



Complete Agenda

Democratic Services
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

AUDIT AND GOVERNANCE COMMITTEE

Date and Time

10.00 am, THURSDAY, 13TH JUNE, 2019

Location

Siambr Hywel Dda, Council Offices, Caernarfon, Gwynedd, LL55 1SH

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(DISTRIBUTED 06/06/19)

AUDIT AND GOVERNANCE COMMITTEE

MEMBERSHIP (19)

Plaid Cymru (10)

Councillors

Aled Ll. Evans
Charles Wyn Jones
Paul John Rowlinson

Peredur Jenkins
Huw Gruffydd Wyn Jones
Gethin Glyn Williams

Aled Wyn Jones
Berwyn Parry Jones
Vacant Seat x 2

Independent (5)

Councillors

John Brynmor Hughes
Dewi Wyn Roberts
Angela Russell

Richard Medwyn Hughes
John Pughe Roberts

Llais Gwynedd (1)

Councillor
Alwyn Gruffydd

Gwynedd United Independents (1)

Vacant Seat

Individual Member (1)

Councillor
Sion W. Jones

Lay Member

Mrs Sharon Warnes

Ex-officio Members

Chair and Vice-Chair of the Council

A G E N D A

1. CHAIR

To elect a Chair for 2019/20.

2. VICE-CHAIR

To elect a Vice-chair for 2019/20.

3. APOLOGIES

To receive apologies for absence.

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest.

5. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so they may be considered.

6. MINUTES

5 - 15

The Chair shall propose that the minutes of the meeting of this committee, held on 14 February 2019, be signed as a true record.

7. 2019 EXTERNAL AUDIT PLAN

To submit the reports of the external auditor.

(A) GWYNEDD COUNCIL

16 - 36

(B) GWYNEDD PENSION FUND

37 - 48

8. INTERNAL AUDIT OUTPUT 2/2/2019 - 31/3/2019

49 - 98

To submit the report of the Audit Manager.

9. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2018/19

99 - 117

To submit the report of the Audit Manager.

10. INTERNAL AUDIT CHARTER

118 - 129

To submit the report of the Audit Manager.

- | | |
|---|------------------|
| 11. FINAL ACCOUNTS 2018/19 - REVENUE OUTTURN | 130 - 154 |
| To submit the report of the Senior Finance Manager. | |
| 12. CAPITAL PROGRAMME 2018/19 - END OF YEAR REVIEW (31 MARCH 2019 POSITION) | 155 - 164 |
| To submit the report of the Senior Finance Manager. | |
| 13. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES | 165 - 174 |
| To submit the report of the Senior Finance Manager. | |
| 14. GWYNEDD HARBOURS' FINAL ACCOUNTS 2018/19 | 175 - 185 |
| To submit the report of the Senior Finance Manager. | |
| 15. GWYNEDD COUNCIL ANNUAL GOVERNANCE STATEMENT 2018/19 | 186 - 209 |
| To submit the report of the Assistant Head - Revenue & Risk. | |
| 16. PERFORMANCE MONITORING | |
| To elect a member to attend the Corporate Support Department's Performance Monitoring Meetings. | |
| 17. AUDIT AND GOVERNANCE COMMITTEE FORWARD PLAN 2019-2020 | 210 - 212 |
| To submit the report of the Assistant Head - Revenue & Risk. | |

AUDIT AND GOVERNANCE COMMITTEE 14/2/19

Present: Councillor R. Medwyn Hughes (Chair)
Councillor John Brynmor Hughes (Vice-chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, Aled Wyn Jones, Charles Wyn Jones, Siôn W. Jones, Dewi Wyn Roberts, Paul Rowlinson, Angela Russell and Cemlyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillors Peredur Jenkins (Cabinet Member for Finance - for items 5-9 on the agenda) and Edgar Owen (Ex-officio Member).

Also in Attendance: Dafydd Edwards (Head of Finance Department), Dewi Morgan (Senior Revenue and Risk Manager), Ffion Madog Evans (Senior Finance Manager - for items 5-9 on the agenda), Dilwyn Williams (Chief Executive - for items 5-9 on the agenda), Caren Rees Jones (Principal Capital and Control Accountant - for item 9 on the agenda), Caroline Lesley Roberts (Investment Manager - for Item 9 on the agenda), Luned Fôn Jones (Audit Manager) and Bethan Adams (Member Support Officer).

Apologies: Councillors Berwyn Parry Jones, Huw G. Wyn Jones, John Pughe Roberts and Gethin Glyn Williams.

1. DECLARATION OF PERSONAL INTEREST

Councillor Alwyn Gruffydd declared a personal interest in item 5 on the agenda 'Revenue Budget 2018/19 - End of November Review', as he owned an empty property.

The member was of the opinion that it was not a prejudicial interest, and he did not withdraw from the meeting during the discussion on the item.

2. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, held on 29 November 2018, as a true record.

3. REVENUE BUDGET 2018/19 - END OF NOVEMBER REVIEW

The report was submitted by the Senior Finance Manager, she set the context and elaborated on the content of the report that had been submitted to Cabinet on 22 January 2019. She highlighted that since 2015 the Council had faced realising savings of approximately £27 million, and this was a challenge to achieve. She noted that the end of November review of the budget showed a mixed picture with acceptable financial control in a number of Council departments. She explained that significant overspend was anticipated by the Education Department, Children and Families Department together with the Highways and Municipal Department and there were specific actions to ensure control of their budgets by 31 March 2019.

Attention was drawn to the Cabinet's decision:

"To accept the report on the end of November 2018 review of the Revenue Budget and note the latest financial position in respect of the budgets of every department/service.

- To ask the Cabinet Member for Adults, Health and Well-being, together with the Head of Department, to get to the root of the Provider service overspend and take steps to reduce the overspend, and report to the Cabinet on the response plan.
- Due to an increase in the overspend on a number of budget headings by the Children and Families Department since the last review, to consider the situation when receiving the Cabinet Member's performance report (29/01/19 Cabinet) with a view to attempt to reduce the overspend by the end of the financial year.
- Because of the level of overspend on pupils' transport by the Education Department, to consider the situation when receiving the Cabinet Member's report (29/01/19 Cabinet).
- To allow the Environment Department to allocate (£60k) of the department's underspend to conduct a review by commissioning research by the University and employing extra officers to collect evidence in the Public Transport field following a number of issues over recent years.
- Harvest (£2,984k) of the net underspend on Corporate budgets,
 - with (£700k) associated with the Council Tax premium to be allocated to a specific fund to be considered for the Housing Strategy.
 - (£435k) relating to capital costs to be transferred to the capital programme's financing fund.
 - with the remainder namely (£1,849k) to be transferred to the Supporting the Financial Strategy Fund to assist with inevitable one-off pressures on the Council's budgets."

During the ensuing discussion, officers and the Finance Cabinet Member responded to members' observations and enquiries as follows:

- That the overspend on pupil transport had been discussed at the Cabinet meeting on 29 January 2019, in the context of the Education Cabinet Member's performance report. A solution to reduce the overspend would take time. It was intended to change the method of providing transport in order to get a cheaper provision, because it was a long-term solution additional funding was placed in the 2018-19 budget to address the overspend. The additional funding did not address all the overspend as a solution was expected from the Education Department and the Environment Department.
- In terms of the income of parks and beaches in the Economy and Community Department, that the report reflected the general departmental income position. Generally, income generated by a department was used for other services within the specific department.
- There was a tendency to overspend in the Homeless Service as the homeless numbers were increasing. The situation was not unique to Gwynedd and the increase in the number of homeless people was a national issue.
- That the Council communicated with the Welsh Government in the context of home owners registering their houses as a business in order not to pay a Council Tax Premium. Increasing pressure was being placed on the Welsh Government to change these arrangements, however, not overly confident that the arrangements would change. The Council Leader was part of the discussions on this matter.
- There was pressure on the Council to provide services with less money, discussions would take place in the context of home owners registering their houses as a business and the financial impact on councils at the Welsh Local Government Association Rural Forum meetings. The Head of Finance was gathering information on the financial cost of registering houses as a business on councils in the context of Council Tax income loss. It was hoped that the other eight councils, who were members of the Forum, would agree that arrangements needed to be changed.
- In terms of the financial impact of houses being registered as a business on the Council, that a reclassification in the context of the tax base would mean that the Council would gain financially in terms of the Welsh Government grant but would lose out financially when a house is registered as a business and is back-dated. The Valuation Office did not have sufficient resources to challenge the applications appropriately. A specific sum could not be stated in terms of the loss to the Council as a

result of houses being registered as a business, but it was likely that there would be approximately £2 million of additional income to the Council as part of the Council Tax Premium Scheme.

- In favour of the proposal when the Council Tax Premium Scheme was established to charge a premium tax on holiday homes to generate additional income. A portion of the income deriving from the Council Tax Premium Scheme had been earmarked for the Housing Strategy. That there was increasing political pressure to revise the system of registering houses as businesses, with Members of Parliament and Assembly Members part of the campaign. The Council was lobbying the Welsh Government in the context of the need to change the system by presenting a requirement to receive permission via the planning system to change a house into a business.
- Regarding the Adults, Health and Well-being Department's budget, in the context of the budget's size the variations under the headings were not substantial. Departments have the right to move underspend from one heading to another, however, there was a tendency when there was a substantial overspend not to move money as this was a better measure of the actual situation. There was some movement in terms of providing services, with the underspend and overspend under the headings reflecting the demand. That the work done as part of the Alltwn Scheme was being rolled-out to other areas together with significant funding (£800k) for the staffing costs of Dementia units that was a financial bid as part of the budget recommended for the 2019/20 financial year and a response to the increasing demand.
- Pleased to receive information from a member in the context of the arrangements of a council in England that was charging for care costs on the councils where the individual had moved. If there was an opportunity then the Council would look into this matter.
- That research by Bangor University, commissioned by the Environment Department, was part of the review of the Public Transport sector. This did not include the transport of pupils in the Education Department, there was specific work to be completed in this field by the Education Department and the Environment Department.
- That the overspend in the 2018/19 financial year was more evident as more departments had overspent. There was expenditure on child protection and vulnerable adults areas and inevitable expenditure on the transport of additional learning needs pupils in the Education Department. Overspend on children's services was not unique to Gwynedd as there was overspend in this area in Britain. Services are provided in accordance with Ffordd Gwynedd by placing the people of Gwynedd at the centre of any actions.

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 2018/19 - END OF NOVEMBER REVIEW

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

The Senior Finance Manager set out the context and elaborated on the contents of the report submitted to Cabinet on 22 January 2019. The officer noted that there was an increase of £4.249 million in the budget for the capital programme since the previous review, with a slippage of an extra £3.4 million into the 2019/20 financial year, but there was no funding loss. It was explained that firm plans were in place to invest approximately £28.5 million in 2018/19, with £9.2m (32%) funded by attracting specific grants. Attention was drawn to the Cabinet's decision.

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

5. SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

The report of the Head of Finance Department was submitted which gave the latest situation on realising the saving schemes.

The Senior Finance Manager set the context and elaborated on the content of the report that had been submitted to Cabinet on 22 January 2019. It was noted that over 95%, namely £23m of the total £24m of savings schemes for the period 2015/16 - 2017/18, had been achieved with only a little slippage with 15 schemes.

Attention was drawn to the fact that over £2.5m of savings had been planned in the 2018/19 Financial Strategy, and 62% of the 29 schemes had been realised, with seven on track to be delivered on time with slippage on only five. The officer elaborated that one of the slippages was the 'End to End' scheme in the Children and Families Department, with savings of £250,280 for 2018/19. It was explained that the scheme had been the subject of a joint review between the Children and Families Department, Finance and the Research and Information Manager, in which the assumptions of the original 'End to End' model were revisited. It was noted that the number of nights for looked-after children in residential placements had reduced, however, due to the change in profile and the complexity of cases there had been an impact on the average cost of placements. There was also a reduction in the contributions from the Health Service.

She noted that it was inevitable that realising nearly £27 million in savings since April 2015 had been challenging. It was confirmed that progress had been made across the Council to realise the savings. Attention was drawn to the Cabinet's decision.

In response to a question from a member regarding the reduction in contributions from the Health Service, the Senior Finance Manager explained that changes in the types of cases meant that the Health Service's contributions were less.

In response to an observation by a member, the Finance Cabinet Member noted that the Cabinet constantly considered the position in terms of realising savings. He explained that a slippage in achieving the savings plans was the responsibility of the Head and the relevant Cabinet Member. He noted that although he was not happy that savings had to be found he was content in terms of the savings realised and that firm arrangements were in place to ensure that savings would be realised.

RESOLVED to note the situation and the relevant risks in the context of the savings overview.

6. 2019/20 BUDGET

Submitted – the report of the Cabinet Member for Finance on the Council Budget for 2019/20, providing an opportunity for the Audit and Governance Committee to scrutinise the information in terms of its financial propriety prior to the report being submitted to the Cabinet on 19 February.

The Cabinet Member for Finance set out the background and context of the report. He explained that all members had an input to this in workshops and that a public consultation had taken place on the Council Tax together with the savings plans. He noted that detailed discussions had led to the recommended budget.

The Head of Finance Department gave further details on the content of the report, and noted that there was a financial gap of £13 million, which included inflation costs of £7.5 million and the inevitable demand for services of £4 million. He noted that the grant increase from the Welsh Government to local authorities was insufficient to meet these costs. He made reference to Appendix 2 of the report which detailed the unavoidable financial bids to respond to the pressures on services, total value of £2.5 million. He

elaborated that the financial bids had been discussed in workshops in December where members consented that the expenditure was inevitable. He highlighted that the 2019/20 expenditure requirements, before savings, was £253.2 million.

He noted that £2.48 million of savings had already been approved, that £2.45 million of proposed savings, £0.5 million of further efficiency savings, which came to a total of £5.4 million savings to reduce the gap.

He drew attention to what was recommended to the Cabinet for approval, namely:

"(a) To recommend to the Council (at its meeting on 7 March 2019) that:

1. A budget of £247,797,900 should be established for 2019/20, funded by a £176,551,790 Government Grant and £71,246,110 Council Tax income, with an increase of 5.5%.
2. £18,316,130 should be added to the capital programme for spending in 2019/20 in order to establish a capital programme with a value of £34,991,250 by 2019/20 to be funded from the sources noted in Appendix 4 of the report.

(b) To approve proceeding to implement the saving schemes list in Appendix 3, in order to establish the budget recommended to the full Council.

(c) To note the Medium Term Financial Strategy and the projections in Appendix 8, and adopt the plan in section 18-20."

He noted that what was being recommended was subject to the Cabinet's decision to approve proceeding to implement the savings schemes listed in Appendix 3, or not to implement some schemes, as suggested in Appendix 12. He explained that if the decision was not to implement the five schemes in Appendix 12, the figures would change to:

- establish a budget of £247,869,620 for 2019/20,
- to be funded via a Government Grant of £176,551,790,
- and £71,317,830 Council Tax income with an increase of 5.6%.

He referred to the equality impact assessment, the well-being assessment in terms of the requirements of the Well-being of Future Generations (Wales) Act 2015 along with an assessment of the robustness of the risk estimations.

He highlighted that the Medium Term Financial Strategy had been drafted, notwithstanding considerable uncertainty about the future, mainly due to the Westminster Government 2019 Expenditure Review. He noted that having considered the projections that it was likely that more future savings would be required, therefore it would be necessary to bring pressure to bear on the Welsh Government to fund local authorities appropriately.

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

- Concern regarding the impact of the annual Council Tax increase on residents. Would it be possible to raise awareness of the Council Tax Reduction Scheme? Was assistance available for residents to claim a reduction?
- What was the level of risk in terms of specific grants?
- Concern regarding the consequences of financial hardship and the impact on residents, bearing in mind that Gwynedd was one of the poorest areas in Western Europe. It would be difficult to keep things on an even keel if financial austerity did not end.
- The increase in Council Tax was consistently higher in Gwynedd over the last six years and Anglesey and Conwy councils proposed to increase their Council Tax for 2019/20 by 9% to keep up with the increase in Gwynedd. The number who had

responded to the public consultation was disappointing. In consideration of the low number of responses how can a decision be made?

- Council Tax cannot continue to be increased with residents having to make difficult choices on how to spend their money.
- That members had been given ample opportunities to contribute to the process and they were grateful for the open discussions. The financial position would be so much worse without the work of the Finance Department over the years, and the Welsh Local Government Association should convey a strong message to the Welsh Government in terms of the need to fund local authorities appropriately. In order to have a balanced budget it was necessary to choose between increasing Council Tax and cutting services.
- The report referred to £0.5 million of further efficiency savings, would it be possible to note more details and time schedule for achieving these in the report prior to its submission to Full Council? Encourage the Cabinet to listen to the views of members in the workshop and to not act on the five schemes noted in Appendix 12 and consequently increase Council Tax by 5.6%.

A response was given to the questions and observations as follows:-

- That the Council at its meeting on 6 December 2018 had adopted the 2019/20 Council Tax Reduction Scheme. In accordance with Ffordd Gwynedd, staff in the Tax Unit assisted residents with paying or clearing a debt and when appropriate supported them to claim reductions.
- The majority of grants were Welsh Government grants, there was a risk due to a higher level of provision in the budget and if the grant was terminated. Grants received from the European Union were for specific projects rather than to fund services. Should a grant be terminated, the Council would have to stop the specific provision or face the cost. The Council had to live with the risk.
- Agree in terms of financial hardship, one of the Cabinet's main considerations when assessing the savings schemes was their impact on the people of Gwynedd. The only option for the Council was to implement the savings schemes and increase Council Tax in order to address the financial gap.
- That it was a fair point to note the number of responses to the public consultation. The people of Gwynedd were given an opportunity to voice their opinion on two occasions, with a consultation on what was important for the people of Gwynedd as well as the consultation on the savings schemes. In a representative democracy system Council members represented their electors. The majority of members in a workshop noted that some of the savings schemes should be re-visited and these specific schemes would be considered by the Cabinet prior to determining a recommendation to the Full Council.
- Whilst Council Tax in Gwynedd Council was the sixth highest in Wales, this stemmed mainly from the grant allocation split on reorganisation in 1996 as it did not reflect the expenditure split at the time. Evidence indicates that the increase in Council Tax in Gwynedd Council has been less than in 14 other Councils in Wales over the period and shows that it was not the decisions of Gwynedd Council that meant it was sixth highest, but what had occurred at reorganisation in 1996.
- That it was legislatively necessary for the Council to have a balanced budget, the only options available to the Council to fund the gap was to implement savings schemes and increase Council Tax. Welsh Government needed to look at how local government is funded as the position of councils was getting more difficult. That what was recommended in terms of the budget was fairly acceptable for 2019/20, however, the 2021/22 financial position was dependent on the Welsh Government.
- In terms of further efficiency savings, that there were ideas on how to realise further efficiency savings and it was trusted that it was possible to achieve, however, no details could be given as it was a sensitive situation in terms of jobs.

- It was confirmed that the five savings schemes noted in Appendix 12 would receive consideration in the Cabinet's discussions on 19 February.

An appreciation of the work of the officers in the Finance Department, the Cabinet Member for Finance and the Chief Executive was noted.

RESOLVED to note and accept the report and the relevant risks.

7. 2019-20 CAPITAL STRATEGY REPORT

The Senior Finance Manager submitted the report, and noted that it was a new requirement by CIPFA (Chartered Institute of Public Finance) on Councils, that came into effect for the 2019/20 financial year onwards. It was explained that the report's intention was to give the long-term context to capital expenditure decisions and investments by Councils and considering the risks. The report brought the capital programme and the usual Treasury Management report together within one report.

Details were given on the contents of the report and attention was drawn to the intention to spend £35 million of capital expenditure in 2019/20, and nearly £18.8 million for 2020/21 and £9.3 million in 2021/22. It was noted that the main capital projects for 2019/20 included expenditure of £8.7m on Twenty First Century Schools, £2.7m on highways repair and £2.7m on the Housing Strategy, with £11.7m for the Assets Management Plan to be allocated. It was highlighted that the Treasury Management section of the report included information about the borrowing strategy, investment, commitments, liquidity management, economic forecast and credit forecast with the supporting information and details included in Appendix C.

It was explained that the Committee was required to adopt the information in the report and to consider any risks that would arise from the strategy prior to its submission to the Full Council on 7 March 2019.

A member noted appreciation of the training held on 16 January, 2019 for Committee members in treasury management with consultants from Arlingclose company, namely the Council's treasury management consultants, and that thanks should be conveyed to the consultants.

In response to an enquiry from a member about finance for the Housing Strategy, the Chief Executive noted that the Adults, Health and Well-being Department were discussing specific plans with the Housing, Leisure and Culture Cabinet Member and the Housing Strategy would be submitted to the Cabinet soon.

In response to a further enquiry, the Chief Executive explained that the £2.7 million for highway repairs was a grant received from the Welsh Government and that the £2.7 million for the Housing Strategy was Council Tax Premium income. The Head of Finance elaborated and stated that the Housing Strategy was ambitious and looked at an extended period of 5 to 10 years and was currently being fine-tuned. The member noted that he was looking forward to hearing about the plans attached with the Housing Strategy.

In the context of past decisions, a member enquired about Council borrowing and were any changes anticipated in interest rates. In response, the Head of Finance Department explained that there were higher interest rates on loans dating back to the 1980s and most of them were coming to an end. He added that this would be a positive adjustment to the budget as the Council would not pay higher interest rates and it was not anticipated that interests would rise high. He explained that the Council did self-borrow keeping external borrowing to a minimum.

RESOLVED to note and accept the report and the relevant risks.

8. OUTPUT OF THE INTERNAL AUDIT SECTION 19/11/18 - 1/2/19

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 12 reports on audits from the action plan and one grant audit had been completed. Attention was drawn in terms of follow-up audits that acceptable action had been taken on 71.17% of the agreed steps, namely 116 out of 163.

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

Safeguarding Arrangements - Establishments

In response to an enquiry by a member, the Audit Manager explained that the system highlighted when it was necessary to renew a disclosure by the Disclosure and Barring Service (DBS). She expanded that it was a long process and that it was the individual's responsibility to submit an application. She added that weaknesses had been identified in terms of presenting safeguarding training modules to staff and as a result an audit in the context of a review of training arrangements on the range of safeguarding modules had been included in the 2019/20 Internal Audit Plan.

A member noted her concern regarding the variety in the number of staff who had completed the safeguarding modules at the leisure centres. She asked what the arrangements would be following the transfer of the leisure centres to Byw'n Iach Cyf. In response, the Audit Manager noted that follow-up work on leisure centre audits would be completed before transfer to the company on 1 April 2019, and the findings would be reported to Committee. She elaborated that the audit reports would be presented to Byw'n Iach Cyf Board following transfer.

In response to a further question, the Audit Manager noted that it was likely that the company would operate in accordance with the Council's procedures in the context of disclosures.

A member noted that the audit should receive consideration by the Controls Improvement Working Group as deficiencies had been highlighted.

In response to a comment, the Audit Manager noted that as it was a corporate issue training arrangements varied and with seasonal workers it was more problematic, but it was also important that they received training. It was explained that if the audit received the consideration of the working group, that it was the Chair of the Safeguarding Operational Panel who would be present and it would be difficult for him to explain the situation in terms of beach and harbour staff. It was noted that the Operational Panel sent a message to the departmental management teams and this should be cascaded to managers to ensure action.

Attention was drawn to the action to continue to raise the awareness of Council workers of corporate safeguarding arrangements and the need to complete training, however, additional work was required to improve the level of assurance that was currently limited.

General Data Protection Regulation

A member noted that the audit should be considered by the Controls Improvement Working Group as the audit had received a level of limited assurance.

Welsh Church Act Fund

The Audit Manager explained that the Fund covered Gwynedd, Conwy and Anglesey with a long term cross-border dispute in the context of a parcel of land now resolved and a movement to dismantle the fund.

In response to a member's question, the Audit Manager noted that follow-up work would be completed and that an audit had been included in the 2019/20 Internal Audit Plan.

Recurring Billing

The Audit Manager noted that the audit of recurring billing in the Environment Department derived from finding cases, as part of the audit, where some Council smallholding tenants had not been invoiced. She elaborated that several attempts had been made to receive an update from the Property Service if customers remained in properties, and if there were rent arrears due to the Council or otherwise in relation to two customers, but unfortunately no confirmation had been received. She explained that the recurring billing system now produced invoices until the arrangement was cancelled.

A member noted that the situation was unacceptable and it was necessary to ensure that the information was received. A member added that the Committee's concern should be conveyed to the Department requesting a response.

Diesel Tanks and Diesel Management

The Audit Manager noted that weaknesses had been highlighted some time ago and they still existed at the time of audit. In response to a member's observation regarding the situation on one site, the Audit Manager noted that the site manager had expressed his concern about the condition of the diesel tank and the drainage system on several occasions. It was emphasised that the site manager had acted appropriately and in accordance with Ffordd Gwynedd, taking responsibility by reporting the deficiency.

A member noted that the audit should be considered by the Controls Improvement Working Group.

RESOLVED:

- (i) **to accept the report on the work of the Internal Audit for the period of 19 November 2018 to 1 February 2019 and support the agreed actions that had already been submitted to the managers of the relevant services;**
- (ii) **that the Chairman and Vice-chairman of the Committee, along with Councillors Dewi Wyn Roberts, Angela Russell and Cemlyn Williams serve on the Controls Improvement Working Group with Councillor Alwyn Gruffydd as a substitute, to consider the following audits:**
 - **Safeguarding Arrangements - Establishments**
 - **General Data Protection Regulation**
 - **Diesel Tanks and Diesel Management**
- (iii) **send a message to the Environment Department stating the Committee's concern regarding the lack of response to enquiries attached to the Recurring Billing audit requesting a response.**

9. INTERNAL AUDIT PLAN 2018/19

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2018/19 internal audit plan.

It was reported that the Internal Audit Service up to 1 February 2019 had completed 58.33% of the plan, with 35 of the 60 audits in the 2018/19 plan released in a finalised version. Attention was drawn to the amendments to the Plan.

RESOLVED to accept and note the contents of the report as an update of progress against the 2018/19 audit plan.

10. DRAFT INTERNAL AUDIT PLAN 2019/20

Submitted – the report of the Audit Manager, in which details of the draft plan of the Internal Audit Service's work for the 2019/20 financial year were set out for comment and approval by the Committee. It was noted in order to ensure that the correct matters are reviewed, that firstly consideration was given to the Corporate Risk Register as well as the risk registers of each department.

It was envisaged that approximately 766 days of audit resources would be available to complete the 2019/20 audit plan.

In response to a member's observation in the context of trends seen across Council departments, the Senior Revenue and Risk Manager noted that recording risks identified trends with departmental risk registers able to feed into the Corporate Risk Register. He added that highlighting trends was dependent on the quality of information and the Insurance and Risk Service would contact each department to support them to ensure that risks are recorded appropriately.

A member asked if it would be possible to look at corporate plans and how they can be packaged to respond to cross-departmental aspects. The member asked further regarding the number of days designated for the 'Culture and Ethics' audit and noted that it was a complex issue and the number of days designated for the audit should be re-considered to get a more comprehensive picture.

In response, the Audit Manager noted that she referred to the Council Plan when drafting the audit plan. Attention was drawn to the fact that it was the project managers who are responsible for corporate plans and with the scarcity of audit resources it was difficult to earmark many days to undertake an audit in a specific area, however, they did look at project management in terms of the time-schedule, that it had been planned correctly and if a record of the financial elements was maintained.

A member noted that measuring 'Culture and Ethics' would be difficult to achieve and asked how it was proposed to measure this. In response, the Audit Manager noted that it was proposed to draft a simple questionnaire asking questions on issues such as recording hours correctly and the implementation of the Whistle Blowing Policy.

In response to further observations from members regarding the 'Culture and Ethics' audit, the Audit Manager noted that she would undertake research into this area.

RESOLVED to approve the draft Audit Plan for the period 1 April 2019 to 31 March 2020.

11. GWYNEDD COUNCIL'S ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY STRATEGY AND RESPONSE PLAN

Submitted - the report of the Senior Revenue and Risk Manager that gave an update on the Council's anti-fraud and anti-corruption arrangements together with the work programme for the next three years.

It was noted that although 'Risk of Fraud, Bribery and/or Corruption' was considered a low risk the Council continued to be aware of the risk and the Council had suffered as a result of major fraud in the past. Further details were given on the contents of the report.

It was explained that the Committee would receive regular reports (approximately every six months) on the Council's anti-fraud, anti-corruption and anti-bribery efforts.

