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## AUDIT COMMITTEE 01/12/15

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**Present:** Councillor John Pughe Roberts (Chairman)  
Councillor Trevor Edwards (Vice-chairman)

**Councillors:** Anwen J. Davies, Tom Ellis, E. Selwyn Griffiths, Sian Gwenllian, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Sion Wyn Jones, Dilwyn Morgan, Michael Sol Owen, W. Tudor Owen, Angela Russell, Gethin Glyn Williams, John Wyn Williams and Peredur Jenkins (Cabinet Member for Resources).

**Lay Member:** Mr John Pollard

**Also in Attendance:** Dafydd Edwards (Head of the Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager – Revenue and Risk), Luned Fôn Jones (Audit Manager), Hawis Jones (Strategic Planning and Performance Manager – for Item 6 on the agenda), Arwel Ellis Jones (Senior Manager – Democratic and Delivery – for Item 7 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillors Aled Ll. Evans and Glyn Thomas.

### 1. VICE-CHAIRMAN

**RESOLVED to elect Councillor Trevor Edwards as Vice-chairman of the committee for 2015/16.**

### 2. DECLARATION OF PERSONAL INTEREST

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

### 3. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 24 September 2015, as a true record.

### 4. EXTERNAL AUDIT REPORTS

The report was submitted by the Strategic Planning and Performance Manager. It was noted that the report provided an update in terms of the external audit reports with the appendix listing audit reports that had been received over the past three years noting their proposals for improvement, the action plans and the progress thus far.

Due to the volume of information, the Chairman noted that consideration should be given to holding a special meeting of the Committee to give the report due attention.

**RESOLVED to hold a special meeting of the Committee to consider the report.**

### 5. THE EFFECTIVENESS OF THE COUNCIL'S SCRUTINY ARRANGEMENTS

Submitted – a report by the Senior Manager – Democracy and Delivery noting that the Wales Audit Office (WAO) had undertaken a review of the effectiveness of scrutiny in Gwynedd.

It was reported that WAO had suggested three main areas that needed to be addressed in order to improve scrutiny in Gwynedd, namely:-

- Dealing with the perceived disengagement between the work of the Cabinet and the scrutiny committees by looking, amongst other things, at more pre-decision scrutiny of Cabinet business.
- Improving the clarity of scrutiny recommendations so that what happens as a result of scrutiny work can be more easily identified.
- Improving the quality of questioning at scrutiny committees to provide greater focus and quality for the scrutiny.

Since it was the Audit Committee that had the responsibility for the Council's governance arrangements and, specifically, the Council's Constitution, it was concluded that it would be appropriate for this Committee to discuss the matter.

It was noted that the Committee was requested to examine the matter and come to conclusions on the way forward and ensure that a robust Action Plan was in place to address WAO recommendations.

**RESOLVED to discuss the matter at the special meeting of the Committee.**

## **6. FINAL ACCOUNTS 2014/15**

Submitted – the report of the Head of Finance Department noting that the revised statutory financial statements of the Council and the Pension Fund had been presented for approval by the Committee at the meeting held on 24 September 2015.

Members were reminded that it had been noted at the meeting that there would be a delay before the accounts would be certified, as a member of the public had expressed an objection to the accounts relating to a peripheral issue, being expenditure on a Trunk Road Agency scheme in the previous year.

Attention was drawn to a letter from the Wales Audit Office confirming that they had not completed work on this matter and had responded to the elector stating that they did not offer any further action.

**RESOLVED:**

**(i) to accept the report;**

**(ii) to authorise the Chairman to sign a 'fresh' set of the same accounts.**

## **7. REVENUE BUDGET – 2015/16 SECOND QUARTER REVIEW (SEPTEMBER 2015)**

The report of the Head of Finance Department was submitted, noting that in accordance with the requirements of the Local Government (Wales) Measure 2011, that the Audit Committee was expected to scrutinise budget monitoring reports when appropriate.

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to the Cabinet on 24 November 2015. He presented the following decisions for the attention of the committee to scrutinise -

- “1. To accept the report on the second quarter review of the Revenue Budget (position as at 30 September 2015) and consider the latest financial situation regarding the budgets of each department/service, asking the Cabinet Members and relevant heads of department to take appropriate steps regarding the matters under their leadership/management.
2. To note the various reviews noted in the report and the steps to be taken by departments to manage their budgets.
3. To give consideration to, and approve specifically, the amendments and transfers that were recommended in relation to the Education, Economy and Community, and Regulatory Departments, and Corporate Budgets.”

The Cabinet Member for Resources noted that Cabinet Members had been reminded of their responsibilities in terms of reviewing budgets. He referred to the Adults, Health and Well-being Department's financial position and the likelihood that it would need bridging resources for this year due to the unlikelihood of realising the full savings during the financial year. He noted that clear steps would be taken to deal with the situation in order to keep it under control and that the Cabinet's decision to put resources to one side enabled the Cabinet to respond to the financial position in terms of the Department by the end of the financial year.

