital strategy so it can deliver long-term/preventative benefits?

Level 3 questions

- 4.1 Does the Council understand long-term resource implications?
- 4.2 Does the Council allocate resources to deliver better outcomes over the long-term?

Criteria

- The Council has assessed the costs and benefits of using digital technology to invest in long-term, preventative approaches and the cost (both financial and in terms of outcomes) of not doing so.
- The Council has thought about the resources it will need to deliver its digital strategy over the medium and longer term (whole life costs) and how it could manage risks/meet those costs including, for example, planned 'invest to save' initiatives and managed reductions in technical debt.
- The Council has calculated and set out any savings it intends to make through implementing its digital strategy.
- Action (including preventative action) that is likely to contribute to better outcomes and/or use of resources over the longer term is promoted and supported, even:
 - where this may limit the ability to meet some short-term needs;
 - where the benefits are likely to be accrued by or attributed to another organisation.

Level 2 questions

5. Is the Council monitoring and reviewing progress?

6. Is the Council learning lessons from how it works?

Level 3 questions

5.1 Is the Council monitoring and reviewing progress towards, short, medium and longer-term objectives?

6.1 Does the Council review the effectiveness of its digital strategy?

6.2 Does the Council share lessons learned from its approach to its digital strategy?

Criteria

- The Council monitors the costs and benefits of delivering its digital strategy from a value for money perspective.
- The Council is measuring the wider contribution the digital strategy is making across its own/partnership objectives.
- Progress is measured against short, medium and long-term objectives.
- The Council regularly reviews the effectiveness of its digital strategy including:
 - effectiveness of its collaborative activity;
 - effectiveness of its involvement activity, including the impact of the strategy on service users including those who are digitally excluded;
 - the impact of the strategy on those who share protected characteristics;
 - the economy, efficiency and effectiveness of the digital strategy overall in helping the Council to achieve its strategic objectives.
- The Council has reviewed lessons learned from its response to the pandemic and is applying this learning to its digital strategy.
- The Council shares and applies any lessons learned from the development and delivery of its digital strategy widely across the organisation, and with partners where relevant.



Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

Organisational response

Report title: Review of Digital Strategy – Cyngor Gwynedd

Completion date: October 2023

Document reference: 3729A2023

Ref	Recommendation	Organisational response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	<p>Strengthening the evidence base</p> <p>R1 To help ensure that its next digital strategy is well informed and that its resources are effectively targeted, in developing its strategy the Council should draw on evidence from a wide range of sources, including;</p> <ul style="list-style-type: none"> - involving stakeholders with an interest in the digital strategy as well as drawing on 	<p>The Digital Plan has been extensively shared for comments as well as proposals to collaborate, including with Wales’ local governments, the digital office of the WLGA, CDPS, Betsi Cadwaladr University Health Board, the North Wales Fire and Rescue Service, and Bangor University.</p> <p>Extensive engagement has taken place internally within the Council, including</p>	<p>Complete ready for the presentation of the Digital Plan (07/11/23).</p> <p>An ongoing task to keep the Plan up to date.</p>	<p>Assistant Head of Finance (Information Technology).</p>

the views of stakeholders from existing sources

- the objectives and strategies of other public bodies, and identifying opportunities to collaborate
- analysis of current and future trends (see our audit criteria for Q.1.1 and Q1.2 in Appendix 1 for some examples of what this might include)

holding a prioritisation workshop and new content suggestions with the Corporate Management Team, Assistant Heads and the Managers' Network.

The Digital Plan was presented to the Education and Economy Committee on 14/09/23 to seek opinion before being finally presented to the Cabinet. The Plan was warmly welcomed, and valid and useful comments were fed back into the Plan before it continued its journey to the Cabinet.

Numerous sources were used in the preparation of the Digital Plan, approved by the Council's Cabinet on November 7th, 2023, including developments in the digital field, service trends, environmental implications, prospective investments on infrastructure by the North Wales Ambition Board, and digital strategies of other organisations, including the Welsh Government.

Having been presented to the Cabinet on November 7th, 2023, there will be an ongoing review of the Plan with technology changes, financial climate and the needs of our services being considered, which may lead to the introduction of changes, as confirmed in the comments of the Chief Finance Officer:

'The Digital Plan will be under ongoing review, and I am satisfied that the adoption of the Plan would not prejudice the bidding arrangements. Should a shortage of funding

		<i>mean that some of the bids are unsuccessful we will re-prioritise the content of the Plan as necessary.'</i>		
R2	<p>Identifying resource implications</p> <p>R2 To help ensure that its next digital strategy is deliverable the Council should identify the short- and long- term resources implications of delivering it together with any intended efficiency savings.</p>	<p>A full analysis has been carried out regarding the resources needed to realise the vision of the Digital Plan, along with identifying opportunities for efficiency savings. The projects and the request for additional resource support were submitted to the corporate bid procedure, in accordance with the plans identified in the report which supported the Digital Plan on its presentation to the Council's Cabinet for approval on November 7th, 2023:</p> <p><i>'Detailed work has been made in relation to the initial costs of putting the Plan into action. The identified costs are a combination of capital and one-off revenue costs, and permanent revenue. A specific fund has been earmarked for some time for one-off costs, and it will be possible to realise many elements of the projects in question by using this financial resource. However, there will be a need to consider the permanent revenue implications within the corporate bidding system annually.'</i></p> <p>Furthermore, the Chief Finance Officer's comment states:</p> <p><i>'Every single project in the Digital Plan has been costed, and as noted those costs are a combination of permanent revenue, one-time</i></p>	Already completed (07/11/23).	Assistant Head of Finance (Information Technology).

		<p>revenue and capital. One-time resources have been earmarked for the Digital Plan in the form of a fund, and I can confirm that bids for permanent revenue have been submitted in accordance with the Council's normal arrangements.'</p>		
R3	<p>Arrangements for monitoring value for money</p> <p>R3 To be able to monitor the value for money of its next digital strategy, the Council should strengthen its arrangements for monitoring both its progress and impact over the short, medium and longer term.</p>	<p>Arrangements for monitoring progress are set out in the report presented to the Council's Cabinet on November 7th, 2023, stating:</p> <p><i>'The governance arrangements for realising and monitoring the work programme is as follows. The Finance and Information Technology Department are responsible for realising the Digital Plan in the Council's Plan, and the Assistant Head of that department is the Project Manager. The Digital Transformation Board has been established to keep an overview on the work programme's progress and to offer challenge and support, in addition to the usual performance challenge and support arrangements – this to acknowledge how important the development of the digital field is to our ability as a Council to provide services towards the future.'</i></p> <p>Further reference to the monitoring arrangements can be found in the body of the Digital Plan, with the Corporate Director stating:</p>	<p>Already completed (07/11/23).</p>	<p>Assistant Head of Finance (Information Technology).</p>

'A comprehensive annual review together with regular progress reports will allow us to monitor the contribution of the individual projects to the broader vision, accepting that, given the constant advancements in digital technology, the priorities will require some adjusting, even within the lifetime of the Plan.'

A full record of the governance arrangements appears in the last chapter of the Plan, entitled "Governance Arrangements."

MEETING	Audit and Governance Committee
DATE	14 th December 2023
TITLE	Audit Wales Reports
AMCAN	Provide an update to the Committee on the Audit Wales work programme for Quarter 2
RECOMMENDATION	Members are asked to accept the report.
AUTHOR	Dewi W. Jones, Council Business Support Service Manager/Alan Hughes, Audit Lead, Audit Wales

1. BACKGROUND

- 1.1. The Audit and Governance Committee has a role to review and assess the risk management, internal control, performance management and corporate governance arrangements of the Council and as part of this role there is an expectation to consider the reports of external review bodies such as Audit Wales, Estyn and Care Inspectorate Wales (CIW).

- 1.2. As well as actively considering reports the committee are expected to assure themselves that there are arrangements in place to monitor and evaluate progress against any recommendations contained in them. To facilitate this work Audit Wales has prepared a quarterly update on the work of the review bodies and a copy of this document for Quarter 2 2023/24 is included as **Appendix 1**.

- 1.3. A report on the current studies of Audit Wales, Estyn and Care Inspectorate Wales (CSSIW) and the progress made by the Council in response to proposals or recommendations was presented to the meeting of this Committee on the 7th September 2023. The next report will be presented to the meeting of this Committee on the 8th February 2024.

Audit Wales Work Programme and Timetable – Cyngor Gwynedd

Quarterly Update: 30 September 2023

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in March 2023.	December 2023	Draft report to be issued in November 2023.

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council and its Minor Joint Committees' 2022-23 Statement of Accounts	To provide an opinion on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2023.	December 2023	<p>Gwynedd Council Statement of Accounts was received on 30 June 2023.</p> <p>The Joint Planning Policy Committee, the Harbours and North Wales Corporate Joint Committee's Annual Returns were received on 26 May 2023.</p> <p>Audit fieldwork is nearing completion.</p>

Description	Scope	Timetable	Status
<p>Certification of Grant returns:</p> <p>Teachers' Pension Contributions for the financial year 2022-23</p>	<p>Certification that nothing has come to our attention to indicate that the return is:</p> <ul style="list-style-type: none"> • Not fairly stated • Is not in accordance with the relevant terms and conditions 	<p>Council deadline last working day in May 2023.</p> <p>Certification deadline 30 November 2023.</p>	<p>Return received on 23 August 2023. The audit has commenced.</p>
<p>Certification of Grant returns:</p> <p>Non-Domestic Rates 2022-23</p>	<p>Certification that nothing has come to our attention to indicate that the return is:</p> <ul style="list-style-type: none"> • Not fairly stated • Is not in accordance with the relevant terms and conditions 	<p>Council deadline 30 June 2023.</p> <p>Certification deadline 17 November 2023.</p>	<p>Return received on 8 August 2023. The audit has commenced.</p>
<p>Certification of Grant returns:</p> <p>Housing Benefit Subsidy 2022-23</p>	<p>Certification that nothing has come to our attention to indicate that the return is:</p> <ul style="list-style-type: none"> • Not fairly stated • Is not in accordance with the relevant terms and conditions 	<p>Council deadline 30 April 2023.</p> <p>Certification deadline 31 January 2024.</p>	<p>Return received on 4 May 2023. The audit has not yet started.</p>

Performance Audit work

2022-23 Performance Audit work	Scope	Timetable	Status
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.</p> <ul style="list-style-type: none"> • Financial position • Capital programme management • Use of performance information – with a focus on service user feedback and outcomes 	<p>Ongoing monitoring of financial position</p> <p>September – December 2023</p> <p>February – December 2023</p>	<p>Ongoing</p> <p>AW will not undertake detailed work at all councils as part of our 2022-23 work programme. We are currently exploring our options for undertaking a detailed piece of work on this topic either in 2023-24 or future years.</p> <p>In progress – draft report shared with the Council.</p>

2022-23 Performance Audit work	Scope	Timetable	Status
	<ul style="list-style-type: none"> Setting of well-being objectives 	February – December 2023	In progress – document review under way.
Thematic Review – Unscheduled Care	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	August 2022 – July 2023	Fieldwork nearing completion, reporting from December 2023 onward.
Thematic review – Digital	A review of councils’ strategic approach to digital, and the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of councils’ resources.	January – October.	In progress – draft report shared with the Council.