A member noted that the fraud linked to Express Motors had been shocking and it would be useful to have a sub-group of the Committee to look in detail and to learn lessons from this case. Reference was made to the Strategy and it was asked how regular did workshops take place with relevant officers to discuss issues that arise, apparent risks and to share good practice. It was asked which agencies the Council cooperated with and how regularly the Strategy was reviewed.

In response to the above observations, the Senior Revenue and Risk Manager noted:

- That the Committee had already received a report on the Express Fraud at its meeting on 29 November 2018 and had discussed the matter in detail. At the time, the Environment Department was asked for a report regarding mitigating the risks to the Council of committing to a new agreement with the Welsh Government's Concessionary Fares Scheme. That it was a decision for the members if they wished to discuss the two cases of fraud in public transport at the Controls Improvement Working Group, however, there was a danger that by focusing on this fraud that they would lose sight of other risks bearing in mind that the Council has a wide range of services.
- The Council did not have a specific anti-fraud resource, the work will be completed within the resources with internal audit undertaking the research. It was intended to conduct regular workshops with officers from different services such as audit, benefits, tax and others, looking at risks that arose from the experiences of other authorities.
- Although the Response Plan had not been revised since 2013, it continued to be fit for purpose with only changes in job titles.
- The Wales Audit Office led on the National Fraud Initiative that is held every two years by comparing agency data and if anything was highlighted then the relevant agency would be contacted. It was noted that once there was sufficient evidence to be presented to the police following an investigation by internal audit then the information would be referred to the Monitoring Officer.

A member noted that he was of the opinion that consideration needed to be given to the two cases of fraud in the public transport area in the Controls Improvement Working Group.

A member asked if there was a system in place to respond when incidents of fraud occurred. In response, the Senior Revenue and Risk Manager noted that this was the purpose of the Response Plan. It was noted that managers and officers were in the best position to discover fraud and awareness needed to be raised in order that they were alert to the risk of fraud and to be willing to report on possible fraud. There was also an external risk from companies sending false invoices.

In response to a further observation in the context of collaboration with other agencies, the Senior Revenue and Risk Manager noted that as part of the National Fraud Initiative there was a contact point in each agency and these could be used with fraud outside the initiative as well as a starting point.

A member gave thanks for the report. Reference was made to the fact that Council Tax fraud was not highlighted in the document. The member asked if housing benefit fraud was relevant in terms of the response plan as the Government had the responsibility. In response, the Senior Revenue and Risk Manager noted that there was no reference to Council Tax fraud in the document and consideration would be given to add this. He added that it was intended to place more focus on the Council Tax Reductions Scheme over the next few years. He explained that it was the UK Government's Work and Pensions Department who had been responsible for investigating housing benefits fraud for approximately four years. He elaborated that the Council had a contact point in the Work and Pensions Department and cases were referred to their attention, however, it was not as efficient as when the work was undertaken internally, with a requirement to complete a number of forms.

A member noted that it was impossible to get rid of fraud completely, however, the Strategy and the response plan confirmed that there were processes in place to prevent fraud and they should be approved.

RESOLVED to accept the report as an explanation of the Council's arrangements for investigating and preventing fraud and corruption within the system and to approve the Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy and the Fraud and Corruption Response Plan.

The meeting commenced at 10.05am and concluded at 1.15pm

CHAIR



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2019 Audit Plan – Gwynedd Council

Audit year: 2018-19

Date issued: June 2019

Document reference: 1176A2019-20

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

This document has been prepared as part of work performed in accordance with statutory functions.
Further information on this is provided in [Appendix 1](#).

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the auditor acting on behalf of the Auditor General, in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the auditor acting on behalf of the Auditor General are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

This document was produced by Deloitte LLP and the Wales Audit Office.

Contents

2019 Audit Plan

Summary	4
Audit of accounts	4
Performance audit	8
Certification of grant claims and returns	10
Fee, audit team and timetable	11
Future developments to my audit work	14

Appendices

Appendix 1 – respective responsibilities	15
Appendix 2 – performance work in last year's audit outline still in progress	18
Appendix 3 – other future developments	19

2019 Audit Plan

Summary

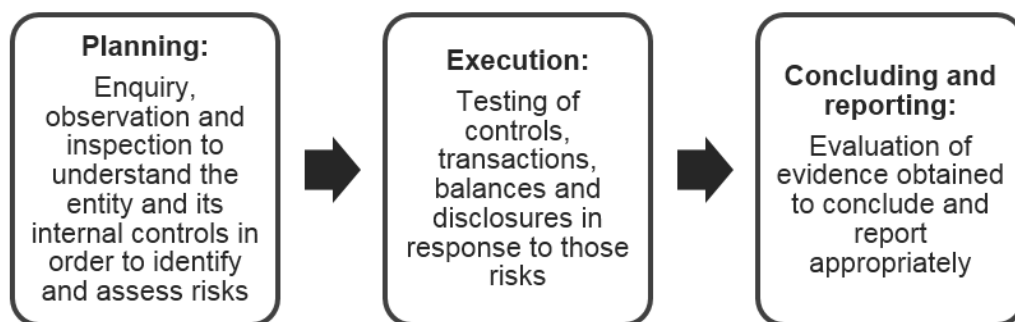
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are 'true and fair';
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged the duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not Gwynedd Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach

This table summarises the three phases of my financial audit approach, being planning, testing and reporting.



- 9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them. Also, included are other key areas of audit attention my team will be focusing on.

Exhibit 2: financial audit risks

This table summarises the key financial audit risks identified at the planning stage of the audit

Financial audit risk	Proposed audit response
Significant risks	
The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].	<p>My audit team will:</p> <ul style="list-style-type: none">• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;• review accounting estimates for biases;• evaluate the rationale for any significant transactions outside the normal course of business;

Financial audit risk	Proposed audit response
Other areas of audit attention	
<p>IFRS 9 financial instruments applies from 1 April 2018 and brings in a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p> <p>IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	<p>My audit team will assess the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>

- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit and Governance Committee prior to completion of the audit.
- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document¹;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;

¹ The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

- you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
 - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.]
- 13 In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.
- 14 I am also responsible for the audit of Gwynedd Council's pension fund accounts. A separate audit plan has been prepared for the audit of the pension fund.
- 15 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 16 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 17 If I do receive questions or objections, I will discuss potential audit fees at the time.

Other financial audit work

- 18 I am also responsible for the audit of two joint committees for which the Council is the host authority; these are the GwE Joint Committee and the Joint Planning Policy Committee. In addition, I am responsible for the four harbours; these are Pwllheli, Barmouth, Porthmadog and Aberdyfi for which the Council is the harbour authority. I wish to draw your attention to the risk area set out in **Exhibit 3** I have identified in relation to the GwE joint Committee which is over and above those mandated by ISA 240.

Exhibit 3: financial audit risk – GwE Joint Committee

This table summarises the key financial audit risk identified at the planning stage of the audit in relation to the GwE Joint Committee.

Financial audit risk	Proposed audit response
Significant risks	
GwE Grant Income and Expenditure The committee receives significant grant funding, most of which is distributed to local authorities and schools. There is a risk that the financial statements inappropriately include or exclude this grant funding as the committee will need to make an assessment of whether it is acting as an agent or principal body.	My audit team will: <ul style="list-style-type: none">• Seek to understand the committee's recognition policy for grant income and expenditure, which will include a review of whether the committee is acting as agent or principal;• perform design and implementation testing of controls over the assessment of the committee acting as agent or principal;• Perform tests of detail to confirm whether recognition criteria have been met.

19 My audit fee for this work is set out in [Exhibit 5](#).

Performance audit

20 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities, I will continue to seek to strike the most appropriate balance and add value by:

- providing assurance on the governance and stewardship of public money and assets;
- offering insight on the extent to which resources are used wisely in meeting people's needs; and
- identifying and promoting ways by which the provision of public services may be improved.

21 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will continue to minimise work that focuses on the process of improvement planning.

22 In my audit plan for 2018 I explained that in previous years I had placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future it is likely that I will be unable to rely on my work un-

der the Measure, in 2019-20, and subsequent years, the focus of my local performance audit programmes will continue to be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.

- 23 In 2018-19 I undertook an examination of the extent to which you are acting in accordance with the sustainable development principle in taking steps to meet your well-being objectives. During 2019-20 I will undertake a further examination to assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives. This will be the final piece of work I will undertake to discharge my duties under the Wellbeing of Future Generations Act at the Council prior to laying my first cyclical report with the National Assembly in 2020. During 2019-20 I will also be considering how to discharge my duties under the Act over the period 2020 to 2024 and I will seek to engage with local authorities as well as other stakeholders in developing my approach.
- 24 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 25 Taking all these factors into consideration, my 2019-20 programme of work will comprise:

Exhibit 4: performance audit programme

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its wellbeing objectives.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.

Performance audit programme	Brief description
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges
Review of working with others	The Council is involved in several partnerships, joint working, shared services and alternative delivery models. This review will look at what VFM/return on investment the Council and its citizens are getting from working with others.
Review of Ffordd Gwynedd	Pause and reflect work around how Ffordd Gwynedd is embedded, achievements to date and how the Council is learning from it to help it achieve its aims.
2019-20 Local Government Studies	(Funded by the Welsh Consolidated Fund) The following studies will be undertaken: <ul style="list-style-type: none"> • Review of Public Service Boards and the effectiveness of partnership working; • The impact of austerity on discretionary services in local government; and • Commercialisation in local government.

- 26 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Certification of grant claims and returns

- 27 I have been requested to undertake certification work on Gwynedd Council's grant claims and returns.
- 28 As was the case last year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 29 My audit fee for this work is set out in [Exhibit 5](#).

Fee, audit team and timetable

Fee

- 30 Your estimated fee for 2019 is set out in [Exhibit 5](#). There have been some small changes to my fees rates for 2019 however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you.

Exhibit 5: audit fee

This table sets out the proposed audit fee for 2019, by area of audit work, alongside the actual audit fee for last year.

Audit area	Proposed fee (£) ²	Actual fee last year (£)
Audit of accounts ³	180,450	180,450
Audit of GwE accounts	11,000	11,000
Audit of Joint Committees	1,700	1,700
Performance audit work ⁴	99,449	99,537
Grant certification work ⁵	100,000	100,000
Total fee	329,599	329,687

- 31 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 32 Further information on my [fee scales and fee setting](#) can be found on our website.

² Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

³ Payable November 2018 to October 2019.

⁴ Payable April 2019 to March 2020.

⁵ Payable as work is undertaken

Audit team

- 33 The main members of my team, together with their contact details, are summarised in **Exhibit 6**.

Exhibit 6: my audit team

Name	Role	Contact number	E-mail address
Derwyn Owen	Engagement Director	02920 320651	derwyn.owen@audit.wales
Ian Howse	Engagement Lead – Financial Audit	02920 264319	ihowse@deloitte.co.uk
Huw Rees	Engagement Lead – Performance Audit	02920 320599	huw.rees@audit.wales
Clare Skivens	Financial Audit Manager	02920 264341	cskivens@deloitte.co.uk
Jeremy Evans	Performance Audit Manager	07825 052861	jeremy.evans@audit.wales
Alan Hughes	Performance Audit Lead	02920 829349	alan.hughes@audit.wales

- 34 I can confirm that that my team members are all independent of Gwynedd Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Staff secondment

- 35 A trainee accountant employed by the Wales Audit Office will be seconded to Gwynedd Council for the period January 2020 to May 2020. This secondment is part of an initiative funded by the Welsh Consolidated Fund designed to allow trainee accountants to broaden their skills and to gain experience of working across different parts of the Welsh public sector.
- 36 In order to safeguard against any potential threats to auditor independence and objectivity, the Wales Audit Office and Gwynedd Council have agreed the following safeguards:
- secondees will not perform duties prohibited by the FRC's Revised Ethical Standard 2016 and will not be able to exercise discretionary authority to commit Gwynedd Council to a particular position or accounting treatment;
 - the secondees will undertake tasks at a relatively junior level, will be properly supervised and will not undertake a management role or be involved in the decision taking of Gwynedd Council; and

- the secondment will be for a short period of time within the meaning of the FRC's Revised Ethical Standard 2016.

Timetable

37 I will provide reports, or other outputs as agreed, to Gwynedd Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

[Exhibit 7: this table sets out the proposed timetable for completion and reporting of my audit work at the authority](#)

Planned output	Work undertaken	Report finalised
2019 Audit Plan	February 2019	March 2019
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February to July 2019	July 2019 July 2019 July 2019
Performance work: <ul style="list-style-type: none"> Improvement Plan Audit Assessment of Performance Audit Assurance and Risk Assessment WFG Act Examinations Review of working with others Review of Ffordd Gwynedd Financial sustainability 	April 2019 November 2019 October – November 2019 May – July 2019 TBC TBC TBC	May 2019* December 2019* No report: it inform 2019/20 audit work and 2020 audit. September 2019* TBC TBC TBC
Annual Improvement Report	April 2019 – May 2020	June 2020*
2020 Audit Plan	October to December 2019	January 2020*

* Estimated

Future developments to my audit work

- 38 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 3](#).

Appendix 1

Respective responsibilities

Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Gwynedd Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Gwynedd Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Gwynedd Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Gwynedd Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Public Audit (Wales) Act 2004 requires me, by examination of the accounts or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities

and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

Appendix 2

Performance work in last year's audit outline still in progress

Exhibit 8: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Leisure services This review will provide insight into service users' views on the leisure centres and explore to what extent the current service meets their needs. It will also seek to establish how effectively the engagement is with service users.	Fieldwork	We aim to conclude this work in Autumn 2019.
WFG examinations This examination will enable the Auditor General to assess the extent to which the Council is acting in accordance with the sustainable development principle when taking steps to meet its Wellbeing Objectives.	Draft report	Draft report due June 2019.

Appendix 3

Other future developments

A. Forthcoming key IFRS changes

Exhibit 9: changes to IFRS standards

This table details the key future changes to International Financial Reporting Standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

B. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared on line. The main areas of work are regarding financial management, public-sector staff and governance.

[Further information, including details of forthcoming GPX events and outputs from past seminars.](#)

C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the

form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February 2019, the Auditor General issued a report⁶ on preparations in Wales for a 'no deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

⁶ <http://www.audit.wales/publication/preparations-wales-no-deal-brexite>

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

2019 Audit Plan – Gwynedd Pension Fund

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This document has been prepared as part of work performed/to be performed in accordance with statutory functions. Further information on this is provided in Appendix 1.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or auditors acting on behalf of the Auditor General in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

Contents

2019 Audit Plan

Summary	4
Audit of Pension Fund accounts	4
Fee, audit team and timetable	7
Future developments to my audit work	9

Appendices

Appendix 1 – respective responsibilities	10
Appendix 2 – other future developments	11

2019 Audit Plan

Summary

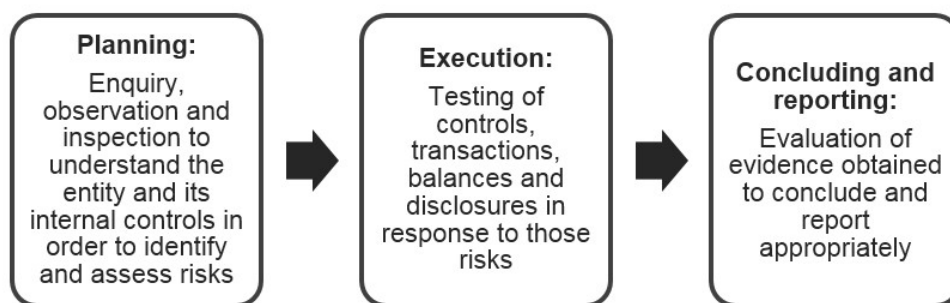
- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Code of Audit Practice to examine and certify whether Gwynedd Pension Fund (the Pension Fund) accounting statements are 'true and fair'.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of Pension Fund accounts

- 5 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows us to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the Pension Fund accounts as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach

Alt Text: This table summarises the three phases of my financial audit approach, being planning, testing and reporting.



- 6 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them. Also included are other key areas of audit attention my team will be focusing on.

Exhibit 2: Financial audit risks

Alt text: This table summarises financial audit risks and the corresponding audit work planned in response.

Financial audit risks	Proposed audit response
Significant risks	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements; • review the design and implementation of controls operated by management over the processing of journal entries; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business.
Other areas of audit attention	
<p>Completeness and accuracy of the asset transfer to Welsh Pool</p> <p>Due to the Government announcement that Local Government Pension Schemes must pool their assets together in order to reduce the cost of investing to the public purse, the Fund has agreed to become part of the Welsh Pool.</p> <p>The transfer of these assets would be an area of focus given the need to determine the completeness and accuracy of the transfer of these assets.</p>	<p>We will perform the following audit procedures:</p> <ul style="list-style-type: none"> • review the design and implementation of controls operated by management to check the reconciliation of assets transferred to the new pool and the allocation of investments; • review the design and implementation of controls in place at Welsh Pool for managing investments and operating and reporting pooled fund pricing and performance; • confirm the completeness and accuracy of the values of the assets transferred by comparing the closing balances of the equity assets as per the client management breakdown and the transition report to the opening balances held at Welsh Pool;

	<ul style="list-style-type: none"> • perform a review of the transition report which provides an overview of the asset transferred to Welsh Pool, in order to identify whether there are any significant issues to be noted; and • we will review the Welsh Pool internal controls report as well as the Custodian internal controls report to confirm whether there are appropriate controls in place around asset transfers.
--	--

- 7 I do not seek to obtain absolute assurance that the Pension Fund accounting statements are true and fair but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Pension Committee, Pension Board and to those charged with governance for Gwynedd Council (the Council), as the administering authority of the Pension Fund as a whole, prior to completion of the audit.
- 8 For reporting purposes, I will treat any misstatements below a trivial level (set at 5% of materiality) as not requiring consideration by those charged with governance and therefore I will not report them.

- 9 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver my audit in an efficient manner;
 - all appropriate officials will be available during the audit; and
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me.

Statutory audit functions

- 10 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 11 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 12 If I do receive questions or objections, I will discuss potential audit fees at the time.

Fee, audit team and timetable

Fee

- 13 Your estimated fee for 2019 is set out in Exhibit 3. This figure remains the same as the fee set out in the 2018 audit plan.

Exhibit 3: audit fee

This table sets out the proposed audit fee for 2019 alongside the actual audit fee for 2018.

	Proposed fee for 2019 (£)	Actual fee for 2018 (£)
Audit of pension fund accounts	34,200	34,200

- 14 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Director of Finance.
- 15 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 16 The main members of my team, together with their contact details, are summarised in [Exhibit 4](#).

Exhibit 4: my audit team

Name	Role	Contact number	E-mail address
Andy Fern	Engagement Lead – Financial Audit	01216968981	Anfern@deloitte.co.uk
Sam Roden	Financial Audit Manager	01216955148	sroden@deloitte.co.uk
Laura Allaway	Financial Audit Team Leader	01216955536	lallaway@deloitte.co.uk

- 17 I can confirm that my team members are all independent of the Pension Fund and its officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 18 I will provide reports, or other outputs as agreed, to the Pension Committee, Pension Board and Gwynedd Council Audit Committee covering the areas of work identified in this document. My key milestones are set out in [Exhibit 5](#).

Exhibit 5: timetable

Planned output	Work undertaken	Report finalised
2019 Audit Plan	January – March 2019	April 2019
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements 	May – June 2019	July 2019
2020 Audit Plan	January – March 2020	March 2020

Future developments to my audit work

- 19 Details of other future developments including the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit are set out in [Appendix 2](#).

Appendix 1

Respective responsibilities

The Council is the administering authority of the Pension Fund. This Audit Plan has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the Pension Fund accounts.

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the Pension Fund accounting statements which includes an opinion on their 'truth and fairness', providing assurance that they:

- are free from material misstatement, whether caused by fraud or error;
- comply with the statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the authority from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Appendix 2

Other future developments

A. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared on line. The main areas of work are regarding financial management, public-sector staff and governance. Further information, including details of forthcoming GPX events and outputs from past seminars can be found on the [GPX section of the Wales Audit Office website](#).

B. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place next March.

The Auditor General has commenced a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he will compile a baseline summary of arrangements being put in place. This will be followed up by further audit fieldwork in spring 2019.

The aim is to produce a report in summer 2019. The report's key messages and recommendations will be framed in the context of the UK moving to a new relationship with the European Union by the end of the planned transition period.

However, if it becomes clear that the UK is likely to leave the European Union without a Withdrawal Agreement (the 'no deal' scenario), we will publish a report as early as possible in 2019, ahead of the UK leaving the European Union on 29 March.

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COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JUNE 2019
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION
PURPOSE OF REPORT	TO OUTLINE THE WORK OF INTERNAL AUDIT FOR THE PERIOD TO 31 MARCH 2019
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE ACTIONS THAT HAVE ALREADY BEEN AGREED WITH THE RELEVANT SERVICES

1. INTRODUCTION

- 1.1 The following report summarises the work of Internal Audit for the period from 4 February 2019 to 31 March 2019.

2. WORK COMPLETED DURING THE PERIOD

- 2.1 The following work was completed in the period to 31 March 2019:

Description	Number
Reports on Audits from the Operational Plan	19

Further details regarding this work are found in the body of this report and in the enclosed appendices.

2.2 Audit Reports

2.2.1 The following table shows the audits completed in the period to 31 March 2019, indicating the relevant opinion category and a reference to the relevant appendix.

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Managing the Risk of Fraud and Corruption	Corporate	-	Satisfactory	Appendix 1
Whistleblowing Policy – Gwynedd Schools	Education	Resources	Satisfactory	Appendix 2
Employment Status IR35	Education	Resources	Satisfactory	Appendix 3
GwE – Employment Stats IR35	GwE	-	Limited	Appendix 4
Purchasing Equipment through the School	Education	Schools	Satisfactory	Appendix 5
Pest Control	Environment	Public Protection	Satisfactory	Appendix 6
Licensing Arrangements	Environment	Public Protection	Satisfactory	Appendix 7
Property Repair and Maintenance	Environment	Council Land and Property	Satisfactory	Appendix 8
Contribution from Employers	Finance	Pensions and Payroll	Satisfactory	Appendix 9
Benefits – Review of Key Controls	Finance	Revenues	High	Appendix 10
Disposal of IT Equipment	Finance	Information Technology	Satisfactory	Appendix 11
Cybersecurity	Finance	Information Technology	Satisfactory	Appendix 12
It Disaster Recovery Arrangements	Finance	Information Technology	Satisfactory	Appendix 13
Employment Status - Economy and Community IR35	Economy and Community	Across the Department	High	Appendix 14

TITLE	DEPARTMENT	SERVICE	ASSURANCE LEVEL	APPENDIX
Caernarfon Waterfront and Town Centre Regeneration Initiative – Governance Arrangements	Economy and Community	Strategy and Development Programme	High	Appendix 15
On-call and Emergency Arrangements	Adults, Health and Wellbeing	Across the Department	Satisfactory	Appendix 16
Social Services Annual Report	Adults, Health and Wellbeing	Across the Department	High	Appendix 17
Children – Out of County Placements	Children and Family Support	Children and Families	Satisfactory	Appendix 18
Street Enforcement	Highways and Municipal	Waste Management and Streets	Satisfactory	Appendix 19

2.2.2 The general assurance levels of audits fall into one of four categories as shown in the table below.

LEVEL OF ASSURANCE	HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
	SATISFACTORY	Controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
	LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduces new controls to reduce the risks to which the service is exposed.
	NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

3. FOLLOW-UP WORK

3.1 New arrangements have been established for follow-up audits. In 2017/18, a total of 163 actions were agreed to be undertaken before 31 March 2019. Following a request made to the Units/Services for information and evidence on progress agreed actions, as at 31 March 2019, there was acceptable implementation on **94.48%** of the agreed actions, i.e. 154 out of 163. No response was received in respect of the following audits:

- Smallholdings (3 actions)
- Arrangements for Children leaving Care (1 action)
- Recycling Targets (5 actions)

4. WORK IN PROGRESS

4.1 The following work was in progress as at 1 February 2019:

- Care and Support Plans (Children) under Part 4 Social Services and Wellbeing Act (Wales) 2014 (*Children and Family Support*)
- Flood Management (*Gwynedd Consultancy*)

5. RECOMMENDATION

5.1 The Committee is requested to accept this report on the work of the Internal Audit Section in the period from 4 February 2019 to 31 March 2019, comment on the contents in accordance with members' wishes, and support the actions agreed with the relevant service managers.

MANAGING THE RISK OF FRAUD AND CORRUPTION CORPORATE

1. Background

- 1.1 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. The “Risk of Fraud, Bribery and/or Corruption” has been identified as one of the Council’s corporate risks. A report by the Senior Manager – Audit and Risk was presented to Audit and Governance Committee on the 14 February 2019, stated, *“Currently, this is considered to be of a low risk (score of 4) within the context of the Council’s governance framework”*.

2. Purpose and Scope of Audit

- 2.1 A “Fighting Fraud and Corruption Locally” 2016-19 checklist was developed, supported by CIPFA’s¹ Counter Fraud Centre focussing on 34 standards. The Authority’s compliance with each of these standards was reviewed. Activity in relation to each standard was measured using the following scales:

Grade	Definition
Compliant with the checklist	
Compliance to an extent, but additional work needed in order to fully comply	
Failure to comply	
Not applicable	

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor’s assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit’s risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

¹ Chartered Institute of Public Finance and Accountancy

5. Main Findings

- 5.1 The self-assessment against the checklist shows that the Council complies fully with 22 out of the 34 standards, with 12 partially complying.
- 5.2 Several of the standards refer to an Anti-Fraud Team. Gwynedd Council does not have a dedicated Counter Fraud Team, but fraud and investigations will be carried out by the Internal Audit Service. For local authorities with dedicated anti-fraud teams, they have specific work plans for carrying out fraud investigations as well as proactive anti-fraud and prevention work.
- 5.3 The work of conducting fraud investigations in Gwynedd falls on the Internal Audit Service. In the annual audit plan, provision is made for fraud and corruption prevention work together with the National Fraud Initiative exercise. The provision for 2019-20 is 40 days and a 40 day provision has been earmarked for undertaking responsive work.
- 5.4 Due to the fact that Gwynedd Council does not have a dedicated Anti-Fraud Team, this means that it is not possible to comply fully with the 34 standards.
- 5.5 Actions have already been identified for:
- Workshops are held and good practice shared
 - Working together to develop fraud investigations
 - Report to the Audit and Governance Committee on fraud prevention work biannually
 - Raise awareness of fraud across the Council
 - Provide training.
- 5.6 It was seen that the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2019-22 was at present not available to staff on the Policy Centre.

6. Actions

The Senior Manager – Revenue and Risk has committed to implement the following to mitigate the risks highlighted:

- **Ensure that the Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy 2019-22 is made available on the Council's Policy Centre.**

WHISTLEBLOWING POLICY – GWYNEDD SCHOOLS EDUCATION

1. Background

In the Children's Commissioner for Wales' Audit Report on allegations of child sexual abuse in a school (Clywch Inquiry, June 2004), the following was recommended:

"I recommend that the Welsh Assembly Government issues guidance, within 6 months of the Publication of this report, which requires the governors of all schools, whether they be community, voluntary aided, voluntary controlled, foundation or independent schools and further education colleges to have a whistleblowing policy in place and that all teachers and non-teaching staff are informed as to its operation".

In response to the recommendation, the Welsh Government made a commitment to consult on, and publish 'best practice' guidance to assist governing bodies in setting up whistleblowing procedures for all school staff.

