
AUDIT COMMITTEE 1/12/16

Present: Councillor Trevor Edwards (Chair)
Councillor Angela Russell (Vice-chair)

Councillors: Anwen J. Davies, Tom Ellis, Aled Ll. Evans, Gareth Wyn Griffith, John B. Hughes, Aeron M. Jones, Charles Wyn Jones, Sion Wyn Jones, Dilwyn Morgan, Michael Sol Owen, John Pughe Roberts and Peredur Jenkins (Cabinet Member for Resources).

Lay Member: John Pollard

Also in Attendance: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager - for Items 6 and 7 on the agenda), Dewi Morgan (Senior Manager - Revenue and Risk), Luned Fôn Jones (Audit Manager), Sioned Gwenllian Thomas (Senior Policy Officer - for Item 5 on the agenda), Iwan Evans (Monitoring Officer - for Item 10 on the agenda) and Bethan Adams (Member Support Officer).

Apologies: Councillors E. Selwyn Griffiths, W. Tudor Owen, Gethin Glyn Williams and John Wyn Williams.

1. DECLARATION OF PERSONAL INTEREST

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

2. MINUTES

The Chair signed the minutes of the meeting of this committee held on 29 September 2016, as a true record.

3. EXTERNAL AUDIT REPORTS

The Senior Policy Officer set out the context, drawing the attention of members to responses received to what had been raised by members at the meeting on 23 June 2016. Members were reminded that the role of the Committee was to satisfy themselves with the progress that had been made. Attention was drawn to the fact that 29 out of 69 recommendations had been completed.

It was noted that it was currently reported on all recommendations which noted that they had not been completed from reports that went back many years. Members' opinion was sought in terms of the contents of the latest report only, of those that were published annually, for example the Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales, as it was assumed that anything that had not been addressed in the previous report would be included in the latest report.

In terms of audit, the Audit Manager noted that consideration should be given to keeping them on the list as themes could change over the years and perhaps they would not receive appropriate attention if they were removed from the list. The Senior Manager - Revenue and Risk added that if there was repetition, including a cross-reference between the latest/historical reports could be considered.

Members noted their wish to continue to include historical annual reports in the list to be checked.

Members were given an opportunity to provide observations on the report and appendix which noted the audits undertaken by external auditors in recent years together with their proposals for improvement, their action plans and progress to date.

During the discussion the following main points were noted:

- Responses to points raised at the meeting on 23 June 2016 were received at this meeting, this period was far too long;
- **Page 35 Timeliness of looked after children's reviews** - observations contradicted themselves as they referred to an improvement on the one hand but on the other hand they stated that there had not been an improvement. In terms of the lack of representation from other agencies at the conferences, conferences should be able to continue via video link.
- **Page 22 Raise awareness of the implications and requirements of Deprivation of Liberty Safeguards (DoLS) and operate the governance arrangements for the operation of the procedures** - noted as completed but they were aware that many people were on the waiting list therefore, it was questioned whether the true picture was given. Matter should be referred to the Services Scrutiny Committee.

RESOLVED:

- (i) to accept the report;
- (ii) to continue including the historical annual reports in the list to be checked;
- (iii) to ask for a response from the Children and Supporting Families Department in relation to the timeliness of looked after children's reviews;
- (iv) refer Deprivation of Liberty Safeguards' (DoLS) Arrangements to the Services Scrutiny Committee for consideration.

4. REVENUE BUDGET 2016/17 – SECOND QUARTER REVIEW (SEPTEMBER 2016)

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

The Cabinet Member for Resources set out the context and elaborated on the content of the report submitted to the Cabinet on 22 November 2016. Attention was drawn to the following decisions for the attention of the committee to scrutinise -

“To accept the report on the second quarter review of the Revenue Budget (position as at 30 September 2016) and consider the latest financial situation regarding the budgets of each department / service, and ask the Cabinet Members and the relevant heads of department to take the appropriate steps regarding matters under their leadership/management.

- To transfer (£135k) from a corporate budget to the Adults, Health and Well-being Department to finance the additional costs resulting from the change in charging for the first six weeks of residential and nursing care.
- To allow the Regulatory Department to use (£200k) of their underspend to finance specific plans to improve the condition of car parks.
- To transfer (£300k) from the Regulatory Department to the Corporate Redundancy Fund to assist with the changes facing us as a Council.
- To harvest (£300k) from the favourable Council Tax collections, and (£290k) from the Benefits underspend, together with (£200k) of the underspend included within 'Other', and transfer as follows:
 - use (£20k) of the underspend as a financial contribution to the independent Harlech Swimming Pool as a one-off bridging payment for the period to 31 March 2017, in accordance with the Cabinet decision on 4 October 2016.

- use (£135k) to finance the financial obligations of the change in the Care Act 2014 by the Adult, Health and Well-being Department.
- the remainder of (£635k) to be set aside in the Transformation Fund”

The Head of Finance Department explained that finance harvested was used for Council priorities. The Departments and Cabinet Members were thanked for their budgetary management.

