

## AUDIT AND GOVERNANCE COMMITTEE 27/5/21

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### Attendance:

**Councillors:** Aled Evans, Alwyn Gruffydd, Selwyn Griffiths, John Brynmor Hughes, Medwyn Hughes, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, John Pughe Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams

Sharon Warnes (Lay Member)

### Officers:

Dafydd Edwards (Head of Finance Department), Iwan Evans (Head of Legal Services), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Assistant Head - Revenue and Risk), Luned Fôn Jones (Audit Manager), Caren Rees Jones (Group Accountant - Capital and Management) and Lowri Haf Evans (Democratic Services Officer)

### Others invited:

Councillor Ioan Thomas (Cabinet Member Finance)  
Alan Hughes and Yvonne Thomas (Audit Wales)  
Dewi Jones (Council's Business Support Service Manager)  
Bethan Adams (Scrutiny Advisor)

#### 1. ELECTION OF CHAIR FOR 2021-22

**RESOLVED to elect Councillor John Pughe Roberts as Chair for the period 2021 - 22**

#### 2. ELECTION OF VICE-CHAIR FOR 2021 - 22

**RESOLVED to elect Councillor Medwyn Hughes as Vice-chair for 2021 - 2022**

#### 3. APOLOGIES

Apologies were received from Councillor Peredur Jenkins. Condolences were extended to the Councillor who had recently lost his wife.

#### 4. DECLARATION OF PERSONAL INTEREST

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

#### 5. URGENT ITEMS

None to note.

#### 6. MINUTES

The Chair signed the minutes of the previous committee meeting held on 11 February 2021 as a true record.

## 7. LOCAL GOVERNMENT AND ELECTIONS (Wales) ACT 2021

Submitted – the report of the Monitoring Officer seeking the Committee’s approval to the draft work programme in response to Legislation that introduces a number of changes and powers in relation to the governance of Local Government in Wales. Members were reminded that the Full Council (4 March 2021) had resolved that the Audit and Governance Committee would keep an overview of the work in response to the provisions and requirements of the Act and the proposed work programme in place to address these measures in a timely and appropriate manner.

Following the Committee's approval of the work programme a report will be submitted to the Corporate Governance Group drawing attention to the possible risks together with a series of further reports to the Council, The Cabinet, The Standards Committee and the Democratic Services Committee regarding the provisions of the Act and the relevant elements. It was added that elements of the work were already underway and a working group of officers had been identified to implement the work.

In the context of the Audit Committee, it was noted that there were several changes to the Committee's responsibilities, and it was acknowledged that a few would be far reaching. A brief overview was given of the aspects that will need to be prioritised:

- take an overview of the Council's specific performance monitoring functions - guidance will be set out by the Legislation and the process will have a formal procedure.
- name of Committee - the Act notes the need to establish a Governance and Audit Committee.
- keep an overview of the Council's complaints procedure and ensure an effective complaints system
- review the Audit Committee membership by May 2022 - the membership will transform the whole Committee and the need to have a detailed discussion regarding the implications on the Committee's governance was highlighted.

Thanks was given for the report

In response to a question about the role of the Committee regarding complaints arrangements and if this would make the process easier for individuals to submit complaints, it was noted that the Committee's responsibility was to ensure that the procedure and its performance were working. In response, it was stated that the Standards Committee was already looking at the complaints process and having two committees giving an overview would duplicate the work. In response, the Monitoring Officer noted that the two committees were two different systems - complaints monitoring of the code of conduct was the responsibility of the Standards Committee, while the Audit and Governance Committee was responsible for an overview of complaints about the Council's services and corporate arrangements.

In response to a comment that appointing lay Members would be difficult bearing in mind aspects such as the background, political balance, unbiased attitude, payments, influence and suitability, the Monitoring Officer noted that guidelines were being prepared to give guidance on the arrangements and the suggestion that careful forward planning was required was accepted. It was suggested that a similar system to that of the Standards Committee was adopted, where an Interview Panel is established to be responsible for appointments. In terms of payments, it was explained that the Independent Remuneration Panel for Wales had already highlighted that every lay member will receive payment per day.

In response to a question regarding permitting job sharing and how this would work, the Monitoring Officer noted that a piece of work needed to be completed to consider if this was realistic. He stressed the need for an appropriate and transparent system.

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

- That collaboration with the Principal Councils would raise suspicion about the loss of powers
- That the introduction of Corporate Joint Committees (CJC) would be an attack on democracy
- That CJC undermined local powers
- Will there be a right not to stand / join CJC?