During the ensuing discussion, officers responded to members' enquiries as follows:

- In terms of 'Redundancy and Early Retirement' in the Education Department, that school governing bodies permitted early retirement with costs falling on the Education Department. It was noted that the situation would be reviewed in terms of pension release by re-examining the individual's right in terms of amount, the school's position to contribute towards the payment and the future method of payment in order to respond to the overspend;
- The Education Department had anticipated the overspend situation and had earmarked underspend in a reserve fund to finance the expenditure;
- It was the decision of the Governing Bodies to re-employ retired teachers as supply teachers with the teacher's experience being taken into consideration;
- Redundancy was a one-off cost and that annual revenue savings would be examined as part of the schools organisation plan;
- In terms of Gwynedd Consultancy's overspend, that action had been taken to modernise and that the Department was attempting to attract work and maximise achievement within current staffing resources. It was added that an annual review was undertaken in terms of the Department's income and their intention to use a reserved resource to mitigate the situation should the picture continue until the end of the financial year.

A member noted that there was a historical annual overspend in terms of the older people's service and that a demographic trend resulted in more demand for services, therefore, there was a need to seriously consider the financial requirements.

In response, the Cabinet Member for Resources noted that the Adults, Health and Well-being Department had taken clear steps to address the situation with two new appointments recently made to drive the savings programme forward. The Senior Finance Manager added that the budget for the 2016-17 financial year would be carefully considered by assessing the demographic impact and the Department was expected to operate within that budget.

**RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments.**

## **8. CAPITAL PROGRAMME – 2015/16 SECOND QUARTER REVIEW (SEPTEMBER 2015)**

The report of the Head of Finance Department was submitted, noting that in accordance with the requirements of the Local Government (Wales) Measure 2011, that the Audit Committee was expected to scrutinise budget monitoring reports when appropriate.

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to the Cabinet on 24 November 2015. He presented the following decisions for the attention of the committee to scrutinise –

“To accept the report on the second quarter review (30 September 2015 position) of the capital programme, and approve the revised financing as shown in part 2.2 – 2.8 of the report, namely:

- an increase of £965,000 in the use of unsupported borrowing,

- an increase of £3,278,000 in the use of grants and contributions,
- an increase of £154,000 in the use of capital receipts,
- an increase of £300,000 in the use of revenue contributions,
- a decrease of £17,000 in the use of the capital reserve,
- an increase of £847,000 in the use of other reserves,
- a virement of £200,000 between the Bala Library scheme and the Berwyn catchment area schools' scheme."

During the ensuing discussion, officers responded to members' enquiries as follows:

- In terms of the Education Department, that the re-profiling in terms of annual expenditure since the previous quarter was associated with the 21<sup>st</sup> Century Schools programme;
- The Cabinet had approved a virement of £200,000 between the Bala Library scheme and the Berwyn catchment area schools' scheme to fund the task of moving the library to the site of the new school;
- In terms of the financial forecasts of the 21<sup>st</sup> Century Schools programme, that arrangements were in place for the current schemes and that the Council was attempting to maximise grant returns for the next two years and considering alternative funding sources for the future with grants reducing.

**RESOLVED to note the situation and the relevant risks in the context of the Council's capital programme.**

## 9. THE COUNCIL'S FINANCIAL STRATEGY 2016/17 – 2019/20

Submitted – a report by the Head of Finance Department detailing the Council's Financial Strategy for the next four years. It was reported that the Welsh Government would publish its draft budget on 8 December and the provisional settlement to fund local government on 9 December.

Attention was drawn to a table which detailed potential scenarios in terms of the settlement the Council could receive from the Welsh Government which had been created by the Finance Department in collaboration with the Research and Analysis Unit. It was noted that grant cuts were expected and that the Council had demonstrated a responsible approach when undertaking the Gwynedd Challenge consultation on potential service cuts.

It was reported that the Cabinet had considered the report on 24 November 2015, the following decisions were submitted for the attention of the committee to scrutinise -

"To accept the update and the summary of the 2016/17 – 2019/2020 Financial Strategy and continue with the current response plan, 'Gwynedd Challenge', for 2016/17 – 2017/18, while stating -

- a) That Gwynedd Council Cabinet opposes the cuts in its grant allocation enforced on the Council by the Westminster and Welsh Governments.
- b) That Gwynedd Council Cabinet will deliver on its statutory responsibility to agree on a balanced budget in order that it does not, ultimately, run out of money and fail to pay its employees and suppliers.

The Cabinet Member for Resources noted that approximately 75% of Council revenue depended on grants. He highlighted that the Welsh Government intended to provide a settlement per year, with no indicative figures in respect of subsequent years, which would make it impractical for the Council to implement a financial strategy over 4 years.