2023-24 Performance Audit work	Scope	Timetable	Status
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.	April 2023 to March 2024	Ongoing
Thematic review – Financial Sustainability	A review of councils’ financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.	March – June 2024	Scoping
Thematic review – commissioning and contract management	A review focusing on how councils’ arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.	January – July 2024	Scoping
Local Project – Waste and Recycling	We will review the Council’s arrangements to improve its waste management service and meet statutory recycling targets.	To be confirmed	Scoping

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Cyngor Gwynedd
Planning for sustainable development – Brownfield regeneration	Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites	October 2022 – September 2023	Report drafting – publication due November/December 2023	Yes – interview with nominated officer at seven councils and survey.
Governance of special purpose authorities – National Parks	Review of systems and effectiveness of governance	November 2022 – September 2023	Report drafting – publication due November/December 2023.	No
Corporate Joint Committees (CJCs)	Assessing CJCs' progress in developing their arrangements to meet their statutory obligations and the Welsh Government's aim of strengthening regional collaboration.	September 2022 – August 2023	individual letters have been issued to the four CJCs. National summary report due for publication October/November 2023.	Yes – We explored the Council's perspective via our routine liaison meetings. Fieldwork included interviews with the chief executive, director of finance and chair of each of the four CJCs.

Study	Scope	Timetable	Status	Fieldwork planned at Cyngor Gwynedd
Governance in Fire and Rescue Authorities	Review of systems and effectiveness of governance	September 2023 – March 2024	Project brief issued	No
Homelessness	Examining how services are working together to progress the response to homelessness.	tbc	Scoping	tbc

Estyn

Our link inspectors are continuing to work with Torfaen as part of our follow-up process for an authority causing significant concern. Wrexham local authority was removed from the causing significant concern category following a monitoring visit in July. We inspected Gwynedd in the week beginning 26 June and Carmarthenshire in the week beginning 10 July. Both reports have been published on our website. We will be inspecting Conwy local government education service on the week beginning 6 November.

Field work being carried out across local authorities during the autumn term includes a focus on attendance, school improvement and the work of the local authority to mitigate the impact of poverty on learners' attainment.

Care Inspectorate Wales (CIW)

CIW planned work 2023-25	Scope	Timetable	Status
Thematic reviews			
Community Learning Disability Teams (CLDT)	Working with HIW we will complete a small sample of joint CLDT inspections in 2024. We will use this approach to evaluate and consider our approach to joint inspection.	2024-25	Planning
Deprivation of Liberty Safeguards – 10 years on	We are working in partnership with HIW to consider our approach and follow up on the report: <u>A National Review of the use of Deprivation of Liberty Safeguards (DoLS) in Wales (hiw.org.uk)</u> undertaken in 2014.	2024-25	Scoping

CIW planned work 2023-25	Scope	Timetable	Status
<p>Stroke pathway</p> <p>National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings</p>	<p>Working in collaboration with HIW a National Review of Patient Flow: a journey through the stroke pathway (hiw.org.uk) has recently been published.</p> <p>Purpose of the review To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings. To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre-proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	<p>Complete</p> <p>In progress</p>	<p>Published</p> <p>Publication November 2023</p>
<p>Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2022-23</p>	<p>The 2020-21 report was published on 7 February 2021</p> <p>The 2021-2022 report is underway</p>	<p>Published</p> <p>To be confirmed</p>	<p>Published</p> <p>Preparing</p>

CIW planned work 2023-25	Scope	Timetable	Status
Joint Inspection Child Protection Arrangements (JICPA)	<p>We will complete a further two multi-agency joint inspections in total.</p> <p>The findings following Denbighshire County Council have been published - Joint Inspectorate Review of Child Protection Arrangements (JICPA): Denbighshire 2023 Care Inspectorate Wales</p> <p>The findings following Bridgend County Borough Council have been published - Joint Inspectorate Review of Child Protection Arrangements (JICPA): Bridgend 2023 Care Inspectorate Wales</p> <p>We will publish a national report in late spring 2024.</p>	<p>April 2023 – April 2024</p>	<p>Delivery</p>
Performance review of Local Authorities	<p>We continue to inspect Local Authorities in line with our updated Code of Practice for our local authority inspection activity Care Inspectorate Wales</p> <p>How we inspect local authority services and CAFCASS Cymru</p>	<p>Ongoing</p>	<p>Ongoing</p>

Audit Wales national reports and other outputs published since September 2022

Report title	Publication date and link to report
NHS workforce – data briefing	September 2023
Income Diversification for National Park Authorities in Wales	September 2023
Approaches to achieving net zero across the UK	September 2023
Springing Forward: Lessons learnt from our work on workforce and assets (in local government)	September 2023
Local Government Financial Sustainability Data tool update (further update planned autumn 2023)	September 2023
NHS finances data tool – to 31 March 2023	September 2023
Public interest reports – Ammanford Town Council and Llanferres Community Council	September 2023
Cwm Taf Morgannwg University Health Board - Quality Governance Arrangements Joint Review Follow-up	August 2023
'Cracks in the Foundations' – Building Safety in Wales	August 2023
Maximising EU funding – the Structural Funds Programme and the Rural Development Programme	June 2023
Digital inclusion in Wales (including key questions for public bodies)	March 2023

Report title	Publication date and link to report
Orthopaedic Services in Wales – Tackling the Waiting List Backlog	March 2023
Betsi Cadwaladr University Health Board – Review of Board Effectiveness	February 2023
Welsh Government purchase of Gilestone Farm	January 2023
Together we can – Community resilience and self-reliance	January 2023
A Picture of Flood Risk Management	December 2022
'A missed opportunity' – Social Enterprises	December 2022
Poverty Data Tool	November 2022
'Time for change' – Poverty in Wales	November 2022
Learning from cyber-attacks	October 2022 (distributed privately to audited bodies)
National Fraud Initiative 2020-21	October 2022
COVID-19 business support in 2020-21 – Memorandum for the Public Accounts and Public Administration Committee	October 2022
Payment to the Welsh Government's Former Permanent Secretary on Termination of Employment	September 2022

Report title	Publication date and link to report
Equality Impact Assessments: More than a Tick Box Exercise?	September 2022
Welsh Government – setting of well-being objectives	September 2022
Welsh Government workforce planning and management	September 2022

Audit Wales national reports and other outputs (work in progress / planned)^{1, 2}

Title	Indicative publication date
Covering teachers' absence – follow-up (letter to the Public Accounts and Public Administration Committee)	October 2023
NHS quality governance	October/December 2023
A465 Section 2 – update	November/December 2023
Ukrainian refugee services	December 2023/January 2024

¹ We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. Follow up work could also lead to other outputs, as may other local audit work where we consider there is merit in a national summary output of some kind.

² We have also published to our website a paper – [Our work programme for 2023-2026](#) – that provides additional detail about our national work (including local thematic reviews). In addition to new work that we will be taking forward in 2023-24, the paper includes details about indicative topics for work to start in 2024-24 or 2025-26.

Title	Indicative publication date
Local government digital strategy review – national summary	January 2024
Local government use of performance information, outcomes and service user perspective – national summary	November/December 2022
Affordable housing	February/March 2024
Active travel	Spring 2024
Cancer services	To be confirmed (scoping)
Velindre Cancer Centre	To be confirmed (scoping)
Welsh Government capital and infrastructure investment	To be confirmed (scoping)
Addressing biodiversity decline (pan-public sector and at Natural Resources Wales)	R&D work underway September to December 2023. Data gathering with representative groups. Outputs will inform any further audit work.
Further and higher education funding and oversight – Commission for Tertiary Education and Research	To be confirmed (scoping)
The senior public service	To be confirmed (scoping early 2024)
Challenges for the cultural sector	To be confirmed (starting in 2023-24)
Rebalancing care and support	To be confirmed (starting in 2023-24)

Title	Indicative publication date
Tackling NHS waiting lists	To be confirmed (starting in 2023-24)
Access to education for children with Additional Learning Needs	To be confirmed (starting in 2023-24)
Audit Committees. 'What does good look like?'. R&D work to understand the broad audit committee landscape across all sectors in Wales. Outputs to support Good Practice Exchange events and potential future audit work.	R&D work Sept – Dec 2023 Good Practice Event Spring 2024

Good Practice Exchange events and resources

Title	Link to resource
<p>Strategy to Action: How digital makes a difference to everyday lives This event will take a practical and honest view at the digital landscape in Wales and will offer practical ideas for public and third sector organisations which will help them achieve the best value for money.</p>	<p>27 September 2023 09:00 – 13:00 – North Wales – To register for North Wales</p> <p>5 October 2023 09:00 – 13:00 – Cardiff – To register for Cardiff</p>
<p>Working in partnership to improve wellbeing This event will bring together the North Wales Insight Partnership, the Public Service Boards and the C4C community to share wellbeing plans across the North Wales region, as well as sharing the innovative work being undertaken by a range of sectors around wellbeing in our communities. The event will provide opportunities to discuss how we can connect all of this work to deliver real change.</p>	<p>24 October 2023 09:30 – 16:30 To register for North Wales Cardiff date TBC</p>

Title	Link to resource
<p>Integrity in the Public Sector ‘Trust is built and maintained through competence, reliability, and honesty, as well as the building of genuine and sound relationships between the public sector and the public it serves. That means the public sector must be accountable for the management and delivery of public services and outcomes, for the direction and control of the work it does, the resources it manages, and for its behaviour and ethics.’ This event will look at how public services can promote a culture of integrity.</p>	<p>5 December 2023 10:00 – 12:00 Online To register</p>
<p>Podcast: Auditing Community Resilience In this edition of The Exchange, our Local Government team discuss some of the factors that cause poverty in Wales, as well as the value provided by social enterprises, and the importance of keeping wealth in communities.</p>	<p>To listen</p>