In response to concerns about the CJC, it was noted that 3 joint committees had already been established in the north and it was necessary to comply with and build a framework around legislation requirements.

## **RESOLVED**

**To approve the Work Programme**

**To request an update for the Committee meeting in October 2021**

## **8. FUNCTION OF THE AUDIT AND GOVERNANCE COMMITTEE**

It was explained that since Gwynedd Council's Audit Committee had been established in 1999, the role of the Committee had evolved to reflect the statutory requirements on local authorities as well as changes in the Council's internal administrative arrangements. As a matter of course, the Audit and Governance Committee will consider and adopt Operational Arrangements at its first meeting of a new council after an election - the current version as adopted by the Audit and Governance Committee on 6 June 2017.

Occasionally, changes in internal arrangements or legislation will mean that these Operating Arrangements will need to be adapted. Following a period of reviewing the financial governance arrangements of the Pension Fund, modifications were introduced to the Arrangements which are necessary for dealing with the 2020/21 accounts of the Gwynedd Pension Fund. It was highlighted that the Audit and Governance Committee had been receiving and approving the accounts of Gwynedd Council and the Gwynedd Pension Fund, as part of its role as "those charged with governance". Having considered the latest regulations, it appeared that the Pensions Committee was the appropriate body to receive and approve the Gwynedd Pension Fund statements of accounts.

Attention was drawn to the relevant regulations and the new draft operational arrangements which remain consistent with the requirements of the Local Government Measure and the Statutory Guidelines. Attention was also drawn to the modified clauses and it was emphasised that this was a provisional version for the 2021/22 as not all the modifications introduced into the Committee's activities in accordance with the Local Government and Elections (Wales) Act 2021 had yet to come into effect. It was added that the proposed arrangements had been discussed with Committee Chairs. It was noted that the arrangements and determinations involving pensions are managed by the Pensions Committee and are in turn scrutinised in detail by the Pension Board. As a result, it was considered that the modification was sensible

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

- That members of the Pension Board and the Pensions Committee supported the arrangement
- That the arrangement was to be welcomed - offered a clean and clear system with less duplication
- That the system appeared to be orderly
- That professional Managers also kept an eye on the Fund and therefore there was plenty of support available

**RESOLVED**

**To accept the information  
To approve changes to the Operational Arrangements**

**9. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted- for information, the report of the Audit Manager updating the Committee on the internal audit work for the period from 1 February 2021 up to 31 March 2021. It was highlighted that 4 audits had been completed together with a post-16 grant audit.

Gratitude was expressed for the report

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

- There was a need to undertake a welfare assessment of employees and councillors who are working from home
- As Covid restrictions were eased it would necessary to give staff an option in the context of home working
- A timetable was needed to return to the offices
- It was necessary to conduct home workplace assessments
- There was admiration for the commitment and flexibility of staff when working from home

In response to the observations, it was noted that home working assessments had been completed and Corporate Support was leading on a project to assess the suitability of posts. It was added that there was no pressure to return to offices and it was possible to undertake a post effectively from home, there would be no enforcement to change.

**RESOLVED**

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

**10. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2020 - 21**

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

It was reported that the emergence of the Covid-19 pandemic had a significant impact on the authority as a whole and on the work of Internal Audit. It was stated that Internal Audit was not able to undertake its work during the first quarter of the year and at the request of the Head of Finance, officers from the service were redeployed to assist and support the Council by verifying and processing Welsh Government Grants for Businesses administered by the Revenue Service. The total number of days for this work was 146 days. Furthermore, Internal Audit staff also assisted the Test, Trace and Protect Service, a service launched by the Welsh Government and a total of 120 days were spent on this work.

A revised work programme for Internal Audit for the financial year 2020/2021 was presented to the Audit and Governance Committee on 30 July 2020. The annual internal audit plan was much more fluid than normal because of the impact of the pandemic on the organisation. New audit priorities were identified to cover the new risks and changes from the impact of Covid-19. The audits of the revised plan were completed during a challenging period with the focus of the audits being on the arrangements as a result of the pandemic and statutory audits such as grants. A low number of audits were undertaken during 2020/2021 compared to the previous years and this was due to the unprecedented and abnormal circumstances. This was considered to be an exception this year and evidence provided by external regulators was used to support the opinion for the year.