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

- In terms of the fact that closing tourist information centres could affect the income received in car parks, a substantial impact was not anticipated as there was a movement towards booking accommodation on-line;
- In terms of the Maritime Service's overspend of £108,000, Hafan Pwllheli had been taken in-house in 2007 prior to the financial crash in 2008, and it could not be anticipated whether or not the financial position would have been better if Hafan would have remained within the management of a private company as there was less demand with more supply. The Economy and Community Department could be asked to examine the option of externalising Hafan, but the situation had become more complicated since the time of transfer, as the management of Hafan and the Harbour had been combined, and the emergence of Plas Heli;
- That parking fees made up most of the income under the 'Parking and Parking Enforcement Services' heading rather than parking fines. After increasing the number of car parks where a fee was charged, as well as the high number of visitors, income had increased;
- Following the permanent appointment of the new Head of Department and Senior Managers, that the Adults, Health and Well-being Department was re-designing its savings programme. It was ensured that the underachieving situation was being addressed;
- That underspend was anticipated under the Post-16 Services heading in the Children and Supporting Families Department following a current reduction in the demand for Post-16 support plans.

A discussion was held on Hafan Pwllheli noting that the Economy and Community Department should be asked to provide information on the situation prior to when it was taken in-house and on the current situation in terms of the financial position, user numbers and moorings. The Audit Manager noted that an audit was being held in Hafan Pwllheli and one element considered was the arrangements for paying fees and the difficulties in terms of establishing a direct debit payment arrangement which was likely to have an impact on income.

A member noted that the situation should be examined in terms of taxing caravans as some caravan sites were open throughout the year and that their owners used services but did not contribute bearing in mind that the Council was considering charging a premium of 50% on second homes. In response, the Head of Finance Department noted that the Council had the right to tax a property that was a second home but in terms of caravans they were included in the caravan site's assessment in its entirety in terms of business rates. It was added that a letter had been sent requesting powers for the Council to charge a different tax but only powers in terms of second homes had been received. The Council was operating within the regulations.

The Cabinet Member for Resources noted that the business rates system was a national system. A member noted that a scrutiny investigation should be held in relation to caravan site tax arrangements similar to the one undertaken on holiday homes. In response, the Head of Finance Department noted that the Holiday Homes and Taxes Scrutiny Investigation had suggested that the Council used powers to charge a premium on second homes and that the Council used a proportion of the income tax to provide affordable

housing. It was noted that this would assist the Welsh Government to ensure more affordable housing for local people and it would be attempted to convince them with other aspects of the rateable agenda asking for planning powers for the Council in respect of domestic housing used as holiday homes rather than the existing arbitrary system.

In response to members' concerns in terms of charging a premium on second homes, the Cabinet Member for Resources noted that the Holiday Homes and Taxes Scrutiny Investigation had investigated the concerns in detail.

The Senior Manager - Revenue and Risk explained that caravans that had been granted planning permission to be used as a home were taxed in accordance with Council Tax arrangements and a premium could be charged, whilst a premium could not be charged on any caravan where a planning condition prevented individuals from living there for at least 4 weeks a year.

RESOLVED:

- (i) to note the situation and the relevant risks in the context of the Council's budgets and its departments;**
- (ii) to ask the Economy and Community Department (with support from the Finance Department) to submit information to the Committee on Hafan Pwllheli prior to when it was taken in-house and on the current situation;**
- (iii) to ask the Corporate Scrutiny Committee to consider undertaking a scrutiny investigation in relation to caravan site tax arrangements.**

5. CAPITAL BUDGET 2016/17 – SECOND QUARTER REVIEW (SEPTEMBER 2016)

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

The Cabinet Member for Resources set out the context and elaborated on the content of the report submitted to the Cabinet on 22 November 2016. It was noted that specific schemes were in place to invest approximately £34.493 million in 2016/17. It was confirmed that £2.442 million of proposed expenditure had been re-profiled from 2016/17 to 2017/18, but no loss of funding was caused to the Council where schemes had slipped.

In response to a question by a member, the Head of Finance Department explained that after transferring housing stock to Cartrefi Cymunedol Gwynedd, the Council continued to be responsible for the housing estates' water pipes.

A member asked for an explanation in terms of what was meant by unsupported borrowing. The Head of Finance explained that this meant that the Council was investing without the support of grant funding.

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

6. INTERNAL AUDIT OUTPUT 19/9/16 - 18/11/16

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 21 reports on audits from the operational plan had been completed and 3 follow-up audits.

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

Budgetary Management - Primary Schools, Ysgol Talsarnau

In response to a member's observation, the Audit Manager noted that she was hopeful that there would be an improvement in terms of budgetary management when the school would be re-visited.

Verification Limits

The Audit Manager noted that an opinion category had not been given for the audit as the procedure of undertaking additional independent verifications in the Central Accountancy Unit had now been terminated following a discussion with the Senior Finance Manager.

Coding Structure

The Audit Manager noted that an opinion category had not been given for the audit as there was no suitable action that would lead to streamlining the account codes therefore, staff would be taught to use the correct codes to reduce examples of miscoding.

