

---

## AUDIT COMMITTEE 11/2/16

---

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

**Councillors:** Anwen J. Davies, Tom Ellis, E. Selwyn Griffiths, Sian Gwenllian, John B. Hughes, Aeron M. Jones, Charles 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).

**Also in Attendance:** Dafydd Edwards (Head of Finance Department), William E. Jones (Senior Finance Manager), Dewi Morgan (Senior Revenue and Risk Manager), Luned Fôn Jones (Audit Manager), Dilwyn Williams (Chief Executive), Caroline Lesley Roberts (Investment Manager - for Item 8 on the agenda), Bethan Griffith (Risk Co-ordinator and Insurance Manager - for Item 9 on the agenda) and Bethan Adams (Member Support and Scrutiny Officer).

**Apologies:** Councillor Aled Ll. Evans and Mr John Pollard.

### 1. TRIBUTE

The Chairman paid tribute to the late former Councillor Eddie Dogan, and condolences were extended to his family in their loss.

### 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 1 December 2015, as a true record.

### 4. REVENUE BUDGET 2014/15 – THIRD QUARTER REVIEW

Submitted - the monitoring report of the Head of Finance Department and the Senior Finance Manager on the latest financial situation which would be submitted to the Cabinet on 16 February.

The Cabinet Member for Resources set out the context and the Senior Finance Manager elaborated on the content of the report. Reference was made to the likely overspend of the Adults, Health and Well-being Department and it was noted that there was a substantial reduction in the overspend level anticipated at the end of the second quarter. It was noted that the Department's efficiency savings programme had slipped and that approximately £725k would not be achieved this year. It was elaborated that the saving would have to be achieved in due course, but appropriate bridging arrangements would need to be put in place in the meantime.

In response to a question by a member regarding the Department's overspend, it was noted that good financial and managerial steps had been taken and that the situation was now more acceptable.

**RESOLVED to note the situation and the relevant risks in the context of the Council's budgets and those of its departments; and recommend that the Cabinet accepts the report and approves the recommendations.**

## 5. CAPITAL PROGRAMME 2015/16 – THIRD QUARTER REVIEW

Submitted - the report of the Head of Finance Department, providing details of the revised programme and the relevant sources of finance.

The Head of Finance Department set out the context and elaborated on the content of the report which would be submitted to the Cabinet on 16 February.

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

- In terms of Housing's low expenditure thus far, that expenditure such as renovation areas grants depended on a number of factors and that the situation did not cause concern;
- A message would be sent to the Department stating that there was a need to promote the housing loans/grants available to the public;
- The Council forward planned for the period following the current 21st Century Schools programme, and the Education Department would commence the process of prioritising that would feed into the Council's next Assets Plan which would be implemented from 2019-20 onwards.

**RESOLVED to note the Council's capital programme situation; and recommend that the Cabinet accepts the report and approves the recommendations.**

## 6. BUDGETARY MATTERS

### (A) 2016/17 – 2019/20 FINANCIAL STRATEGY AND 2016/17 BUDGET

Submitted – the report of the Cabinet Member for Resources on the budget, providing an opportunity for the Audit Committee to scrutinise the information in terms of its financial propriety prior to the report being submitted to the Cabinet on 16 February.

The Cabinet Member for Resources set out the background and context of the report. He noted that the Welsh Government on 10 February 2016 had announced that the Council's grant would be reduced by £39,440 and therefore recommendation 1 that would be submitted to the Cabinet had been revised as follows, prior to considering the item on 'Cuts to Address the Financial Deficit':

“Establish a budget of £226,954,990 for 2016/17, to be funded by £166,950,760 of Government Grant and £60,004,230 Council Tax income, with an increase of 3.5%.”

The Head of Finance Department elaborated on the contents of the report and noted that Council funds would be reviewed by June 2016, and any resources released to meet the needs for a resource to bridge cuts of approximately £2 million, that could not be implemented immediately from April 2016, would be moved.

Members were given an opportunity to ask questions and offer their observations. During the discussion the following main points were highlighted:-

- That what was being recommended was rational;
- Saw the logic behind increasing Council Tax for 2016/17 but that it affected individuals with salaries that did not increase and that impact on individuals should be considered when services reduced.

### (B) CUTS TO MEET THE FINANCIAL DEFICIT

Submitted - the report of the Chief Executive and he noted that following the Gwynedd Challenge public consultation on cuts during the autumn that a series of workshops had been held for all Council members to scrutinise the opinion expressed by the public. It was

noted that what had been recommended to the Cabinet had taken observations made by members in the workshops into account.

It was highlighted that an increase of 3.97% would be recommended in Council Tax in 2016/17, higher than the planned 3.5%, in order to avoid having to implement cuts in Band 5.

It was explained that the financial propriety of the proposals required the Committee's attention and that all members would be given an opportunity to voice their opinions in terms of individual schemes at the meeting of the Full Council on 3 March 2016 where the budget for 2016/17 would be set.