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that there were suitable arrangements in place for individuals to raise concerns, without fear of reprisal, discrimination or consequent disadvantage, by checking that a whistleblowing policy had been adopted by the county's schools. In order to achieve this, the audit covered checking that a current policy was in place, that it was readily available, e.g. on the school website, and that it had been formally adopted by the relevant governing body. School workers' awareness of the policy was not verified during this inspection.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects where the arrangements can be tightened to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 A Whistleblowing policy has been devised with the intention of encouraging employees to come forward and to report serious concerns they have about practice, in order to maintain public confidence and to protect the reputation of the Council. The policy is intended to encourage and enable employees to share serious concerns internally rather than choose to seek to resolve things externally.
- 5.2 Gwynedd Council's 'Whistleblowing Policy for School Staff' is based upon the Welsh Government's model policy 'Whistleblowing Procedures in Schools and Exemplar Policy' Welsh Assembly Government Circular December 2007. The Whistleblowing policy is a non-statutory policy for school Governors in accordance with the Welsh Government's requirements. It is not mandatory that schools have a policy in place but it is considered good practice. The importance of having a robust arrangement was reinforced at a Full Council meeting on 7 March 2018, where the Council's Whistleblowing Policy and concern about the protection of 'whistleblowing' workers was discussed.
- 5.3 The establishment of a Whistleblowing Policy should not diminish the commitment of the governing body. The Government's procedures are set out:
"The establishment of a whistle-blowing policy should also not in any way diminish the commitment of the governing body to deal with concerns expressed by individuals other than school staff, i.e. parents, pupils, governors, etc., under its complaints procedure or any other relevant procedures".
- 5.4 During January 2019, the Education Department sent a package of policies to all schools in Gwynedd which included Gwynedd Council's 'Whistleblowing Policy for School Staff' template. The policy is also included within the Education Department Safeguarding Pack. Following this, each Head teacher was contacted by email in order to find out if the Schools had a current policy in place and that it had been formally adopted by the Governing Body, and all staff had easy access to the policy. The results are as follows:
- 5.4.1 101 schools were emailed twice and 77 responded, which is 76%.

	Number of Schools	Number of Responses	Not responded
Primary	86	63	23
Secondary	13	12	1
Special	2	2	0
Total	101	77	24
		76%	24%

- 5.4.2 Of the responses received, 71 Schools provided a version of a whistleblowing policy. The versions received varied in content. 6 schools did not provide a policy.
- 5.4.3 Fifteen schools supplied different policies from the Education Department's latest policy, these included the Education Department's previous policies such as the 'Disclosure Policy/Ring the Bell' School service version 2010 and 2015. The policies were seen to refer to the Council rather than the Governing Body, referring to the Chief Executive as Accountable Officer and reference to posts that now do not exist within the Council. *"This policy applies to all council staff and Contractors carrying out work for the Council on Council premises, such as agency workers or builders; Suppliers and those providing Services under contract with the Council on their own property, such as care homes".*

- 5.4.4 There were some similarities in comparing these policies with the current policy, for example, both refer to the Public Interest Disclosure Act 1998 and refer to 'Public Concern at Work' (PCAW). The Act protects employees from persecution if they make a disclosure. The PCAW is an independent Charity that is now known as 'Protect'. They provide confidential advice to individuals who wish to raise a concern about fraud and other serious misconduct.
- 5.4.5 Not all schools had adopted the latest whistleblowing policy, several schools noted that the adoption of the policy had been placed on the agenda of the next Governors' meeting. For the schools that had already adopted the policy, the minutes were seen to confirm this. However, a small number of schools adopted the policy over three years ago with one adopted in 2013.
- 5.4.6 Although the policy was shared with schools in January 2019, one Secondary School Head teacher stated that they had not received any policy from the Authority. Schools should have received the policy as part of the annual Safeguarding Pack before the latest version is sent out, however it is possible to access Department of Education policies through HWB which is the Education Department's iGwynedd site, which all Head teachers have access to.

6. Actions

The Education Department has committed to implementing the following steps to mitigate the risks highlighted:

- **Re-send a whistleblowing policy template to schools that do not use the current version and for schools that did not respond.**
- **All Head teachers in Gwynedd to receive a copy of the 'Whistle-Blowing Policy-Gwynedd Schools' audit report to that they can act as appropriate to the school.**

EMPLOYMENT STATUS EDUCATION

1. Background

- 1.1 'Employment status' indicates whether an individual is employed or self-employed according to HM Revenue and Customs' definitions in 'IR35: Countering Avoidance in the Provision of Personal Services' legislation. The employment status of an individual has an impact on employer's tax payments and national insurance contributions, and wrong employment status can result in financial penalties by HM Revenue and Customs. An individual's employment status is denoted by considering several factors, and employers can use a 'Check employment status for tax' test on the UK Government's website to evaluate statuses. When conducting an inspection, HMRC looks at the nature of the relationship between employees and the employer rather than looking at an agreement in order to come to an opinion on whether or not the arrangement should be part of IR35.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the Council correctly paid individuals based on their employment status by investigating whether there were any individuals who were paid by invoice who should have actually been on the Council's payroll. In order to achieve this, the audit encompassed checking the general ledger and selecting a sample of payments made to agency or consultant workers and considering the circumstances of the individuals in relation to their employment status.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 The financial ledger was checked for examples of regular payments made to suppliers using the spending codes for 'Client Services'. Payments to one supplier attracted attention, but the system appeared to have ceased, so there was no further investigation. However, recent cases have been investigated below.
- 5.1.1 Consistent payments were found to have been made to one supplier for a period of time. It was seen that a payment by invoice was paid in October 2017 and that regular monthly payments continued until April 2018. It was found that another person had started as an equivalent officer in the Education Department in April 2018 who was on the payroll which suggests that this is a job that should be a part of the payroll system.
- 5.1.2 This person was receiving payments for attending conferences and using the employer's IT resources and materials. IR35 rules indicate that self-employed individuals should be responsible for their own training and materials.
- 5.1.3 It was found that the supplier attached a copy of the result of the employment status check off of the UK Government's website. He stated that he was self-employed and was entitled to send a substitute to carry out work on his behalf. This right is meant to indicate that the company is providing the service rather than the individual. In fact, HMRC would consider the relationship between the employee and the client in an investigation, and the Department would need to prove that the expertise and experience of the individual was not the basis for the service arrangement. It is unlikely that it would be possible to send a seconder at short notice due to the need for special rights for admission to the Council's offices and systems.
- 5.1.4 There were also regular payments to another supplier. However, the number of payments made annually has decreased since 2017 and no payment has been processed since September 2018.
- 5.1.5 There are potential financial implications associated with these decisions, so each of the Council's departments need to be careful and consider the Employment Status rules when staff retire or duties/projects need to be accomplished. Education Officers are responsible for reviewing the way they 'employ' or commission work, and it is their responsibility to ensure that employees' employment status is correct and within the statutory guidance.

6. Actions

The Head of Education has committed to implementing the following steps to mitigate the risks highlighted.

- **Undertake an analysis of staff to identify risks relating to a workforce that is close to retirement to ensure that essential information is kept within the Education Department.**
- **Ensure that employees are part of the staff/payroll where necessary, by implementing IR35 rules when considering paying for future services.**

EMPLOYMENT STATUS GwE

1. Background

- 1.1 'Employment status' indicates whether an individual is employed or self-employed according to HM Revenue and Customs' definitions in 'IR35: Countering Avoidance in the Provision of Personal Services' legislation. The employment status of an individual has an impact on employer's tax payments and national insurance contributions, and wrong employment status can result in financial penalties by HM Revenue and Customs. An individual's employment status is designated by considering several factors and employers can use a 'Check employment status for tax' test on the UK Government's website to check statuses. When conducting an inspection, HMRC looks at the nature of the relationship between employees and the employer rather than an agreement in order to come to the opinion whether or not the arrangement should be part of IR35.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the Council paid individuals correctly based on their employment status by investigating whether there are any individuals who are paid by invoice who should actually be on the Council's payroll. In order to achieve this, the audit covered checking the general ledger and selecting a sample of payments made to agency or consultant workers and considering the circumstances of the individuals in relation to their employment status.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
LIMITED	Although controls are in place, compliance with the controls needs to be improved and / or introduce new controls to reduce the risks to which the service is exposed.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	4
MEDIUM	0
LOW	0

5. Main Findings

- 5.1 The financial ledger was checked for examples of regular payments made to suppliers using the spending codes for 'Client Services'. It was seen that a number of examples of employees receive payments by providing their own invoices or their companies. Many of these employees appear to have the same role as a number of paid GwE staff members.
- 5.1.1 It was seen that there was significant expenditure on 'Agency Staff' for GwE in 2018/19. However, it appears that this expenditure code is used for a variety of different payments (which suggests mis-coding), but a number of regular payments were made to several individuals and companies. There were several examples where employees existed on the job system as a 'Challenge Advisor' but were paid by providing invoices to GwE.
- 5.1.2 According to IR35 rules, self-employed staff should be responsible for preparing and providing their own work materials. Due to the fact that GwE, as the client, provides all the materials such as hardware and computer software, this suggests that the person actually works as a member of staff who should be on the payroll. An example of an inquiry to the Support Services was seen, asking to provide access to the Council's computer systems where a pay number is required to obtain a right of access. Other examples were found where computer hardware was ordered for non-payroll employees. Due to Data Protection concerns, GwE has decided to purchase hardware and software for every individual who undertakes work on their behalf.
- 5.1.3 In addition, there were several examples of employees who invoiced GwE making claims for repayment for attending training and conferences. IR35 suggests that self-employed workers should be responsible for their own training. The client is not expected to fund the training of individuals who are not employed with them as there is an expectation that they are already eligible to do the job. Unless the person only works for this client, which is a sign that he should be on the payroll, then the benefits arising from the training will remain with the individual and not the client.
- 5.1.4 It was found that some of the employees being paid through invoices were responsible for budgets within GwE and also responsible for certifying a number of payments. The management of GwE's budget by a non-member of staff is not good practice. It was also seen that a post had been advertised with a non-payroll worker as the main point of contact and Line Manager for the position. GwE accepts that this is not good practice and that this arrangement has since ceased.
- 5.1.5 The Employer is responsible for reviewing the way they 'employ' or commission work, and their responsibility is to ensure that employees' employment statuses are correct and within the statutory guidance. The findings were shared with GwE and it was agreed to undertake a review of the employment status of self-employed staff in the sample of 12, and GwE suggested that they would also extend the exercise to include all self-employed staff. GwE is already in the process reviewing the sample and have already identified 8 individuals where the employment status needs to be changed.

6. Actions

GwE has committed to implementing the following steps to mitigate the risks highlighted.

- **Undertake an analysis of staff to identify risks relating to a workforce that is close to retirement to ensure that essential information is kept within the Education Department.**
- **Carry out an employment status assessment before considering paying for services from external companies.**
- **Assess the status of GwE's relationship with all current self-employed employees in respect of IR35.**
- **Ensure that employees are part of the staff/payroll where necessary.**

PURCHASING EQUIPMENT THROUGH THE SCHOOL EDUCATION

1. Background

- 1.1 In accordance with normal practice, the Council reclaims the VAT element on school expenditure on goods or services from HM Revenue and Customs. In addition to the school budget that is a part of the Council's accounts, schools have unofficial funds that are not registered for VAT nor are they a part of the Authority's accounts. Such funds are not normally able to recover VAT on purchases made in its own name. However, VAT rules allow schools to avoid VAT on goods closely related to educational supplies.
- 1.2 If the Head teacher is able to justify that the goods are for pupils' educational purposes, then the Council can buy goods and services on behalf of the school and reclaim the VAT, and the unofficial fund of the school will refund the value of the expenditure (without VAT) to the school's budget. As it is the Council purchasing the goods, it is the Council who will also own the goods and not the school fund. In certain circumstances, VAT rules allow the goods to be sold on to pupils in order to save the VAT element, provided that the goods are to be used in class on a regular basis. These include portable musical instruments and devices such as iPads. Sales to teachers and other staff are not included in the VAT saving scheme.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate arrangements were in place for purchasing equipment for pupils throughout the school without the VAT element. In order to achieve this, the audit included reviewing a sample of invoices paid by the Council on behalf of the school's funds and ensuring that the schools had purchased eligible goods. The audit also ensured that schools were aware of the scheme and took advantage of it.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

- 5.1 A sample of recent invoices on the A999 SA98 'suspense' expenditure code were reviewed, which is the code used to pay invoices on behalf of schools with the aim of reclaiming VAT. The same code is also used to receive the refund from the school fund. A range of expenditure was seen, including the purchasing of musical instruments and outdoor activities. The VAT Officer confirmed that all of the expenditure appeared to be appropriate as the expenditure could be justified as being towards the pupils' education and so the schools had saved VAT appropriately and in accordance with the rules.
- 5.2 A ledger report shows that only around half of schools used the A999 SA98 code. Although this suggests that half of the schools may lose out on a method of saving money by unnecessarily paying VAT on expenditure from the unofficial fund, schools have been encouraged by the Education Department's Finance Unit to pay invoices directly from the official budget through the Creditors Unit, and then pay the net element back to the school's budget from the unofficial fund. This is done in order to remind Heads teachers of their ability to avoid VAT and also to avoid the administration work that comes with using the A999 SA98 code.
- 5.3 Following a referral from the Education Department's Finance Unit, an invoice was received from Investec for three iPhones and two iPads purchased through a lease arrangement. The Head teacher of the school confirmed that the phones had been purchased on behalf of staff members, and that the iPads were purchased for two pupils. Assuming that the iPads are, in fact, regularly used by the pupils in the class, then these are in line with VAT rules. However, the VAT Officer confirmed that staff are unable to benefit the VAT saving scheme by purchasing goods for personal use. As the Council pays an invoice for an educational supply on behalf of a school with the intention of saving VAT, the property is owned by the Authority and although the goods can be sold on to the pupils, selling the goods on to members of staff is not considered to be in line with HM Revenue & Customs' rules. The personal use of the phones is subject to VAT, and so it is necessary to calculate this with the cost borne by the customers – namely the staff.
- 5.4 In order to mitigate the risk of other schools entering into such agreements that are contrary to HMRC's rules, it would be considered good practice to circulate the relevant VAT rules to all schools in Gwynedd.

6. Actions

The Finance Unit has committed to implementing the following steps to mitigate the risks highlighted.

- **Circulate VAT arrangements with schools, including VAT avoidance schemes.**
- **Come to an agreement with the staff at Ysgol Rhiwlas in relation to the reimbursement of VAT costs.**

PEST CONTROL ENVIRONMENT

1. Background

- 1.1 The Council provides a responsive pest control service to homes and businesses in Gwynedd as well as a contracted service to internal and external clients. There are four Pest Control Officers/Animal Wardens in the Council's employment and approximately 20% of their time is spent on the statutory dog control service. As a part of the Council's savings plan, it was decided that the service would have to be self-sufficient if the Council was to continue to provide it.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place in order to ensure that the Pest Control service provided an overall effective service. The audit included checking a sample of service requests and ensuring that the Council met the needs of residents and that there were appropriate controls in the financial arrangements in order to ensure that the service was self-sufficient.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.
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4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	1

5. Main Findings

- 5.1 The future of the Pest Control service was the subject of discussion in 2015/16 due to the need for the Council to realize its financial savings. During this time, consideration had been given to abolishing the service all together. However, due to the fact that the service serves not only the Council's departments but also the public, it is believed that it would have been unlikely that savings could have been made in reality. Consequently, it was decided that the Council would continue to provide the service with the intention of generating sufficient income in order to be a self-sufficient service. As of now, it appears as though the service has succeeded in achieving this.

- 5.1.1 There has been an increase of approximately 30% in the number of Pest Control agreements with businesses since 2015. This was achieved following the transferral of the Service over to the Property/Environment Department and an unofficial campaign to target farms following changes in the law that have an impact on the rights to order poisons. The Service has sought to break historical boundaries in which officers operate to make the service more flexible and to share the workload more effectively. Officers are also able to tailor their work programs and the responsive work to prioritize calls and avoid unnecessary travel.
- 5.1.2 Inquiries and applications are received either via Galw Gwynedd or a self-service request on the website. Call details including the type of pest are recorded on the Siebel system, which then sends an automated email to the administrators of the Environmental/Public Protection system. These details are then integrated into the 'Flare' system before being allocated to the Pest Control/Area Officer. A sample of calls was selected that highlighted the fact that the staff at Galw Gwynedd provide a good customer care service by offering the option of receiving a free telephone consultation and free advice as a first step rather than immediately paying for services. Through the self-service system, customers can pay for pest treatment in advance. Occasionally, the Pest Control Officer will conclude that treatment is not suitable or that the customer has identified the wrong type of infestation for example, wasps rather than honey bees, which are only treated in an emergency. This could mean that there is a need to change or adjust invoices or have to arrange a refund to the customer.
- 5.1.3 It is mainly the public's responsibility to report any incidents or indications of pests. This can, at times, be a barrier, especially when the public report incidents that take place on someone else's property where the owners have no intention of acting upon the instance. This makes the situation difficult to resolve until the issue becomes a Public Health or Environmental health issue which then adds the rights of enforcement and can result in a fine to the Public Protection service. In such instances, there have been difficulties with who receives the invoice for any service or treatment. The information protection laws and the steps that are a part of Galw Gwynedd's system and website mean that it is not possible to invoice a person if they themselves have not made the request. As a result, the individual making the call may receive an invoice from the Council.
- 5.1.4 There appears to be a weakness in communication between departments and services due to the number of systems and processes that exist for payments and invoicing. There is no easy way for the Pest Control Service to check whether or not invoices have been paid unless they contact the Income Unit. This can be problematic, especially if an individual is applying for a service but has not paid for the previous service. The Pest Control Service is committed to strengthening this approach by adopting a new system of bringing the work to the service's back office in order to monitor bad debtors. It was seen that there were weaknesses in the order in which customers were invoiced despite the fact that they had already paid through self-service on the website.

The necessary information is not shared effectively and occasionally the Income Unit receives guidance for customer invoices that have already been paid. This is an example of poor customer experience and means that the Income Unit needs to rid themselves of a number of invoices and also submit credit notes. The Service is aware that there is room for improvement in terms of the current arrangements and has already discussed the matter with the Manager of 'Galw Gwynedd' regarding alternative arrangements for some aspects. The Manager of Galw Gwynedd explained that they had a new system in place and that it was hoped that this would contribute to improving the current situation.

- 5.1.5 The financial transactions up to the middle of month twelve of the financial year suggest that the service is going to make a profit for the year and that the objective of being financially self-sufficient can be realized. Although this included internal recharges of £41,409, it can be said that this expenditure would have been higher if Council departments had to pay for services to independent external companies.

6. Actions

The Pest Control Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Find a solution to the problem where customers who have already paid through the self-service section of the website are invoiced.**
- **To update the list of pest control fees on the Council's website.**

LICENSING ARRANGEMENTS ENVIRONMENT

1. Background

- 1.1 Gwynedd Council is the licensing authority under the Licensing Act 2003, the Gambling Act 2005, Hackney Carriage and Private Hire Vehicle Licenses, Drivers and Operators Licenses etc. Licensing Officers are based in Caernarfon and Dolgellau and licensing clinics are held several times a week at Siopau Gwynedd in the 3 areas.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the arrangements in place were adequate and reliable in order to process applications and that license fees were in accordance with industry standards. In order to achieve this, the audit covered auditing arrangements for the preparation, processing, implementing and recording of licenses.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 Adequate internal controls have been found to exist but there is room for further tightening on the areas noted below:
- 5.1.1 A Gambling Policy Statement should be reviewed/updated every 5 years in accordance with the Gambling Act 2005, but there is no Statement in place. A draft Gambling Policy Statement together with the equality assessment was approved by the Central Licensing Committee on 10th September 2018, for adoption by the Full Council. An application has been made to obtain a decision to approve the statement at the next Full Council meeting of 7th March 2019.

- 5.1.2 A sample of 10 invoices for annual fees of licensed premises were selected for inspection. The Non Domestic Rating System was checked to confirm the property band and then the fees list was checked to ensure that the correct amounts were raised. There was one inconsistency in the first sample so a sample of another 10 invoices was selected, another inconsistency was found between the property band with what was being raised which led to a loss of income to the Unit.
- 5.1.3 It is possible for property details to change, such as its rateable value, which may mean that the wrong fee for the band is charged. It was explained that the Unit had recently carried out an exercise to review licensed premises tax bands to ensure that the annual license fees were correct. However, two examples were found where incorrect fees had been raised
- 5.1.4 The Unit is keen to use the recurring billing format for annual property licenses invoices. This arrangement has not yet been established due to circumstances within the Unit but the Public Protection Manager (Environment) is keen that this is set up in the near future.
- 5.1.5 The tender for a new system came to an end in January 2019, with discussions about which system to adopt having started. The 'Civica App' system is currently used for the Public Protection Service including the Licensing Unit but it is hoped that a new system will be able to be used across the Environment Department and possibly for the Consultancy Department.

6. Actions

The Public Protection Manager (Environment) has committed to implementing the following steps to mitigate the risks highlighted.

- **Record the references of all properties from the Non Domestic Rates System and place them against the relevant property on the Licensing Unit's database.**
- **Undertake an exercise to ensure that all properties are on the correct rateable band from the beginning.**
- **Receive reports on a basis to be agreed with the Non Domestic Rates Service so that any changes in the property's rateable value can be checked, and if so, adjust the band so that the correct fee is charged.**
- **Hold discussions with the Income Unit to ensure that annual property licenses invoices are placed as recurring billing on the Debtors System.**

PROPERTY REPAIR AND MAINTENANCE ENVIRONMENT

1. Background

- 1.1 The Property Maintenance Unit is responsible for carrying out maintenance work on Council properties. There are approximately 500 buildings or 1000 sites within the Council's responsibility including centres, schools and offices. In 2017/18, an expenditure of over £2.6 million was seen for property maintenance against a budget of £1.6 million. Around 60 calls for maintenance work are recorded daily and the TechForge system has been used to track these calls since 2018.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place for arranging Gwynedd Council's property maintenance operations. In order to achieve this, the audit covered checking arrangements in place for receiving, recording, updating and allocating maintenance work, along with the paying of invoices and performance monitoring arrangements, including the budget to ensure that the service is operating effectively, efficiently and in an appropriate manner. For the purpose of the audit, 17/18 Telecare maintenance work was exempted.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	3
LOW	2

5. Main Findings

- 5.1 The Property Maintenance Unit's arrangements for the recording, allocating, monitoring and invoicing payment for property maintenance work were reviewed. The findings are as follows:

- 5.1.1 The Service adopted a system called TechForge (TF) in 2018 in order to record and monitor calls for the daily maintenance work. However, it was seen that the process of transferring the data from the old system, K2 to the new system (TF) caused a few problems. It was reported that over 2,600 calls on the system still appeared as being 'open', but the Maintenance and Energy Conservation Manager explained that 1,500 of these had been transferred over from K2 and that many of these were not actually 'open' or over their deadline, but were completed. It was agreed that this was a barrier for identifying and monitoring the correct statistics for the number of calls actually 'open', however arrangements to solve the problem are underway.
- 5.1.2 A report of calls completed from 2017 up to the second quarter of 2018 was obtained, and it can be reported that requests were found to be implemented 'as soon as possible'. It was seen that work is being completed promptly, with the performance measurement data showing at the time (in days) it took to respond to maintenance request was 8/9 days.
- 5.1.3 A sample of invoices was selected and these were agreed back to the TF system. From the sample that was checked, it was found that the payment of invoices was prompt and it took on average 21 days to pay invoices from July 2018 onwards. 4/10 invoices with a completion date were successfully agreed back to the date stated on the TF system. There were 7/10 without a completion date, but the work appeared to have been completed before the invoice date. It was explained that the calls are closed once instructions for work are despatched for external organizations, known as the work 'arranged on behalf'. For the rest of the work raised on the system, complete trust is placed on the contractors to inform the Unit of when work has been completed by dating the invoices without any further monitoring.
- 5.1.4 It was found that there were appropriate arrangements in place for allocating work to contractors. A sample of contractors that received high amounts of work was selected and checked and it was confirmed that the contractors had either acquired the work through the framework or competitively in terms of the selection/delivery of value for money as appropriate.
- 5.1.5 An audit trail was found to exist on the TF system, and any changes/modifications could be inspected further for each of the calls/records. However, it was reported that the Unit decided, on the principles of 'Ffordd Gwynedd', that they were not going to implement segregations of duties within their processes – i.e. for creating calls, allocating work, monitoring and modifying work on TF. In addition, the same officer has the right to pay invoices. The Maintenance and Energy Conservation Manager explained that they are aware of the related risks, however accept the risks under the principles of 'Ffordd Gwynedd'. It was confirmed however that the process has since been reviewed introducing one difference, which is to ensure that only officials with 'admin' rights on TF can set up new contractors on the system to be paid.
- 5.1.6 A sample of duplicate invoices raised in 2017/18 were checked. It was recognised that there is a risk of duplicating payments where invoices are manually processed, and where the invoices are not referred back to the instructions and recorded on TF. The Maintenance and Energy Conservation Manager explained that the Unit is striving to restrict the invoice payment procedure so that they are only processed and paid through TF interface in the future to avoid the risk of duplicate payments.

- 5.1.7 The main performance indicators were seen in section 4 of the contractor's framework agreement. However, it was reported that the Unit does not monitor the performance of contractors. The Service relies on customer feedback to confirm the condition and completion of any work, with the Maintenance and Energy Conservation Manager commenting that he is confident that customers would inform the department if the work was not of a good standard.

6. Actions

The Maintenance and Energy Conservation Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Ensure that status of the calls transferred from the old system to the new system are correct to ensure that the manager can use the TF system to monitor the status of the calls and conduct regular performance reviews on the department's and contractor's work as necessary.**
- **Ensure that all invoices are only processed through the TF interface in the future rather than processing invoices by hand.**
- **Review the monitoring arrangements of the contractors' main performance indicators and ensure that performance measurements and any associated penalties are highlighted on the framework agreement and implemented as necessary.**

EMPLOYER CONTRIBUTIONS FINANCE

1. Background

1.1 The Gwynedd Pension Fund is part of the Local Government Pension Scheme. The Fund, which has 48 organisations as members, is administered by Gwynedd Council's Pensions Service. The organisations are split into 3 categories:

- **Bodies on the schedule:** Organisations such as Local Authorities where members are entitled to be members of the Fund.
- **Designated bodies:** City / Town / Community Councils that have the right to decide whether their employees can join the Fund.
- **Approved bodies:** Other organisations participating in the Fund under an access agreement between the fund and the organisation. They include voluntary, charitable and similar organisations or private contractors who undertake a local authority function once the function is outsourced to the private sector.

Staff of the organisations pay a certain percentage of their monthly salary and any relevant additions to their employer, and employers also make a contribution.

2. Purpose and Scope of Audit

2.1 The purpose of the audit was to ensure that the contributions made to the Pension Fund by the organisations were accurate and accepted within the agreed timescale. In order to achieve this, the audit included selecting a sample of organisations, visiting and checking their arrangements, checking the contributions of a sample of their employees and also the employer's contributions.

3. Audit Level of Assurance

3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	1

5. Main Findings

- 5.1 A sample of 15 organisations was selected in order to check their arrangements and contributions to the Pension Fund. It appeared as though the contributions were generally calculated correctly and that there was effective communication between the organisations and the Pensions Service.
- 5.2 There was variation in how employee contributions were calculated by the organisations. Some based the contribution on the employees' total pay for the previous year while others set them based on the expected total of the current year or on the total for the relevant month. This flexibility helps employers to place their employees on the right rate bands. Many employees within the larger organisations receive additional pensionable payments such as overtime and on-call pay which vary from month to month and year to year. As a result, the previous year approach is effective in avoiding additional work and ensuring adequate contributions.
- 5.3 Salary sacrifice schemes, such as childcare schemes, are offered by a number of organizations and there is a need to ensure that the contributions are calculated correctly as some elements need to be included in the pensionable total for calculation, whilst other elements do not. An example was seen where the employee's contribution was based on the total salary after deducting the amount on childcare vouchers rather than based on the gross amount.
- 5.4 It was seen that additional payments for First Aid were not included in calculating the pension contribution in some of the organizations.
- 5.5 The Gwynedd Pension Service is keen for all organisations to commit to adopting the i-Connect system in order to present information electronically on a monthly basis rather than the historical procedure of submitting an annual report in order to note any changes within the organisation in relation to employees and contributions towards the Pension Fund. The organisations were asked about the new system and the response was generally positive, although some organisations had noted that it was quite complex and inflexible when trying to transfer details and present information within specified timescales. Of course, the process is more time consuming and slower for organisations that employ more workers but it is hoped that much of the transfer work will be completed within the next year. This is a priority for the Pensions Service and it is hoped that the restructuring of staff will help them to carry out this work.
- 5.6 Regular training is provided by the Pension Fund but it appears that the person responsible for implementing the salaries and pensions in the organisations does not attend at all occasions. This may mean that new rules are not being implemented correctly and that contributions are incorrectly calculated by some of the organisations.