Recent Audit Wales blogs

Title	Publication date
<p>Building Safety – Have we learnt from Grenfell?</p>	<p>1 August 2023</p>
<p>Helping people to help themselves</p>	<p>15 February 2023</p>
<p>A perfect storm – the cost of living crisis and domestic abuse</p>	<p>21 November 2022</p>
<p>Tackling poverty means tackling poverty data</p>	<p>11 November 2022</p>
<p>Cost of living and putting away the bayonet</p>	<p>21 September 2022</p>
<p>Heat is on to tackle Climate Change</p>	<p>18 August 2022</p>
<p>Direct Payments in Wales</p>	<p>15 June 2022</p>

Title	Publication date
<u>Unscheduled Care in Wales – a system under real pressure</u>	21 April 2022

Agenda Item 7

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	14 DECEMBER 2023
TITLE	INTERNAL AUDIT OUTPUT
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 30 NOVEMBER 2023
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of Internal Audit for the period from 1 October 2023 to 30 November 2023.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 30 November 2023:

Description	Number
Reports on Audits from the Operational Plan (2023/24)	6

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 30 November 2023, indicating the relevant assurance level and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Plas Maesincla Care Home	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 1
Plas Ogwen Care Home	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 2
Hafod Mawddach Care Home Follow Up	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 3
Bryn Blodau Care Home Follow Up	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 4
Plas Gwilym Care Home Follow Up	Adults, Health and Wellbeing	Residential and Day	Satisfactory	Appendix 5
Industrial Units	Housing and Property	Housing and Property	High	Appendix 6

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

LEVEL OF ASSURANCE	HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

3. WORK IN PROGRESS

3.1 The following work was in progress as at 30 November 2023:

- Unofficial School Funds (*Education*)
- Post-16 Provision in Schools Grant (*Education*)
- Garden Waste (*Environment*)
- Bulky Waste (*Environment*)
- Follow up - Planning Communication Arrangements (*Environment*)
- Corporate Category Management (*Corporate*)
- Information Management – Establishments (*Corporate*)
- Safeguarding Arrangements – Establishments (*Corporate*)
- Benefits Key-Controls (*Finance*)
- Follow up - Liberty Protection Safeguards (*Adults, Health and Wellbeing*)
- Cefn Rodyn Care Home (*Adults, Health and Wellbeing*)
- Commercial Income (*Highways, Engineering and YGC*)
- Follow up – Smallholdings (*Housing and Property*)

4. RECOMMENDATION

4.1 The Committee is requested to accept this report on the work of the Internal Audit Service in the period from 1 October 2023 to 30 November 2023, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

PLAS MAESINCLA CARE HOME

1. Background

- 1.1 Plas Maesincla care home is in Caernarfon and provides long-term, short-term, respite and day care support for up to 23 residents.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements are in place for appropriately managing and maintaining the home in accordance with relevant regulations and standards. To achieve this, the audit encompassed reviewing that the home's arrangements were adequate in terms of administration and staffing, budgetary control, procurement of goods, receipt of income, health and safety, performance monitoring, together with ensuring that the service users and their property are protected.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	0

5. Main Findings

- 5.1 Care homes have been through a difficult period with the impact of Covid together with staffing shortages and recruitment challenges disrupting the service. The Manager reported that the home had received a visit from Care Inspectorate Wales during September 2023, but the report had not been published at the time of the audit.

- 5.2 A sample of 10 members of the home's staff including day, night and occasional staff were selected to verify their Moving and Handling, Safeguarding and First Aid training records. Staff are asked to complete these courses and renew them every 3 years. Although several in the sample had completed the courses, they had not been renewed within the 3-year period. 7 out of 10 had a current Moving and Handling qualification, 2 out of 10 had a current First Aid qualification and 7 out of 10 had completed the Safeguarding course in the last 3 years. The Manager was aware that some training had run out with a few having ended during the Covid period and some have secured places on courses over the next few months. It must be ensured that there are enough staff on duty in the home at the same time which hinders the ability for everyone to attend courses, as well as the limited number of places available on the courses.
- 5.3 As a member of Cyngor Gwynedd staff, each member of staff is expected to complete the 7 mandatory corporate e-learning modules namely: Data Protection, Equality, Safeguarding, Domestic Abuse, Prevention, Health and Safety and Welsh Language Awareness. 6 out of the sample of 10 staff had completed the 'Domestic Abuse' and 'Protection' modules but very small numbers have completed the other modules e.g., only one in the sample had completed the 'Prevention' module and 2 have completed the 'Equality' module.
- 5.4 The home has arrangements to account for and record the residents' medication daily. The member of staff who provides the last dose of the day, whether during the day or at night, is responsible for accounting and recording the amount left in the packet on the residents' individual Medication Administration Record (MAR) sheets. The amount should match the last entry and the number that have been taken during the day. A sample of these records were checked against the relevant medicines, and some records did not agree. In addition, two members of staff should check the initial quantity of the medication, record the date, and enter their initials on the MAR sheets but this had not happened in all cases. A staff meeting was held following our visit to discuss this.

6. **Actions**

The Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Arrangements have been made for all members of staff to attend a first aid course in the new year.**
- **Area Manager to develop a training matrix as support for the Home Managers.**
- **Monitor MAR sheets and complete a monitoring form.**

PLAS OGWEN CARE HOME

1. Background

- 1.1 Plas Ogwen care home is in Bethesda and provides long-term, short-term, respite, enabling and intermediate care for up to 27 residents.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements are in place for appropriately managing and maintaining the home in accordance with relevant regulations and standards. To achieve this, the audit encompassed reviewing that the home's arrangements were adequate in terms of administration and staffing, budgetary control, procurement of goods, receipt of income, health and safety, performance monitoring, and ensuring that the service users and their property are protected.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	0

5. Main Findings

- 5.1 Care Homes have been through a difficult time recently with the impact of Covid, together with staffing shortages disrupting the Service. Despite this, Plas Ogwen Care Home received a positive report from Care Inspectorate Wales in May 2022.
- 5.2 The home has a credit card, with arrangements where the Assistant Manager used the card, and the Manager approved the expenditure. However, since the Assistant Manager's departure, the Manager has been using and approving all expenditure on the card, with no segregation of duties in place. In addition, the card is still under the Assistant Manager's name which is no longer in post. A new Assistant Manager has since been appointed. The Manager has contacted the Senior Control Technician to obtain a new card and implement new arrangements which will enable segregation of duties.

- 5.3 Occasionally, the Home organises activities for the residents such as Bingo. Any monies raised is then spent on the residents, however, the monies are not banked. There is no record of the income or expenditure. The Manager has discussed the issue with the staff and have agreed to bank all monies raised from activities going forward.
- 5.4 An inconsistency was identified in the annual leave records of a sample of staff and the issue was referred to the Assistant Head of Adults, Health, and Wellbeing.
- 5.5 A sample of 10 members of staff was selected, including day, night and casual staff and their Manual Handling, Safeguarding and First Aid training records were checked. Staff are asked to complete the courses and renew them every 3 years. Although several staff had completed the courses, many had not renewed within the 3-year period. 4 out of 10 had a current Manual Handling qualification, 6 out of 10 had a current First Aid qualification and 2 out of 10 had completed the Safeguarding course in the last 3 years. The Manager was aware that the training of some had run out with a few having ended during Covid. The Manager has enrolled all staff on the Manual Handling course. Enough staff on duty must be arranged which hinders the ability for everyone to attend a course, as well as the limited number of places available on the courses.
- 5.6 As a member of Cyngor Gwynedd staff, each member of staff is expected to complete the 7 mandatory corporate e-learning modules namely, Data Protection, Equality, Safeguarding, Domestic Abuse, Prevention, Health and Safety and the Welsh Language Awareness. It was seen that 8 out of 10 had completed the Domestic Abuse module but small numbers had completed the other modules e.g., only 2 in the sample had completed the Welsh Language Awareness and Prevention modules.
- 5.7 Medicine training records for a sample of staff were checked. It was seen that all members of staff who administers medication have completed the relevant training, but some need to be updated. A new Medication Policy and Standard Operating Procedure has been published by Betsi Cadwaladr University Health Board. The Manager and some other members of staff have started to receive training with the intention that they would cascade the information down to the rest of the staff.

6. **Actions**

The Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Activate the new credit card under the new Assistant Manager's name and implement steps to ensure she understands her role.**
- **Manager to complete the new medication training and then assess staff's medication competency.**
- **Arrange for staff that provide medication to attend training.**
- **Obtain the training records of all staff from the Learning and Development Service to identify any courses that require renewing.**
- **Area Manager to develop a training matrix to aid progress monitoring and update training records for each staff.**

HAFOD MAWDACH CARE HOME FOLLOW-UP

1. Background

- 1.1 An Internal Audit of Hafod Mawddach Home was conducted as part of the 2022/23 plan, to ensure that suitable arrangements are in place for appropriately managing and maintaining the home and in accordance with relevant regulations and standards. As part of the original audit, the home's arrangements were reviewed for adequacy in terms of administration and staffing, budgetary control, procurement of goods, receipt of income, health and safety, performance monitoring, together with ensuring that the service users and their property are protected. The audit was given a limited level of assurance, that is, although controls were in place, compliance with the controls needed to be improved and / or new controls needed to be introduced to reduce the risks to which the service is exposed.

2. Purpose and Scope of Audit

- 2.1 The purpose of the follow-up was to ensure that the service has implemented on the action plan to mitigate the associated risks. To achieve this, the follow-up encompassed reviewing a sample of residents and care staff since the original audit to ensure that the evidence present is up to date and check medication and fire records to ensure they have been conducted regularly and recorded correctly.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	0

5. Main Findings

- 5.1 Out of 11 actions agreed from the original audit in November 2022 (five with a score risk of 12 or higher and the rest with a score of 9 or less), 8 have been implemented and the rest partially implemented.

- 5.2 From a sample of 4 resident's care plans checked, all were reviewed promptly. The home reported that its intention is to transfer all care plans onto the new care plan format for ease of use, allowing the care workers to update the plan electronically and then print a paper copy for residents' file.
- 5.3 The Manager explained that the home had fallen behind on the timetable for conducting staff supervision, but it is expected that there will be improvement following the appointment of a new Assistant Manager.
- 5.4 A comprehensive inventory register of the home has been established.
- 5.5 Weekly fire tests of the home were conducted.
- 5.6 The home's generic risk assessment was in place and maintained by the clerk.
- 5.7 The training records of a sample of staff were checked to ensure that the Council's corporate mandatory training modules have been completed. Not all care workers were seen to have completed all the modules. In some cases, it appears that officers have received similar training, but an enhanced module specialised to their area of work e.g., Safeguarding. There are 24 key modules which are mandatory for all care staff to complete prior to being able to carry out their roles, where there are only 7 corporate modules that are mandatory namely, Data Protection, Equality, Safeguarding, Domestic Abuse, Prevention, Health and Safety and Welsh Language Awareness. All staff members are asked to complete the 24 core modules however it was seen that not all the 7 corporate mandatory modules were included in the list of core modules to be completed by the care staff.
- 5.8 The Auditor received a copy of the Home's Medication Management Inspection Report that was carried out by the health Team. The Auditor has taken assurance from the report on the quality of the home's medication management. In addition, the Home Manager reported that new medication training is currently in the process of being completed by the Manager and the Assistant Manager, which allow them to update/assess all staff who are responsible for providing medication on their competency in medication distribution in the near future.
- 5.9 The Manager and Clerk confirmed that all invoices that have been paid by the Clerk since the original audit are provided for the attention of the Manager.