- Overall, good internal control had been found within each of the Council's audited services.
- All the Council's departments had built upon previous work, and continued to develop their risk management systems. A report was submitted by the Assistant Head of Finance to the Audit and Governance Committee on 30 November 2020 to update the Committee on developments in risk management arrangements, the next steps for implementation, and to consider whether the response addressed the matters raised in the Auditor's letter.
- 23 governance risks had been identified in the Annual Governance Statement and are continually assessed by the Governance Arrangement Group.
- Where significant internal control weaknesses were found, these matters were resolved by the Council's officers, and considered by the Control Improvement Working Group.
- The Authority had received a number of reports from regulators during 2020/2021:

On the basis of Internal Audit work completed during 2020/2021, it was considered that Gwynedd Council's framework of internal control during the 2020/2021 financial year operates to a level which provides reasonable assurance on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control.

A total of 23 pieces of work were contained in the final revised audit plan for 2020/2021. 19 assignments were completed by 31 March 2021, representing 82.61% of the plan. Of the relevant reports of the 2020/2021 audit plan that received a level of assurance, 100% had received a 'Satisfactory' or 'High' assurance level.

Since 1 April 2021, there were 7 full-time members in the Internal Audit Team and one Temporary Senior Auditor. It was noted that monies had been earmarked to fund this additional resource for the Service to implement audits when the crisis restrictions are relaxed, as reported by the Head of Finance to the Audit and Governance Committee on 11 February 2021.

Appreciation of the Audit Manager's work was expressed.

## **RESOLVED**

### **To accept the information**

## **11. GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2020 - 21**

The statement was presented by the Assistant Head - Revenue and Risk. He explained that the statement, although not part of the accounts, was a statutory document that

needed to be published with the accounts. In accordance with the Accounts and Audit (Wales) Regulations and the CIPFA Code of Practice, all Local Authorities must ensure that a statement of internal management is in place. It was reported that the Chief Executive and the Council Leader were required to sign the statement, although the Audit and Governance Committee's approval was needed.

Some background was given to the report, noting that all Local Authorities had a duty to present an annual statement, and that although the format or method had changed, the content was very similar. In Gwynedd, it was the Governance Arrangement Assessment Group, led by the Chief Executive, who reviewed the risk register. The group discusses risks within 23 different governance fields, noting the controls the Council have in place in order to mitigate these risks. This was done in response to the CIPFA framework, which identified core principles for good governance.

It was highlighted that a new risk had been added during 2020/21, namely 'inadequate arrangements and action by Council Services to manage health and safety risks effectively'. It was added that this risk had originally been included within a more general risk 'Risk Management Arrangements', however, it was considered that Health, Safety and Well-being presented unique risks and as a result it would be appropriate for the field to have specific attention within the governance risk register.

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

Attention was also drawn to a change in risk score 'weaknesses when controlling public finance' that entails that the Council's finance is not used and prioritised. The score was adapted, although the Council's financial planning arrangements continued to be strong, because the probability score had changed to 3 as further savings plans would be more difficult to realise.

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

- More information was required about the new established team to strengthen the support to Scrutiny arrangements
- It was necessary to consider the risk to Council property - this was likely to increase as a result of Council staff working from home and offices being empty.

In response to a request for more information about CCTV control arrangements it was highlighted that a new information plan had been established by Corporate Support in response to identifying the risk of protecting / safeguarding data that appears on CCTV. It was noted that it was proposed to ensure that the information captured on CCTV was considered as 'data' and as a result was controlled by data management guidelines.

## **RESOLVED**

**To accept the report**

**To approve the statement**

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

## **12. FINAL ACCOUNTS 2020/2021 – REVENUE OUT-TURN**

The Cabinet Member for Finance highlighted that the report had been submitted to the Cabinet on 18 May 2021 and the Cabinet had approved all the recommendations and financial transactions.

The Senior Finance Manager set out the context and elaborated on the content of the report. Reference was made to a summary of the situation by department, which highlighted the sums to be carried forward at the end of the year together with the main matters and areas where there had been significant differences. It was highlighted,