6. Actions

The Pensions Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Liaise with the organisations to ensure that any errors in calculating the contributions that emerged during the Audit are corrected.**
- **Provide employers with a leaflet informing them and reminding them of the correct guidelines when calculating pension contributions for their employees.**
- **Establish a regular procedure to visit the largest organizations within the Fund every 3/6 months.**

BENEFITS SYSTEM – REVIEW OF KEY CONTROLS FINANCE

1. Background

- 1.1 The Auditor General for Wales Code of Audit Practice May 2018 states that the Authority's auditors in conducting their audit of the Council's accounts will rely, where possible on the work of internal audit (and others). The Benefit System is regarded as an 'important financial system' and therefore an annual review is carried out on the system's key controls.
- 1.2 The Benefit Service will process claims for housing benefit and council tax reductions claims when an applicant submits an application to claim housing benefit and/or a council tax reduction together with appropriate evidence, including confirmation that they are short of income and unable to afford the rent and/or the cost of council tax.
- 1.3 Universal Credit is being introduced in Gwynedd during 2018/19 for new applications and changes in circumstances for people of working age, and the benefits arrangements will change. Universal Credit will replace six benefits – housing benefit, child tax credit, income support, employment and support allowance or jobseekers allowance. An application for Universal Credit can only be submitted on the internet and payments will be made on a monthly basis. All applications under the Council Tax Reduction Scheme will continue to be administered by the Benefit Service.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate arrangements were in place for the assessment and processing of benefit claims, that the benefit system accurately calculates the benefit amounts and is paid in a timely manner. Confirm that appropriate reconciliations is undertaken, review the performance management arrangements for the Unit and check that appropriate reconciliations is carried out, review the performance management arrangements for the Unit and check that adequate data protection arrangements are in place.
- 2.2 For the Financial year 2018-19, examine a sample of benefit applications to ensure that appropriate assessments are carried out. Check that reconciliations are carried out and that benefit payments are calculated and paid in a correct and timely manner. Assess the performance status of the Service in relation to implementing benefit applications and notifications and check that the benefit system is being managed effectively and that all data is appropriately safeguarded.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1.1 Strong internal Controls were seen to exist within the administration arrangements for the benefits system.
- 4.1.2 A random sample of 30 new applications was selected from the report 'hb7243a' by ensuring a risk score was recorded and that they were correctly calculated and paid in a timely manner. In addition, a sample of 15 extended payments and backdating applications were checked and found to be correct and in accordance with current regulations.
- 4.1.3 It was observed that benefits reconciliations were carried out on a regular basis and it was proved that the system agreed with the amounts that were paid.
- 4.1.4 The benefits system's parameters were checked to ensure that the rates have been correctly set in accordance with the latest benefit rates publications published by the Department for Work and Pensions and the Council Tax Reduction Schemes Regulations for calculating council tax reductions. The details appear to have been entered correctly.
- 4.1.5 The unit's performance statistics were checked for the average number of days taken to process a new benefit application and to process change of circumstances notice. Gwynedd's performance has fallen since last year, however, when comparing performance against Wales and Britain as a whole it appears to be comparably good (see table below).

<u>Gwynedd</u>	Yearly figures 2017/18	Q1 Figures 2018/19	Q2 Figures 2018/19
Processing new claims (days)	18	18	21
Processing change of circumstances (days)	7	5	7

	Q2 Figures 2018/19		
	Gwynedd	Wales	Britain
Processing new claims (days)	21	21	22
Processing change of circumstances (days)	7	7	8

DISPOSAL OF IT EQUIPMENT FINANCE

1. Background

- 1.1 The Council owns over 4,000 types of IT equipment including laptops, computers, tablets and thin clients. It is estimated that around 1,200 of these are disposed of annually as they are either old or no longer in use. It is the Council's duty as an organisation that uses electronic equipment to ensure that it complies with the WEEE's (Waste Electrical and Electronic Equipment) regulations that came into effect in January 2013. These regulations are intended to encourage recycling and to ensure that equipment is disposed of in a way that is safe for the environment. The Council is required to maintain proof that its equipment has been disposed by a waste management company and that the equipment was handled and disposed of in a way that is safe for the environment.
- 1.2 Additionally, it is the Council's responsibility to ensure that it complies with the Data Protection Act and protect any data in its possession that may be of a personal or sensitive nature. It must therefore ensure that any data is removed from the device prior to their disposal.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place for the disposal of the Council's computer equipment as well as to ensure that they were disposed of in a safe and legal manner. In order to achieve this, the audit included checking that relevant guidelines were in place, ensuring that up-to-date asset registers existed, examining their procedures and receiving assurance that the Council was operating under appropriate arrangements when disposing of IT equipment.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 The Information Technology Department's arrangements for the disposal of IT equipment were reviewed by following and observing their procedures and processes as well as receiving evidence of the recording, collection, retention and disposal of IT equipment. It was also checked whether appropriate arrangements were in place for the destruction of data on the devices. The following was discovered:
- 5.1.1 Formal guidance are in place containing information on how to properly dispose of various types of IT equipment in compliance with WEEE regulations. It was found that arrangements are in place for the disposal of various electrical appliances depending on whether they are applicable to WEEE regulations or not. It was discovered that for each method, equipment is recycled during the process or is destroyed in an appropriate manner.
 - 5.1.2 The collection process for old and unused IT equipment was observed and it was found that there were effective and appropriate arrangements in place. Everything is monitored and updated on the 'TopDesk' system either manually or automatically when a device's operating time comes to an end. Once a device is recycled or destroyed, its details are archived on 'TopDesk' where they can easily be tracked by inputting the device's serial number.
 - 5.1.3 It was found that there was no cost to the Council for using an external company to dispose of IT equipment. The department used competitive methods to search for an external company to dispose of their equipment.
 - 5.1.4 Any information or data that remains on any device is erased by the company. An appropriate ISO certificate for the company was seen and individual reports as well as monthly summaries are provided for each device reporting the status and success of each separate job. Following a review of the report, one piece of equipment appeared to not have been successfully erased but the department was unable to receive robust assurance from the disposal company that the specific device had been properly disposed of.
 - 5.1.5 A sample of 13 items of equipment disposed of during 2018/19 were checked, 9 of these selected from the asset register and 4 from the disposal certificates provided by the external company. For the sample that was checked, the certificates were reconciled back to the asset register and 4 out of 9 from the asset register to the certificates. It was found that for the remaining 5 samples their statuses appeared to have been updated on 'TopDesk', however their certificates were not available at the time of the review as the sample had only recently been disposed of and it takes up to a month before the Council to receive the related disposal certificates. Therefore, it was confirmed that the Council received confirmation from the company that 8 out of 13 items of equipment were appropriately disposed of.

5.1.6 The asset register is updated on a monthly basis in order to ensure that the register is up to date. The register is created in the form of an Excel spreadsheet that is also used to monitor and reconcile the equipment within the storage room, and to confirm that everything matches the summary reports of the external company. A sample of 10 items were chosen at random to ensure that the asset register is updated correctly and is complete, and that it was possible to agree the stock back to the storage room. 5 of the sample were chosen from the current asset register (January 2019) and 5 were chosen from the equipment in the storage room. It was found that 4 out of 5 of the selected sample were located in the storage room in agreement with the asset register. However, it was not possible to locate 1 of the sample and it appeared to have been missing. In the same way, 5 items were selected at random from the storage room and reconciled back to the asset register. It was seen that 4 of these matched the asset register, with one of the spaces on the register left blank where supposed the serial number of the device in question should have been recorded.

6. Actions

The Desktop Engineer has committed to implementing the following steps to mitigate the risks highlighted.

- **Receive confirmation from the external company that when a device appears as 'failed' on an 'erasure summary report' it is inspected in order to receive robust assurance that the device has been disposed of appropriately.**
- **Ensure that each device that is re-located/moved from the storage room is recorded or updated on the asset register in order to be able to locate the devices and ensure that they are not lost.**

CYBERSECURITY FINANCE

1. Background

- 1.1 Cyber Security is the practice of protecting and securing networks, computers, programs and data from attacks, damage or unauthorized access through processes and practices designed to reduce cyber risk and to protect information assets. Cyber-attacks can come from a malicious anonymous entity, accidental loss or hackers.

2. Scope and Purpose of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place for managing, preventing, detecting and responding to cyber risk. To achieve this, the audit encompassed reviewing procedures for safeguarding the Council's network against cyber security breaches, including staff awareness training, secure configuration, network security, IT security policies and procedures that control user access.

3. Audit Level of Assurance

- 3.1 The Controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are Controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Risk Score

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 Gwynedd Council's PSN connection compliance certificate was seen to be valid from 6 March 2019 to 6 March 2020. This certificate allows the Council to access the Public Services Network. Several public bodies in the UK, accredited by the Government are connected to the PSN. It is a platform that is protected and managed by the Government and its purpose is to enable the public bodies to share data securely. Whilst meeting this standard is important, the PSN website states: 'PSN compliance is not a way to deliver security across your business. Directing your resources towards simply meeting our requirements is no substitute for engaging in ongoing risk assessment, management and mitigation across your business.'

The Council is also in the process of applying for 'Cyber Essentials Plus'. The relevant self-assessment questionnaire has been completed by different Council departments and when submitted, an external accreditation body will conduct a visit to ensure the standards are adequate.

- 5.2 Several risks were highlighted during an audit conducted by Sec-1 which are a network security company offering IT audit and testing services to the Council. A Remediation Plan was submitted to PSN as part of the application for the PSN connection compliance certificate for 2019/20. Contained within this document are the steps the Council will take to mitigate the risk of high impact vulnerabilities highlighted in the 'IT Health Check' undertaken in December 2018. Appropriate steps are in place or have been taken regarding 14 out of 14 of the significant risks.
- 5.3 A baseline has been set in terms of the Council's operating systems. Microsoft's supported version of Windows 7 is the oldest operating system used on computers with plans for all computers to be upgraded to Windows 10 by January 2020. The situation is similar in respect to the Council's servers, with all systems using supported versions of Windows or Linux. Windows Server 2008 (which is used by some of the Council's servers) will stop being supported by Microsoft on 14 January 2020. There are plans to upgrade most relevant operating systems by this date. Funding has been designated to secure extended support by Microsoft for some servers that might remain on Windows 2008 after January 2020 if necessary. Passcodes and PINs for laptops and tablets are generated by IT based on specific unique parameters. The user has the right to change these codes when they receive the device.
- 5.4 User account controls were seen to control staff access to the web. 'Smoothwall' is the system used to achieve this. Each website is categorized such as 'news', 'gambling', 'sport' etc. and some categories are 'blacklisted'. It is possible for staff to access some of the websites by being accepted by the Security Engineer to one of the lists of staff with exceptions for specific categories. Strong controls are also in place for staff permissions to download and install software. Staff can download PDF documents etc. but do not have permission to download and install software other than apps from the Microsoft Store pre-approved by the IT department.
- 5.5 Staff user accounts are deleted on midnight the day their pay ends, based on the payroll system. This ensures that core staff will not have access to the Council's network after their employment has ended. Individuals who use the council's systems but are not employed by the council have their accounts closed every 3 months and an application is made to the IT department to enable the account. This ensures that accounts do not remain open for a long period after the need for the accounts has expired. The accounts of a sample of staff who had terminated their employment with the Council in February 2019 was checked and all accounts had been closed. Password settings for users were seen to be appropriate. Passwords must be 12 characters long, there are no restrictions on password age and the 'Store passwords using reversible encryption' option is disabled.
- 5.6 Policies relating to the Council's cyber security (E-mail and Internet Use Policy, Information Security, Disposal of Confidential Waste Policy, Encryption Policy and Data Breach Reporting Policy) were checked. All policies contained the appropriate information and were up to date.

- 5.7 The policies that the Council has in place (noted in paragraph 5.6) are available to Council Staff on the 'Policy Centre' within the Council's intranet. However, there are no controls to restrict access to the Council's network for staff who have not read and accepted the relevant policies. The risk that staff do not read and accept the Council's statutory policies has already been highlighted in the report for the General Data Protection Regulation 2018/19 audit. Responsibility for the implementation was accepted by Corporate Support to 'consider the options for how to ensure that all staff complete statutory training together with the Council's policies'.
- 5.8 A 'phishing' exercise was conducted by the IT service in May 2017 by sending a fake promotional email to over 200 Council staff asking for login details to their Amazon accounts. Email addresses were seized but the Amazon passwords of the individuals who had responded to the fake e-mail were not held. The email contained a link to a website that was hosted on a server that was set up internally. The Team Leader – Networks, Servers, Applications and Security stated that very few responses were received to the feedback email sent to the individuals following the exercise. Despite the concerning result, no further, similar exercises have been conducted to monitor the situation and train/raise staff awareness of cyber security. An IT bulletin email was sent to all staff on 18 October 2018 reminding them of the expected quality of passwords and other cyber security issues.
- 5.9 The Team Leader – Networks, Servers, Applications and Security stated that 12 videos highlighting the cyber risks to staff had been commissioned and since completed. These will be made available to staff when the dedicated IT intranet site is completed.
- 5.10 The current corporate risk register was checked and no cyber safety issue was highlighted in the document. Unless cyber security risks are recorded in the corporate risk register, there will be no emphasis on having adequate controls in place to ensure that the cyber aspects of the Council are safeguarded appropriately.

6. Actions

The IT service and the Corporate Support department are committed to implementing the following steps to mitigate the risks highlighted:

- **Conduct training for staff and raise their cyber security risk awareness.**
- **Ensure that cyber security risks relevant to the Council corporately are noted in the corporate risk register.**

IT DISASTER RECOVERY FINANCE

1. Background

- 1.1 IT disaster recovery has been developed as IT Managers begin to acknowledge dependency on their establishment's IT system. The disaster recovery plan is a process or series of procedures documented to recover and protect IT business foundations in case of disasters. The plan is usually documented in writing, a set of prescribed procedures that the establishment will follow if a disaster happens.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that appropriate IT disaster recovery arrangements are in place and to evaluate the effectiveness of the processes and controls related to managing IT disaster recovery. To accomplish this, the audit involved checking that a complete and relevant plan is in place, contains accurate information and responsibilities, checking the backup arrangements and ensure that sufficient insurance arrangements are in place.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	0

5. Main Findings

- 5.1 Following the loss of systems on the 21st of July 2018, the IT Service has continued to improve its system's resilience and are confident that if a similar disaster were to happen in the future, it will not affect users in the same way. Maintenance on the data centre's air conditioning system was undertaken in November 2018 with new units installed. In addition, a plan is in place to change the Council's system's structure from 'active-passive' to 'active-active' by 2020, so that the processing of the safety profile are distributed amongst all cluster units rather than one primary unit that processes communication sessions with one or more sub-units.

- 5.2 Backup arrangements were checked and it was seen that appropriate arrangements are in place. It was found that the backup arrangements are implemented regularly on each system. A copy of the backup is taken from each system to a disk in Headquarters and a copy separately in a different location. The Cloud Team monitor copies of the backup for any failures and receive an email from *Commvault* on the backup status of each system. It is also possible for the IT Service to view the screen on the *Commvault* or *VMware* system that gives a quick overview of when the last backup copy was undertaken. In addition, appropriate monitoring was seen for defects in the server room at Headquarters and for the backup server. The Environmental Control's system was seen maintained on a regular basis and the room tested on many levels to prove that the controls are operating correctly and wholly e.g. responds to smoke, testing the alarms and sensors and the operation of the Argon and Nitrogen (IGSS²) gas.
- 5.3 Although some good internal controls on the backup arrangements were seen, it was found that because of hardware problems and difficulties over the last two years, the last testing on the recovery from backup on the systems for RAISE and Payroll was last undertaken in 2016. Although the IT systems were shut down and restarted successfully by installing a new air-conditioning system in July 2018, there is a danger that the disaster recovery arrangements are unsuitable if they cannot regularly conduct realistic tests.
- 5.4 It was checked whether a disaster recovery plan was in place and it was seen that there was no corporate structure and rules formally documented and recorded to manage and recover an IT disaster and to ensure the Council's business continuity. Without a clearly defined plan for the worst possible scenarios or any documents containing corporate information/instructions of critical and priority recovery of systems, it is likely to cause a delay in the IT disaster recovery arrangement as a result fail to provide effective systems.
- 5.5 It was found that the recovery of the Caernarfon Data Centre DC1 had been documented, which include rules to follow on how to restart or shut down the main centre in Caernarfon. However, no recovery rules were seen formally documented for the back-up data centre.

6. Actions

The IT Service has committed to implementing the following steps to mitigate the risks highlighted.

- **Prioritize departmental/corporate IT systems to be included in disaster recovery arrangements which is implemented by the IT service.**
- **Incorporate the prioritisation regime that has been undertaken by the Panel to create a corporate IT disaster recovery plan and the Council's business continuity plan.**
- **Carry out regular testing on the corporate disaster recovery and the business continuity plan and also the backup data and record any lessons learnt.**
- **Ensure that recovery guidelines have been documented for the back-up data centre.**

² Inert Gas Suppression System

EMPLOYMENT STATUS ECONOMY AND COMMUNITY

1. Background

- 1.1 'Employment status' indicates whether an individual is employed or self-employed according to HM Revenue and Customs' definitions in 'IR35: Countering Avoidance in the Provision of Personal Services' legislation. The employment status of an individual has an impact on employer's tax payments and national insurance contributions, and wrong employment status can result in financial penalties by HM Revenue and Customs. An individual's employment status is selected by considering several factors, and employers can use a 'Check employment status for tax' test on the UK Government's website to evaluate statuses. When conducting an inspection, HMRC looks at the nature of the relationship between employees and the employer rather than looking at an agreement in order to come to an opinion on whether or not the arrangement should be part of IR35.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the Council correctly paid individuals based on their employment status by investigating whether there were any individuals who were paid by invoice who should have actually been on the Council's payroll. In order to achieve this, the audit included checking the general ledger and selecting a sample of payments made to workers and considering the circumstances of the individuals in relation to their employment status.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 The financial ledger was checked for examples of regular payments made to suppliers by checking the Economy and Community department's expenditure across all supplier and service codes. A number of suppliers were selected where, at first glance, the data suggested that their employment status may be wrong.
- 4.1.1 Six different individuals who received regular payments over a period of time through the use of invoices were selected and investigated. This was done by examining the invoices to see the amount being claimed and then discussions were held with the relevant Managers to establish the background, responsibilities, expectations and terms of work of the individuals to establish the nature of the relationship between the supplier and the Council.

4.1.2 Whilst investigating these relationship, it was concluded that the current arrangements were appropriate and that there was insufficient justification for the need to transfer the individuals to the payroll. It was therefore concluded that the payments made to the suppliers by invoice were valid. During the audit, an example of a Manager undertaking an employment status check on a supplier prior to appointment was seen, and that the overall awareness of employment status was appropriate.

**CAERNARFON WATERFRONT AND TOWN CENTRE REGENERATION INITIATIVE -
GOVERNANCE ARRANGEMENTS
ECONOMY AND COMMUNITY**

1. Background

- 1.1 A bid for ERDF grant funding to the Welsh Government for a Caernarfon project between March 2016 and December 2020 has been successful. It is part of Visit Wales' Tourist Attractor Destinations (TAD) scheme. The project includes a train station, Galeri 2, the waterfront environment: entrances and connections, and project management. It is noted in the Council's contracts with project partners that Gwynedd Council will accept the grant conditions on behalf of the parties. Gwynedd Council will be accountable to the Welsh government if any of the parties do not comply with the conditions of the grant.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that suitable arrangements were in place to govern the Caernarfon Waterfront and Town Centre Regeneration Initiative. In order to achieve this, the audit encompassed reviewing the controls in place to mitigate the risks relating to the management and governance of the project as well as the documentation produced to support / document the Initiative's reasons.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 It was seen that a clear structure had been established for the project with several information streams from the partners feeding into the Project Board which included representatives from each of the stakeholders. A sample of the minutes and agendas of the Project Board meetings held were reviewed as well as the minutes of the individual project partners' progress meetings. It was seen that there was regular communication and that the information pathways were operating appropriately. The Caernarfon Waterfront Project Manager (Project Manager) was responsible for representing the Council at the partners' meetings and reporting back to the Project Board.
- 4.2 Contracts were reviewed between the Council and the individual partners. It was seen that the contents of the contracts between Gwynedd Council and the 3 entities included the same information. The agreements included the conditions that Gwynedd Council (Principal Sponsor) and other entities (Parties) must meet to ensure that the project receives European / Welsh Government funding through WEFO. Each agreement was signed and sealed on behalf of the Council by a Senior Solicitor who has the authority to do so. Signatures were also seen from appropriate partners from the partners for the 3 contracts.

- 4.3 A business plan was submitted to the Welsh Government as part of the project bid. From the Decision Notice, it was seen that the plan had been approved by the Leader of the Council, that the Head of Finance had been consulted and that a statement had been made.
- 4.4 As most aspects of the different projects are not dependent on each other, there was no timetable for the project. As the timescales created for the individual projects were so detailed, it would be difficult to include all the information in a manageable document.
- 4.5 It was seen that budgets had been set for the project. There were live spreadsheets of these and these are completed monthly and monitored. Through monitoring and planning, it was found that one of the projects was likely to be underspend and it was decided to apply for a budget adjustment. The discussions that followed were reviewed and it was seen that they were appropriate for this application and confirmation was received from WEFO on 06/03/2018 stating 'So in relation to the Gwynedd project we are content for the changes proposed by the joint Beneficiary in the email dated 7th February 2018...'
- 4.6 Claim 9, June 2018 was selected to be reviewed as a sample. It was seen that appropriate claims had been sent by the partners including invoices, bank evidence and certified TR27b forms. It was seen that lists of orders had been included by the partners. All the information for the application sent to the Welsh Government was collated. It was seen that the form had been completed correctly and that an appropriate officer had signed it as a designated officer on behalf of the Head of Finance.
- 4.7 It was seen that an effective risk register was maintained for the project. A record of risk status ('close' or 'open'), recording and review dates, mitigation and risk rating is maintained. The risk register was detailed and regularly reviewed. However, the Project Manager noted that no lessons learned register was being maintained for the project. There is no purposeful record of what lessons are learned from risk and mitigation. The Project Manager agreed that such a register should be kept and stated that he would be happy to develop one for the project and keep it up to date.

ON-CALL AND EMERGENCY ARRANGEMENTS CHILDREN AND SUPPORTING FAMILIES

1. Background

- 1.1 The service workers are based at Hergest Unit, Ysbyty Gwynedd and are responsible for providing a service to Gwynedd and Anglesey residents in emergencies. The service is available to the public outside normal office hours – including evenings, weekends and public holidays. There are 6 full time members in the Out of Hours team, namely, the Manager and five Social Workers, in addition there are two locums from Anglesey and three locums already working for Gwynedd Council who work occasional hours for the service.

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that the Service's administration and staffing arrangements were adequate. In addition, it is intended to ensure that the procedure for claiming overtime hours is accurate and fair and that the hours worked comply with statutory requirements/legislation, and that arrangements are in place for the protection of the public and employees. To achieve this, the audit covered the verification of employment agreements, employees' salaries and timesheets, their qualifications/training and any relevant risk assessments.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	1

5. Main Findings

- 5.1 It was observed that adequate internal controls were in place but there was scope to further tighten the areas elaborated on below:

- 5.1.1 The officers' timesheets were checked against the rota. A shift commences at 4:30p.m. but it was seen that one officer recorded that she was starting her shifts at 4:00p.m. It was seen from the sample of timesheets that this officer received a salary for this additional half hour on each occasion seen, although it is not a significant amount her shift does not start until 4:30p.m. and there is a need to ensure consistency across the employees. The Manager was informed of this and it was explained that some workers start working sooner in order to plan, read the log, reports etc., not all locums are able to do this, the Manager tries to be flexible with them.
- 5.1.2 In accordance with the 'working time directive', on average workers should not work more than 48 hours per week, usually calculated over a period of 17 weeks. It is possible to opt out in writing if you want to work more than 48 hours a week, but none of the workers appeared to have opted out. Five different periods of 17 weeks were checked between April 2018 and January 2019 and one case was seen where a full-time officer had worked 48.54 hours on average over 17 weeks. It should be noted that these calculations are estimates as absences such as sickness, annual leave, maternity, paternity etc. need to be considered. Any time that the individual has been away from work during the 17 weeks should be added at the end of the period in order to find the correct figures.
- 5.1.3 It was noted that there was a significant overspend in the pay heading of the service workers, it was explained that this had been out of the Services hands as a member of the team had been away with a long term illness. In his absence another officer was employed to the team, this involved additional costs on top of the costs associated with the long term absent officer.
- 5.1.4 The 'Adult Workforce (Advanced)' disclosure of one casual member of staff (locum) had expired in December 2018 and she is currently at Stage 1 of the process of obtaining a 'Children and Adults Workforce (Advanced)' disclosure, this means that they do not have an up to date disclosure. The Manager was aware of this and has informed her that she cannot work until she has an up to date disclosure. The Payroll System was checked and it was seen that the individual has not received a salary since December 2018.

6. Actions

The Out of Hours Team Manager has committed to implementing the following steps to mitigate the risks highlighted.

- **Reminding staff of the need to complete and submit the documents that are relevant to their DBS and monitor their status.**
- **Periodically undertake reviews to ensure that no team member works more than 48 hours per week (on average).**

DIRECTOR OF SOCIAL SERVICES ANNUAL REPORT CORPORATE

1. Background

- 1.1 The purpose of the Director of Social Service's Annual Report is to share information on Social Services performance and effectiveness. It is an overview summarising the main points and activity, together with an outline of improvements and priorities that will require attention over the year 2018/19. At the end of each financial year, all Statutory Directors of Social Services are required to prepare and publish a report on Social Service's duties within the authority over the previous year. The report sets out how Gwynedd Council has achieved against the six quality of well-being standards as set out within the Social Services and well-being (Wales) Act 2014.

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that the procedures followed in preparing the Social Services Annual Report complies with legislations, based on good practice and offers a clear process for gathering evidence. In order to achieve this, the audit covered the review of the Director of Social Service's Annual Report to ensure that the report is in the form prescribed in the Local Authority Social Service's Annual Reports (form prescribed) (Wales) 2017 and that supporting evidence is available to support performance measures.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.

4. Main Findings

- 4.1 Audit tests were undertaken on the Director of Social Service's Annual Report and it was observed that there were strong internal controls in the preparation of the report and that the procedure followed in preparing it complied with the law.
- 4.2 The 'Local Authority Social Services Annual Regulations 2017' were published pursuant to the Social Services and Well-being (Wales) Act 2014, which provides guidance on what is expected in the Annual Report. The regulations are based on the premise of preparing an annual report within headings with the most significant part consistent with the national quality for well-being. The correct headings were found to be included in the report and therefore compliant with the legislation.

- 4.3 Point 88 (page 18) of the Code of Practice Part 8 (Social Services functions) which is part of the Social-Services and Well-being Act (2014) states that “The Director of Social Services should ensure that an annual report is not too long and is written in a clear and concise manner”. The format of the report was found to be acceptable as it was in line with the corporate image, including various drawings, colours and graphs to attract the reader’s attention. In addition, the spelling throughout the report was found to be accurate and in accordance with the law as it was written in a clear and concise manner.
- 4.4 The Report was also seen to be published in a timely manner after the financial year and is available on the Local Authority’s website that is easily accessible to the public.
- 4.5 Supporting evidence was seen available to support the report’s content and performance measures.

CHILDREN – OUT OF COUNTY PLACEMENTS CHILDREN AND FAMILY SUPPORT

1. Background

- 1.1 The decision to place a child in residential care outside of the County is one that is made based on an assessment of the child or young person's complex needs, where their provision could not be locally accommodated for in foster care nor a normal residential unit. Decisions regarding the most suitable placement are made at a multi-agency statutory Panel. The services available to children in Gwynedd Council were inspected by Care Inspectorate Wales in May 2018, which included residential care and out of area placements. During the inspection it was concluded that the arrangements in place were positive.

2. Purpose and Scope of Audit

- 2.1 The purpose of the audit was to ensure that the governance and administration of out of county residential placements were appropriate. This was done by reviewing the Council's arrangements regarding how they meet the needs of everyone involved in the case as well as contract letting and monitoring arrangements.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects of the arrangements that need tightening to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	1
LOW	1

5. Main Findings

- 5.1 Services for children within Gwynedd Council were inspected by Care Inspectorate Wales during May 2018 which included residential care and out of area placements. Part 3.12 of their report (dated August 2018) expressed the following:

"The decision to place a child away from their home authority was based on a thorough assessment and analysis of the child's needs. We found that Gwynedd Council's considerations and actions when making an out of area/out of Wales placement met regulatory requirements. Panels were appropriately constituted with decisions being timely, well informed, recorded and endorsed by a nominated officer."