6. **Actions**

The Home's Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Ensure that all staff receive a supervision review every 3 months.**
- **Ensure that all staff complete the mandatory e-learning training modules.**
- **Ensure that all staff responsible for providing medication are given a medication competency assessment annually.**

BRYN BLODAU CARE HOME FOLLOW-UP

1. Background

- 1.1 An Internal Audit of Bryn Blodau Home was conducted as part of the 2022/23 plan, to ensure that suitable arrangements are in place for appropriately managing and maintaining the home and in accordance with relevant regulations and standards. As part of the original audit, the home's arrangements were reviewed for adequacy in terms of administration and staffing, budgetary control, procurement of goods, receipt of income, health and safety, performance monitoring, together with ensuring that the service users and their property are protected. The audit was given a limited level of assurance, that is, although controls were in place, compliance with the controls needed to be improved and / or new controls needed to be introduced to reduce the risks to which the service is exposed.

2. Purpose and Scope of Audit

- 2.1 The purpose of the follow-up was to ensure that the service has implemented on the action plan to mitigate the associated risks. To achieve this, the follow-up encompassed reviewing a sample of residents and care staff since the original audit to ensure that the evidence present is up to date and check medication and fire records to ensure they have been conducted regularly and recorded correctly.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	0

5. Main Findings

- 5.1 Out of the 10 actions agreed from the original audit in November 2022 (five with a risk score of 12 or higher and five with a score of 9 or less), 6 have been implemented and the rest partially implemented.

- 5.2 From the sample of current staff checked, it was seen that supervision needed to be conducted. The temporary Manager stated that a timetable is in place to identify who requires supervision. It was noted that the home was running behind on its schedule with maintaining staff supervision since the temporary Manager took responsibility in October 2022 but that every effort had been made to catch up. The temporary Manager explained that every discussion is documented including visits/contact with staff on sick leave, and staff working on night shifts to be able to supervise night staff. In addition, the home has had a staff meeting session recently where staff have been able to report any concerns.
- 5.3 The home's fire test records were received, a weekly test is conducted every Monday apart from bank holidays, where tests are conducted on the following day.
- 5.4 Training records were checked for a sample of 14 staff members for Moving and Handling and First Aid. Staff are asked to complete these courses and renew them every 3 years. Although several in the sample had completed the courses, they had not been renewed within the 3-year period. 11 out of 14 have a current Moving and Handling qualification. Of the remaining 3, 1 needs renewal, 1 has attended a People Handling (Practical Modules) course in 2020 and 1 has completed a People Handling - Law e-learning module. 4 hold a current 'Emergency First Aid in the Workplace' qualification.
- 5.5 Of the staff that provide medication, a sample of 10 training records were checked and only 3 had a current 'Key Module of Medicine' qualification. This qualification needs to be renewed every 2 years. From the sample, all had received a medication distribution assessment in the past but not reviewed annually. The temporary Manager explained that a 3-day medication course had been planned for the Manager, Assistant Manager and Senior Care Assistant before being it will presented to the rest of the staff.
- 5.6 The temporary Manager reported that the Council's policies, including new medication policy and the Vulnerable Adults policy are available for staff to read on a laptop at the home, up to 3 carers are allowed to train during working hours at the same time, where resources permit.

6. Actions

The Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **A timetable in place to ensure that all members of staff receive supervision every 3 months.**
- **Ensure that all staff members have up-to-date Moving and Handling, First Aid and Safeguarding training, as well as completing mandatory e-learning training modules.**
- **Ensure that all staff members responsible for providing medication receive an annual competency test.**
- **Ensure that all members of staff read the Safeguarding Vulnerable Adults policy, and the Medication Policy and sign to state that.**

PLAS GWILYM CARE HOME FOLLOW-UP

1. Background

- 1.1 An Internal Audit of Plas Gwilym Home was conducted as part of the 2022/23 plan, to ensure that suitable arrangements are in place for appropriately managing and maintaining the home and in accordance with relevant regulations and standards. As part of the original audit, the home's arrangements were reviewed for adequacy in terms of administration and staffing, budgetary control, procurement of goods, receipt of income, health and safety, performance monitoring, together with ensuring that the service users and their property are protected. The audit was given a limited level of assurance, that is, although controls were in place, compliance with the controls needed to be improved and / or new controls needed to be introduced to reduce the risks to which the service is exposed.

2. Purpose and Scope of Audit

- 2.1 The purpose of the follow-up was to ensure that the service has implemented on the action plan to mitigate the associated risks. To achieve this, the follow-up encompassed reviewing a sample of residents and care staff since the original audit to ensure that the evidence present is up to date, and check medication and fire records to ensure they have been conducted regularly and recorded correctly.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	4
LOW	0

5. Main Findings

- 5.1 Out of the 12 actions agreed from the original audit in November 2022 (seven with a risk score of 15 or higher and five with a score of 9 or less), 9 have been implemented and the rest partially.

- 5.2 For a sample of residents, it was found that a care plan had been prepared apart from one new resident which had not received a review since his placement in June 2023. This was reported to the Manager to remind the relevant key workers to review the care plans promptly. However, a property list was available on each of the resident's file.
- 5.3 A sample of officers were reviewed to confirm whether supervision had been conducted on a regular basis. The Manager stated that a new timetable has been created since July 2023 for conducting supervisions with 9 officers having received a supervision review so far, either from the Manager or Assistant Manager.
- 5.4 The Manager explained that the procedure for protecting residents' pocket money has been reviewed and additional steps have been taken to protect residents' pocket money i.e., the 'key safe' code has changed and all residents' pocket money envelopes are counted weekly by the Manager and Assistant Manager to ensure accuracy.
- 5.5 The home's fire alarm test records were checked for September and October 2023, tests had not been conducted for two weeks in September. However, tests are usually conducted weekly.
- 5.6 The training records of a sample of 12 members of staff were reviewed. It was found that 10 have attended a Moving and Handling course, with 8 holding a current qualification. Of the Council's mandatory modules, not all officers had completed the modules. The list of exceptions was sent for the attention of the Manager.
- 5.7 Training records were checked for a sample of 10 members of staff who provide medication, 5 have a current 'Key Module Medicine' qualification. This qualification needs to be updated every 2 years. From the sample, all had received a medication distribution assessment in the past, but they need to be updated annually.
- 5.8 The Protection of Vulnerable Adults policy had been printed and placed outside the office for the staff to read and sign.
- 5.9 A sample of medication stock records were checked. Stock checks had been conducted regularly. From the last stock check, there appears to be one discrepancy where there is a difference of 2 tablets between what was recorded and what was in the packet. The record was corrected by the Manager.

6. Actions

The Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Ensure that care plans receive timely reviews, and daily notes are completed on time.**
- **Ensure that all staff members receive supervision every 3 months.**
- **Ensure that all members of staff at the home complete Moving and Handling, First Aid and Safeguarding training, as well as completing the Council's mandatory e-learning modules.**
- **Ensure that all members of staff read the Safeguarding Vulnerable Adults policy, signing to state that.**

INDUSTRIAL UNITS

1. Background

- 1.1 Cyngor Gwynedd owns 48 industrial units, industrial plots of land and 2 enterprise centres across the County. Most of the units fall within business, general industrial or storage/distribution categories. The industrial units are available to rent, with a process in place for submitting and assessing applications using a scoring matrix. The Council also lets out 11 sites as concessions to sell ice cream through a tender process.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements are in place for the letting and management of the Council's industrial units. To achieve this, the audit encompassed reviewing a sample of industrial units that have been let, the income and arrears reports and verify the Council's management arrangements in accordance with the leases, such as maintenance etc.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 In order to ensure that there is an appropriate and transparent process in place for assessing applications, a sample of 8 industrial units' folders were reviewed. It was found that only 6 submitted an application form and 2 submitted business plans together with evidence to support the application. Those who had not submitted the documents were established tenants and had been in the units for years, when these checks were not part of the process. A further sample of 3 units after 2020 were reviewed, and it was seen that all the essential information was included in the folders.
- 4.2 For the sample selected, a lease was in place for all the units, and the amount of rent noted in the leases corresponded with the sum invoiced by the Council, and that any additional items were included.
- 4.3 Application scoring documents were reviewed for the 3 units in the sample, and one was scored through the old method the Economy and Community department used and most of the boxes were incomplete with no final score provided. The other two in the sample were scored using the current method of the Housing and Property department, which is much more detailed. In general, the scoring was correct since using the new matrix, and the companies with the highest final points won the tender in all cases.

4.4 A sample of 2 ice cream concessions were reviewed and the department was seen to adhere to the terms and conditions when awarding tenders, the required documents had been received for each, and two officers were part of the tender opening process. These tenders are not scored using the scoring matrix as applied to the industrial units, as the eligible tender with the highest bid wins.

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	14 DECEMBER 2023
TITLE	INTERNAL AUDIT PLAN 2023/24
PURPOSE OF REPORT	TO GIVE THE COMMITTEE AN UPDATE ON PROGRESS AGAINST THE 2023/24 AUDIT PLAN
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	FOR INFORMATION

1. INTRODUCTION

1.1 This report is a progress report on completion of the 2023/24 Internal Audit Plan.

2. SUMMARY OF PROGRESS AGAINST THE PLAN

2.1 The 2023/24 internal Audit Plan is included in Appendix 1 reported with the status of the work as at 30 November 2023, together with the time spent on each project. The status of the work in the operational plan at that date was as follows:

Audit Status	Number
Planned	1
Field Work Started	13
Awaiting Review	0
Draft Report Issued	2
Closed	0
Final Report Issued	14
Total	30
Cancelled	12

2.2 The service aims to have 95% of the audits in the plan to be either closed or with the final report released by 31 March 2024. The quarterly profile of this indicator is as follows:

End of quarter 1	8%
End of quarter 2	20%
End of quarter 3	50%
End of quarter 4	95%

2.3 As seen from the table above, Internal Audit’s actual achievement up to 30 November 2023 was **47%** - out of **30** individual audits contained in the 2023/24 plan, **14** had been released in a finalised version/completed or closed.