- That the financial impact of Covid-19 had been substantial to the Council. With over £20m claimed from the hardship fund and furlough by the end of the year, that was a combination of additional costs of £11.6 million, income losses of £7.3 million and £1.5 million for furlough.
- As a result of receiving numerous other substantial grants associated with Covid-19 late in the financial year, it was highlighted that the financial position of 2020/21 had been transformed by the end of the year, with the grants including grants to school budgets, for digital transformation, shortcomings in realising savings and a Council Tax back-log.
- At the end of the year, five departments were overspending prior to the allocation of compensation grants for Covid-19 from Welsh Government, leaving only one department overspending finally, namely the Children and Families Department.
- The Children and Families Department faced substantial pressure, however, there was a reduction in the overspend to £1.3 million following the deletion of savings worth £688k that could not have been realised and the receipt of the covid grant.
- A substantial improvement was seen in the Adults Department's financial situation - savings worth £1 million that could not have been achieved being deleted and slipped as well as general grant receipts in the final months of the year.
- In terms of the Highways and Municipal Department, it was noted that the increase was a combination of reducing expenditure, covid grant receipts and general grants received and savings deleted. The waste field, continued to cause concern as the department had faced significant additional costs involving compliance with covid-19 guidance. It was also noted that there were also income losses in the commercial waste field, worth £2.4 million in total for the year.
- There were several reasons for one-off underspend on several Corporate headings
- Schools' balances, had increased from £4.3m in 2019/20 to £10.7m in 2020/21 as a result of the impact of Covid-19 and various grants received.
- A review had been undertaken of the adequacy of the Council's specific funds at the closure of accounts, and £170k of resources had been harvested.

Reference was made to the Cabinet's decision to,

- note the final financial position of the Council's departments at the end of 2020/21 and to approve the amounts to be carried forward
- to approve all the recommendations and financial transfers

It was reported that the statutory financial statements for 2020/21 were being completed with the intention of submission to the Auditors before the statutory date of 31 May 2021. It was added that the accounts would be audited over the Summer by Audit Wales and not by Deloitte as in the past.

The Head of Finance added that grants had been a significant boost to the situation that now conveyed a healthy and robust situation. Despite the cost, the safety of Gwynedd residents had been ensured during the pandemic by funding services and situations without the assurance of grants. It was added that the money had been 'parked' in the transformation fund for now and bids for funding would be made in the usual manner.

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

## **RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (18 May 2021)**

### **13. CAPITAL PROGRAMME 2020 - 21 - END OF YEAR REVIEW (31 March 2021 position)**

The Senior Finance Manager highlighted that the main purpose of the report was to present the revised capital programme at the end of the financial year (position as at 31 March 2021), and to approve the relevant financing sources. The analysis per Department of the £114.6 million capital programme for the 3 years 2020/21 - 2022/23 was referred to together with the sources available to fund the net increase that is approximately £11.0 million since the last review.

The main conclusions of the review was that the Council had succeeded in spending £27.7m in 2020/21 on capital programmes, and £18.2m (66%) had been funded through specific grants.

It was reported that the impact of the Covid-19 crisis and the lockdown period on the capital programme was evident and in addition to the £14.1m reported on in the previous reviews, a further £19.3m of proposed spending had been re-profiled from 2020/21 to 2021/22, with the main plans including:

- £4.5 million 21st Century Schools Programme
- £3.3 million to Renew Vehicles.
- Late grant of £2.2m on Schools Maintenance, which arrived in March 2021, with a specific right for Welsh Government to replace current funds and slip them to the following year.
- £1.7 million Aberdyfi Quay Scheme.

In addition, the Council managed to attract further grants since the last review these included;

- £7.2 million - Grants from the Local Transport and Safe Routes Fund - permission for the slippage of the majority to 21/22.
- £2.2 million - Schools Maintenance Grant 20/21 that allows replacing current funding for expenditure in 21/22.
- £0.6 million - Innovative Housing Grant - Warm Homes (Pods) to assist with reducing homelessness.
- £0.5 million - Intermediate Care Fund Grant - adaptations to adult establishments and facilitate joint working with other agencies in the care field.

The Cabinet's decision (18 May 2021) was to accept all the recommendations that included:

- To accept the report on the end of year review (31 March 2020 position) of the capital programme.
- To note the £27,667,000 spend on the capital programme during the 2020/21 financial year, which will be included in the statutory financial statements for 2020/21.
- To approve the revised financing submitted, namely:
  - Increase in the use of
    - £3k of borrowing
    - £10,561 million in the use of grants and contributions

- £243k increase in the use of revenue contributions
- £200k increase in the use of renewal funds and others

**RESOLVED**

**To accept the report**

**To note the relevant risks**

**To support the Cabinet's decision (18 May 2021)**

**14. FINAL ACCOUNTS OF GWYNEDD HARBOURS FOR THE YEAR ENDING 31 MARCH 2021**

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

Reference was made to the income and expenditure account, and an overspend of £5,208 was highlighted at the end of the year. It was reported that the impact of covid-19 and the associated lockdown period had affected the income levels of the Harbours, which were much less than the income target for the year. However, it was reported that the underspend on staffing, maintenance etc. had to some degree alleviated the situation.