The local authority adhered to the requirements to notify the receiving authority that a child is moving to their area and to assess the adequacy of resources to meet the child's need before the placement is made to ensure that the child's care, health and educational needs will continue to be met as soon as they begin to live outside their home area, and with minimal disruption."

- 5.2 Based on the findings of this review by Care Inspectorate Wales in relation to the assessment arrangements of children's' needs, the depth of the audit was reduced. However, the arrangements of the statutory Placement Commissioning Panel, which is the panel that discusses and agrees on the arrangements in place for meeting the health and education needs of children, whether that is in the area or out of county, were reviewed. Since the publication of the CIW report, it was found that the Panel did not meet on a monthly basis at all times, or did not have a quorum to make some of the decisions, contrary to the Welsh Government's guidance 'Towards a Stable Life and a Brighter Future' that states that *"The panel should meet at regular intervals, at least monthly, unless there are no cases to be considered"*. It was seen that a Panel meeting was now scheduled for the third Monday of each month.
- 5.3 The department expressed the fact that although there are care plans in place that identify amongst others the type of care that should be provided, there are no contracts between the Council and the providers in all cases. This is a risk, as contracts set out the provider's responsibilities and the Council's expectations, including noting what is included in the fees and what is extra. An arrangement is now in place where contracts are made when new cases arise.
- 5.4 The lack of local provision, particularly specialist provision, means that the Council will inevitably have to commission out of county placements if they are to meet the child's needs. The nature of care means that the provision is very costly and the lack of provision reduces the ability to reduce costs. The Children and Supporting Families Performance Report that went to Cabinet on 09/01/2018 expressed the following:
"There is increasing pressures on the department to place children in expensive placements and now, the department is concerned that the financial aim could have been too ambitious... it is likely that the over-spend will increase". A grant of £552k has been received from the Welsh Government this year, and a bid for a contribution has been successful for 2019/20 which helps to alleviate part of the overspend. As a result of this worrying financial situation, it could be argued that it is eligible to be on the department's risk register, and the corporate risk register, but it was seen that it is not included.
- 5.5 The Council has already identified the situation and is considering alternative arrangements, including regional working. The Children and Supporting Families Performance Report that went to Cabinet on the 29/01/2019 states that, *"The lack of available residential placements and the increased costs associated with them is a matter receiving national and regional attention. The matter was recently the subject of a 'Welsh Government Parliamentary Accounts Committee'. On a regional level, under the leadership of the North Wales Heads of Children's Departments, work is taking place on a regional feasibility assessment to run a residential placement jointly, or to look at options with current providers for children and young people in north Wales. The task group is expected to report back at the beginning of March. However, this will not generate a short term solution to the problem of residential placements and will not obviate the need for specialist residential placements in future."*

6. Actions

The Department has committed to implementing the following steps to mitigate the risks highlighted.

- Set contracts between the Council and the providers.
- Consider including financial matters for out of county residential care on the department's risk register.

STREET ENFORCEMENT HIGHWAYS AND MUNICIPAL

1. Background

- 1.1 During the 2018/19 financial year, Galw Gwynedd referred 1,428 calls to the street enforcement team on various issues which included waste crime, misuse of bins, small scale tipping, dog control, applications for street bins, dog fouling bins, graffiti and illegal posters. The service has the ability to penalise by granting prepared fines for Environmental offences under a range of different statutory provisions.
- 1.2 The Local Environmental Audit and Management System (LEAMS) Survey was carried out in Gwynedd June and July 2018 where 98.6% of the streets in Gwynedd were graded as grade B or above. This is higher than the figure of 98.6% for the whole of Wales. An indicator of cleanliness was recorded this year as 73.6, the second highest cleanliness indicator for Gwynedd since the start of the survey.

2. Purpose and Scope of Audit

- 2.1 The aim of the audit was to ensure that internal arrangements were in place to monitor the streets of Gwynedd to ensure that they are clean, green and safe as possible. In order to achieve this, the audit covered looking at any monitoring arrangements for distributing fines, ensuring that the correct fees have been enforced, that there are indications Enforcement around areas and there is specific procedure for responding and acting on complaints/enquiries.

3. Audit Level of Assurance

- 3.1 The controls for risk mitigation were examined. The auditor's assessment concludes that the level of assurance of the audit is as follows:

Assurance Level	Description
SATISFACTORY	There are controls in place to achieve objectives but there are aspects where the arrangements can be tightened to further mitigate the risks.

4. Current Score Risk

- 4.1 The audit's risks are as follows:

<u>Risk Level</u>	<u>Number</u>
VERY HIGH	0
HIGH	0
MEDIUM	2
LOW	0

5. Main Findings

- 5.1 It was observed that adequate controls were in place for the street Enforcement service and that the Council's internal street enforcement team continue to monitor the streets of Gwynedd thoroughly.

- 5.2 The service was seen to make use of social media to try to raise residents' awareness of the importance of keeping streets clean, and that information was included on the corporate website, where any environmental crime can be reported, requests made and more information obtained about the various orders in place.
- 5.3 It was discovered that the team has patrol programmes to follow, but because the service does not have the resources to carry out patrols across the county, the team's work is very responsive and tries to target places that are really needed but with so few staff, it is not possible to follow the programmes exactly. The team uses the 'FlyMapper' app on the computer/mobile phones, where the intensity of fly-tipping in Gwynedd is shown, and therefore prioritises problem areas.
- 5.4 Accountable officers who have received appropriate training operates on fines and it is essential that any new officer attends and completes a Fixed Penalty Enforcement course before being authorised to impose fines. Staff from other departments such as maritime staff were found to have the authority to issue fines for littering and control dog fouling and evidence was received that they've had the appropriate training.
- 5.5 A sample of 42 fines from the 2018/19 financial year were verified, 39 appears to have received the correct fees, but 3 of the fees were incorrect, having received an amount of £60.00 for control/dog fouling, a 2016/17 fine. It was discovered that maritime staff gave these fines out, and they used an old 'Final Penalty Notices' (FPN) book that explains the wrong amount. The street Services manager explained that since this FPN was reached, the team had ensured that all maritime officers have the latest book.
- 5.6 The accounts of the service show that the income received from fines over the last four years has been approximately £5,000 per annum, against an income target of proximately £20,000 for the team. The Street Services Manager noted that the team's income target in 2008 was based on an expectation that over 30 Police Community Support Officers (PCSOs) would contribute significantly to the number of fines. Nowadays, the arrangements have changed and PCSOs do not have the time to consider such offences, and it was observed that the PCSOs had not issued any FPNs since 2012. However, the original income target remains and there are plans to increase this target to £30,000 for the financial year 2019/20 and to £40,000 by 2020/21 without a plan to achieve it. There appears to be an overspend of £20,744 against the 2018/19 budget, with the majority of costs absorbed by reductions in other costs such as staff and pensions. The Street Services Manager was concerned that the service will continue to fail to meet the income target with the current capacity resulting in an increase in budget overspends.
- 5.7 The arrangements were checked to ensure that fines were paid in a timely manner. According to guidance set by the Welsh Government, there is a standard period for the payment of fixed penalties, set by legislation, of 14 days. If the service has not received a payment within 14 days, the appropriate officer sends out a letter in order to remind them and the recipients are then given an additional 14 days. A sample of 10 unpaid fines issued in 2018/19 was selected. From the selected sample, there appears to be no record of letters being sent out for 5 of the sample, letters were sent months after the offence for 4 of the sample and only one letter was sent out on time.

From the verified data it appears that 24 have not been sent in a timely manner since April 2017, therefore it means that the Council is likely to have a low probability of claiming the total accrued debt of approximately £3,100. The Streetscene Manager explained that although the 'MCS Enforcer' system, which is an enforcement administration system, helps to manage the mailing Schedule, this is dependent on an administrative officer to act on them.

- 5.8 The team lost the position of Administrative assistant in 2018 which was responsible for handling enquiries, recording, processing and reconciling fines, charges, corresponding with debtors and the administration of the systems such as MCS Enforcer and Siebel. Siebel is a system for receiving and responding to public enquiries. It was found that the Services has a temporary regime, where an administrative officer from the Highways service assists with the team's administrative tasks in addition to the Highways duties. However, the service manager noted that this may be an issue for the service during peak times for highways or periods of illness where it has an impact on the support available to the team, and the service may face some periods without an administrative service at all.
- 5.9 In addition, enquiries were checked and received from the public. It has been reported from the Siebel system that 649 enquiries have been received by the service since April 2018 to date. It was observed that 423 of these had been closed, with 226 calls open. Of the 226 calls open, these were found to date back to April 2018. It was observed that on average the service took 142 days to close fly-tipping applications and 17 days to close requests for fouling/dog Control. The lack of resource, especially the loss of the Administrative Assistant position appears to have had an impact on the service to be able to act on public enquiries, debt notifications and timely administrations of the systems including reconciliation of payments back to the system/records Service.

6. Actions

The service has committed to implementing the following steps to mitigate the risks highlighted.

- **To consider modernising the 'MCS Enforcer' system to reduce reliance on administrative input.**
- **Develop an internal FFOS- based system to ensure that enquiries are answered in a timely manner.**
- **Continue to monitor the Street Enforcement service budget or refocus the team and consider setting contractual performance targets based on the number of fines.**

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JUNE 2019
TITLE	HEAD OF INTERNAL AUDIT ANNUAL REPORT 2018/19
PURPOSE OF THE REPORT	TO EXPRESS INTERNAL AUDIT'S OPINION ON THE OVERALL CONTROL ENVIRONMENT WITHIN THE AUTHORITY
AUTHOR	LUNED FÔN JONES – AUDIT MANAGER
ACTION	TO RECEIVE THE REPORT

1. INTERNAL AUDIT'S PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit and Governance Committee

2. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

2.1 CIPFA'S Local Government Application Note for the Public Sector Internal Audit Standards (2019) states:

"Each local government organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in providing assurance that that these arrangements are in place and operating properly. The annual internal audit opinion required under the PSIAS informs the governance statement and emphasises and reflects the importance of this aspect of internal audit work."

2.2 The purpose of this annual report is to provide the Authority with such an annual internal audit opinion. In giving my opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable advice that there are no major weaknesses in the whole system of internal control.

2.3 In assessing the advice given, I have taken into account all audits relevant to 2018/19 and any follow-up action taken in respect of audits from this and previous periods.

3. OVERALL ASSURANCE

3.1 On the basis of Internal Audit work completed during 2018/19, in my opinion Gwynedd Council has a sound framework of control to manage risks. This assists in providing assurance in the arrangements for ensuring effective and efficient achievement of the Council's objectives, as the steps taken by the Council during the accounting period to establish and strengthen internal controls and to ensure that recommendations to remedy weaknesses identified by the Internal Audit service have, overall, been satisfactory.

3.2 Considerations

In giving my opinion on the adequacy of the internal control systems, I have taken into consideration:

- Overall, good internal control was found within each of the Council's individual services.
- All Council departments have built on previous work to continue the development of their risk assessment arrangements.
- Where significant control weaknesses were found, these matters were resolved by the Council's officers, and considered by the Control Improvement Working Group or otherwise by the Audit and Governance Committee.
- No reliance has been placed on any work by external assurance bodies when formulating the opinion in this report.

4. AUDIT WORK

Audit Plan

4.1 A total of 60 assignments were contained in the revised audit plan for 2018/19. Of these 58 were completed by 31 March 2019, which represents **96.67%** of the plan. For the purposes of this measure, an assignment is counted as being completed when the final report/memorandum has been released or, if there is no report/memorandum, the assignment has been closed and no further time is expected to be spent on it. The performance ambition was 95%.

4.2 The audits from the 2018/19 plan that have contributed to the opinion contained in this annual report are listed in Appendix 1.

4.3 Where relevant, internal audit reports are provided with an assurance level which is based on an evaluation of the internal control environment and the number of risks identified together with their risk score. The current risk score are categorised in one of four risk categories:

RISK LEVEL	SCORE
VERY HIGH	20 – 25
HIGH	12 – 16
MODERATE	6 - 10
LOW	1 - 5

- 4.4 The general assurance levels of audits will fall into one of four categories as shown in the table below:

ASSURANCE LEVEL	DEFINITION
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

- 4.5 All agreed actions that were presented were done so in order to strengthen internal controls that mitigate operational risks, and to establish best practice.
- 4.6 Of the 58 assignments in the 2018/19 audit plan, the following opinion categories were expressed:

Opinion Category	Number of Audits
High	18
Satisfactory	28
Limited	6
No Assurance	0
No Category	6
Total	58

- 4.7 Of the reports relating to 2018/19 that were given an assurance level, 88.46% obtained an assurance level of “Satisfactory” or “High”. This is a new measure introduced for 2018/19.
- 4.8 None of the audits received a “No Assurance” level.
- 4.9 The full reports are presented to the Audit and Governance Committee after the final report has been agreed with the client and issued. Where a memorandum is issued rather than a full report, and where there is no assurance category, the Audit and Governance Committee is presented with a summary of the findings of the relevant audits where appropriate.
- 4.10 The table below shows which meeting of the Audit and Governance Committee has received the details of audits from the 2018/19 plan. The dates of the relevant meeting of the Audit and Governance Committee are also shown in Appendix 1.

Date of release of Final Report/Memorandum	Date of Report to the Audit and Governance Committee
1 April 2018 – 14 September 2018	27 September 2018
17 September 2018 – 16 November 2018	29 November 2018
19 November 2018 – 1 February 2019	14 February 2019
4 February 2019 – 31 March 2019	13 June 2019

Revisions to the Plan

- 4.11 Revisions to the audit plan were reported regularly to the Audit and Governance Committee during the year.

Follow-up Work

- 4.12 Out of the 163 agreed actions made in 2017/18, **94.48%** were fully implemented by 31 March 2019.

Control Improvement Working Group

- 4.13 The Control Improvement Working Group continued its work of strengthening the Council's arrangements for responding to Internal Audit reports. The Working Group consists of the Chair and Vice Chair of the Committee and three other members (chosen by rotation) that meets between the Audit Committee meetings and discusses issues of control weaknesses that have arisen at the Committee meeting, in order to give them attention to greater depth. Officers are being invited to attend to explain the control weakness and, primarily, to explain the steps that have been taken to improve the situation.

5. INTERNAL AUDIT RESOURCES

Staffing and Qualifications

- 5.1 The Audit Manager undertakes the function of "Head of Internal Audit". The Audit Manager is accountable to the Assistant Head - Revenue and Risk, who is accountable to the Head of Finance. The Audit Manager and one Audit Leader have a full CIPFA qualification and the other Audit Leader has the full ACCA qualification. Three Senior Auditors are studying for the AAT qualification.
- 5.2 Since 1 April 2019, there are 7 full-time members in the Internal Audit Team and one Temporary Auditor to cover maternity leave and the attendance of the three Senior Auditors to attend college to gain the AAT qualification.

Utilisation of staff resources

- 5.3 Appendix 2 contains an analysis of the use made of the time of the Internal Audit officers during the period between 1 April 2018 and 31 March 2019. The Committee's attention is drawn to the following:

- The table demonstrates a reduction in the number of productive days available to provide audits for Gwynedd Council from **707** days between 1 April 2017 and 31 March 2018 to **913** days for the same period in 2018/19, an increase of **206** days. This was due mainly to the appointment of an Audit Leader and temporary Auditors.
- The number of days used to complete special investigations or responsive audits was 34 days, compared to 31 days in 2017/18.
- The number of days that were committed to completing follow-up audits was 50 days in 2018/19 compared to 39 days in 2017/18.

6. AUDIT PERFORMANCE

6.1 The results of the internal audit service's achievement measures in 2018/19 were as follows:

Description of Measure	2017/18 Performance	2018/19 Ambition	2018/19 Results
% of audits in the Audit Plan that are ready to be presented to the Audit Committee because they have either been closed or the final report has been issued.	100%	95%	96.67%
% of internal audits with a 'B' opinion or better (corporate indicator)	82.69%	-	-
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	New Measure	65%	88.46%
Number of agreed actions implemented within the timetable. (corporate indicator).	90.09	85%	94.48%

7. WORK PLANS AND TARGETS 2019/20

7.1 A draft internal audit plan for 2019/20 was presented to the Audit and Governance Committee in its meeting on 14 February 2019. The latest plan, containing amendments following the Committee meeting, is included in Appendix 3.

- 7.2 Internal Audit achievement measures indicate how well we fulfil our purpose. Internal Audit's achievement measures for 2019/20 are:

Measure	Ambition 2019/20	Direction of Ambition
% of audits in the Audit Plan that are ready to be presented to the Audit and Governance Committee because they have either been closed or the final report has been issued.	95%	Maintain
% of internal audits with an assurance level of "Satisfactory" or better (corporate indicator)	65%	Maintain
Number of agreed actions implemented within the timetable (corporate indicator). There was an agreement on 11 actions to mitigate high/very high risks identified during 2018/19.	100%	New Measure
Number of agreed actions implemented within the timetable (corporate indicator). There was an agreement on 77 actions to mitigate moderate/low risks identified during 2018/19.	85%	New Measure

8. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 8.1 The result of the self-assessment conformance with the Public Sector Internal Audit Standards (PSIAS) were presented to the Audit and Governance Committee on 13 July 2017 along with the Quality Assurance Improvement Programme. Progress against the Programme can be seen in Appendix 4.

9. RECOMMENDATION

- 9.1 The Committee is asked to accept this report as the formal annual report of the Head of Internal Audit pursuant to the Public Sector Internal Audit Standards for the financial year 2018/19.

Internal Audit Plan Mewnol 2018/19

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
CORPORATE		
Supporting Ffordd Gwynedd Reviews	No category	
Safeguarding Arrangement – Domestic Abuse	Limited	27 September 2019
Safeguarding Arrangements - Establishments	Limited	14 February
Proactive Prevention of Fraud and Corruption	No Category	
Managing the Risk of Fraud and Corruption	Satisfactory	13 June 2019
Information Management - Establishments	Satisfactory	14 February 2019
General Data Protection Regulation	Limited	14 February 2019
National Fraud Initiative	No Category	
Welsh Church Fund	Limited	14 February 2019
EDUCATION		
Resources		
School Uniform Grant	High	27 September 2018
Pupil Development Grant	Satisfactory	27 September 2018
Education Improvement Grant for Schools	high	27 September 2018
Post-16 provision in Schools Grant	No Category	14 February 2019
Whistleblowing Policy – Gwynedd Schools	Satisfactory	13 June 2019
School Admissions	High	27 September 2019
Employment Status IR35	Satisfactory	13 June 2019
Across the Department		
TRAC Project	High	14 February 2019
GwE		
Employment Status IR35	Limited	13 June 2019
Schools		
Purchasing Equipment through the School	Satisfactory	13 June 2019
Schools - General	No category	
ENVIRONMENT		
Public Protection		
Pest Control	Satisfactory	13 June 2019
Licensing Arrangements	Satisfactory	13 June 2019
Council Land and Property		
Property Repair and Maintenance	Satisfactory	13 June 2019
Recurring Billing	No Category	14 February 2019

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
Transportation and Street Care Public Transport	Satisfactory	14 February 2019
FINANCE		
Across the Department System – Patch Management	High	14 February 2019
Accountancy Interfaces with the Financial Ledger	High	29 November 2018
Pensions and Payroll Contributions from Employers	Satisfactory	13 June 2019
Revenue Benefits – Review of Key Controls	High	13 June 2019
Council Tax - Refunds	High	29 November 2018
Council Tax Debt Suspension and Write-Off	High	27 September 2018
Business Rates – Valuation List	High	27 September 2018
Information Technology Disposal of IT Equipment	Satisfactory	13 June 2019
Cybersecurity	Satisfactory	13 June 2019
IT Disaster Recovery Arrangements	Satisfactory	13 June 2019
ECONOMY AND COMMUNITY		
Across the Department Employment Status IR35	High	13 June 2019
Record Offices, Museums and the Arts Lloyd George Museum Accounts	High	14 February 2019
Leisure Arfon leisure Centre	Satisfactory	27 September 2018
Plas Ffrancon Leisure Centre	Satisfactory	29 November 2018
Glaslyn Leisure Centre	Satisfactory	29 November 2018
Penllyn Leisure Centre	Satisfactory	29 November 2018
Maritime and Country Parks Income Collection – Beaches and Country Parks	Satisfactory	27 September 2018
Glynllifon – Income	Satisfactory	29 November 2018

Audit Name	Assurance Level	Date Presented to the Audit and Governance Committee
Strategy and Development Caernarfon Waterfront and Town Centre Regeneration – Governance Arrangements	High	13 June 2019
ADULTS, HEALTH AND WELLBEING		
Across the Department On-call and Emergency Arrangements Social Services Annual Report	Satisfactory High	13 June 2019 13 June 2019
Supporting People Supporting People Grant	High	29 November 2018
Community Care Home Care – Travelling Costs	Satisfactory	27 September 2018
Residential and Day Plas y Don Plas Hedd Hafod Mawddach Cefn Rodyn	Satisfactory Satisfactory Satisfactory Satisfactory	27 September 2018 27 September 2018 27 September 2018 27 September 2018
Public Sector Housing Disabled Facilities Grant Houses into Homes Scheme	High High	29 November 2018 14 February 2019
CHILDREN AND FAMILY SUPPORT		
Children and Families Flying Start Grant – Child Care Children – Out of County Placements	High Satisfactory	14 February 2019 13 June 2019
HIGHWAYS AND MUNICIPAL		
Fleet Disel Tanks and Disel Management	Limited	14 February 2019
Waste Management and Streets Street Enforcement	Satisfactory	13 June 2019

Summary of the number of reports in each assurance level, 2018/19 Plan:

Assurance Level	Number of Audits
High	18
Satisfactory	28
Limited	6
No Assurance	0
No Category	6
Total	58

Analysis of Internal Audit Use of Time 1 April - 31 March:

2017/18		2018/19
1,504	Total Days	2,118
207	Unproductive Time: Annual Leave	240
50	Unproductive Time: Statutory Holidays	53
257	Less Holidays (Statutory and Non-Statutory)	293
1,247	Total Available Days	1,825
	Less:	
10	Special Leave	15
47	Illness	109
0	Maternity Leave	90
82	Professional Training	81
88	Job Training	80
1,020	Available Days	1,451
	Less Unproductive Time:	
5	Medical Appointments	13
20	Time Recording and Management	31
69	Meetings and Committees	98
7	Training Presentation	8
5	Conducting interviews	2
26	Background Work	46
14	Admin etc.	24
4	iGwynedd Project	3
4	Audit Committee	4
107	Internal Audit Management	114
2	Absence Management	2
11	IT problems	43
5	Internal Audit Information Management	4
	Exercise	
4	North Wales Collaborative Working	10
1	Meetings with External Audit	3
0	Travel Time	7
736	Total productive days	1,038
29	Work for SNPA	37
0	Community and Town Councils	89
707	Total productive days, Gwynedd Council	913

Analysis of the use of Gwynedd Council productive days:

2017/18		2018/19
616	Work on current year's plan	776
8	Completion of previous year's work	0
0	Commencement of next year's work	16
12	Advice and Consultancy	37
39	Follow-up work	50
31	Responsive Work / Special Investigations	34
707		913

Internal Audit Plan 2019/20

Audit Name	Days
CORPORATE	
Value for Money	20.00
Supporting Ffordd Gwynedd Reviews	20.00
Women in Leadership	5.00
Staff Development Module	8.00
Overtime	25.00
Travelling Expenses - Self-service	5.00
Safeguarding Arrangements	15.00
Safeguarding Arrangements - Establishments	4.00
Culture and Ethics	15.00
Customer Relationship Monitoring	10.00
Proactive Prevention of Fraud and Corruption and the National Fraud Initiative	40.00
Information Management - Establishments	6.00
Communications	
Use and Control of Social Media	8.00
EDUCATION	
Resources	
Pupil Development Grant	10.00
Education Improvement Grant for Schools	15.00
Post -16 provision in Schools Grant	3.00
Post - 16 Budgeting Arrangements	10.00
GwE	
GwE - Value for Money	20.00
Schools	
Appointment and Cost of Supply Teachers - Secondary	25.00
Trust Funds	5.00
School Funds	20.00
Schools - General	5.00
Ysgol Pendalar	12.00
Ysgol Hafod Lon	12.00
ENVIRONMENT	
Planning	
Section 106 Agreements	15.00

Council Land and Property	
Smallholdings	15.00
Category Management	15.00
Transportation and Street Care	
Transport - Post-16 Travelling Costs	12.00
Road Safety Unit	8.00
Countryside and Access Unit	
AONB Grant	10.00
NORTH AND MID WALES TRUNK ROAD AGENCY	
Accreditations	15.00
FINANCE	
Across the department	
IT Systems	30.00
Financial	
Payments System – Change in Standing Data	10.00
Accountancy	
Bank Reconciliation	20.00
Revenue	
Universal Credit	15.00
Benefits – Review of Key Controls	12.00
Council Tax – Self-service	10.00
ECONOMY AND COMMUNITY	
Community Regeneration	
Welsh Church Fund	3.00
Across the department	
Llanbedr Project	15.00
Record offices, museums and the arts	
Lloyd George Museum Accounts	5.00
Business Support	
ARFOR	8.00
STEM Gogledd	8.00
Maritime and Country Parks	
Harbours - Health and Safety	5.00
Parc Padarn Safety Measures	3.00
Strategy and Development Programmes	
North Wales Economic Ambition Board	15.00

ADULTS, HEALTH AND WELLBEING

Supporting People

Supporting People Grant	15.00
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Homelessness and Supported Housing

Syrian Refugees Relocation Plan	8.00
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Bed and Breakfast Costs	10.00
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Residential and Day

Plas Pengwaith	12.00
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Plas Gwilym	12.00
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Bryn Blodau	12.00
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Llys Cadfan	12.00
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Learning Disabilities - Day Centres	25.00
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CHILDREN AND FAMILY SUPPORT

Children and Families

Youth Club Accounts	8.00
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Payments to Foster Carers	12.00
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Hafan y Sêr	12.00
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HIGHWAYS AND MUNICIPAL

Highways Maintenance and Municipal

Business Continuity Plans	12.00
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Municipal Works

Repair and Maintenance of Playing Areas	12.00
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Highways Works

Bridges - Work Programme	10.00
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Waste Management and Streets

Public Conveniences	12.00
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GWYNEDD CONSULTANCY

Across the department

Accreditations	15.00
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766.00

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
01	1110 – Organisational Independence	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	Gwynedd Council is in the process of developing a 360-degree appraisal system for managers – the Chair of the Audit and Governance Committee to be invited to provide feedback at the Audit Manager's next appraisal.	Head of Finance and Senior Manager – Revenues and Risk	31/03/2018	The 360-degree appraisal system has not yet been developed, but the Chair of the Audit and Governance Committee attends performance meetings along with the Cabinet Member for Finance.
02	1310 – Requirements of the Quality Assurance and Improvement Programme	Does the QAIP include both internal and external assessments?	An external assessment will be carried out by the CAE of Carmarthenshire County Council in accordance with the WCAG peer review arrangements.	Audit Manager	31/12/2017	The external assessment has been carried out by the Carmarthenshire County Council CAE.
03	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the CAE reported the results of the external assessments to senior management and the board?	The result of the external assessment to be presented to the Audit and Governance Committee.	Audit Manager	08/02/2018	The results of the external assessments will be presented to the Audit and Governance Committee upon receipt of the report.

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
04	1320 – Reporting on the Quality Assurance and Improvement Programme	Has the results of ongoing monitoring of the quality and assurance programme and progress against the improvement plan been communicated at least annually?	Progress made against the quality assurance improvement programme to be included in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	Progress against the quality assurance improvement programme
05	1320 – Reporting on the Quality Assurance and Improvement Programme	Do the results include the assessor's or assessment's team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS?	The external assessments evaluation will be reported in the Head of Internal Audit Annual Report.	Audit Manager	10/05/2018	This will be incorporated upon receiving the report of the external assessor.
06	1322 – Disclosure of Non-conformance	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	Any instances of non-conformance to be reported to the Audit and Governance Committee and any significant deviations to be included in the annual governance statement.	Audit Manager & Senior Manager – Revenues and Risk	As required	There are no instances of non-conformance or any significant deviations.