3. AMENDMENTS TO THE PLAN

3.1 Initially, an estimated 503 days of audit resources was available to complete the 2023/24 Audit Plan. This was based on the staff resources available, including reasonable allowances for ‘non-productive’ activities, such as annual leave, sickness, training, management, and meetings. However, because of long-term sickness, it was inevitable that some audits could not be conducted due to fewer resources available.

3.2 To reflect the above in the Audit Plan, it was decided to modify or cancel/delay the following audits until the 2024/25 Audit Plan.

Audits	Days	Amendment/Cancelled
Advice & Consultancy and Supporting Ffordd Gwynedd Reviews	-10	Adjusted
Anti Fraud and Corruption Prevention Work with the National Fraud Initiative	-10	Adjusted
Follow-up Planning Communication Arrangements	-3	Adjusted
Payment and Authorisation Arrangements (Data Analytics)	-25	Cancelled
Absence Management and Referral Arrangements	-25	Cancelled
Local Authority Education Grant	-5	Cancelled
Schools’ Reserve Balances	-8	Cancelled
Traffic and Projects	-8	Cancelled
Ash Dieback	-8	Cancelled
Countryside Service	-8	Cancelled
Shared Prosperity Fund	-20	Cancelled
Transformation Team	-15	Cancelled
Highways – On Duty Arrangements	-15	Cancelled
Inland and Coastal Work – the FCERM Strategy	-10	Cancelled
Planning for the change in Election Laws	-8	Cancelled
Total	178	

3.3 In accordance with best practice and the Public Sector Internal Audit Standards, the Internal Audit Plan is subject to continuous review to ensure that it remain current and reflect changes in the business environment. To this end, the Audit Plan needs to be flexible, and the plan is reviewed and updated on a regular basis.

3.4 It is inevitable that any audit plan will need to be flexible to be able to respond to emerging high-risk developments and issues. Therefore, conducting the audits will be dependent on a timely assessment of risks/priorities and any new developments or risks that emerge during this unstable period.

4. RECOMMENDATION

4.1 The Committee is asked to note the contents of this report as an update on progress against the 2023/24 audit plan, offer comments thereon and accept the report.

Department	Audit	Original Plan	Adjusted Plan	Actual Days	Remaining	Audit Status	Assurance Level
Education	Schools' Reserve Balances	8	0	0.0	0.0	Cancelled	
	Unofficial School Funds	30	30	13.4	16.6	Field Work Started	
	Local Authority Education Grant 22/23	5	0	0.0	0.0	Cancelled	
	Post-16 provision in Schools Grant	3	3	1.1	1.9	Field Work Started	
	Schools - General	5	5	0.1	4.9	Field Work Started	
Environment	Follow up - Communication Arrangements - Planning	12	9	0.7	8.3	Field Work Started	
	Coutryside Service	8	0	0.0	0.0	Cancelled	
	Traffic and Projects	8	0	0.0	0.0	Cancelled	
	Garden Waste	6	6	8.4	-2.4	Draft Report	Satisfactory
	Bulky Waste	5	5	6.2	-1.2	Field Work Started	
	Follow up - Taxi Safety	5	5	7.8	-2.8	Final Report	Satisfactory
Corporate	Advice & Consultancy and Supporting Ffordd Gwynedd Reviews	50	40	18.8	21.2	Field Work Started	
	Psychological Safety 22/23	0	0	0.9	-0.9		
	Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	50	40	4.4	35.6	Field Work Started	
	Corporate Category Management	25	25	11.0	14.0	Field Work Started	
	Absence Management and Referral Arrangements	25	0	3.4	-3.4	Cancelled	
	Information Management - Establishments	3	3	0.7	2.3	Field Work Started	
	Safeguarding Arrangements - Establishments	3	3	0.7	2.3	Field Work Started	
	Payment and Authorisation Arrangements (Data Analytics)	25	0	0.0	0.0	Cancelled	
Finance	North Wales Corporate Joint Committee	4	4	2.1	1.9	Final Report	High
	Teachers' Salaries	15	15	16.6	-1.6	Final Report	Satisfactory
	Harbour Statement of Accounts - 2022/2023	4	4	3.4	0.6	Final Report	High
	Joint Planning Committee Statement of Accounts 2022/2023	4	4	3.3	0.7	Final Report	High
	Benefits Key Controls	15	15	10.7	4.3	Field Work Started	
Economy and Community	Lloyd George Museum	3	3	3.0	0.0	Final Report	High
	Shared Prosperity Fund	20	0	0.0	0.0	Cancelled	
	Welsh Church Fund	3	3	3.0	0.0	Final Report	High
Adults, Health and Wellbeing	Plas Maesincla	12	12	17.4	-5.4	Final Report	Satisfactory
	Plas Ogwen	12	12	16.1	-4.1	Final Report	Satisfactory
	Cefn Rodyn	12	12	20.4	-8.4	Draft Report	Satisfactory
	Follow-up – Hafod Mawddach	3	3	3.1	-0.1	Final Report	Satisfactory
	Follow-up – Bryn Blodau	3	3	3.9	-0.9	Final Report	Satisfactory
	Follow-up – Plas Gwilym	4	4	5.4	-1.4	Final Report	Satisfactory
	Transformation Team	15	0	0.0	0.0	Cancelled	
Follow up - Liberty Protection Safeguards	6	6	0.0	6.0	Planned		
Highways, Engineering and YGC	Inland and Coastal Work – the FCERM Strategy	10	0	0.0	0.0	Cancelled	
	Commercial Income	10	10	13.1	-3.1	Field Work Started	
	Highways – On Duty Arrangements	15	0	0.0	0.0	Cancelled	
	Ash Dieback	8	8	2.0	6.0	Cancelled	
Housing and Property	Housing Support Grant	10	10	9.9	0.1	Final Report	Satisfactory
	Follow up - Smallholdings	6	6	0.9	5.1	Field Work Started	
	Industrial Units	25	25	25.2	-0.2	Final Report	High
Corporate Leadership Team	Local Government and Elections (Wales) Act 2021	8	0	1.3	-1.3	Cancelled	
Cyngor Gwynedd Plan		503	333	238.4	94.6		

Agenda Item 9

COMMITTEE	GOVERNANCE AND AUDIT COMMITTEE
DATE	14 DECEMBER 2023
TITLE	SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE AUDIT AND GOVERNANCE COMMITTEE
PURPOSE OF REPORT	TO PRESENT A SUGGESTED APPROACH FOR ASSESSING THE EFFECTIVENESS OF THE COMMITTEE, AND CONSIDER THE APPROPRIATE IMPLEMENTATION
AUTHOR	DEWI MORGAN, HEAD OF FINANCE
ACTION	TO CONSIDER THE CONTENTS, OFFER COMMENT THEREON, AND RESOLVE WHETHER TO UNDERTAKE A SELF-ASSESSMENT

1. INTRODUCTION

- 1.1 The Governance and Audit Committee has a key role within the authority's governance arrangements – this is the Committee that has been designated as "those responsible for governance". This means that it has the task of ensuring that the Council's governance arrangements are robust.
- 1.2 As a result of this responsibility, it is expected that the Committee undertakes a periodic self-assessment of its effectiveness.
- 1.3 The Committee has not conducted such a self-assessment since November 2018. As the current Council has now been in place for a year and a half, it is recommended that the Committee considers if a new self-assessment exercise is now timely.

2. CIPFA GUIDANCE

- 2.1 In the Welsh Government's Statutory Guidance under the Local Government Measure 2011 (June 2012), it is noted that the Government has previously endorsed CIPFA's publication "*Audit Committees: Practical Guidance for Local Authorities*" and continues to do so, and local authorities are advised to view this document as being complimentary to the statutory guidance. There have been several revisions to the CIPFA guidance since 2012 and the latest version was published in 2022.
- 2.2 The CIPFA guidance includes a CIPFA Position Statement on the role of an audit committee in local authorities (et al). A copy of the Position Statement can be found in Appendix 1.

2.3 The Governance and Audit Committee's Annual Report for 2022/23 was approved by the Committee on 7 September 2023 and accepted by the Full Council on 28 September 2023. The annual report noted:

62 In the past, the Governance and Audit Committee has undertaken an occasional self-assessment. This has not happened since the 2022 Election and the changes that have been introduced as a result of the requirements of the Local Government Act 2021. A report will be presented to the Governance and Audit Committee during the autumn of 2023 seeking a decision on undertaking a self-assessment in the near future.

63 In accordance with guidelines issued by CIPFA, amongst the matters that would be considered when assessing the effectiveness of the committee are:

- An assessment of whether the committee is operating in accordance with the practices recommended in this guidance and complies with legislation (where appropriate).
- How the Committee has fulfilled its terms of reference, including its core functions.
- The operation of the Committee, including the support and training provided and how members have developed their knowledge and experience.
- The Committee's effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the Committee.

64 CIPFA has developed some improvement tools for the committee to use to inform its evaluation. Earlier versions of these tools have been used in the past to assist the Committee to assess its effectiveness. If the Committee decides to undertake such an assessment, its results will then be used to inform the Committee's Annual Report for 2023/24.

2.4 This report therefore deals with the commitment made in the Annual Report.

3. UNDERTAKING A SELF-ASSESSMENT

- 3.1 CIPFA's guidance includes tools to assist members of audit committees to undertake a self-assessment. Firstly, a **Self-assessment of Good Practice** provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and in the guidance and provides a way of scoring the current situation. Secondly, there is a table for **Evaluating the Impact and Effectiveness of the Audit Committee**, to assess where the Committee is operating in the most effective manner, and where there is scope to do more. These have been included in Appendices 2 and 3.
- 3.2 As can be seen, these documents are neither lengthy nor complex, but if they are to be utilised, time will need to be dedicated to undertake the work – a formal committee meeting is not a suitable forum.
- 3.3 The Governance and Audit Committee is therefore asked to consider holding a workshop of its members, with facilitators, early in 2024, in order to conduct its own assessment of its effectiveness. It would be beneficial if the Committee also considers whether such a workshop should take place virtually or in person.
- 3.4 The outcome of the assessment will be evidence for the Council's risk register (risk **L18**, *Unsuitable internal control arrangements, which means either that we are not guarding against risks, or wasting resources on over-control*), and consequently for the Annual Governance Statement.

4. RECOMMENDATION

- 4.1 **The Committee is requested to consider whether to organise a workshop during the early months of 2024 in order to conduct a self-assessment of its effectiveness and, if agreed, to decide on a location.**

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.

- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and the CIPFA publication *"Audit Committees: Practical Guidance for Local Authorities"*. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

There are 40 questions/sub-questions that are scored as follows:

Does not comply (Major improvement needed)	0
Partially complies and extent of improvement needed:	
Significant improvement	1
Moderate improvement	2
Minor improvement	3
Fully complies (No further improvement needed)	5

The Maximum possible score is 200 (40 questions/sub-questions multiplied by five).

Good practice questions

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

- 8 Does the committee publish an annual report in accordance with the 2022 guidance, including:
- compliance with the CIPFA Position Statement 2022
 - results of the annual evaluation, development work undertaken and planned improvements
 - how it has fulfilled its terms of reference and the key issues escalated in the year?

Functions of the committee

- 9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?

Governance arrangements

Risk management arrangements

Internal control arrangements, including:

- financial management
- value for money
- ethics and standards
- counter fraud and corruption

Annual governance statement

Financial reporting

Assurance framework

Internal audit

External audit

- 10 Over the last year, has adequate consideration been given to all core areas?
- 11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?
- 12 Has the committee met privately with the external auditors and head of internal audit in the last year?
- 13 Has the committee been established in accordance with the 2022 guidance as follows:
- Separation from executive
 - A size that is not unwieldy and avoids use of substitutes
 - Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation
- 14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?

- 15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?
- 16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?
- 17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?
- 18 Is adequate secretariat and administrative support provided to the committee?
- 19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?

Effectiveness of the committee

- 20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?
- 21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?
- 22 Are meetings effective with a good level of discussion and engagement from all the members?
- 23 Has the committee maintained a non-political approach to discussions throughout?
- 24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?
- 25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?
- 26 Do audit committee recommendations have traction with those in leadership roles?
- 27 Has the committee evaluated whether and how it is adding value to the organisation?
- 28 Does the committee have an action plan to improve any areas of weakness?
- 29 Has this assessment been undertaken collaboratively with the audit committee members?

Evaluating the Impact and Effectiveness of the Audit Committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee



The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
<p>Promoting the principles of good governance and their application to decision making.</p>	<ul style="list-style-type: none"> • Supporting the development of a local code of governance • Providing robust review of the AGS and the assurances underpinning it. • Supporting reviews/audits of governance arrangements. • Participating in self-assessments of governance arrangements. • Working with partner audit committees to review governance arrangements in partnerships. 	<ul style="list-style-type: none"> • Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. • Local arrangements for governance have been clearly set out in an up-to-date local code. • The authority’s scrutiny arrangements are forward looking and constructive. • Appropriate governance arrangements established for all collaborations and arm’s-length arrangements. • The head of internal audit’s annual opinion on governance is satisfactory (or similar wording). 	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Contributing to the development of an effective control environment.	<ul style="list-style-type: none"> • Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers. 	<ul style="list-style-type: none"> • The head of internal audit’s annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA’s FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement. 	
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<ul style="list-style-type: none"> • Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/ strategic risks. 	<ul style="list-style-type: none"> • A robust process for managing risk is evidenced by independent assurance from internal audit or external review 	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<ul style="list-style-type: none"> • Reviewing the adequacy of the leadership team’s assurance framework. • Specifying its assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit. 	<ul style="list-style-type: none"> • The authority’s leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies. 	
Supporting effective external audit, with a focus on high quality and timely audit work.	<ul style="list-style-type: none"> • Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations. 	<ul style="list-style-type: none"> • The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan and any amendments are well explained. • An audit of high quality is delivered. 	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<ul style="list-style-type: none"> • Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements • Actively supporting the quality assurance and improvement programme of internal audit 	<ul style="list-style-type: none"> • Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the <i>CIPFA Statement on the Role of the Head of Internal Audit (2019)</i>. 	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<ul style="list-style-type: none"> • Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements. 	<ul style="list-style-type: none"> • Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory. 	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Supporting the development of robust arrangements for ensuring value for money.	<ul style="list-style-type: none"> • Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work. 	<ul style="list-style-type: none"> • External audit’s assessments of arrangements to support best value are satisfactory. 	
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<ul style="list-style-type: none"> • Reviewing arrangements against the standards set out in the <i>Code of Practice on Managing the Risk of Fraud and Corruption</i> (CIPFA, 2014) • Reviewing fraud risks and the effectiveness of the organisation’s strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors. 	<ul style="list-style-type: none"> • Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements. 	

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<ul style="list-style-type: none"> • Working with key members/the PCC and chief constable to improve their understanding of the AGS and their contribution to it. • Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain language. • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency. • Publishing an annual report from the committee 	<ul style="list-style-type: none"> • The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements. 	

OVERALL QUESTIONS TO CONSIDER

- 1 Does the committee proactively seek assurance over the key indicators?
- 2 How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?
- 3 Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

MEETING:	GOVERNANCE AND AUDIT COMMITTEE
DATE:	14 DECEMBER 2023
TITLE:	TREASURY MANAGEMENT 2023-24 MID YEAR REVIEW
PURPOSE:	CIPFA's Code of Practice recommends that a report on the Council's actual Treasury Management during the current financial year is produced.
RECOMMENDATION:	RECEIVE THE REPORT FOR INFORMATION
AUTHOR:	DELYTH JONES-THOMAS, INVESTMENT MANAGER

EXECUTIVE SUMMARY

During the six month period between 1 April and 30 September 2023, the Council's borrowing and investments remained well within the limits originally set. There were no new defaults by banks in which the Council deposited money. Furthermore, it is estimated that the Council's actual investment income will be higher than the expected income in the 2023/24 budget.

1. INTRODUCTION

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that Authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end). This report provides a mid-year update.

This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly reports.

The Council's treasury management strategy for 2023/24 was approved by full Council on 2nd March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

2. EXTERNAL CONTEXT

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an

indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the Council's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the

previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody’s revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council’s counterparty list recommended by Arlingclose remains under constant review.

3. LOCAL CONTEXT

On 31st March 2023, the Council had net investments of £ £50m rising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

These factors are summarised in the table below.

Balance Sheet Summary –

	31.3.23 Actual £m
CFR	171

Less: Other debt liabilities	(1)
Borrowing CFR	170
Less: Usable reserves	(134)
Less: Working capital	(86)
Net borrowing/ (investment)	(50)

* finance leases, PFI liabilities

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30th September 2023 and the change during the period is shown in the table below.

Treasury Management Summary

	31.3.23 Balance £m	6 month Movement £m	30.9.23 Balance £m
Long-term borrowing	(100.9)	1.4	(99.5)
Short-term borrowing	(1.1)	(1.4)	(2.5)
PFI	(1.4)	0.0	(1.4)
Total borrowing	(103.4)	0.0	(103.4)
Short-term investments	89.9	34.7	124.6
Cash and cash equivalents	62.8	1.9	64.7
Total investments	152.7	36.6	189.3
Net investments	49.1	36.6	85.9

4. BORROWING STRATEGY AND ACTIVITY

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council.

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield and the Council intends to avoid this activity in order to retain its access to PWLB loans.

Borrowing Position

At 30th September 2023 the Council held £100.5m of loans as part of its strategy for funding previous years' capital programmes, and £1.5m for specific projects. Outstanding loans on 30th September are summarised in the table below:

	31.3.23	6 month	30.9.23	30.9.23
	Balance	Movement	Balance	Rate
	£m	£m	£m	%
Public Works Loan Board	84.3	0.0	84.3	5.68
Bank (long term)	16.2	0.0	16.2	4.22
Specific Projects	1.5	0.0	1.5	n/a
Total borrowing	102.0	0.0	102.0	

The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term debt stability of the debt portfolio.

There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

The Council considers it to be more cost effective in the near term to use internal resources and borrow short term loans when required. This strategy enables the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

5. TREASURY INVESTMENT ACTIVITY

CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the 6 months, the Council's investment balance ranged between £139.5 and £223.4 million due to timing differences between income and expenditure. The investment position during the period is shown in the following table:

Treasury Investment Position

	31.3.23	6 month	30.9.23	30.9.23
	Balance	Movement	Balance	Income
	£m	£m	£m	Returns
				%
Banks & building societies (unsecured)	29.1	(7.4)	21.7	5.21
Local authorities	20.1	44.9	65.0	5.19
Money Market Funds	60.8	(2.8)	580	5.27
Pooled Funds	8.7	2.8	11.5	5.13
Debt Management Office	34.0	(0.9)	33.1	5.27
Total investments	152.7	36.6	189.3	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in the table below.

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	4.63	A+	62%	33	4.04
30.09.2023	4.57	A+	45%	47	5.23
Similar LAs	4.21	AA-	29%	86	4.89
All LAs	4.47	AA-	59%	13	4.79

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of June and Money Market Rates between 4.9% and 5.3%.

£13m of the Council's investments has been invested in externally managed strategic pooled property, multi-asset and equity funds where short-term security and liquidity are lesser consideration, and the objectives instead are regular revenue income and long-term price stability. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objective are regularly reviewed.

The performance of our pooled property, multi-asset and equity funds at 30 September 2023 can be seen below:

STRATEGIC POOLED FUND PORTFOLIO			GWYNEDD				From:	30/09/2022		To:	30/09/2023	
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility		
AEGON (KAMES) DIVERSIFIED MONTHLY INCOME FUND	MULTI ASSET	1,158,480	1,082,514	34,230	65,039	1.0	3.27%	6.20%	9.47%	7.9%		
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,524,344	4,269,535	-949,819	202,067	1.0	-18.20%	3.87%	-14.33%	8.9%		
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	1,228,153	1,085,123	4,735	43,617	1.0	0.44%	4.04%	4.48%	4.1%		
PAYDEN ABSOLUTE RETURN BOND FUND	ABSOLUTE RETURN	233,541	1,991,803	-8,197	10,509	0.0	-0.41%	0.53%	0.12%	0.1%		
SCHRODER INCOME MAXIMISER FUND	EQUITY - UK	7,675,245	3,046,305	221,954	168,782	0.7	7.86%	5.98%	13.83%	13.8%		
GRAND TOTAL			11,475,279	-697,098	490,014	0.8	-5.73%	4.03%	-1.70%	4.7%		
			Unrealised capital loss since purchase:	-1,524,722			Annualised income return:	5.13%				

It is evident that the combined capital value of £11.475m is less than the initial investment of £13m. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters, and even years; but with the confidence that over a three to five year period total returns will exceed cash interest rates. Investment in these funds will be maintained in the medium term.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance are continuously monitored.

6. COMPLIANCE

The Head of Finance reports that all treasury management activities undertaken during the period complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in the table below.

