
AUDIT COMMITTEE 18/12/14

Present: Councillor John Pughe Roberts (Chairman)
Councillor Robert J. Wright (Vice-chairman)

Councillors: Anwen Davies, Eddie Dogan, Tom Ellis, Aled Ll. Evans, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Dilwyn Morgan, Michael Sol Owen, Angela Russell, Gethin Glyn Williams and Peredur Jenkins (Cabinet Member for Resources)

Also in attendance: Dafydd Edwards (Head of the Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Manager - Revenue and Risk), Amanda Hughes (Local Manager - Wales Audit Office), Hawis Jones (Performance Improvement and Efficiency Manager – for Item 7 on the agenda), Caroline Lesley Roberts (Investment Manager – for Item 13 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

Others invited: Councillor R. H. Wyn Williams (Cabinet Member for Care), Morwena Edwards (Corporate Director) and Glenda Lloyd Evans (Service Manager – Older People's Service) for Item 5(b) on the agenda.

Apologies: Councillors Huw Edwards, Trevor Edwards, Sion Wyn Jones and Mr John Pollard.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chairman signed the minutes of the meeting of this committee held on 25 September 2014, as a true record.

3. REVENUE BUDGET 2014/15

(a) OVERSPEND ON OLDER PEOPLE'S SERVICES (ADULTS, HEALTH AND WELL-BEING DEPARTMENT)

It was reported that the report had been considered by the Cabinet on 25 November 2014 and their decision was submitted for the attention of the committee -

- "a) To accept the report of the Corporate Director (and Statutory Director for Social Services) regarding the overspend position in the field of Older People (Adults, Health and Well-being).
- b) To accept the explanation in terms of the trend in intensity.
- c) To request a report at the end of Quarter 3, highlighting the steps that were ongoing in the Service to change culture to a system of transformation and enablement.
- ch) To receive confirmation at the end of Quarter 3 that the principle of changing culture has been adopted by managers and officers within the Care Department."

The Cabinet Member for Care and the officers were welcomed to the meeting.

The Cabinet Member for Care noted that changes had already been implemented but the major change in terms of social services provision would take time. It was reported that a review of Adults Services (End to End) was being undertaken in order to deal with the overspend and to respond to demographic trends.

He added that the Head of Adults, Health and Well-being Department was on sickness absence and officers had taken on additional duties. It was emphasised that all members of the Council had a role to play in terms of changing the culture to try to prevent the overspend.

The Corporate Director reported that financial recognition had been received to respond to the demographic trends in the past few years but the effect of population structure had not been seen until recently.

Members were guided through the report and the following main points were highlighted:

- The Council's expenditure on nursing care was comparatively higher than other similar councils and the matter would be examined;
- It was difficult to come to a definite conclusion on the actual saving resulting from the Enablement service;
- A review would be undertaken of the Enablement service;
- The maximum weekly payment of £55 for home care meant that more individuals remained at home. Should many of these individuals be in a residential home, they would be paying in full for their care;
- The complexity of people's care needs was increasing;
- As a result of the Social Services and Well-being (Wales) Act 2014, difficult discussions were needed with the Betsi Cadwaladr University Health Board;
- There was a need for staff to receive support for budget management and front-line staff needed to take ownership of the financial agenda;
- Praiseworthy proactive work was being achieved by officers to address the overspend and this needed to continue in the future.

In response to questions from members, the following was noted:-

- Evidence showed that ineligible individuals were receiving the Enablement service. It was noted that discontinuing service provision arrangements when an individual no longer needed them needed to improve.
- For clarity, it was explained that the Enablement service was provided for a period of up to 12 weeks and six weeks was the average period.
- Services provided by the Third Sector, such as Gwynedd and Anglesey Age Cymru's 'Ffrindia' scheme, was valuable and there was a need to work more proactively with the Third Sector.
- A team would be established as a pilot scheme for a year at Ysbyty Alltwen, Tremadog, jointly with Health, to discuss what was important WITH individuals.
- Staff had to be equipped to change their way of working rather than continuing with the practice of providing care packages for individuals.
- In order to achieve the requirements, there was a need to address Carers and ensure that there was a back-up plan when carers were ill.
- In terms of the timetable, the focus would be on service transformation along with holding difficult discussions with Health. It was noted that it was expected that a change would be seen in the financial curve at the end of Quarter 3, when the current situation would be analysed.
- Intermediate care would be provided in residential homes for individuals discharged from hospital prior to them returning home. It was noted that the provision was available in the Arfon area and in future it would be available in Dwyfor and Meirionnydd. It was proposed to fund the beds jointly with Health as the Intermediate Fund was coming to an end.

The Head of Finance Department noted that there were early signs that the culture was changing in the Adults, Health and Well-being Department and this would have an impact on the accounts by the Third Quarter, but as it was a long term process complete salvation was not expected immediately. He added that work was ongoing in terms of the Council's

budget for 2015/16 and at the moment it was anticipated that over £400k would be allocated in addition to the Department's budget to compensate them for the additional cost as a consequence of demographic trends.

The Cabinet Member for Care and the officers were thanked for their contributions and best wishes were extended to the Cabinet Member on his retirement from the Cabinet.