ACTION NO.	PSIAS STANDARD	CONFORMANCE WITH THE STANDARD	PROPOSED ACTION	RESPONSIBILITY	ORIGINAL TIMESCALE	PROGRESS
07	2450 – Overall Opinion	Does the annual report incorporate: a) A statement of conformance with the PSIAS? b) The result of the QAIP? c) Progress against any improvement plans resulting from the QAIP?	The Head of Internal Audit Annual Report to incorporate a statement of conformance with the PSIAS and progress against any improvement plan resulting from the QAIP.	Audit Manager	10/05/2018	Head of Internal Audit Annual Report – this is done annually

Agenda Item 10

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JUNE 2019
TITLE	INTERNAL AUDIT CHARTER
PURPOSE	TO PRESENT THE INTERNAL AUDIT CHARTER TO THE COMMITTEE
AUTHOR	LUNED FÔN JONES, AUDIT MANAGER
ACTION	TO APPROVE THE CHARTER

1. INTRODUCTION

- 1.1 The *Public Sector Internal Audit Standards* (“PSIAS”) came into force on 1 April 2013 and were amended in April 2017. One of the requirements of the Standards is the need to set out an Internal Audit Charter. The Standards, and a supporting Local Government Application Note (2019) published by CIFPA, detail the necessary contents of an Internal Audit Charter for a Local Government Body.
- 1.2 According to the Standards and the Local Government Application Note, the necessary contents of an Internal Audit Charter for a Local Government Body are as follows:
- A formal definition of the purpose, authority and the responsibility of the internal audit activity, that is consistent with the Public Sector Internal Audit Standards (PSIAS).
 - A definition of the terms ‘board’ and ‘senior management’, for the purposes of the internal audit activity (Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances).
 - Sets out the internal audit activity’s position within the organisation.
 - Establish the Chief Audit Executive’s (CAE’s) functional reporting relationship with the board.
 - Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively.
 - Establish the responsibility of the board and also the role of the statutory officers (such as the Chief Finance Officer, the monitoring officer and the head of paid service) with regards to internal audit.
 - Establish internal audit’s right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

- A definition of the scope of internal audit activities.
- A recognition that internal audit's remit extends to the entire control environment of the organization.
- Establish the organisational independence of internal audit.
- The arrangements for appropriate resourcing.
- A definition of the role of internal audit in any fraud-related work.
- Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
- The arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.
- A definition of the nature of consulting services.
- A recognition of the mandatory nature of the PSIAS.

2. RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to receive and approve the contents of the Internal Audit Charter, to approve it, and support Internal Audit in its undertakings.

INTERNAL AUDIT CHARTER

June 2019

INTERNAL AUDIT CHARTER

1. PURPOSE

1.1 The purpose of the Internal Audit Service is:

To give confidence to the citizen and the Council on the Council's control environment and governance arrangements through independent and objective reporting to the Head of Finance and the Audit and Governance Committee

2. THE ROLE OF INTERNAL AUDIT IN LOCAL GOVERNMENT

2.1 There is a statutory requirement for an Internal Audit service in Local Authorities. This is implied in Section 151 of the Local Government Act 1972, which requires that authorities "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

2.2 The Account and Audit Regulations (Wales) 2014 state:

- (1) A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.**
- (2) Any officer or member of that body must, if the body requires—**
 - (a) make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit; and**
 - (b) supply the body with such information and explanation as that body considers necessary for that purpose.**
- (3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.**
- (4) The finding of the review referred to in paragraph (3) must be considered as part of the consideration of the system of internal control referred to in regulation 5(3), by the committee or body referred to in that paragraph.**

3. THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.1 The Public Sector Internal Audit Standards (PSIAS) are relevant to every internal audit service provider for the public sector, whether internal, shared service or external. These are defined as “proper internal audit practices”.

3.2 The Standards define Internal Audit as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

3.3 Whilst Internal Audit is primarily concerned with financial propriety, the remit of Internal Audit’s work extends to the entire control environment of the Council, and is not confined to purely financial risk.

4. RESPONSIBILITIES AND OBJECTIVES

4.1 In Gwynedd Council, the Head of Finance is the officer who has the responsibility for "the proper administration of the Council's financial affairs" in accordance with section 151 of the Local Government Act 1972. Consequently, Internal Audit is located within Finance.

4.2 The Standards contain terminology that need to be defined clearly within the local Charter, namely the “Board”, the “Audit Committee”, the “Chief Audit Executive” and “Senior Management”.

“Board” and “Audit Committee”

The Standards define the Board as ***“the highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. ‘Board’ may refer to an audit committee to which the governing body has delegated certain functions”***. They define “Audit Committee” as ***“The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting”***. In accordance with the Council’s Scheme of Delegation, consideration of and responding to reports by the Internal Audit Service is a function that has been delegated to the Audit and Governance Committee.

For the purpose of this Internal Audit Charter, therefore, the Audit and Governance Committee undertakes the role of both the “Board” and “Audit Committee” within Gwynedd Council in order to fulfil the requirements of the Standards.

“Chief Audit Executive”

The Audit Manager is the *“Chief Audit Executive”* in accordance with the terminology in the Standards.

“Senior Management”

Where the Standards refer to “*Senior Management*”, in the context of communicating the results of internal audit work and discussing the work plan, the Audit Manager is accountable to the Assistant Head – Revenues and Risk who in turn is accountable to the Head of Finance, but has the freedom to report directly to the Chief Executive, the relevant Corporate Director, the Monitoring Officer or the Audit and Governance Committee if he/she is of the opinion that this is necessary, and in practical terms it is the Audit Manager who releases all reports to Internal Audit’s customers.

- 4.3 In order to ensure that the Council provides services of the highest possible quality within the resources available and in accordance with the needs of the people of Gwynedd, the appropriate use of the available resources is essential in order to ensure that the quality of service is of a high standard. The aims of Internal Audit is to provide assurance to the Head of Finance and the Audit and Governance Committee, and consequently to the residents of Gwynedd, that those resources which are available are managed and used appropriately, with transparency.
- 4.4 It shall do this by providing an independent and objective opinion to the Council on the control environment by auditing all financial systems and internal control procedures within the Authority, performing a combination of risk-based, system-based, regularity, computer and contract audits on a wide range of the Council's sections, in accordance with a strategy and audit plan based on an assessment of the Council's audit needs.
- 4.5 The Audit Manager shall ensure that internal audit is provided in accordance with the Public Sector Internal Audit Standards as far as practicable. To this end, the Audit Manager prepares an annual audit plan derived from an objective review of the risks that may affect the provision of the Council's services, and consultation with Heads of Departments and Senior Officers. It is agreed with the Assistant Head - Revenues and Risk and the Head of Finance before it is presented to the Audit and Governance Committee to be adopted.
- 4.6 In addition to Gwynedd Council, Internal Audit has external clients. Any increase in the commitment for this work will be agreed with the Assistant Head – Revenues and Risk and the Head of Finance beforehand, and the Audit and Governance Committee will be informed.
- 4.7 The responsibilities of Gwynedd Council’s external auditors, is to give an independent opinion on the Council’s financial statements and a conclusion on its arrangements for securing economy, efficiency and effectiveness in its use of resources. Internal Audit shall co-operate with the external auditors as required.

5. INDEPENDENCE, CODE OF ETHICS AND RIGHTS OF ACCESS

- 5.1 The Public Sector Internal Audit Standards emphasise the independence of Internal Audit in terms of reporting processes and freedom.
- 5.2 Every internal auditor shall be required to sign a Declaration of Auditor Independence annually which incorporates the duty to adhere to the four principles incorporated within the PSIAS Code of Ethics:
- Integrity
 - Objectivity
 - Confidentiality
 - Competency
- 5.3 The Council's Financial Procedure Rules include provision for an Internal Audit service within the authority:

16.12 INTERNAL AUDIT

PURPOSE:

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972. Accordingly, internal audit is an independent and objective appraisal function established by the authority for reviewing the system of internal control.

- 16.12.1 A continuous internal audit, under the independent control and direction of the Head of Finance, shall be arranged to carry out an examination of accounting, financial and other operations of the Council in accordance with the Accounts and Audit Regulations.
- 16.12.2 The Internal Audit function shall be conducted, as far as is practicable, in accordance with the Public Sector Internal Audit Standards. The Audit Manager is the designated "Chief Audit Executive" pursuant to the Standards.
- 16.12.3 An Internal Audit Charter shall be prepared which will be approved and reviewed by the Audit and Governance Committee.
- 16.12.4 The Audit Manager will usually report directly to the Assistant Head – Revenues and Risk who is accountable to the Head of Finance. However, he/she may also report to or turn to the Chief Executive, the relevant Corporate Director, the Monitoring Officer and the Chairman of the Audit and Governance Committee if, in specific circumstances he/she considers it necessary.

16.12.5	<p>The Head of Finance, Assistant Head – Revenues and Risk and the Audit Manager, or their authorised representative shall have authority to :-</p> <ul style="list-style-type: none"> (a) enter at all reasonable times on any Council premises, land or contract sites; (b) have access to all records, documents and correspondence relating to any financial and other transaction of the Council; (c) require and receive such explanations as are in his/her opinion necessary concerning any matter under examination; (d) require any employee of the Council to produce cash, stores or any other Council property under his control.
16.12.6	<p>The Head of Finance shall agree the medium-term and annual audit plans prepared by the Audit Manager which takes account of the characteristics and relative risks of the activities involved. The plans shall be approved by the Audit and Governance Committee.</p>
16.12.7	<p>All relevant managers shall consider and respond promptly to audit reports findings. Chief Officers shall ensure that any agreed actions to mitigate risks identified during the audit are carried out in a timely and efficient fashion in accordance with the agreed action plan.</p>
16.12.8	<p>The Audit Manager shall report regularly to the Audit and Governance Committee:</p> <ul style="list-style-type: none"> (a) On the results of Internal Audit work in the preceding period. (b) On any substantial control weaknesses discovered or audited. (c) On any agreed actions that were not implemented within the agreed timetable, where a failure to act on those action would prolong a substantial control weakness. (d) Progress on completion of the Internal Audit Plan for the current year.

6. CORE PRINCIPLES

6.1 For the internal audit function to be considered effective, the following core principles require that the internal auditor /internal activity:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced

- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focused
- Promotes organisational improvement

7. RELATIONSHIP WITH THOSE CHARGED WITH GOVERNANCE

- 7.1 The Council has resolved that “those charged with governance” within Gwynedd Council shall be the Audit and Governance Committee.
- 7.2 The Chair of the Audit and Governance Committee is usually the main points of contact between the Audit Manager and elected members. The Audit Manager shall ensure that good working relationships and channels of communication are maintained with the Chair of the Audit and Governance Committee.
- 7.3 The Audit Manager will prepare a report for every meeting of the Audit and Governance Committee outlining the work completed in the period leading up to that meeting.
- 7.4 The Audit Manager shall also provide the Audit and Governance Committee with regular reports on progress against the annual internal audit plan.
- 7.5 In order to facilitate the work of the Audit and Governance Committee, the Auditor Manager will:
- Attend Audit and Governance Committee meetings and contribute to the agenda
 - Participate in the Committee’s review of its own remit and effectiveness
 - Seek to ensure that the Committee receives and understands documents that describe how internal audit will fulfil its objectives (e.g. the risk-based plan, annual work programmes, progress reports)
 - Determine whether anything arising from the work of the Audit and Governance Committee requires changes to be made to the audit plan and whether matters arising from the work of internal audit need to be addressed by the Audit and Governance Committee

8. REPORTING

- 8.1 The Audit Manager will ensure procedures for work supervision and file review by the relevant Team Leaders, and will collect data and prepare reports on the Service’s performance for the Head of Finance and Assistant Head pursuant to the Council’s performance management framework.
- 8.2 A formal report will be written for most audit assignments, except for some small audits where significant weaknesses were not discovered and where a full audit report was not deemed necessary. In these cases, memoranda will be sent to the relevant officers.

- 8.3 Where appropriate, each report will be placed in one of four assurance levels based on an evaluation of the internal control environment and the number of risks identified together with their risk score.

The current risk score will be categorised in one of four risk categories:

RISK LEVEL	SCORE
VERY HIGH	20 – 25
HIGH	12 – 16
MODERATE	6 - 10
LOW	1 - 5

- 8.4 The general assurance levels of audits are as shown in the table below:

ASSURANCE LEVEL	DEFINITION
HIGH	Certainty of propriety can be stated as internal controls can be relied upon to achieve objectives.
SATISFACTORY	Controls are in place to achieve their objectives but there are aspects that need tightening to further mitigate the risks.
LIMITED	Although controls are in place, compliance with the controls needs to be improved and/or introduce new controls to reduce the risks to which the service is exposed.
NO ASSURANCE	Controls in place are considered to be inadequate, with objectives failing to be achieved.

The use of assurance levels is likely to be less appropriate for reports that have been prepared following a special investigation, or for work containing “consultancy” aspects.

- 8.5 Following completion of audit work, a draft report of the findings as well as any areas of risks identified is prepared for the relevant managers so that they have an opportunity to consider the findings and possible solutions to mitigate risks and correct any factual errors. A period of 2-3 weeks is given to managers to respond to the draft, but a longer period will be considered if a request for an extension is received. If a response is not received by the stipulated date, the report is assumed to be acceptable and a final report will be issued. If comments are received, these will be considered (and the draft report may or may not be modified) before the final report is issued. If there is no agreement to mitigate risk(s), that will be addressed in the final report.

- 8.6 After an appropriate period, Internal Audit will conduct follow-up testing to ensure that what was agreed is operational. The results of follow-up work will be reported to Chief Officers and the Audit and Governance Committee.

9. ANNUAL AUDIT OPINION

- 9.1 The Audit Manager shall prepare an Annual Report to the first meeting of the Audit and Governance Committee after the end of the financial year, in accordance with the Standards.

10. NON-ASSURANCE WORK

- 10.1 In addition to the assurance work described, Internal Audit shall also:

- Provide financial advice to Council services, in particular on Financial Procedure Rules, Contract Standing Orders and Procurement, Financial Codes of Practice and the Council's Anti-fraud, Anti-corruption and Anti-bribery Strategy.
- Assist service managers to prevent fraud and to investigate fraud on behalf of the Head of Finance, and offering advice and guidance on control improvements to avoid similar occurrences in future.
- Gwynedd Council's anti-fraud, anti-bribery and anti-corruption strategy states that members and the general public are encouraged to report concerns of fraudulent or corrupt behaviour by contacting the Assistant Head - Revenues & Risk or the Audit Manager.
- Provide consulting services on specific projects (if capacity allows). An audit assurance level will not be provided on such projects.

11. INTERNAL AUDIT RESOURCE REQUIREMENTS

- 11.1 Internal Audit comprises of the Audit Manager and two Audit Leaders. If the Audit Manager is of the opinion that he/she does not have sufficient resources to allow him/her to give an opinion on the control environment in accordance with the requirements of the Standards, he/she shall report this to the Assistant Head - Revenues and Risk and the Head of Finance and also to the Audit and Governance Committee.
- 11.2 The Audit Leaders are responsible for supervising and reviewing work and for allocating the audit plan as projects for individual auditors.
- 11.3 A Management Team (comprising the Audit Manager and the Audit Leaders) will meet regularly to monitor performance and share information. The Audit Manager will meet with the Assistant Head – Revenues and Risk to discuss performance and agree on Internal Audit's strategic direction.

- 11.4 From time to time, to reflect audit needs, and in the context of the resources available and the Council's Financial Procedure Rules, the Internal Audit service shall acquire external expertise to assist with audit work and in order to maintain the skill levels of permanent staff. This has been particularly true for the area of computer audit work, but other types of audit are not excluded from such arrangements.

12. RELEVANT DOCUMENTATION

- 12.1 In addition to this report, the following documents are also of importance to the Internal Audit Service:

- The Audit and Governance Committee's Terms of Reference
- Financial Procedure Rules
- Financial Codes of Practice
- Contract Procedure Rules
- The Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy
- The Council's Whistleblowing Policy.

Internal Audit shall review and suggest changes to these documents as necessary.

Agenda Item 11

MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: 13 JUNE 2019

TITLE: FINAL ACCOUNTS 2018/19 - REVENUE OUTTURN

PURPOSE: TO EXPLAIN AND SCRUTINISE THE FINAL FINANCIAL POSITION FOR 2018/19

ACTION: Receive the information, consider any risks arising from the actual expenditure and income against the 2018/19 budget, and scrutinise the Cabinet's decisions regarding managing the budgets of the Council and its Departments.

CONTACT OFFICER: FFION MADOG EVANS, SENIOR FINANCE MANAGER

CABINET MEMBER: COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER

1. The report submitted today, namely the “outturn” budget review, explains the final position for 2018/19 and shows each department’s position. These figures form the basis for the statutory statements that will be submitted to the Audit and Governance Committee in July.
2. The usual practice is that the Cabinet report is presented to the Audit and Governance Committee, to be scrutinised together with the relevant decisions of the Cabinet meeting of 21 May which are on the following pages.
3. I note that part 5 and Appendix 3 of this report also deals with the review of the Council’s reserves and provisions.
4. The Audit and Governance Committee is requested to note the position and the relevant risks regarding the budgets of the Council and its departments, consider the Cabinet’s decisions, and comment as necessary.

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting:	21 May 2019
Date decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution.	5 June 2019

The Decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25.1 of the Gwynedd Council Constitution.

SUBJECT

Item 5 : FINAL ACCOUNTS 2018/19 - REVENUE OUTTURN

DECISION

DECISION

Resolved to:

- 1.1 Note the final financial position of the Council's departments for 2018/19.
- 1.2 To approve the amounts to be carried forward (the "Revised Over/ (Under) Spend" column of the summary in Appendix 1), namely -

DEPARTMENT	£'000
Adults, Health and Well-being	15
Children and Families	100
Education	100
Economy and Community	28
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(59)
Corporate Management Team and Legal	(76)
Finance	(59)
Corporate Support	(61)

- 1.3 To approve the following recommendations and financial transfers (as outlined in Appendix 2) -
 - The Children and Families Department to receive a one-off partial financial assistance of £1,544k to restrict the level of overspend that will be carried over by the department, to support them to move on to face the challenges of 2019/20.
 - The Education Department to receive one-off partial financial assistance of £16k to limit the overspend that will be carried forward by the department to £100k.
 - Compensate the Economy and Community Department £157k, the sum of the overspend due to the slippage of establishing 'Cwmni Byw'n Iach' to run the leisure centres, which limits the overspend that will be carried forward by the department to £28k.
 - The Highways and Municipal Department to receive a one-off partial financial assistance of £518k, which limits the overspend that will be carried forward
-

by the Department to £100k, to support them to face the challenges of 2019/20.

- In accordance with the financial regulations it is recommended that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£392k) which is the sum above (£100k), to be used to support the departments that have overspent in 2018/19.
- On Corporate budgets, transfer:
 - (£19k) related to the Council Tax Premium to a specific reserve to be considered for the Housing Strategy.
 - (£551k) relating to capital costs to a capital programme fund.
 - (£738k) on maintenance to a maintenance reserve.
- Use (£1,843k) of the net underspend on the Corporate budget to support the departments that have overspent in 2018/19.
- The remainder of the Corporate underspend (£173k) to go to the Council's general balances.

1.4 To approve the virements from the specific reserves and provisions as outlined in Appendix 3 following a review of reserves and provisions, namely:

- Harvest (£3.931m) from reserves and (£69k) from provisions.
- Assign £3m to the transformation fund for the Council Plan.
- Transfer £1m to the Council's General Balances.
- Assign for a one-year period, £262k from the Supporting the Financial Strategy Reserve to bridge the funding source relating to liabilities of the Pension Fund.

REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets) and in order to allow the formal final accounts to be completed.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

21 MAY 2019

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Final Accounts 2018/19 - Revenue Outturn

Contact Officer: Ffion Madog Evans, Senior Finance Manager

1. The decision sought / purpose of the report

The Cabinet is requested to:

- 1.1 Consider and note the final financial position of the Council's departments for 2018/19.
- 1.2 **Approve the amounts to be carried forward** (the "Revised Over/(Under) Spend" column of the summary in **Appendix 1**), namely -

DEPARTMENT	£'000
Adults, Health and Wellbeing	15
Children and Families	100
Education	100
Economy and Community	28
Highways and Municipal	100
Environment	(100)
Gwynedd Consultancy	(59)
Corporate Management Team & Legal	(76)
Finance	(59)
Corporate Support	(61)

- 1.3 Approve the following recommendations and financial transfers (as outlined in **Appendix 2**) –
 - The Children and Families Department to receive a one-off partial financial assistance of £1,544k to restrict the level of overspend that will be carried over by the department, to support them to move on to face the challenges of 2019/20.
 - The Education Department to receive one-off partial financial assistance of £16k to limit the overspend that will be carried forward by the department to £100k.
 - Compensate the Economy and Community Department £157k, the sum of the overspend due to the slippage of establishing 'Cwmni Byw'n Iach' to run the leisure centres, which limits the overspend that will be carried forward by the department to £28k.

- The Highways and Municipal Department to receive a one-off partial financial assistance of £518k, which limits the overspend that will be carried forward by the Department to £100k, to support them to face the challenges of 2019/20.
- In accordance with the financial regulations it is recommended that the usual practice is adhered to in order to allow the Environment Department to keep (£100k) of their underspend, and to move (£392k) which is the sum above (£100k), to be used to support the departments that have overspent in 2018/19.
- On Corporate budgets, transfer:
 - (£19k) related to the Council Tax Premium to a specific reserve to be considered for the Housing Strategy.
 - (£551k) relating to capital costs to a capital programme fund.
 - (£738k) on maintenance to a maintenance reserve.
- Use (£1,843k) of the net underspend on the Corporate budget to support the departments that have overspent in 2018/19.
- The remainder of the Corporate underspend (£173k) to the Council's general balances.

1.4 To approve the virements from the specific reserves and provisions as outlined in Appendix 3 following a review of reserves and provisions, namely:

- Harvest (£3.931m) from reserves and (£69k) from provisions.
- Assign £3m to the transformation fund for the Council Plan.
- Transfer £1m in to the Council's General Balances.
- Assign for a one-year period, £262k from the Supporting the Financial Strategy Reserve to bridge the funding source relating to liabilities of the Pension Fund.

2. Introduction / Background

- 2.1 Generally, despite the sustained challenging need to achieve savings, along with the pressure seen in the care field, **the final financial position for 2018/19 confirms that there was effective financial management.** Of course, this is dependent on the role of the relevant Cabinet Members, head of departments and budget managers, supported by our accountants' professional monitoring work, together with constructive challenge as required by the Cabinet, the Audit and Governance Committee, and the Corporate Management Team.

- 2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2018/19 to enable the Finance Department to move forward to produce, certify and publish the statutory financial statements before 15 June.**

3. Council Departments

- 3.1 **Generally, I can confirm that half the departments' budgets have been within its budgets this year.** A summary of the final position for every department is outlined in Appendix 1, with the sums to be carried forward (subject to the Cabinet's approval) in the "Revised Over/(Under) Spend" column. In Appendix 2, further details relating to the major issues and areas where significant variances from those previously reported are noted, together with several specific recommendations. Those recommendations are highlighted for consideration above in 1.3.
- 3.2 Half of the departments are reporting an underspend, which was accurately projected during 2018/19. But there was an improvement in the financial position of the **Education Department** and the **Adult Department** by the end of the year, following the receipt and redirection of grants, late in the year. A substantial increase in the underspend can also be seen by the **Environment Department**.
- 3.3 There was an increase in the trend of overspending on operational, placement, post-16 and Specialist/Derwen by the **Children and Families Department**, and in the waste area by the **Highways and Municipal Department**.
- 3.4 **The underspend / overspend position of each department in Appendix 1, is reported to the Cabinet, who will approve the sums to be carried forward.** Financial Procedure Rule 16.3.1 specifies the arrangements for sums to be "carried forward" at the year-end. There are four requests for the Cabinet to write off the department's deficit, and one department with an underspend exceeding the £100,000 threshold on closure of the 2018/19 accounts, therefore with underspend to harvest.
- 3.5 Generally, where departments have underspent, they are one-off positions for 2018/19.
- 3.6 In the majority of budgets where there was an overspend in 2018/19, appropriate consideration has been given to the related requirements and opportunities in the 2019/20 budgetary cycle, and most of those issues have already been addressed in the financial strategy for 2019/20 (by management action to halt trends, and/or by amending the budget).

4. Schools

- 4.1 A section of Appendix 2 elaborates on the position of the schools budgets, where statute has conferred delegated powers for governing bodies to carry balances forward at the end of the financial year. The county total of schools' balances has remained at £4m in 2018/19. Despite this the balances of 42 schools has increased by £1m with the balances of 60 schools reducing by £1m. We will be publishing detailed annual information regarding individual schools' balances before long in a 'Section 52 Statement'.
- 4.2 The Education Department has arrangements to challenge individual schools to justify the need for their balances, and justification by school heads and the relevant schools' governing bodies is requested to explain their intention to use their balances (particularly those with balances exceeding 5% of their budget).
- 4.3 The total schools financial deficit has reduced from £306,394 (2 Primary, 3 Secondary, 1 Special) on 31 March 2018 to £207,106 (4 Primary, 2 Secondary, 1 Special) on 31 March 2019. I confirm that the relevant Finance Unit will also ensure that the heads and governing bodies of the schools that have financial deficits will deal with them.

5. Corporate Budgets and Reserves

- 5.1 For a number of reasons there were one-off underspends on several corporate budget headings this year, as outlined in the final section of Appendix 2. As suggested in paragraph 1.3 above, there will be (£1,843k) of this net underspend available to alleviate overspends by departments, (1,308k) to be used for specific purposes with the remainder (£173k) to be placed in the Council's General Balances.
- 5.2 With the Cabinet's support, if the underspend is used as recommended above, through effective controls of its budgets, the Council will have achieved to fund its total expenditure in line with the intentions of 2018/19, by using £1.51m from specific Council reserves to fund one-off bids 2018/19 and by not using any of the Council's balances to balance the 2018/19 budget (in accordance with the Financial Strategy approved by the Council on the 8 March 2018).
- 5.3 As the overspends from some departments in 2018/19 has been balanced from underspends in 2018/19 and since the budget for 2019/20 has been set without having to use the supporting the financial strategy reserve, there is an opportunity to release money from that reserve in order to meet the Council's priorities.
- 5.4 The adequacy of the reserves and specific provisions by the Council were reviewed by the Head of Finance yet again this year when closing the accounts, in accordance with the policy that was approved four years ago.

This review managed to harvest £4.262m of resource, as outlined in Appendix 3.

- 5.5 The £3.0m is to be earmarked in order to prioritise the Council's Plan, £1.0m to be moved in to the council general balances with £262k to be used over the next year to bridge the relevant commitment funding source for the Pension Reserve.

6. Next steps and timetable

- 6.1 In accordance with The Accounts and Audit (Wales) Regulations 2014, and the CIPFA Code of accounting practice, the Chief Finance Officer has to certify the statutory financial statements for 2018/19 before 15 June. 2018/19 is a transitional year with a reduced timetable, and a statutory date of 15 June as opposed to 30 June in previous years with a further reduction to 31 May from 2020/21 onwards. I would like to thank everyone who has contributed in the process of completing the work earlier.
- 6.2 The purpose of this report is to detail the outturn position relating to underspends and overspends within individual departments and the Council's expenditure as a whole for 2018/19. We will consider the information in this report, in order to reflect that position in the final accounts.
- 6.3 The position reflected here is based on the latest information, and in bringing the accounts closure process to a conclusion, there could be some further changes. However, no significant change in the general position is anticipated.
- 6.4 The Finance Department will produce the 2018/19 statutory financial statements for certification by the Head of Finance before 15 June.