Investment Limits

	Counterparty Maximum during period	Counterparty 30.9.23 Actual	Counterparty 2023/24 Limit	Complied
The UK Government	£95.3m	£33.1m	Unlimited	✓
Local authorities & other government entities	£5m	£5m	£10m	✓
Secured investments	£0m	£0m	£10m	✓
Banks (unsecured)	£5m	£5m	£5m	✓
Building societies (unsecured)	£5m	£5m	£5m	✓
Registered providers (unsecured)	£0m	£0m	£5m	✓
Money market funds	£10m	£10m	£10m	✓
Strategic pooled funds	£5m	£5m	£10m	✓
Real Estate Investment Trusts	£0m	£0m	£10m	✓
Other investments	£0m	£0m	£5m	✓

Compliance with the Authorised Limit and Operational Boundary for external debt is shown in the table below:

Debt Limits

	Maximum during period	30.9.23 Actual	2023/24 Operational Boundary	2023/24 Authorised Limit	Complied
Borrowing	£102.0m	£102.0m	£184m	£194m	✓
PFI & finance leases	£1.4m	£1.4m	£6m	£6m	✓
Total debt	£103.4m	£103.4m	£190m	£200m	✓

7. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

i. Liability Benchmark

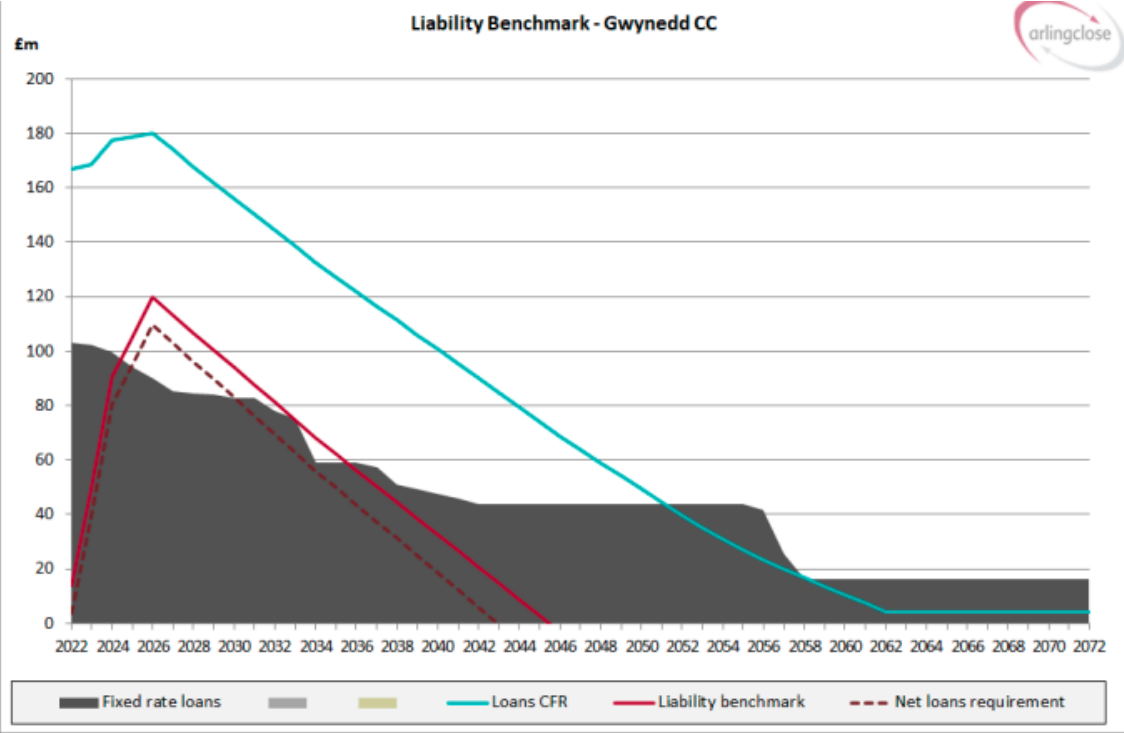
This new indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day to day cash flow.

	31.3.23 Actual	31.3.24 Estimate	31.3.25 Estimate	31.3.26 Estimate
Loans CFR	171.0	177.5	178.9	179.9
Less: Balance Sheet resources	(129.7)	(117.1)	(103.6)	(90.2)
Net loans requirements	41.3	60.4	75.3	89.7
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
Liability benchmark	51.3	70.4	85.3	99.7
Existing borrowing	102.0	98.3	92.7	88.7

The table shows that the Council expects to remain borrowed above its liability benchmark up until 2025. This is because the Council holds reserves, and cash outflows to date have been below the assumptions made when the loans were borrowed.

Following on from the medium-term forecast above, the long-term liability benchmark assumes no new capital expenditure funded by borrowing, minimum revenue provision

on new capital expenditure based on a 50 year straight line method. This is shown in the chart below together with the maturity profile of the Council’s existing borrowing.



The chart shows that there is no need to borrow long- term based on current projections, but maybe in the short term in the near future.

ii. Maturity Structure of Borrowing

This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Actual	Upper	Lower	Complied?
Under 12 months	2.42%	25%	0%	✓
12 months and within 24 months	6.53%	25%	0%	✓
24 months and within 5 years	8.48%	50%	0%	✓
5 years and within 10 years	17.78%	75%	0%	✓
10 years and above	64.79%	100%	0%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

iii. Long term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26	No precise date
Actual principal invested beyond year end	£15m	£0	£0	£0
Limit on principal invested beyond year end	£40m	£20m	£20m	£20m
Complied	✓	✓	✓	✓

Additional indicators:

The Council measures and manages its exposures to treasury management risks using the following indicators:

Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the time-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment and taking the arithmetic average, weighted by the length of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.23 Actual	2023/24 Target	Complied
Portfolio average credit score	4.57	A score of 6 or lower	✓

Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	30.9.23 Actual	2023/24 Target	Complied
Total cash available within 3 months	£147.8m	£10m	✓

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates was:

	30.9.23 Actual	2023/24 Limit	Complied
Upper limit on one year revenue impact of a 1% rise in interest rates	£1,485,115	£1,039,420	X
Upper limit on one year revenue impact of a 1% fall in interest rates	£1,485,115	£1,039,420	x

This indicator has not been complied with because the indicator was set when interest rates were low, but interest levels have risen significantly in the year without warning and therefore it is reasonable that the amounts are above the limit.

Treasury Management Performance

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

The Council's budgeted investment income for the year is £1.9m, however the actual expected investment income for the year 2023/24 is significantly higher, estimated at £3.0m due to the increase in the base rate and forecasted future increases.

8. INVESTMENT TRAINING

During the period, officers have attended investment training with Arlingclose and CIPFA relevant to their roles.

9. RECOMMENDATION

To receive the report for information.

Cyngor Gwynedd – Detailed Audit Plan 2023

Audit year: 2022-23

Date issued: August 2023

Document reference: 3742A2023



This document has been prepared as part of work performed in accordance with statutory functions. Further information can be found in our [Statement of Responsibilities](#).

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities each with their own legal functions as described above. Audit Wales is not a legal entity and itself does not have any functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

About Audit Wales

Our aims and ambitions

Assure



the people of Wales that public money is well managed

Explain



how public money is being used to meet people's needs

Inspire



and empower the Welsh public sector to improve



Fully exploit our unique perspective, expertise and depth of insight



Strengthen our position as an authoritative, trusted and independent voice



Increase our visibility, influence and relevance



Be a model organisation for the public sector in Wales and beyond

Contents

Introduction	5
Your audit at a glance	8
Financial statements materiality	9
Significant financial statements risks	10
Other areas of focus	11
Financial statements audit timetable	13
Planned performance audit work	14
Certification of grant claims and returns	15
Statutory audit functions	15
Fee and audit team	16
Audit quality	18
Appendices	
Appendix 1 – key ISA315 changes and impact	19

Introduction

This Detailed Audit Plan specifies my statutory responsibilities as your external auditor and to fulfil my obligations under the Code of Audit Practice.

It sets out the work my team intends undertaking to address the audit risks identified and other key areas of focus during 2023.

It also sets out my estimated audit fee, details of my audit team and key dates for delivering my audit team's activities and planned outputs.



Adrian Crompton

Auditor General for
Wales

My audit responsibilities

I complete work each year to meet the following duties:

- I audit the Cyngor Gwynedd's financial statements to make sure that public money is being properly accounted for.
- Cyngor Gwynedd has to put in place arrangements to get value for money for the resources it uses, and I have to be satisfied that it has done this.
- Cyngor Gwynedd needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

Audit of financial statements

I am required to issue a certificate and report on your financial statements which includes an opinion on their 'truth and fairness' and an assessment as to whether the Narrative Report and Annual Governance Statement is prepared in line with the CIPFA Code and relevant guidance and is consistent with your financial statements and my knowledge of the Authority.

In addition to my responsibilities for auditing the Council's financial statements, I also have responsibility for:

- certifying a return to the Welsh Government which provides information about Cyngor Gwynedd to support preparation of Whole of Government Accounts;
- responding to questions and objections about the accounts from local electors (additional fees will be charged for this work, if necessary);
- auditing Cyngor Gwynedd's pension fund accounts (a separate audit plan has been prepared for the audit of the pension fund);
- the audit of the Joint Planning Policy Committee and Gwynedd Harbours where separate plans are not produced;
- the audit of GwE and the North Wales Economic Ambition Board joint committees where separate plans will be prepared; and
- the certification of a number of grant claims and returns as agreed with the funding bodies.

I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material is set out later in this plan.

I will also report by exception on a number of matters which are set out in more detail in our [Statement of Responsibilities](#).

There have been no limitations imposed on me in planning the scope of this audit.

Performance audit work

I carry out a programme of performance audit work to discharge my duties¹ as Auditor General in relation to value for money and sustainable development.

My local performance audit programme will continue to be delivered through a combination of an Assurance and Risk Assessment Project, bespoke local projects and thematic projects examining risks common to all councils.

The majority of my performance audit work is conducted using INTOSAI auditing standards. The International Organisation of Supreme Audit Institutions is a global umbrella organisation for the performance audit community. It is a non-governmental organisation with special consultative status with the Economic and Social Council (ECOSOC) of the United Nations.

¹ When we undertake audit work under our statutory powers and duties, we may collect information from public bodies that contains some personal data. Our general audit fair processing notice, explains what we do with personal data, and how you can contact our Data Protection Officer.