RESOLVED to note the situation and accept the Cabinet's decision.

(b) SECOND QUARTER REVIEW (SEPTEMBER 2014)

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 Cabinet Member for Resources reported that second quarter budget review reports had been submitted to the Cabinet on 25 November 2014. The following recommendations were submitted for the attention of the committee to scrutinise -

- "a) To accept the report on the second quarter review (30 September 2014 position) of the Revenue Budget.
- b) To note the latest financial situation regarding the budgets of each department / service, and to take appropriate steps regarding the matters under their leadership/management.
- c) To approve £44k additional budget for the Highways and Municipal Department, to come from the Council's corporate budgets."

In response to a question from a member regarding the reserves, the Cabinet Member for Resources noted that the position at the end of the financial year could not be foreseen but the situation would be monitored every quarter.

The Head of Finance Department added that the departmental reserves were an underspend that had been accrued for a specific reason and a proportion of this money was seen as a contribution to the redundancy fund. It was noted that the Wales Audit Office had reviewed the levels of the reserve funds of local authorities in Wales and they were satisfied with the position of Gwynedd Council.

All Council staff involved with the Council's budgets were thanked for their hard and detailed work.

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

4. CAPITAL PROGRAMME 2014/15 – END OF SECOND QUARTER REVIEW (SEPTEMBER 2014)

The report of the Head of Finance Department was submitted, providing details of the revised programme and the relevant sources of finance.

The Cabinet Member for Resources reported that the report had been considered by the Cabinet on 25 November 2014 and he submitted their decision for the attention of the committee -

"RESOLVED to accept the report on the end of the second quarter review (30 September 2014 position) of the capital programme, and approve the revised financing, namely:

- An adjustment of £2,699,000 due to actual slippages from 2013/14
- A decrease of £3,111,000 in unsupported borrowing

- an increase of £2,134,000 in the use of grants and contributions
- an increase of £425,000 in the use of capital receipts
- an increase of £176,000 in the use of revenue contributions
- a reduction of £351,000 in the use of the capital fund
- an increase of £417,000 in the use of other sources.”

It was noted that it was encouraging that the value of the capital programme for the current three years was over £92 million, which was a substantial achievement in the current financial climate.

It was noted that the Briwet Bridge scheme had been scrutinised at the meeting of the Communities Scrutiny Committee on 2 December. Members of the Committee, who were also members of the Scrutiny Committee, noted that honest and genuine answers had been received from officers at the meeting but a risk still existed in terms of timetable slippage and the financial implications.

RESOLVED:

- (i) **To note the situation and accept the Cabinet’s decision.**
- (ii) **To invite the Cabinet Member for the Environment and relevant officers from the Regulatory Department to the next meeting of the Controls Improvement Working Group regarding the Briwet Bridge scheme.**

5. EXTERNAL AUDIT REPORTS

The report was submitted by the Performance Improvement and Efficiency Manager. It was noted that the report provided an update in terms of the external audit reports received with the appendix detailing the reports, the actions and the scrutiny arrangements.

RESOLVED to accept the report and to note that the Committee is satisfied that the recommendations of the external auditors are receiving sufficient attention.

6. FINANCIAL PLANNING ASSESSMENT

The report was submitted by the Local Manager - Wales Audit Office.

It was reported that an assessment of the financial plans of all local authorities in Wales was undertaken and a general report would be published in the future. The work focused on the Council’s financial management in the face of budgetary reductions to ensure financial resilience.

The conclusion was reached that the Council had effective financial management arrangements without any immediate shortcomings. It was noted that the Wales Audit Office had no proposals for improvement but there were possible opportunities for the Council to consider in further strengthening its financial planning arrangements.

It was suggested that the Council should consider implementing a formal policy regarding the use of reserves and balances.

The Head of Finance Department welcomed the report and he noted that the possible opportunities noted would be addressed. In terms of the policy on reserves and balances, the Head of Finance Department explained that it was not possible to separate their consideration from the other budgetary risks and matters such as reserve budgets, provision for inflation etc.

In response to an observation by a member regarding schools’ reserves, the Cabinet Member for Resources noted that there were definite guidelines in place for schools with

constant monitoring and reviewing of the situation and pressure was placed on schools with reserves that were too high to use them for the education of the pupils. He added that it was a matter for the Head Teacher and the Governors and he asked for any member who was a school Governor to raise the matter.

All the Council's staff were thanked for their hard and detailed work which had resulted in a positive opinion from the Wales Audit Office in terms of financial planning. The Local Manager - Wales Audit Office added that the good work of staff and the Council's effective political decisions ensured financial resilience.

RESOLVED to accept the report.

7. ANNUAL AUDIT LETTER

The Letter was submitted which provided a summary of the annual audit by the Local Manager of the Wales Audit Office. The Head of Finance Department noted that the 'Letter' confirmed what the Wales Audit Office had reported at the meeting of the Committee on 25 September 2014.

A member noted that the Council's Communications Unit should give publicity to the heartening reports from the Wales Audit Office.

RESOLVED to accept the report.

8. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP

The report of the Chairman of the Audit Committee was submitted on the meeting of the above working group that had been held on 14 November 2014 to consider the audit of 'Secondary Schools – Governance' which had received an Opinion category 'B' and three audits which had received an opinion category 'C' during the period between 1 July 2014 and 12 September 2014.

- a) Staff Safety Register
- b) Officers' Gifts and Hospitality
- c) Communities First Programme – The New Scheme

Senior Managers had been invited to attend the meeting 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 Internal Audit were receiving due attention and that steps were being taken.

In response to an observation by a member regarding the audit of Secondary Schools – Governance, the Senior Manager- Revenue and Risk noted that he would include an audit of the presence of governors in the three mandatory courses in the 2015/16 audit scheme. He noted it would not be practical for them to be included prior to that time.

A member noted that he wished for a tighter timetable for the audit as the new procedure had been in place since September 2013 and there was a risk to the Council.

The Head of Finance Department suggested that a message could be sent directly to the Education Department requesting them to attend to the matter as a priority and to undertake an audit in 2015/16.

RESOLVED:

- (i) to accept the report;**
- (ii) to send a message to the Education Department asking them to address as a priority the attendance of Governors in the three mandatory courses;**

(iii) that Internal Audit undertakes an audit to check the attendance of Governors in the three mandatory courses in 2015/16.

9. INTERNAL AUDIT OUTPUT

The work of Internal Audit for the period up to 30 November 2014.

The report of the Senior Manager - Revenue and Risk was submitted, outlining Internal Audit's work during the period between 15 September and 30 November 2014. In submitting the information on the work completed during the period, the officer referred to -

- 13 reports on audits of the action plan with the relevant opinion category shown
- 1 other report (memoranda etc.)
- 2 grant reviews
- 9 follow-up audits
- 1 responsive audit

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

Leisure Centres

It was noted that an audit had been before the Committee recently and the Service was in the process of reorganisation in an effort to better manage and mitigate the risks to leisure centres in the future.

In response to an observation by a member, the Senior Manager - Revenue and Risk noted that an integrated management system had been established by the Leisure Centres Service and Internal Audit had had an input as it was being developed. Furthermore, good practice was seen in some of the centres and the Leisure Service had already identified good practice and had disseminated them to all the leisure centres. It was noted that the report had received a 'C' opinion category and as was customary, the report would be submitted to the Controls Improvement Working Group.

Follow-up Audits

In response to an enquiry, the Senior Manager - Revenue and Risk noted that three audits had received an unsatisfactory follow-up opinion and he elaborated on them individually:

- **Schools Effectiveness Grant and Pupil Deprivation Grant** – this issue had been addressed at a meeting of the Working Group and as the grant arrangements had moved forward, no benefit could be seen in examining the matter again;
- **Subsidised Travel Tickets** – as criminal matters had been raised, it was felt that it was premature and inappropriate to address the matter at present;
- **Ports** – the recommendations had not been implemented and consideration could be given to submitting the report to the working group.

RESOLVED

- (a) **to accept the reports on the work of Internal Audit for the period 15 September 2014 until 30 November 2014 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 Tom Ellis, Dilwyn Morgan and Angela Russell serve on the Working Group to consider the audits that have received a category 'C' opinion along with the follow-up audit of Ports.**
- (c) **It is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

10. INTERNAL AUDIT PLAN 2014/15

The report of the Senior Manager – Revenue and Risk was submitted, providing an update on the current situation in terms of completing the 2014/15 internal audit plan.

He provided details of the situation as at 30 November 2014 along with the time spent on each audit to date. The following table was highlighted, which revealed the current status of the work in the operational plan:-

Audit Status	Number
Planned	33
Working Papers Created	3
Field Work Started	13
Field Work Ended	1
Awaiting Review	7
Draft Report	4
Final Report	37
Total	98
Cancelled	3

It was noted that the actual attainment of Internal Audit up until the end of November was lower than the target and that 22 audits would not have been released, in order to meet the quarterly target of completing 59 out of 98, namely 60%.

It was reported that the situation was under continuous review. Attention was drawn to the fact that the efficiency plan of Internal Audit had meant a capacity reduction of three officers and as a result, achieving the target by the end of the year was increasingly challenging.

RESOLVED to note the contents of the report as an update of progress against the 2014/15 audit plan.

11. TREASURY MANAGEMENT 2014/15 – MID YEAR REVIEW

The report of the Head of Finance Department was submitted on treasury management activity during the current financial year.

It was reported that the CIPFA Code of Practice on Treasury Management recommended that members should be informed of Treasury Management activity at least twice a year. This mid-year report ensured that the Council was embracing best practice.

The Investment Manager confirmed that during the six months between 1 April and 30 September 2014, the Council's borrowing activity had remained within the restrictions originally placed and there were no banks where the Council had deposited money that failed to repay.

It was noted that a seminar would be held for the members on 30 January 2015 with consultants from the Arlingclose company, who would provide a detailed explanation of the substantial changes in the field of treasury management.

RESOLVED to accept the report for information.

The meeting commenced at 10.30am and concluded at 12.40pm.