Local member's views

Not relevant

Opinion of the Statutory Officers

Monitoring Officer:

Nothing to add from a propriety perspective.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices

Appendix 1 - the final underspend / overspend position of each department

Appendix 2 - budgetary issues and areas where significant variances occurred

Appendix 3 - resources harvested from reviewing reserves and provisions

	Final Review					Estimated Position end of November £ '000
	Proposed Budget 2018/19	Gross Over / (Under) spend 2018/19	Recommended Adjustments		Adjusted Overspend / (Underspend)	
	£'000	£ '000	£'000	£'000	£ '000	
Adults, Health and Wellbeing	50,949	15	0	0	15	29
Children and Supporting Families	14,088	1,644	(1,544)	0	100	1,333
Education	83,326	116	(16)	0	100	741
Economy and Community	4,079	185	(157)	0	28	187
Highways and Municipal	23,851	618	(518)	0	100	589
Environment	5,127	(492)	392	0	(100)	(169)
Gwynedd Consultancy	196	(59)	0	0	(59)	(11)
Corporate Management Team and Legal	1,817	(76)	0	0	(76)	(93)
Finance (and Information Technology)	5,892	(59)	0	0	(59)	(53)
Corporate Support	7,851	(61)	0	0	(61)	(59)
Corporate Budgets <i>(Variances only)</i>	*	(3,324)	1,843	1,481	0	(47)
Totals (net)	197,176	(1,493)	0	1,481	(12)	2,447

FINAL ACCOUNTS 2018/19						
Adults, Health and Wellbeing Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adults Services</u>						
Older People Services						
Residential and Nursing - Homes	11,408	10,868	(540)	0	(540)	(306)
Home Care	6,241	5,931	(310)	0	(310)	(318)
Other	1,821	1,902	81	0	81	25
	19,470	18,701	(769)	0	(769)	(599)
Physical Disability Services	2,296	2,079	(217)	0	(217)	(210)
Learning Disability Services	16,812	16,571	(241)	0	(241)	(193)
Mental Health Services	3,443	3,413	(30)	0	(30)	57
Other Services (Adults)	2,937	2,939	2	0	2	40
<u>Adults Services Total</u>	44,958	43,703	(1,255)	0	(1,255)	(905)
<u>Provider Services (showing net budget)</u>						
Residential Care	(277)	(106)	171	0	171	274
Day Care	(91)	63	154	0	154	122
Community Care	469	1,033	564	0	564	552
Other	(14)	48	62	0	62	75
<u>Total Provider Services</u>	87	1,038	951	0	951	1,023

FINAL ACCOUNTS 2018/19						
Adults, Health and Wellbeing Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November Position
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
<u>Other Services</u>						
Housing Services	1,844	1,933	89	0	89	138
Departmental Central Services <i>(including the Department's savings schemes)</i>	4,060	4,290	230	0	230	230
Use of Specific Reserve		0	0	0	0	(457)
<u>Total Other Services</u>	5,904	6,223	319	0	319	(89)
<u>Adults, Health and Wellbeing Total</u>	50,949	50,964	15	0	15	29

Adults, Health and Wellbeing

Older Peoples Services - receipt of a late grant and an increase in the residential and nursing income following assessments and an increase in numbers. Less demand for home care packages throughout the year.

Physical Disability Services - the trend in the reduced number of home care and residential and nursing packages continues.

Learning Disability Services - underspend on residential and nursing and supported accommodation being reduced by the overspend on day services, support schemes and field workers.

Provider Services - re-directing a grant at the end of the year in part easing the overspend. Additional staff costs is mainly responsible for the overspend with some of the reasons including homes having been in special measures, recommendations by Care Inspectorate Wales and staff appointments beyond the budget. Costs are higher than the income received on Community Care.

Housing Services - increasing pressure on temporary accommodation for the homeless and slippage in realising the savings scheme, however, the receipt of grants at the end of the year and higher income reduces the reported overspend.

Departmental Central Services - income received and vacant posts reduce the effect of the slippage in realising £372k of the 2017/18 savings schemes.

As the department's position is better than expected, contrary to the original proposal there is no need to make use of the funds of £457k, which is equivalent to the supporting social services grant received in 2017/18, to help alleviate the reported overspend.

Due to the level of the overspend by the Provider service, the Adults Cabinet Member and the Head of Department are looking into the root of the matter in order to reduce the overspend.

FINAL ACCOUNTS 2018/19						
Children and Families Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Service Management	609	589	(20)	0	(20)	(22)
Operational	2,059	2,370	311	0	311	273
Placement						
Out of County Placements	1,587	2,704	1,117	0	1,117	990
Agency Fostering	1,009	966	(43)	0	(43)	(2)
Internal Fostering	1,701	1,977	276	0	276	256
Support Services and Others	1,594	1,757	163	0	163	139
	5,891	7,404	1,513	0	1,513	1,383
Post-16	998	1,327	329	0	329	175
Specialist/Derwen	1,682	2,010	328	0	328	242
Youth Justice	239	195	(44)	0	(44)	(44)
Early Years	155	118	(37)	0	(37)	5
Youth	871	711	(160)	0	(160)	(179)
Others	1,584	1,560	(24)	0	(24)	52
Grant Received 2018/19		(552)	(552)	0	(552)	(552)
2018/19 Final Accounts Adjustment			0	(1,544)	(1,544)	0
Children and Families Total	14,088	15,732	1,644	(1,544)	100	1,333

Children and Families

Operational - the 2017/18 trend continues with staff costs above the budget level together with an increase in the number of children in care but not placed in more expensive placements, the area has received extra funding of £100k for 2019/20 onwards.

Placements - four new out of county placements, with an increase in the number of packages and cost averages, there was also a reduction in health contributions. Increasing overspend within Internal Fostering, 'Staying On' scheme and support services. A review of the out of county commitments has been undertaken, which has highlighted changes to the type of cases over recent years, and therefore the associated costs. The area will be the subject of a report from the Children's Department.

Post-16 - cases transferred from out of county placements are responsible for the overspend, with two expensive packages responsible for a substantial amount of the cost.

Specialist/Derwen – further increase in the overspend to £328k, £212k of the overspend on Support schemes following an increase in the demand for service and specialist support, along with £95k as a result of a number of factors by the Hafan Y Sêr Unit.

Youth – transitional period in providing youth services with savings being realised in advance.

An increase in overspend is noted on a number of budget headings since the previous review, which has lead to a gross overspend of £2.2m by the end of the financial year. In December, the Council received a grant of £552k from the Welsh Government in order to support sustainable social services, due to the financial position of the Children's Department, it's appropriate that the money should be used to try and reduce the gross overspend of £2.2m to £1.6m.

In view of the Department's overspend level, in accordance with the Cabinet's decision of 22 January 2019, the Chief Executive, Head of Finance and the Corporate Director will meet with the Cabinet Member and the Head of the Children and Families Department to address the financial matters of the Department.

It is **recommended** that the Children and Families departement receive a one-off partial financial assistance of £1,544k to restrict the level of overspend that will be carried forward Department to £100k, to support them to move on to face the challenges of 2019/20.

FINAL ACCOUNTS 2018/19

Education Department	Proposed Budget 2018/19	Final Position 2018/19	Gor / (Tan) Wariant GrosGross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Delegated Schools	72,430	72,430	0	0	0	0
Schools Quality Services	(341)	(656)	(315)	0	(315)	(140)
Infrastructure and Support Services						
Transport	4,606	4,971	365	0	365	447
Ancillary Services	500	543	43	0	43	204
Other	(133)	(253)	(120)	0	(120)	(10)
	4,973	5,261	288	0	288	641
Leadership and Management	2,124	2,147	23	0	23	47
Additional Learning Needs and Inclusion	4,140	4,260	120	0	120	193
Account Closure Adjustments 2018/19				(16)	(16)	0
Education Total	83,326	83,442	116	(16)	100	741

Education

Schools Quality Services - an increase in underspend following the receipt of a grant and approval from the Welsh Government to re-direct another grant at the end of the year. Staff turnover and a reduction in costs also contributed towards the favourable position.

Transport - an overspend of £365k, with School Buses overspending £196k, Taxis £170k and an underspend (£1k) on the Post-16 Transport Income. A reduction (£82k) in the overspend trend with a reduction in the expenditure on school taxis which is mainly responsible for the move since the previous review. An increase in the overspend on School Buses transport because of adjustments and additions to contracts.

The transport service has been subject to a review to try and control the increase in expenditure by the department during the year. Further resource has been allocated to the department for this service in 2019/20, which is a partial resolution but the need for further work continues. Furthermore, the Education Department and the Environment Department intend to work together in the future to take advantage of efficiency opportunities.

Infrastructure and Support Services - Ancillary Service - receipt of a late grant has helped to alleviate the lack of income from school meals, the care element of the breakfast scheme, and an overspend on staffing matters and sickness in Catering, Cleaning and Caretaking of schools.

Infrastructure and Support Services - Other - less demand on a number of various budgets including a budget of £54k being released following a service level agreement between the Welsh authorities and the examinations board WJEC coming to an end.

Additional Learning Needs and Inclusion - re-directing the use of a grant at the end of the year has reduced the effect of the overspend during the transitional period to the new regime by the Before School Units ABC. The overspend which relates to the circumstances in one specific centre and on Education apart from in School is being reduced by an underspend by the Additional Learning Needs Units and on various budgets.

It is **recommended** that the Education Department receive a one-off partial financial assistance of £16k to limit the overspend that will be carried forward by the Department to £100k, to support them to move on to face the challenges of 2019/20.

FINAL ACCOUNTS 2018/19

Economy and Community Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Management	335	334	(1)	0	(1)	0
Community Learning	1,676	1,591	(85)	0	(85)	(44)
Tourism and Heritage	1,071	1,084	13	0	13	23
Economy and Community	131	126	(5)	0	(5)	6
Healthy Communities	866	1,129	263	0	263	202
Account Closure Adjustments 2018/19				(157)	(157)	0
Economy and Community Total	4,079	4,264	185	(157)	28	187

Economy and Community

Community Learning - underspend due to vacant posts and savings being realised in advance.

Tourism and Heritage - a reduction in the overspend reported which is a combination of a £72k overspend by Storiell on staffing costs and lack of income, but an underspend on the Arts and Archives helps the financial situation.

Economy and Community - Overspend by Hafan, Pwllheli and Doc Fictoria, Caernarfon, but is lessened by the underspend on country parks and more income from beaches.

Healthy Communities - overspend of £157k due to the slippage in the timescale of establishing 'Cwmni Byw'n Iach' to run the leisure facilities. Overspend on staff costs and a reduction in the income of the leisure centres also contribute to the overspend of £263k.

It is **recommended** to compensate the Economy and Community Department £157k, the sum of the overspend due to the slippage of establishing 'Cwmni Byw'n Iach' to run the leisure centres, which limits the overspend that will be carried forward by the Department to £28k.

FINAL ACCOUNTS 2018/19						
Highways and Municipal Department (including Trunk Roads Agency)	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Highways Services (including Trunk Roads)	9,274	9,368	94	0	94	39
Engineering Services	498	493	(5)	0	(5)	(1)
Municipal Services Waste	10,491	10,994	503	0	503	470
Other	3,588	3,614	26	0	26	81
Account Closure Adjustments 2018/19				(518)	(518)	0
<u>Highways and Municipal Total (including Trunk Roads Agency)</u>	23,851	24,469	618	(518)	100	589

Highways and Municipal (including Trunk Roads Agency)

Highways Services - reduction in income from external contracts on road works and lighting. Although the winter was relatively mild, there was an overspend as a result of a number of storms.

Waste - increase in the overspend to £503k, with an overspend on staffing costs and costs associated with illness. Higher operational costs were seen on transport, fleet maintenance and transporting recycling material. Although the Department has taken steps to reduce costs by changing shifts and collection route arrangements, changes that were expected to be effective from November 2018 in Dwyfor and in 2019/20 in Arfon and Meirionnydd, there has been a slippage in the implementation timetable to 2019/20.

Other Municipal Services - although the cost of running and hiring vehicles remains to be a problem, higher income from cremation and burials and underspending on various budgets has reduced the level of overspend by the end of the year.

Although some steps have already been taken on the waste side during the year to ensure measures to operate within the budget, it is noted that there was a delay in the implementation this year.

It is **recommended** that the Highways and Municipal Department receive a one-off partial financial assistance of £518k, which limits the overspend that will be carried forward by the Department to £100k, to support them to face the challenges of 2019/20.

FINAL ACCOUNTS 2018/19						
Environment Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Department Management	518	468	(50)	0	(50)	(81)
Planning Services						
Development Control	73	(72)	(145)	0	(145)	82
Other	192	174	(18)	0	(18)	(17)
	265	102	(163)	0	(163)	65
Street Works and Transport Services						
Network Management (Transport)	749	493	(256)	0	(256)	(128)
Parking and Parking Enforcement	(1,965)	(1,974)	(9)	0	(9)	(19)
Integrated Transport	1,703	1,794	91	0	91	(48)
	487	313	(174)	0	(174)	(195)
Countryside and Access	709	719	10	0	10	5
Public Protection	1,712	1,632	(80)	0	(80)	(29)
Property, Caretaking, Catering and Cleaning	1,436	1,401	(35)	0	(35)	66
Account Closure Adjustments 2018/19			0	392	392	0
Environment Total	5,127	4,635	(492)	392	(100)	(169)

Environment

Management - savings in advance in the department has led to one-off savings on the management heading.

Planning Services - considerable increase in the income by the end of the year in the Development Control Service as a result of two large applications as well as work by officers on a project with the National Grid and Horizon company. Underspend on services, supplies and transport.

Streetworks and Transport Services - Over achievement of income and a notable increase in the income from road closures, which are part of the Departments savings plan for 2019/20 onwards, as well as staff underspend.

In Integrated Transport, underspend on staff costs and excelling in income has reduced the effect of additional costs deriving from re-tendering bus journeys by two operators. Because the department on the whole is underspending, there are no further plans to use the Fund that was ring-fenced in 2017/18 towards increasing costs. The department is in the process of reviewing public transport and have commissioned research from the University to review the provisions.

Protecting the Public - income and further grants as well as underspend on many of the budget headings.

Property, Caretaking, Catering and Cleaning - a positive shift of £100k as a result of reduced costs on staffing including secondments and maternity.

In accordance with the Financial Regulations, it is **recommended** that the usual procedure be followed so that the Environment Department can retain (£100k) of its underspend, and to move (£392k), the sum above (£100k), and use it to assist the departments that have overspent in 2018/19.

FINAL ACCOUNTS 2018/19						
Consultancy Department	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Roads and Engineering Services	(196)	(259)	(63)	0	(63)	(2)
Building Services	(93)	(92)	1	0	1	(3)
Flood Risk Management Unit Services	433	417	(16)	0	(16)	1
Building Control	52	71	19	0	19	(7)
Consultancy Total	196	137	(59)	0	(59)	(11)

Consultancy

Roads and Engineering Services - positive shift of (£61k) since the last review, work on projects by other Councils and The Welsh Government at the end of the year has led to higher income than forecasted.

Flood Risk Management Unit Service - additional grants for work on drainage systems has surpassed the targeted income.

Building Control - lack of income responsible for the overspend at the end of the year following the unit's staff working on a project that didn't attract an income, namely the Ffordd Gwynedd Review with a view to improving future arrangements.

FINAL ACCOUNTS 2018/19						
Central Departments	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Management Team and Legal	1,817	1,741	(76)	0	(76)	(93)
Finance (& Information Technology)	5,892	5,833	(59)	0	(59)	(53)
Corporate Support	7,851	7,790	(61)	0	(61)	(59)
Central Departments Total	15,560	15,364	(196)	0	(196)	(205)

Central Departments

Corporate Management Team and Legal - underspend of (£76k) by the end of the year, which is a combination of additional income by the Legal Unit, reduction in costs in the Emergency Planning field and a vacant post. These savings will form part of the savings proposals from 2019/20 onwards.

Finance (and Information Technology) - one-off underspend on posts across the Department is the main contributor to the underspend, along with attracting additional income. Higher income receipt since the November Review which includes an additional grant from The Welsh Government for administering business rate relief. The savings achieved in advance have been planned in preparation to contribute towards the savings plans from 2019/20 onwards.

Corporate Support - the underspend is a combination of one-off staff savings due to vacant posts, along with the Department's success in attracting external income in excess of the budget which includes Occupational Health and Translating, with the intention of using it as part of the savings plans from 2019/20 onwards.

FINAL ACCOUNTS 2018/19						
Corporate (Only reflecting the variances)	Proposed Budget 2018/19	Final Position 2018/19	Gross Overspend / (Underspend) 2018/19	Use of Other Sources or Other Recommended Adjustments	Adjusted Overspend / (Underspend) 2018/19	Net Overspend / (Underspend) End of November
Area:-	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	*	*	(24)		(24)	0
Council Tax Premium	*	*	(19)	19	0	0
Council Tax Reduction	*	*	(265)		(265)	0
Net Interest Received	*	*	(139)		(139)	8
Capital Costs	*	*	(551)	551	0	0
Corporate Maintenance	*	*	(738)	738	0	0
Budgets Returned by Departments			(937)		(937)	0
Other	*	*	(651)		(651)	(55)
Account Closure Adjustments 2018/19 - <i>to general balances</i>				173	173	
				1,481		
Account Closure Adjustments 2018/19 - <i>to finance overspend</i>				1,843	1,843	0
Corporate Total	*	*	(3,324)	3,324	0	(47)

Corporate

Council Tax and Council Tax Premium - a favourable situation of additional tax of (£24k) on the Council Tax and (£19k) Council Tax Premium. An increase of over 60% this year in the amount of properties the Valuation Office have allowed to be transferred from the Council Tax register to Non Domestic Rates, which is 453 properties (282 in 2017/18, and 199 in 2016/17). We will continue to draw the attention of the Welsh Government and the Valuation Office of this unsatisfactory situation.

Council Tax Reduction - underspend of (£265k) as the number of applications for the Council Tax Reduction (benefit) generally is at it's lowest level in comparison to the previous two years across North and Mid Wales.

Net Interest Receipt - recent changes in the treasury management field has allowed Welsh Councils to invest in property investment which has led to higher returns.

Capital Costs - present treasury management policy means that external borrowing can be avoided this year which creates an underspend against the capital costs budget. Following the recent setting up of the Asset Management Plan for 2019/20 onwards, it is recommended that this underspend is moved to a fund specifically to aid the funding of the capital programme.

Corporate Maintenance - as the Council is awaiting a decision on a grant from Welsh Government which is to be spent on numerous school sites, part of this year's maintenance budget has been earmarked as corresponding money to attract the grant. It is recommended that the money should be moved to a specific fund for this purpose.

Budgets Returned by Departments - following the receipt of a grant from The Welsh Government to finance the increase in teacher's salaries at the end of December it was possible to release budget of (£617k) and the demand wasn't as intense as a result of pension auto-enrolment.

Other - underspend as the pressure on a number of budget headings was not as much as anticipated.

It is **recommended** that (£19k) linked with the Council Tax Premium is earmarked to a specific fund to be considered for the housing strategy, (£551k) relating to capital costs to be transferred to a capital programme finance fund, (£738k) on repair and maintenance to be transferred to a repair and maintenance fund. Use (£1,843k) of the net underspend on the Corporate budget to support departments that have overspent in 2018/19 with the remaining (£173k) to go to the Council's general balances.

Harvesting Reserves and Provisions

Following a review of reserves and provisions, it is recommended that the following sums are released from the reserves and provisions below:

Reserve	Sum to be released £
Corporate Management Team and Legal underspend (harvest above a certain threshold)	60,834
Corporate Support underspend (harvest above a certain threshold)	67,079
Various Historical Revenue Grants (no related commitment)	267,952
Finance Department underspend (harvest above a certain threshold)	65,785
Pay review (completed)	44,130
Gwynedd Consultancy underspend (harvest above a certain threshold)	81,696
Potential Contracts Commitment (no related commitment)	163,974
For Insufficient Income (no related commitment)	80,860
Supporting the Financial Strategy Reserve (to be transferred to achieve corporate priorities)	3,098,718
Total	3,931,028

Provision	Sum to be released £
Third Party Claims (completed)	68,972
Total	68,972

to be transferred to :

Reserve / General Balances	Sum to be transferred £
Transformation Fund / Council Plan	3,000,000
General Balances	1,000,000
Total	4,000,000

For a period of one year, transfer the following to bridge the funding source:

Reserve	Sum to be released £
Supporting the Financial Strategy Reserve	262,100
Total	262,100

to be transferred to the reserve below:

Reserve	Sum to be transferred £
Liabilities Related to the Pension Fund	262,100
Total	262,100

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **13 JUNE 2019**

TITLE: **CAPITAL PROGRAMME 2018/19 –
END OF YEAR REVIEW**

PURPOSE: **MONITORING REPORT ON THE EXPENDITURE AND
FINANCING OF THE CAPITAL PROGRAMME**

ACTION: **RECEIVE THE INFORMATION AND CONSIDER THE
RISKS RELATING TO THE CAPITAL PROGRAMME**

CONTACT OFFICER: **FFION MADOG EVANS, SENIOR FINANCE MANAGER**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS, FINANCE CABINET
MEMBER**

1. The attached report (capital programme end of year review) was presented to the Cabinet on 21 May for decisions relating to the revised programme and its financing.
2. The usual practice is that the Cabinet report is presented to the Audit and Governance Committee, to be scrutinised together with the relevant decision of the Cabinet meeting of 21 May which is on the following page.
3. The Audit and Governance Committee is asked to note the position and any risks relating to the Council's capital programme, consider the Cabinet's decision and comment as necessary.

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting:	21 May 2019
Date decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution.	5 June 2019

SUBJECT

Item 6: CAPITAL PROGRAMME 2018/19 - END OF YEAR REVIEW (31 MARCH 2019 POSITION)

DECISION

To accept the report on the end of year review (31 March 2019 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- £7,000 increase in the use of borrowing
 - £1,739,000 increase in the use of grants and contributions
 - £71,000 increase in the use of capital receipts
 - £158,000 increase in the use of revenue contributions
 - No change in the use of the capital reserve
 - £184,000 increase in the use of renewal and other reserves
-

REASONS FOR THE DECISION

It is the Cabinet's responsibility to take action, as necessary, in order to secure appropriate control over the Council's budgets (e.g. approval of significant virements or supplementary budgets) and in order to allow the formal final accounts to be completed

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which had been included in the report

REPORT TO THE CABINET

21 Mai 2019

Cabinet Member: Councillor Ioan Thomas, Finance Cabinet Member

Subject: Capital Programme 2018/19 –
End of Year Review (31 March 2019 position)

Contact Officer: Ffion Madog Evans, Senior finance Manager

The decision sought / Purpose of the report

To accept the report on the end of year review (31 March 2019 position) of the capital programme, and approve the revised financing as shown in part 4 of the report, that is:

- £7,000 increase in the use of borrowing
 - £1,739,000 increase in the use of grants and contributions
 - £71,000 increase in the use of capital receipts
 - £158,000 increase in the use of revenue contributions
 - No change in the use of the capital reserve
 - £184,000 increase in the use of renewal and other reserves
-

1. Introduction / Summary

This technical report is presented as part of the 2018/19 end of year procedure. The main purpose of the report is to present the revised capital programme and to approve the relevant financing sources. There is a summary in parts 3 and 4 of the report, with the recommendation in part 5:

Part 3: Analysis by Department of the £53.430m capital programme for the 3 years 2018/19 – 2020/21.

Part 4: The sources of finance for the net increase of approximately £2.159m since the previous review.

The Cabinet has the authority to adapt the capital programme. Approval is sought for the programme (part 3) and financing (part 4).

The remainder of the report is for information:

- Appendix A: Main changes per source of finance
- Appendix B: Movement from 2018/19 to 2019/20

2. Main Findings

The main findings that arise from the revised position are:

- The Council succeeded in spending over £22.8m in 2018/19 on capital projects, with £12.5m (55%) of it being financed by attracting specific grants.
- In addition to the £4.4m which was reported at the previous 2018/19 reviews a further £8.3m of proposed expenditure has been re-profiled from 2018/19 to

2019/20, but no loss of funding was caused to the Council where schemes have slipped.

3. Capital Programme 2018/19 to 2020/21

See below the revised proposed capital programme as at the end of March 2019.

DEPARTMENT	END OF MARCH REVIEW				INCREASE/ (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2018/19	2019/20	2020/21	TOTAL	
	£'000	£'000	£'000	£'000	
Education	3,481	9,201	3,624	16,306	7
Environment	4,340	4,839	43	9,222	(706)
Corporate Support	6	118	-	124	-
Finance	1,049	285	-	1,334	308
Economy and Community	656	477	-	1,133	47
Adults, Health and Wellbeing - Housing Unit	4,052	1,285	-	5,337	436
Adults, Health and Wellbeing - Other	780	1,177	524	2,481	11
Children and Families	93	-	-	93	(14)
Highways and Municipal	6,971	4,515	1,893	13,379	281
Consultancy	1,380	452	45	1,877	(53)
Corporate	-	2,144	-	2,144	1,842
TOTAL	22,808	24,493	6,129	53,430	2,159

4. Changes to the Sources of Finance

The budget for the three year programme shows an increase of £2.159m since the previous review position. The proposed sources of financing for this are noted below:

SOURCE OF FINANCE	END OF MARCH REVIEW				INCREASE/ (DECREASE) SINCE THE PREVIOUS REVIEW £'000
	2018/19	2019/20	2020/21	TOTAL	
	£'000	£'000	£'000	£'000	
Supported Borrowing	4,144	-	-	4,144	-
Other Borrowing	3,774	1,747	777	6,298	7
Grants and Contributions	10,538	9,714	525	20,777	1,739
Capital Receipts	162	349	750	1,261	71
Departmental & Corporate Revenue	1,947	176	-	2,123	158
Capital Fund	-	2,353	-	2,353	-
Renewals & Other Funds	2,243	10,154	4,077	16,474	184
TOTAL	22,808	24,493	6,129	53,430	2,159

Since the previous review the Council succeeded in attracting the following additional grants, with other adjustments (see Appendix A for more information) :

- £1,842k Schools Capital Maintenance Grant
- £347k Grant to Design and Develop the Flood Alleviation Scheme in Llanberis
- £47k Coastal Protection Grant, Borth y Gest
- £40k Targeted Regeneration Investment (TRI) Grant to fund the Bangor Regeneration and Access Schemes
- £327k Intermediate Care Fund (ICF) Grant. Adults area
- £98k Targeted Regeneration Investment Programme (TRIP) Grant for the development of empty properties
- £50k Innovative Housing Programme Grant – flexible passive pods

5. Recommendations

The Cabinet is asked to:

- **accept the 2018/19 to 2020/21 revised programme and**
- **approve the relevant sources of finance (para. 4 above).**

6. Reasons for Recommending the Decision

It is necessary to ensure appropriate financing arrangements for the Council's plans to spend on capital, and the Cabinet must approve the capital programme and its sources of funding.

Incorporating funding via grant is a point of order, but it is also necessary to deal with situations where there has been a change in expenditure profiles between years and the value of capital receipts and contributions.

These are recommendations to ensure definite sources of funding for the 2018/19 – 2020/21 capital schemes.

7. Relevant Considerations

These are technical issues regarding the financing of schemes and relevant implications and debates have already been addressed when the individual schemes were adopted.

8. Next Steps and Timetable

To implement the recommendations to finance the programme in order that the Finance Department can move forward to close the Council's financial accounts for 2018/19, and publish the statutory statement before the end of May.

View of the Local Member

Not relevant.

Views of the Statutory Officers**Monitoring Officer:**

No observations from a propriety perspective.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendix

Appendices A and B.