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

- That the budget would have to be balanced therefore, schemes from bands 6-10 would have to be included if Council Tax would not be increased by 3.97%;
- The recommended increase in Council Tax was close to the average increase in Council Tax in other councils across Wales;
- It was recommended to keep plan 20 'Keep the CCTV service but delete the resource that keeps a permanent eye on it' in the cuts and that an attempt should be made to realise the saving by reducing the Council's contribution and make any operational changes that could be made without affecting the effectiveness of the system;
- As the Council had implemented the automatic registration system in relation to pensions for many years, there would not be an additional cost to the Council.

#### **(C) RECOMMENDATION TO THE CABINET - 2016/17 BUDGET AND COUNCIL TAX**

**RESOLVED to recommend to the Cabinet that:-**

- (i) A budget of £227,227,120 should be set for 2016/17, to be funded by £166,950,760 of Government Grant and £60,276,360 Council Tax income, with an increase of 3.97%;**
- (ii) A capital programme of £22.141m should be established in 2016/17 and £12.286m in 2017/18 to be funded from sources noted in clause 9.4 of the appendix;**
- (iii) The Head of Finance Department, in co-operation with the Cabinet Member for Resources, should be authorised to arrange to finance a revised amount from reserves, as necessary, in order to protect the Council's decisions on the budget and tax should there be marginal changes in Government grant, following the Welsh Government's decisions, which will lead to the announcement of the final grant settlement for local government on 2 March, and a vote thereon in the Assembly on 9 March 2016 to confirm.**

#### **7. TREASURY MANAGEMENT - TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION STRATEGY AND ANNUAL INVESTMENT STRATEGY FOR 2016/17**

Submitted – the report of the Head of Finance Department requesting the committee to recommend to the Full Council on 3 March to adopt the Treasury Management Strategy Statement and the Annual Investment Strategy for 2016/17, the Prudential Indicators, the Minimum Revenue Provision Strategy and the merger arrangements with the Pension Fund in terms of investing daily cash flow.

The Investment Manager set out the context and elaborated on the content of the report. It was highlighted that 'Table 1: Balance Sheet Summary and Forecast' on page 3 Appendix A would be revised to note £177,006 in the 'Borrowing CFR' column under '31.3.19 Estimate £'000' when the report would be submitted before the Full Council.

Appreciation was noted of the briefing meeting held on 28 January, 2016 for Committee members with a specialist consultant from Arlingclose and the Council's treasury consultants.

**RESOLVED to recommend to the Full Council on 3 March to adopt the Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 (Appendix A), the Prudential Indicators (Appendix B), the Minimum Revenue Provision Statement (Appendix C) and the merger arrangements with the Pension Fund for the investment of daily cash flow.**

## **8. INSURANCE CLAIMS AGAINST THE COUNCIL**

Submitted - the report of the Senior Revenue and Risk Manager that elaborated on Council arrangements in terms of dealing with insurance claims. Attention was drawn to the appendix that provided a full picture of all Public Liability and Employers Liability claims that had been settled during 2013-14 a 2014-15.

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

- That the Internal Insurance Fund met the service's running costs and if the fund size would increase to a higher level than what was required in the officers' opinion, the money would then be returned to Council balances;
- As the excesses of Public Liability and Employers Liability Insurance policies would increase to £50,000 from April 2016 onwards, this could lead to more demand on the Internal Insurance Fund and the situation would be assessed on a regular basis;
- Advice would be provided for departments in terms of their risk registers to try to mitigate risks that may arise as a result of the cuts;
- In terms of paying claimant costs, only fixed costs could be claimed from 2013;
- It would be reported back if an increased pattern would be seen in the type of claims made against departments, and recommendations would be provided in terms of lessons to be learnt;
- A potential system to award or penalize departments in terms of their contribution to the Internal Insurance Fund would be examined in order to promote behaviour;
- Although a high number of claims were being made against the Highways and Municipal Department, many of these claims had been defended due to good arrangements in terms of road inspections.

**RESOLVED to accept the report.**

## **9. DRAFT LOCAL GOVERNMENT (WALES) BILL - WELSH GOVERNMENT CONSULTATION**

Submitted - the report of the Senior Revenue and Risk Manager in relation to the Welsh Government's consultation on the Draft Local Government (Wales) Bill 2015 which was expected to become an Act in 2017.

The committee was asked for their observations on:

- Part 1 (Local Government Areas and County Councils), Part 3 (Establishing the Councils for the New Counties), Section 16 (and Schedule 3) that dealt with New Councils: Finance;
- Part 5 (County Councils: Improvement of Governance), Chapter 7 that dealt with Corporate Governance and Audit Committees.