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

**RESOLVED**

**To accept the report**

**To approve the Accounts:**

- **Revenue Income and Expenditure Account 2020 / 21**
- **Annual Return for the year Ended 31 March 2021, subject to audit by Audit Wales.**

**To recommend that the Chair signs the form electronically**

**15. INTERNAL AUDIT PLAN FOR THE YEAR 2021 - 31 MARCH 2022**

Submitted – the plan of the Internal Audit work for the 2021/22 financial year by the Audit Manager. In accordance with best practice and the Public Sector Internal Audit Standards, the Internal Audit plan was subject to continuous review in order to ensure that it remained up to date and reflected changes in the business together with the consideration of the significant and speedy impacts of the COVID-19 pandemic on the Council. In order to ensure that the Council's key controls and correct matters were reviewed, consideration was given to the Corporate Risk Register, Gwynedd Council's Plan as well as any other significant developments that are underway. As a result, an initial draft plan was prepared that would provide flexibility to address any matters that became apparent, to the Council's risks and priorities and to ensure the health and safety of Internal Audit officers and clients.

The initial plan was discussed with every Head of Service; this was an opportunity to further refine the plan, before preparing the final Plan for the Audit and Governance Committee.

It was noted that the Audit Plan 2021/2022 gave appropriate consideration to the following:

- to be aware at all times of the potential occurrence of fraud or corruption - taking advantage of the National Fraud Initiative and undertaking proactive Fraud Prevention Work
- continue to address specific grants, particularly where the conditions of the grant expect an Internal Audit
- to ensure flexibility, Internal Audit will wherever possible use the AGILE methodology. The main objectives of applying the AGILE principles are:
  - Increasing audit quality
  - Short audit cycles
  - More interaction with clients
  - Providing insights

(It was noted that Agile provides a more flexible and dynamic Internal Audit Planning as a result of continuous risk monitoring).

It was projected that approximately 715 days of audit resources would be available to complete the 2021/22 audit plan. The available staffing resources were analysed, giving consideration to reasonable budgets for 'unproductive' work such as holidays, illness, training, management and meetings.

Details of the purpose and reason for some audits were given for members to have a taste of the contents of the audit plan

Gratitude was expressed for the report

In response to a question regarding the contents of cyber security (identified as a priority field in a recent workshop) on the work programme, it was noted that an audit into the security of IT systems had been identified. However, it was highlighted that an external company was preparing thorough, professional reports on cyber security and these reports were presented to the Audit Service. It was added that these were robust arrangements and to an extent, the Audit Service could add to what the external company does. It was reported that an item 'Resilience of IT Systems - Cyber Security' had been included as an item for scrutiny at the 15 July Committee meeting.

In response to a question regarding measures to safeguard freedom and the intention to audit new arrangements that will replace DoLS and if these new arrangements were better for the Council or for individuals, it was noted that this was an audit at the request of the Head of Adults, Health and Well-being who had recommended that the Audit Service would look at the new system to ensure robust arrangements as a result of past problems.

In response to a comment that the impact of covid 19 was far reaching and whether the Education Department had the capacity to get to grips with the impacts, it was noted that the matter had not been considered, however, the intention to discuss this further with the Head of Education was noted. It was emphasised that the contribution of educational psychologists was essential to assess the impact.

In response to a question regarding costs to staff of working from home, it was noted that it was possible to claim an allowance from HMRC (undertaking this was the responsibility of the individual - the information had been circulated). It was also noted that it was possible to claim a higher payment, however, bills would need to be submitted as evidence.

**RESOLVED**

**To accept the report  
To approve the Plan**

**16. AUDIT WALES – GWYNEDD COUNCIL AUDIT PLAN 2021**

Alan Hughes and Yvonne Thomas were welcomed to the meeting. Submitted - the Audit Wales plan for 2021 noting the work they intend to undertake during the year in accordance with the statutory responsibility they have as external auditors. Reference was made to the need to audit the financial statements and risks attached (that are risks that appear more or less in every Council). Reference was made to the contents of the performance audit programme offering an outline of the work to be undertaken and the proposed timetable.

Gratitude was expressed for the report and a willingness to collaborate was expressed.

**RESOLVED**

**To accept the report**

**17. THE COMMITTEE'S FORWARD PROGRAMME 2021 - 22**

Submitted - the report of the Assistant Head (Revenue and Risk), outlining the work programme of the committee for the year up to February 2022. It was highlighted that the forward programme had been drafted around standing items and some scrutiny items had been included. It was added that the programme was a live programme and the timetable may change.

**RESOLVED**

**To accept the report**

The meeting commenced at 10.00 and concluded at 12.35pm

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**CHAIR**