During the ensuing discussion, officers responded to members' enquiries as follows:

- Should there be a review of the Barnett formula, there would be uncertainty in terms of its outcome;

- Chancellor George Osborne's announcement on 25 November would set the bar for the Barnett formula, and would mean that funding allocated for the Welsh Government would be approximately the same as what had been currently allocated;
- The Full Council at its meeting on 3 March 2016 would set the Council Tax for 2016/17. It was noted that a question had been included in the Gwynedd Challenge consultation to gather the opinion of Gwynedd residents on increasing the Council Tax;
- That closing date of the Gwynedd Challenge consultation had been extended until 4 December 2015 and members were requested to encourage their electors to participate;
- Over 2,000 responses to the consultation had been received thus far and that the response was among the highest in terms of public consultations held by the Council;
- Should the Council not undertake cuts, an increase of approximately 12% would be required in the 2016/17 Council Tax to address the financial position. This would not be permitted;
- Discussions would be held with relevant Departments in terms of their income targets for 2016/17 and changes to fees would be a consideration when establishing budgets.

The Chairman expressed his gratitude for all the work undertaken by the officers on the Council's Financial Strategy.

**RESOLVED to note the situation and the relevant risks in the context of the Council's Financial Strategy.**

## 10. RISK MANAGEMENT ARRANGEMENTS

The Senior Revenue and Risk Manager set out the background and context of the report.

Attention was drawn to the groups of risks that had been identified by the Council and the action in terms of dealing with the risks within the groups.

It was reported that a procedure would be established in June 2016 where a report would be submitted to the Committee on the Risk Management field summarising the work undertaken in these fields in the previous period.

In response to an observation by a member regarding an increased risk due to a reduction in resources, the Senior Revenue and Risk Manager noted that a reduction in resources was unavoidable, but that risks would be prioritised better when implementing the Gwynedd Way strategy by focusing Council resources on mitigating the main risks instead of minor threats.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to approve reporting arrangements for the Committee in order to fulfil its statutory role for reviewing and assessing the authority's arrangements for risk management, internal control and corporate governance.**

## 11. CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above working group held on 12 November 2015 to consider two audits that had received a category C opinion during the period from 1 July 2015 and 11 September 2015, namely -

- a) Removing Leavers from IT Systems
- b) Charges on Properties of Home Residents

Senior Managers had been invited to attend the meeting, along with the Cabinet Member for Resources, to discuss the matters arising from the audits and the work that had been

completed since the audit reports had been published to strengthen the internal controls in question.

It was noted that assurance had been received from the Working Group that the issues highlighted by the Internal Audit Section were receiving due attention and that steps were being taken.

The Chairman noted that a letter should be sent to the Corporate Support Department and the Information Technology Service noting the need to deal with and confirm arrangements in terms of removing leavers from the IT systems immediately.

In response to an observation from a member in relation to the substantial fines that could be received in terms of data protection, the Head of Finance Department noted that the MobileIron app could enable the Council to delete information from mobile devices.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to send a letter to the Corporate Support Department and the Information Technology Service noting the need to deal with and confirm arrangements in terms of removing leavers from the IT systems immediately.**

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

**The work of the Internal Audit Section for the period up to 31 October 2015**

Submitted – the report of the Audit Manager outlining the work of the Internal Audit Section for the period between 14 September 2015 and 31 October 2015. It was noted that there had been six reports on audits from the operational plan with the relevant opinion categories shown as completed during the period, one follow-up audit and one responsive audit.

Consideration was given to each individual report and during the discussion reference was made to the following matters –

**Public Transport**

In response to a member's enquiry, the Senior Revenue and Risk Manager noted that the main stream of the work was the Council's internal arrangements and that it did not encompass matters that had led to court cases and a police investigation into bus companies.

**Canolfan y Gwystl Responsive Audit**

A member noted that this audit should be considered at the meeting of the Controls Improvement Working Group.

**RESOLVED:**

- (a) to accept the reports on the work of the Internal Audit Section for the period 14 September 2015 to 31 October 2015 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**
- (b) that the Chairman and Vice-chairman of the committee, along with Councillors John B. Hughes, Michael Sol Owen and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the Canolfan y Gwystl responsive audit.**
- (c) that it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

**13. INTERNAL AUDIT PLAN 2015/16**

The report of the Senior Audit and Risk Manager was submitted, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Unit up to 31 October 2015 had completed 32.31% of the plan where 21 of the 65 individual audits had been released in a finalised version.

**RESOLVED to note the contents of the report as an update of progress against the 2015/16 audit plan.**

**14. AUDIT COMMITTEE FORWARD PROGRAMME**

Submitted – the report of the Senior Revenue and Risk Manager outlining the Committee's work programme for the period up to September 2016. It was noted that the forward programme would adapt during the period to respond to additional requirements/matters.

A member noted the need to prioritise items in order to ensure that due consideration was given to matters.

**RESOLVED to note the information.**

The meeting commenced at 10:35am and concluded at 12:50pm

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**CHAIRMAN**