**RESOLVED to submit the following observations, to be considered as part of the preparation of the corporate response to the Local Government (Wales) Bill:**

- (i) Propose Appendix 1 as a response to questions 1.7, 1.8, 1.9 and 1.10;**

- (ii) Propose observations based on paragraphs 3.5 and 3.6 as a response to question 1.12;
- (iii) Confirm that the committee agrees with the observations that were submitted before the Corporate Scrutiny Committee on 4 February as a response to question 5.4 adding the following observations:

"With regards to the fact that one third of the Audit Committee should be lay members, Gwynedd Council's Audit Committee is firmly of the opinion that this is excessive. The Committee believes that this is against democratic principles and that existing councillors possess the understanding and knowledge of the Council that lay members cannot offer. Councillors also represent a broad cross-section of society and a range of skills. It was also noted that Assembly committees do not have lay members.

The Audit Committee also objects to the principle that the Chair of the Audit Committee must be a lay member, as there is no clear logic behind this proposal."

## 10. REPORT FROM THE CONTROLS IMPROVEMENT WORKING GROUP

Submitted – the report of the Chairman of the Audit Committee regarding a meeting of the above-mentioned working group held on 19 January 2016 to consider a responsive audit that had been carried out at Canolfan y Gwystl and three audits that had received a category C opinion during the period between 14 September 2015 and 31 October 2015 namely -

- a) Plas Ffrancon Leisure Centre
- b) Cefn Rodyn, Dolgellau
- c) Public Transport

Officers 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.

A member of the working group noted that it was customary to invite Senior Managers to discuss the matters arising from the audits but that working group members had seen the benefit of inviting officers who operated on a day to day basis when discussing the Plas Ffrancon Leisure Centre audit.

In response to a member's observation regarding Leisure Centre audits receiving a category C opinion on a regular basis, the Audit Manager noted that the Economy Department had guidelines and a handbook to assist officers at the centres but that a change of culture was required in the Leisure Centres. It was noted that the Audit Service was more than happy to assist officers and to offer advice.

**RESOLVED to accept the report.**

## 11. OUTPUT OF THE INTERNAL AUDIT SECTION

Submitted - the report of the Audit Manager, outlining the Internal Audit's work during the period between 1 November 2015 and 31 January 2016. It was noted that there had been 15 reports regarding audits from the operational plan with the relevant opinion categories shown completed during the period, 6 grant reviews and 3 follow-up audits.

Consideration was given to all the reports individually.

**RESOLVED:**

- (a) to accept the reports on the work of the Internal Audit Section for the period 1 November 2015 until 31 January 2016 and to support the recommendations that have already been submitted to the managers of the relevant services for implementation.**
- (b) the Chair and Vice-chair of the committee, along with Councillors E. Selwyn Griffiths, Aeron M. Jones and W. Tudor Owen to serve on the Working Group to consider the audits that received opinion category 'C'.**
- (c) that it is the responsibility of any member who is unable to be present in the Working Group to arrange a substitute.**

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

Submitted - the report of the Audit Manager, providing an update on the current situation in terms of completing the 2015/16 internal audit plan.

It was reported that the Internal Audit Service up to 31 January 2016 had completed 56.76% of the plan where 42 of the 74 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.**

**13. DRAFT INTERNAL AUDIT PLAN 2016/17**

Submitted – the report of the Audit Manager, providing details of the draft plan of the Internal Audit Service's work for the 2016/17 financial year in order for members to voice their opinions on it and approve it. It was noted that discussions had already been held with the relevant Heads of Departments and managers and their suggestions based on what they viewed as high risk had been incorporated in the plan.

**RESOLVED to approve the draft Audit Plan for the period 1 April 2016 to 31 March 2017.**

**14. SELF ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

Submitted - the report of the Senior Revenue and Risk Manager in relation to the Governance Arrangements Assessment Group's review of the governance arrangements of the Council during November and December 2015.

Changes to the headings and efficiency scores of some elements of the governance framework since the last self assessment were highlighted, which had been undertaken by the Governance Arrangement Assessment Group, in May 2015.

It was reported that the Corporate Management Team had considered the report and had made the following observations:

- that an effectiveness score of 5 should be given to 'The Council's Culture' and that it should be placed under amber;
- an effectiveness score of 4 should be given to 'The Scrutiny Process' and that it should be placed under amber;
- the 'Member/Officers Contact Protocol' heading should be changed to 'Members and Officer Inter-relationship'.

A member noted that there was better understanding in the Council of placing the person at the centre and that this culture was beginning to take root.

Although the Council had received a critical report from the Wales Audit Office, a member noted that in reality, there was no evidence that 'The Scrutiny Process' had deteriorated as there were good elements in the system.

**RESOLVED to approve the assessment of governance arrangements subject to adapting them in accordance with the observations of the Corporate Management Group.**

The meeting commenced at 10.35am and concluded at 1.00pm

---

**CHAIRMAN**