Leisure Centres

A member noted that it was good to see an improvement and that gratitude needed to be conveyed to the Economy and Community Department and leisure centres. In response, the Audit Manager noted that she was pleased to report that there had been an improvement. She referred to Duty Managers at Plas Silyn Leisure Centre noting that they went above and beyond to ensure that the centre was attractive for people to use it.

MOT Fees

In response to a member's question regarding installing a card payment machine in the workshops, the Audit Manager noted that there was a fee to buy the machine as well as a monthly fee; there was no point investing in a machine if the income received was not substantial. The Senior Manager - Revenue and Risk added that it was a matter for the Highways and Municipal Department with support from the Income Unit. He drew attention to the fact that work was undertaken with companies by means of an invoicing procedure.

A member noted that using a computerised payment system should be considered. In response, the Senior Manager - Revenue and Risk noted that the Council had a similar system, and offering it to workshops could be considered, if it was practically possible.

RESOLVED:

- (i) to accept the report on the work of the Internal Audit section for the period 19 September 2016 to 18 November 2016 and to support the agreed actions that had already been submitted to the managers of the relevant services for implementation;**
- (ii) to convey the Committee's gratitude to the Economy and Community Department, Bangor Aquatics and Healthy Lifestyle Centre, Plas Silyn Leisure Centre, Dwyfor Leisure Centre and Bro Dysynni Leisure Centre for their work in raising standard of controls;**
- (iii) that the Chair and Vice-chair of the committee, along with Councillors John Brynmor Hughes, Dilwyn Morgan and Michael Sol Owen serve on the Working Group to consider the audits that have received a category 'C' opinion;**
- (iv) that it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

7. INTERNAL AUDIT PLAN 2016/17

Submitted - the report of the Audit Manager providing an update on the current situation in terms of completing the 2016/17 internal audit plan.

It was reported that the Internal Audit Unit up to 18 November 2016 had completed 52.44% of the plan, with 43 of the 82 audits in the 2016/17 plan released in a finalised version.

Attention was drawn to amendments to the plan noting that one team member had left the Council's employment at the end of October 2016 and following a review, it had been decided to cancel the 'Managing Early Departures' Arrangements' audit. It was reported that there was a high probability that the cancellations of other audits would be inevitable if the present situation continued especially as another team member would leave the Council's employment at the beginning of 2017.

In response to a question by a member regarding the risk as a result of cancelling the 'Managing Early Departures' Arrangements' audit, the Audit Manager noted that things were prioritised on risk basis and as Wales Audit Office had recently examined the matter it had been decided to cancel this audit.

In response to observations, the Head of Department noted that the post becoming vacant at the beginning of the year would be filled. He suggested that the Audit Manager should re-prioritise matters in the 2016/17 internal audit plan and discuss with the Chair and Vice-chair.

A member noted that noting deferring rather than cancelling should be considered. In response, the Audit Manager noted that noting deferring would give the impression that the matter would be examined again.

RESOLVED:

- (i) to accept and note the contents of the report as an update of progress against the 2016/17 audit plan;**
- (ii) that the Audit Manager re-prioritises matters in the 2016/17 internal audit plan and discusses with the Chair and Vice-chair.**

8. REVIEW OF THE CONSTITUTION

Submitted – the report of the Monitoring Officer in relation to reviewing the constitution. It was reported that the amended Constitution had been adopted by the Council in July 2014 which was based on a model constitution developed nationally. It was noted that changes to the Constitution had been reported upon to the Council from time to time since it had been adopted. He was of the opinion that it was timely to take an overview of its implementation in order to ensure that it worked for the Council and to identify fields where better clarity or amendments were required.

The Committee was asked to consider re-establishing a working group to assist with the work of reviewing the Constitution, which would include the Deputy Leader who was responsible for governance, or to ask the Scrutiny Review Group to undertake the work.

A member noted that it was timely to re-examine the Constitution given the technological changes of webcasting meetings and voting electronically.

It was reported that a report would be submitted to the Council on 8 December 2016 reporting on amendments to officers' delegated powers which reflected departmental and legislative changes as well as the requirement to amend the Financial Procedure Rules. Committee members' opinions were sought regarding amending the capital receipts

procedure following disposal of property so that an arrangement was created allowing a Department to make an application to keep a proportion of the capital receipt rather than automatically keep 20% of every capital receipt. With the Council facing serious cuts in capital funding that would be available to realise the capital programme's priorities in future, it was noted that the opportunity was taken to ensure that capital available to realise Council priorities following the sale of assets, was maximised.

RESOLVED:

- (i) to note the report;**
- (ii) to appoint the Chair and Vice-chair of the Committee, Councillors Gareth Wyn Griffith, Aeron M. Jones, Dilwyn Morgan, Michael Sol Owen and John Pughe Roberts as well as the Deputy Leader to serve on the Working Group to consider the findings of the Review of the Constitution;**
- (iii) recommend the change in the Financial Rules to the Council.**

The meeting commenced at 10.30am and concluded at 12.15pm

CHAIR