Your audit at a glance



My financial statements audit will concentrate on your risks and other areas of focus

My audit planning has identified the following risks:

Significant financial statement risk

- Management Override

Other areas of audit focus

- Valuation of land and buildings
- Valuation of pension fund net liability
- Pension fund surplus



My performance audit will include:

- Assurance and Risk Assessment
- Thematic reviews
 - Commissioning and Contract Management
 - Financial Sustainability in Local Government
- Local Report
 - Waste and Recycling



Materiality

Materiality	£5.387million
Reporting threshold	£269,000

Financial statements materiality



Materiality £5.387 million

My aim is to identify and correct material misstatements, that is, those that might otherwise cause the user of the accounts to be misled.

Materiality is calculated using:

- 2022-23 gross expenditure of £538.7 million
- Materiality percentage of 1%

I report to those charged with governance any misstatements above a trivial level (set at 5% of materiality).



Areas of specific interest

There are some areas of the accounts that may be of more importance to the user of the accounts and we have set a lower materiality level for these:

- Senior officer remuneration £1,000
- Related Party disclosures – £10,000 (Individuals), £5.387 million (Other Bodies)

Significant financial statements risks

Significant risks are identified risks of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk or those which are to be treated as a significant risk in accordance with the requirements of other ISAs. The ISAs require us to focus more attention on these significant risks.

Exhibit 1: significant financial statement risks

Significant risk	Our planned response
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.32-33].	The audit team will: <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for bias;• evaluate the rationale for any significant transactions outside the normal course of business;

The audit team is yet to conclude all areas of the risk assessment. Should any further significant financial risks arise on completion of this work we will update the S151 officer and the Governance and Audit Committee via its chair and re-issue my Detailed Audit Plan if required.

Other areas of focus

I set out other identified risks of material misstatement which, whilst not determined to be significant risks as above, I would like to bring to your attention.

Exhibit 2: other areas of focus

Audit risk	Our planned response
<p>Valuation of land and buildings</p> <p>The value of land and buildings reflected in the balance sheet and notes to the accounts represents material estimates. Land and buildings are required to be held on a valuation basis which is dependent on the nature and use of the assets. This estimate is subject to a high degree of subjectivity depending on the specialist and management assumptions adopted and changes in these can result in material changes to valuations. Assets are required to be revalued every five years, but values may also change year on year and there is a risk that the carrying value of assets reflected in the accounts could be materially different to the current value of assets as at 31 March 2023.</p> <p>The Council revalue their assets at least every 5 years on a rolling programme.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • review the process undertaken by the Council to ensure that asset valuations are materially correct; • review the information provided to the valuer to assess for completeness; • evaluate the competence, capabilities and objectivity of the professional valuer; • test a sample of assets revalued in the year to ensure the valuation basis, key data and assumptions used in the valuation process are reasonable, and the revaluations have been correctly reflected in the financial statements; and • test the reconciliation between the financial ledger and the asset register.
<p>Valuation of the pension fund net liability</p> <p>The Local Government Pension scheme (LGPS) pension fund liability, as reflected in the financial statements, represents a material estimate. The nature of this estimate means that it is subject to a high degree of estimation uncertainty as it is sensitive to small adjustments in the assumptions used in its calculation.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • evaluate the instructions issued by management to their management experts (actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the valuations; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the accuracy of the pension

fund net liability and disclosures in the financial statements with the actuarial report from the actuary; and

- assess the reasonableness of the assumptions made by the actuary by reviewing the report of the consulting actuary (auditor's expert) and undertaking any additional procedures required.

Pension Scheme Surpluses

Following the triennial funding valuation undertaken of LGPS pension funds as at 31 March 2022, the Council's IAS 19 Results Schedule from the Actuary shows a surplus. The recognition of pension fund surpluses is complex, requiring consideration of the future economic benefits available in the form of refunds from the plan, or reductions in future contributions to the plan, as well as any scheme rules requiring employers to make minimum funding payments to the scheme

The audit team will:

- understand the actuary's process for calculating the surplus recognisable at 31 March 2023; and
- consider whether the surplus is recognisable under IFRIC 14.

Financial statements audit timetable

I set out below key dates for delivery of my accounts audit work and planned outputs.

Exhibit 3: key dates for delivery of planned outputs

Planned output	Work undertaken	Report finalised
2023 Outline Audit Plan	March 2023	March 2023
2023 Detailed Audit Plan	May to August 2023	August 2023
Audit of financial statements work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on the Financial Statements	September to November 2023	November 2023

Planned performance audit work

I set out below details of my performance audit work and key dates for delivery of planned outputs.

Exhibit 4: key dates for delivery of planned outputs

<p>Assurance and risk assessment</p>	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle.</p>	<p>September 2023 to January 2024</p>
<p>Thematic review – financial sustainability of local government</p>	<p>A review of councils’ financial sustainability including a focus on the actions, plans and arrangements to bridge funding gaps and address financial pressures over the medium term.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>
<p>Thematic review – commissioning and contract management</p>	<p>A review focusing on how councils’ arrangements for commissioning, and contract management apply value for money considerations and the sustainable development principle.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>
<p>Waste and Recycling</p>	<p>A review focusing on the Council’s plans to meet current and future statutory recycling targets.</p>	<p>We will discuss the timescales for individual projects with the Council and provide updates in our quarterly Work Programme and Timetable reports</p>

We will provide updates on the performance audit programme through our regular updates to those charged with governance.

Certification of grant claims and returns, and statutory audit functions

Certification of grant claims and returns

I have also been requested to undertake certification work on Cyngor Gwynedd's grant claims, which I anticipate will include Housing Benefits, Teachers Pension and NDR.

Statutory audit functions

In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:

- Section 30 Inspection of documents and questions at audit; and
- Section 31 Right to make objections at audit.

As this work is reactive, I have made no allowance in the fee table below. If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee and audit team

In January 2023 I published the [fee scheme](#) for the 2023-24 year as approved by the Senedd Finance Committee. My fee rates for 2023-24 have increased by 4.8% for inflationary pressures. In addition, my financial audit fee has a further increase of 10.2% for the impact of the revised auditing standard ISA 315 on my financial audit approach. More details of the revised auditing standard and what it means for the audit I undertake is set out in **Appendix 1**.

I estimate your total audit fee will be £381,197

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2023, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ²	Actual fee last year (£)
Audit of accounts ³	215,093	187,096
Performance audit work ⁴	107,345	102,732
Grant certification work ⁵	55,000-60,000	56,673
Other financial audit work ⁶	1,259	1,225
Total fee	381,197	347,726

Planning will be ongoing, and changes to my programme of audit work, and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.

² Notes: The fees shown in this document are exclusive of VAT, which is not charged to you.

³ Payable November 2022 to October 2023.

⁴ Payable April 2023 to March 2024.

⁵ Payable as work is undertaken.

⁶ Payable November 2022 to October 2023 for work undertaken on the Joint Planning Policy Committee and Gwynedd Council Harbours.

Our financial audit fee is based on the following assumptions:

- The agreed audit deliverables sets out the expected working paper requirements to support the financial statements and includes timescales and responsibilities.
- No matters of significance, other than as summarised in this plan, are identified during the audit.

The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my local audit team

Name	Role	Contact number	E-mail address
Matthew Edwards	Engagement and Audit Director	029 20 320 663	matthew.edwards@audit.wales
Yvonne Thomas	Audit Manager (Financial Audit)	029 22 677 830	yvonne.thomas@audit.wales
Carwyn Rees	Audit Manager (Performance Audit)	029 20 829 375	carwyn.rees@audit.wales
Erin Pollard	Audit Lead (Financial Audit)	029 20 829 371	erin.pollard@audit.wales
Alan Hughes	Audit Lead (Performance Audit)	029 20 829 349	alan.hughes@audit.wales

There are some threats to independence that I need to bring to your attention relating the Audit Manager (Financial Audit) and the Audit Leads (Financial Audit and Performance Audit). All three have acquaintances and/or family employed by the Council. As a result, they will either not be involved in any work in relation to the relevant services, or appropriate steps will be implemented to ensure that any potential conflicts are manage

Audit quality

Our commitment to audit quality in Audit Wales is absolute. We believe that audit quality is about getting things right first time.

We use a three lines of assurance model to demonstrate how we achieve this. We have established an Audit Quality Committee to co-ordinate and oversee those arrangements. We subject our work to independent scrutiny by QAD* and our Chair, acts as a link to our Board on audit quality. For more information see our [Audit Quality Report 2022](#).



Our People

The first line of assurance is formed by our staff and management who are individually and collectively responsible for achieving the standards of audit quality to which we aspire.

- Selection of right team
- Use of specialists
- Supervisions and review



Arrangements for achieving audit quality

The second line of assurance is formed by the policies, tools, learning & development, guidance, and leadership we provide to our staff to support them in achieving those standards of audit quality.

- Audit platform
- Ethics
- Guidance
- Culture
- Learning and development
- Leadership
- Technical support



Independent assurance

The third line of assurance is formed by those activities that provide independent assurance over the effectiveness of the first two lines of assurance.

- EQCRs
- Themed reviews
- Cold reviews
- Root cause analysis
- Peer review
- Audit Quality Committee
- External monitoring

* QAD is the quality monitoring arm of ICAEW.

Appendix 1

The key changes to ISA315 and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of enquiries from our audit teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none">• information on your organisation’s business model and how it integrates the use of information technology (IT);• information about your organisation’s risk assessment process and how your organisation monitors the system of internal control;• more detailed information on how transactions are initiated, recorded, processed, and reported. This may include access to supporting documentation such as policy and procedure manuals; and• more detailed discussions with your organisation to support the audit team’s assessment of inherent risk.
Obtaining an enhanced understanding of your organisation’s environment, particularly in relation to IT	<p>Your organisation may receive more enquiries to assist the audit team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none">• IT applications relevant to financial reporting;• the supporting IT infrastructure (e.g. the network, databases);• IT processes (e.g. managing program changes, IT operations); and• the IT personnel involved in the IT processes. <p>Audit teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our audit teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>
Enhanced requirements relating to exercising professional scepticism	<p>Our audit teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>

Key change	Potential impact on your organisation
<p>Risk assessments are scalable depending on the nature and complexity of the audited body</p>	<p>The audit team’s expectations regarding the formality of your organisation’s policies, procedures, processes, and systems will depend on the complexity of your organisation.</p>
<p>Audit teams may make greater use of technology in the performance of their audit</p>	<p>Our audit teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.</p>

Through our Good Practice work we share emerging practice and insights from our audit work in support of our objectives to assure, to explain and to inspire. Our newsletter provides you with regular updates on our public service audit work, good practice and events, which can be tailored to your preferences. For more information about our Good Practice work click [here](#). Sign up to our newsletter [here](#).



Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.