Main Changes Per Source of Financing

See below the relevant schemes that have caused the main changes to the sources of finance since the previous review :

	2018/19 £'000	2019/20- 2020/21 £'000
Grants and Contributions		
<ul style="list-style-type: none"> Design and develop flood alleviation scheme in Llanberis (<i>Consultancy Department</i>). 	347	(387)
<ul style="list-style-type: none"> Coastal Protection Grant, Borth y Gest (<i>Consultancy Department</i>). 	47	
<ul style="list-style-type: none"> Sure Start Grant – underspend (<i>Children and Families Department</i>). 	(22)	
<ul style="list-style-type: none"> Intermediate Care Fund (ICF) – additional Welsh Government grant for adapting establishments to admit dementia and specialised care beds as well as facilitating joint working arrangements with other agencies (<i>Adults, Health and Wellbeing Department</i>). 	327	
<ul style="list-style-type: none"> Targeted Regeneration Investment Programme (TRIP) Grant schemes – Welsh Government grant for the development of empty properties in the Arfon area (<i>Housing Unit, Adults, Health and Wellbeing Department</i>). 	98	
<ul style="list-style-type: none"> Innovative Housing Programme Grant – flexible passive pods (<i>Housing Unit, Adults, Health and Wellbeing Department</i>). 	50	
<ul style="list-style-type: none"> Reduction in the Grant from the Local Transport Fund from Welsh Government (<i>Environment Department</i>) towards several different schemes including A496 Llanbedr; Lôn Las Peris; A499 to Trefor (<i>Environment Department</i>). 	(703)	
<ul style="list-style-type: none"> Grant towards Countryside Schemes including Access to the Llŷn Area of Outstanding Natural Beauty (AONB) (<i>Environment Department</i>). 	30	
<ul style="list-style-type: none"> Grant to fund the Llŷn Land and Sea Project (<i>Environment Department</i>). 	53	
<ul style="list-style-type: none"> Targeted Regeneration Investment (TRI) Grant to fund the Bangor Regeneration and Access Schemes (<i>Economy and Community Department</i>). 	40	

<ul style="list-style-type: none"> Schools Capital Maintenance Grant (<i>Education Department and Environment Department</i>). 	1,842	
Capital Receipts		
<ul style="list-style-type: none"> Upgrading Highways and Municipal Depots (<i>Highways and Municipal Department</i>). 	76	
Departmental Revenue		
<ul style="list-style-type: none"> Design and develop flood alleviation scheme in Llanberis (<i>Consultancy Department</i>) – contributions from other departments to the Consultancy Department scheme. 	47	(68)
<ul style="list-style-type: none"> Information Technology Servers (<i>Finance Department</i>). 	250	
<ul style="list-style-type: none"> Various minor schemes. 	(71)	
Renewals and Other Funds		
<ul style="list-style-type: none"> Vehicles and Waste Equipment renewals (<i>Highways and Municipal Department</i>). 	225	
<ul style="list-style-type: none"> VOIP project - telephony via the internet (<i>Finance Department</i>). 	57	
<ul style="list-style-type: none"> Various minor schemes. 	(98)	

Budget Re-profiling – Main Schemes

See below the main schemes that have been re-profiled since the original budget:

	2018/19 £'000	2019/20 £'000
Segontium Day Service Relocation (<i>Adults, Health and Wellbeing Department</i>)	(253)	253
Housing Grant Schemes (<i>Housing Unit, Adults, Health and Wellbeing Department</i>)	(975)	975
Y Berwyn Lifelong Learning School (<i>Education Department</i>)	(382)	382
Other Schools' Schemes (21 st Century and Other) (<i>Education Department</i>)	(582)	582
Adults establishments' schemes (<i>Adults, Health and Wellbeing Department</i>)	(180)	180
Resurfacing of car parks (<i>Environment Department</i>)	(261)	261
Environment Department Road Schemes (<i>Environment Department</i>)	(1,286)	1,286
Vehicles Renewals (<i>Highways and Municipal Department and Environment Department</i>)	(2,313)	2,313
Adaptation Schemes, Repairs and Maintenance etc on Council Buildings (<i>Property Unit, Environment Department</i>)	(2,990)	2,990
Various schemes such as Renewal of Safety Fences, Surface Water on Roads, Water Pipes, Toilets (<i>Highways and Municipal Department</i>)	(297)	297
Llandygai Gypsy Site Scheme (<i>Housing Unit, Adults, Health and Wellbeing Department</i>)	(310)	310
Council's Computer Replacement Scheme (<i>Finance Department</i>)	(200)	200
Various Schemes such as Digitisation of sites, Parc Padarn Safety Measures (<i>Economy and Community Department</i>)	(229)	229
Various Schemes such as AONB Access, Urban Improvements, Street Works IT Systems (<i>Environment Department</i>)	(192)	192
Schools Repairs and Maintenance Grant (replaced funding in 18/19 which is carried over to 19/20)	(1,842)	1,842

Note:

The above re-profiling will not result in any loss in grant.

There is a variety of valid reasons behind the re-profiling in many cases, but the delay prior to implementing these schemes can mean that the services have to cope for longer with current assets which have not been improved.

MEETING: **AUDIT AND GOVERNANCE COMMITTEE**

DATE: **13 JUNE 2019**

TITLE: **2018/19 SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES**

PURPOSE: **SHARE THE INFORMATION WITH THE AUDIT AND GOVERNANCE COMMITTEE MEMBERS**

ACTION: **RECEIVE THE REPORT FOR INFORMATION**

CONTACT OFFICER: **FFION MADOG EVANS, SENIOR FINANCE MANAGER**

CABINET MEMBER: **COUNCILLOR IOAN THOMAS, FINANCE CABINET MEMBER**

1. The attached report (Savings Overview 2018/19: Progress Report on Realising Savings Schemes) was presented to the Cabinet on 21 May to report on the position relating to realising saving schemes to 31 March 2019.
2. The Cabinet report is presented to the Audit and Governance Committee to be scrutinised, together with the relevant decision of the Cabinet meeting of 21 May which is on the following page.
3. The Audit and Governance Committee is asked to note the position and any risks relating to the Savings Overview, and comment as necessary.

GWYNEDD CABINET DECISION NOTICE

Date of Cabinet Meeting:	21 May 2019
Date decision will come into force and implemented, unless the decision is called in, in accordance with section 7.25 of the Gwynedd Council Constitution.	5 June 2019

SUBJECT

Item 7: SAVINGS OVERVIEW: PROGRESS REPORT ON REALISING SAVINGS SCHEMES

DECISION

To note the information within the report and note the encouraging progress towards realising the 2018/19 and previous years savings schemes.

REASONS FOR THE DECISION

Realising the individual schemes is the responsibility of the relevant Cabinet members, and Members' performance reports are presented regularly to Cabinet meetings, detailing the progress of individual savings schemes within their portfolios, and the position at the time. It is the responsibility of the Cabinet Member for Finance to keep an overview of the whole picture.

DECLARATIONS OF PERSONAL INTEREST AND ANY RELEVANT DISPENSATIONS APPROVED BY THE STANDARDS COMMITTEE

No declarations of personal interest or relevant dispensations were received.

ANY CONSULTATIONS UNDERTAKEN PRIOR TO MAKING THE DECISION

The Statutory Officers were consulted to seek their views, which have been included in the report.

REPORT TO THE CABINET

Date	21 May 2019
Cabinet Member	Councillor Ioan Thomas, Finance Cabinet Member
Subject	Savings Overview: Progress Report on Realising Savings Schemes
Contact Officer	Ffion Madog Evans, Senior Finance Manager

DECISION SOUGHT

To accept the information within the report and note the encouraging progress towards realising the 2018/19 and previous years savings schemes.

1. INTRODUCTION / BACKGROUND

In the Council's financial strategy for the year 2018/19, savings to the value of £2,454,740 were planned.

Realising the individual schemes is the responsibility of the relevant Cabinet members, and Members' performance reports, which are presented regularly to Cabinet meetings, detailing the progress of individual savings schemes within their portfolios, and the position at the time. It is the responsibility of the Cabinet Member for Finance to keep an overview of the whole picture.

This report updates on the progress of realising the savings up to 31 March 2019.

2. SAVINGS SCHEMES 2015/16 - 2017/18

- 2.1 **Appendix 1** summarises the achievement of each department against the savings target set for them from 2015/16 - 2017/18, totalling more than £24m. It is encouraging for me to report that £23m, or 96%, of these schemes have been realised, and there is only a slight slippage with the remainder.
- 2.2 This slippage is mainly on 2017/18 schemes with some of the schemes having slipped. Progress has been made recently with some of the schemes but the challenge of completing some of the schemes remain.
- 2.3 Two schemes by the Education Department are subjects of concern, namely *Reduce time and/or raise a fee for the child care element of the free breakfast scheme* as well as *Raising the price of primary school meals from £2.30 to £2.50*. The savings are not being realised at the level that the Department had anticipated, and so there is an overspend this year. The total target amount of both schemes in 2017/18 is £119,550. The Cabinet Member for Finance is eager to receive a response plan by the next relevant Cabinet meeting.

3. DEPARTMENTAL SCHEMES 2018/19

- 3.1 **Appendix 2** summarises the position relating to the realisation of 2018/19 savings schemes. Out of the 30 schemes, 73% worth of schemes have been realised. 1 scheme is on track to be realised on time, with slippage forecasted on 7 schemes.
- 3.2 As reported to Cabinet on 22 January 2019, one of them is the 'End to End Review' in the Children and Supporting Families Department, which is a savings scheme of £250,280. The scheme has been subject to a joint review between the Children and Supporting Families Department, Finance and the Research and Information Manager, by revisiting the assumptions in the original 'End to End' model. It showed that the number of nights children were in residential placements has reduced but there's a change in the profile and complexity of the cases, therefore, it has affected the average cost of placements. A reduction in contributions by Health was also seen.
- 3.3 Both schemes by the Education Department as noted in point 2.3 also have savings targets of £85,450 in 2018/19.
- 3.4 The Economy and Community Department received The Cabinet's approval, 16 October 2018, to slip £156,500 of the savings as the Leisure provisions hadn't been handed over to Byw'n Iach Cyf Company until the 1 of April 2019, therefore to 2019/20.
- 3.5 Generally, the progress made to realise the savings schemes of 2018/19 have been acceptable, however there are signs being highlighted of some difficulties in delivering. As we are trying to affect Gwynedd residents as little as possible by achieving efficiency savings, it is much harder than cutting services.

4. DEPARTMENTAL SCHEMES 2019/20 ONWARDS

- 4.1 For information purposes, the new departmental savings schemes for 2019/20 onwards are listed in **Appendix 3**. The individual schemes will be monitored during the year, but is too early to report at present.

5. CONCLUSION

- 5.1 Although some departments have realised all of their savings schemes, it is inevitable that realising almost £27m of savings since April 2015 has been challenging. Some schemes need more time to plan and implement appropriately. However, in general, I am satisfied with the progress that has been made to realise the savings plans for this period and I am grateful to all departments and Cabinet Members for achieving this success. Every effort will be made to realise those schemes that have slipped, and all Cabinet Members will continue to monitor the situation, acting as necessary to achieve the goal.
- 5.2 Therefore, I ask the Cabinet to note the acceptable general achievement outlined in this report towards realising the savings schemes.

View of the Local Member

Not relevant

View of the Statutory Officers**Monitoring Officer:**

No observations in relation to propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the content.

Appendices:

Appendix 1 - 2015/16 – 2017/18 Savings Schemes Overview by Department

Appendix 2 - 2018/19 Savings Schemes Overview by Department

Appendix 3 - 2019/20 onwards Savings Schemes Overview by Department

OVERVIEW OF SAVINGS SCHEMES 2015/16 TO 2017/18 BY DEPARTMENT

Department	Total Savings £	Realised Schemes £	Schemes being implemented, but with slippage £ - number		Schemes with some risks of achieving £ - number		Comments by the Head of Finance
Education	685,860	537,629	28,681	1	119,500	2	A bid has been submitted for additional resources to accelerate the work on <i>Ffordd Gwynedd - Pay and Contracts Unit</i> , but in the meantime the Department is bridging the deficit of (£28,681). The savings from the scheme to <i>Reduce time and/or charge for the child minding element within the free breakfast scheme for primary school children</i> has not been realised, with an overspend at the year end. With respect to the scheme <i>To increase the price of primary school meals from £2.30 to £2.50</i> , the latest position notes that there is a deficit at the end of the year as the numbers having lunch has fallen since the price rose in September 2017, and therefore the scheme is not realising the expected savings
Schools	4,037,000	3,738,010	298,990	1	-	-	Savings of £298,990 of the 2017/18 savings have been bridged for two years for the Secondary Schools, with the savings to be realised in 2019/20.
Environment	2,179,353	2,179,353	-	-	-	-	All the schemes for the period have been realised.
Corporate Support	1,659,838	1,659,838	-	-	-	-	All the schemes for the period have been realised.
Finance	960,826	960,826	-	-	-	-	All the schemes for the period have been realised.
Economy and Community	2,085,602	2,085,602	-	-	-	-	All the schemes for the period have been realised.
Adults, Health and Wellbeing	4,934,141	4,473,401	460,740	7	-	-	A slippage on a range of 2017/18 schemes have slipped but full implementation is anticipated.

OVERVIEW OF SAVINGS SCHEMES 2015/16 TO 2017/18 BY DEPARTMENT

Department	Total Savings £	Realised Schemes £	Schemes being implemented, but with slippage £ - number	Schemes with some risks of achieving £ - number	Comments by the Head of Finance
Children and Supporting Families	1,987,318	1,987,318	-	-	All the schemes for the period have been realised.
Highways and Municipal	4,872,550	4,839,550	33,000	1	£33k of the scheme to <i>Close 50 out of the 73 public toilets in the county</i> is slipping, with the service looking at restructuring and the Closed Circuit Television (CCTV) scheme to address the difference.
Consultancy	387,000	387,000	-	-	All the schemes for the period have been realised.
Corporate Management Team and Legal	165,270	165,270	-	-	All the schemes for the period have been realised.
Sub-total	23,954,758	23,013,797	821,411	10	119,500 2
Cross-departmental	224,220	224,220	-	-	All the schemes for the period have been realised.
TOTAL	24,178,978	23,238,017	821,411	10	119,500 2 In financial terms (£), 96% of the savings schemes for 2015/16 - 2017/18 have been realised.

OVERVIEW OF 2018/19 SAVINGS SCHEMES BY DEPARTMENT

Department	Total Savings 2018/19 £ - number		Realised schemes £ - number		Schemes on track to be realised timely £ - number		Schemes with slippage £ - number		Comments by the Head of Finance
Education	521,450	3	436,000	1	-		85,450	2	The scheme to <i>Reduce time and/or to raise a fee for the child care element of the free breakfast scheme for primary school children</i> hasn't been achieved, with an overspend at the end of the year. In regards to the scheme to <i>Raise the price of primary school meals from £2.30 to £2.50</i> , the numbers that order dinners have decreased since the price increase in September 2017, and therefore the expected savings have not been realised.
Schools	-		-		-		-		No schemes programmed for 2018/19.
Environment	154,970	6	154,970	6	-		-		All schemes have been realised.
Corporate Support	47,340	2	47,340	2	-		-		The two schemes have been realised.
Finance	66,430	2	66,430	2	-		-		The two schemes have been realised.
Economy and Community	308,830	4	152,330	3	-		156,500	1	The schemes have now been realised, but there was partial slippage to the <i>Running leisure facilities more effectively</i> scheme because the provision of leisure facilities hadn't been handed over to Byw Yn Iach Cyf Company until 1 April 2019, therefore a slippage in to 2019/20.
Adults, Health and Wellbeing	645,000	6	575,000	4	-		70,000	2	A delay in realising the <i>Increase income and reducing other costs</i> scheme worth £30k and the <i>Prudent Commissioning of the Mental Health Service</i> worth £40k, although progressing.

OVERVIEW OF 2018/19 SAVINGS SCHEMES BY DEPARTMENT

Department	Total Savings 2018/19		Realised schemes		Schemes on track to be realised timely		Schemes with slippage		Comments by the Head of Finance
	£ - number		£ - number		£ - number		£ - number		
Children and Supporting Families	314,480	2	64,200	1	-		250,280	1	The "End to End" scheme has recently been subject to a review which has confirmed that the number of nights children are in care has reduced during the period, but the types of residential placements has changed, therefore affecting the placement costs. There has also been a reduction in the contributions by Health. The Department should consider changing their focus to obtain a solution.
Highways and Municipal	171,700	2	86,700	1	85,000	1	-		The savings scheme <i>Fleet Arrangements (Edge Review)</i> worth £85k that is being lead by the Highways Department is yet to receive approval from The Cabinet.
Consultancy	-		-		-		-		No schemes programmed for 2018/19.
Corporate Management Team and Legal	13,800	1	-		-		13,800	1	There is a slippage on the savings scheme in the Coroner's budget worth £13,800 as it is based on projection.
Sub Total	2,244,000	28	1,582,970	20	85,000	1	576,030	7	
Cross-departmental	210,740	2	210,740	2	-		-		The two schemes have been realised.
TOTAL	2,454,740	30	1,793,710	22	85,000	1	576,030	7	In financial terms (£), 73% of the year's schemes have been realised and 4% on track to be realised on time.

SAVINGS SCHEME OVERVIEW 2019/20 ONWARDS BY DEPARTMENT

Department	Total Savins 2019/20 onwards		Profile			
			2019/20 £	2020/21 £	2021/22 £	2022/23 £
	£ - number					
Education	84,530	3	66,970	17,560	-	-
Environment	560,000	20	229,380	221,870	96,250	12,500
Corporate Support	788,700	18	375,450	195,500	117,750	100,000
Finance	795,450	22	558,650	111,800	100,000	25,000
Economy and Community	553,000	12	173,000	175,000	166,250	38,750
Adults, Health and Wellbeing	1,772,380	12	345,000	953,250	274,130	200,000
Children and Supporting Families	94,590	8	63,170	8,250	23,170	-
Highways and Muinicipal	1,380,900	19	210,000	372,150	611,250	187,500
Consultancy	186,000	7	126,500	59,500	-	-
Corporate Management Team and Legal	202,370	7	183,310	19,060	-	-
TOTAL	6,417,920	128	2,331,430	2,133,940	1,388,800	563,750

MEETING	Audit & Governance Committee
DATE	13 June 2019
TITLE	Gwynedd Harbours' Final Accounts for the year ended 31 March 2019
PURPOSE	To submit – <ul style="list-style-type: none">• The Revenue Income and Expenditure Account Report for 2018/19 and• Statements of accounts return, duly certified, but subject to Audit
AUTHOR	Ffion Madog Evans, Senior Finance Manager
ACTION	Receive and Approve the Accounts

1. HARBOUR REPORTING REQUIREMENTS

- 1.1 The Harbours Act 1964 requires that Gwynedd, as a harbour authority, prepares an annual statement of accounts relating to harbour activities.
- 1.2 Gwynedd Harbours, due to its turnover not exceeding £2.5m is considered to be a small local government body as defined in the Accounts and Audit (Wales) Regulations 2014.
- 1.3 For a “small local government body”, completion of a statements of accounts return prepared by the Wales Audit Office satisfies the statutory requirement. It will be subject to a separate audit, but production of full statutory financial statements (complying with “IFRS” International Financial Reporting Standards) are not required.

2. 2018/19 ACCOUNTS

- 2.1 The Revenue Income and Expenditure Account for 2018/19 is submitted herewith as Appendix A in simple “outturn” format. The Harbours have an underspend of (£2,875), with the income showing a shortfall of £38,001 against a target of £198,410. Note that the target has been reduced by £50,000 in 2017/18 because of the permanent decrease in the demand for moorings.
- 2.2 The statements of accounts return for 2018/19 is submitted herewith as Appendix B, duly completed and certified prior to audit, by Dafydd L Edwards, the Statutory Finance Officer for the Harbours.

- 2.3 The accounts and return will be subject to imminent audit by Deloitte, Gwynedd Council's external auditors appointed by the Auditor General for Wales. Should any amendments be necessary following audit then a revised version will be presented to the Audit Committee in July.
- 2.4 Following Deloitte's audit and any required amendments, the Auditor General's representative will certify the return prior to 15 September 2019.
- 2.5 Appendix A relates to the revenue account only whereas the accounting statements in Appendix B incorporates both revenue and capital. The capital expenditure for Gwynedd Harbours for 2018/19 was £20,000. This amount is included on line 6, and the income to finance is included in line 2.

3. RECOMMENDATION

- 3.1 **The Audit Committee is asked to receive and approve the information in the appendices, i.e.: –**
- Revenue Income and Expenditure Account for 2018/19 – Appendix A
 - Annual Return for the Year Ended 31 March 2019, Subject to Audit – Appendix B

Audit Committee

Cyngor Gwynedd Harbours' Report

Income and Expenditure Account 2018-19

	Budget 2018-19	Actual Expenditure for 2018-19	Variance Over (Under) spend
Expenditure			
Employees			
Salaries	£190,450	£156,823	-£33,627
Training	£0	£2,358	£2,358
Insurance Liability	£880	£870	-£10
Other Miscellaneous	£2,260	£1,257	-£1,003
Buildings			
Maintenance	£49,860	£13,896	-£35,964
Ground Maintenance	£14,520	£506	-£14,014
Energy	£7,590	£29,158	£21,568
NNDR	£19,990	£19,982	-£8
Water Rates	£2,380	£2,780	£400
Crown Lease	£2,660	£2,600	-£60
Refuse Collection and Cleaning	£4,500	£1,521	-£2,979
Buildings Insurance	£450	£447	-£3
Transport			
Vehicle Running Costs (Including Boats)	£2,080	£508	-£1,572
Travel Expenses	£480	£10	-£470
Supplies and Services			
Equipment - Including safety	£18,000	£29,810	£11,810
Underwater Inspections	£0	£2,860	£2,860
Signages	£0	£10,989	£10,989
Clothes	£1,960	£905	-£1,055
Boat Maintenance (finance from fund)	£3,070	£0	-£3,070
Fees - Specialists	£6,550	£0	-£6,550
Licences	£600	£225	-£375
Office Supplies & Network costs	£3,050	£5,484	£2,434
Audit Fees	£720	£770	£50
Insurance on Handling Cash	£2,580	£2,578	-£2
Refuse	£0	£7,418	£7,418
Central Support			
Central Reimbursement Costs	£35,385	£35,385	£0
Total Expenditure	£370,015	£329,139	-£40,876
Income			
Fees and Rent	-£198,410	-£160,409	£38,001
Total Income	-£198,410	-£160,409	£38,001
Net Expenditure	£171,605	£168,730	-£2,875

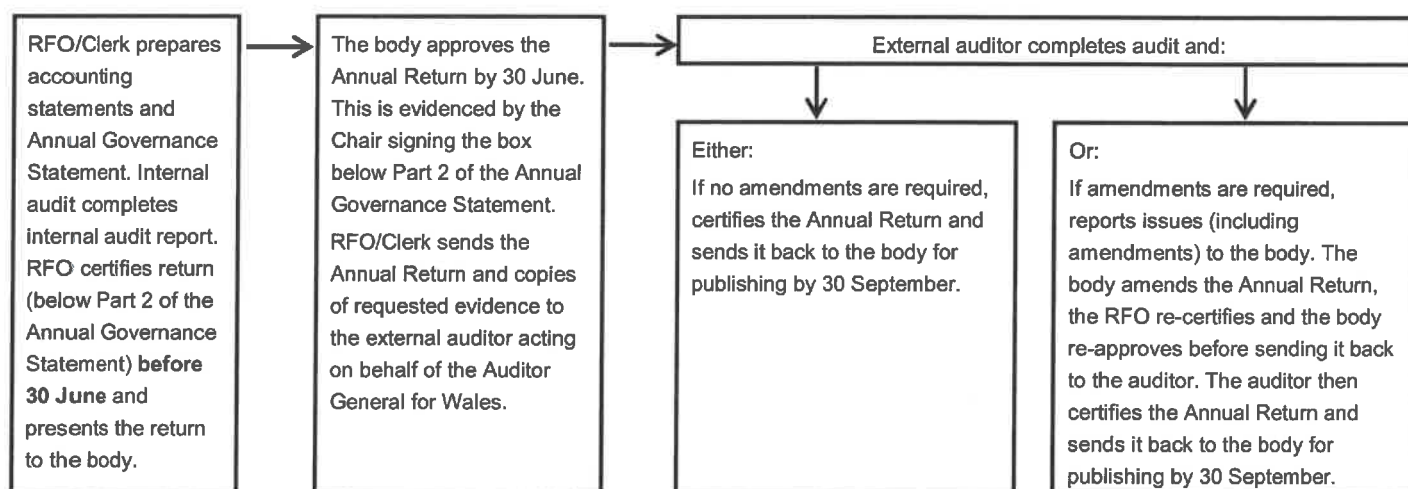
Smaller relevant local government bodies in Wales Annual Return for the Year Ended 31 March 2019

THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For minor joint Gwynedd Council Harbours with income and expenditure below £2.5 million, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication 'Governance and accountability for local councils in Wales – A Practitioners' Guide' (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners' Guide.

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including the Annual Governance Statement.

APPROVING THE ANNUAL RETURN

There are two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.

The Gwynedd Council Harbours must approve the annual return **BEFORE** the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.

The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It **MUST NOT** be completed by the Clerk/RFO, the Chair or the internal auditor.

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Accounting statements 2018-19 for:

Name of body: **Gwynedd Council Harbours**

	Year ending		Notes and guidance for compilers
	31 March 2018 (£)	31 March 2019 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.
Statement of income and expenditure/receipts and payments			
1. Balances brought forward	0	0	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	131,100	188,730	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	176,120	160,409	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-174,707	-161,308	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg. termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-132,513	-187,831	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
Statement of balances			
8. (+) Debtors and stock balances	18,398	8,621	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	-14,643	-7,579	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	-3,754	-1,042	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	0	0	Total balances should equal line 7 above: Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	476,912	496,912	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

Annual Governance Statement

We acknowledge as the members of the Gwynedd Council Harbours, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2019, that:

	Agreed?		'YES' means that the Gwynedd Council Harbours:	PG Ref
	Yes	No*		
1. We have put in place arrangements for: <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	<input checked="" type="radio"/>	<input type="radio"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	<input checked="" type="radio"/>	<input type="radio"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Gwynedd Council Harbours to conduct its business or on its finances.	<input checked="" type="radio"/>	<input type="radio"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
5. We have carried out an assessment of the risks facing the Gwynedd Council Harbours and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<input checked="" type="radio"/>	<input type="radio"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	<input checked="" type="radio"/>	<input type="radio"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Gwynedd Council Harbours and, where appropriate, have included them on the accounting statements.	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Gwynedd Council Harbours approval and certification

The Gwynedd Council Harbours is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

Certification by the RFO I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Gwynedd Council Harbours and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.	Approval by the Gwynedd Audit & Governance Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Gwynedd Audit & Governance Committee under minute reference: 13 June 2019
RFO signature: signature required 	Chair of meeting signature: signature required
Name: DAFYDD L. EDWARDS	Name:
Date: 16 / 05 / 2019	Date:

Gwynedd Council Harbours re-approval and re-certification (only required if the annual return has been amended at audit)

Certification by the RFO I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Gwynedd Council Harbours, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.	Approval by the Gwynedd Council Harbours I confirm that these accounting statements and Annual Governance Statement were approved by the Gwynedd Council Harbours under minute reference:
RFO signature: signature required	Chair of meeting signature: signature required
Name:	Name:
Date:	Date:

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2019 of:

Gwynedd Council Harbours

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: **Gwynedd Council Harbours**

The Gwynedd Council Harbours's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2019.

The internal audit has been carried out in accordance with the Gwynedd Council Harbours's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Gwynedd Council Harbours.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

For any risk areas identified by the Gwynedd Council Harbours (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
11. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Gwynedd Council Harbours are included in my detailed report to the Gwynedd Audit & Governance Committee dated 13 June 2019 * Delete if no report prepared.

Internal audit confirmation

I/we confirm that as the Gwynedd Council Harbours's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2017-18 and 2018-19. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: LUNED FION JONES

Signature of person who carried out the internal audit: signature required *Luned Fion Jones*

Date: 16.06.2019

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs. Ask your auditor for an electronic copy of the form if required.
3. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2018) equals the balance brought forward in the current year (line 1 of 2019). Explain any differences between the 2018 figures on this annual return and the amounts recorded in last year's annual return.
5. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
6. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Gwynedd Council Harbours holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliations is available in the Practitioners' Guide.
7. **Every Gwynedd Council Harbours must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
10. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
11. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

Completion checklist – 'No' answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
Accounts	Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year?		
	Does the bank reconciliation as at 31 March 2019 agree to Line 9?		
Approval	Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 30 June 2019?		
	Has the body approved the accounting statements before 30 June 2019 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?		
All sections	Have all pink boxes in the accounting statements and Annual Governance Statement been completed and explanations provided where needed?		
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.		
If accounts are amended after receipt of the Auditor General's report on matters arising		Yes	No

Accounts	Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Gwynedd Council Harbours's approval of the amendments before re-submission to the auditor?		
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Agenda Item 15

COMMITTEE	AUDIT AND GOVERNANCE COMMITTEE
DATE	13 JUNE 2019
TITLE	GWYNEDD COUNCIL'S ANNUAL GOVERNANCE STATEMENT FOR 2018/19
PURPOSE OF REPORT	TO PRESENT THE ANNUAL GOVERNANCE STATEMENT (INCORPORATING THE STATUTORY STATEMENT ON INTERNAL CONTROL) FOR 2018/19 TO THE AUDIT AND GOVERNANCE COMMITTEE FOR APPROVAL
AUTHOR	DEWI MORGAN, ASSISTANT HEAD (REVENUES AND RISK)
ACTION	TO APPROVE THE STATEMENT SO THAT IT CAN BE SIGNED BY THE COUNCIL LEADER AND THE CHIEF EXECUTIVE

1. INTRODUCTION – WHAT DOES THE AUDIT AND GOVERNANCE COMMITTEE NEED TO DO?

1.1 In order fulfil its duties as "those charged with governance", it is necessary for the Audit and Governance Committee to:

- **Consider the Draft Annual Governance Statement that appears in the appendix.**
- **Challenge the Assistant Head (Revenues and Risk) on the risk scores that have been identified, and the narrative that explains the justification for the score.**
- **Consider the action plan contained in the draft Annual Governance Statement.**
- **Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.**

2. BACKGROUND

2.1 There is a statutory requirement for an Annual Governance Statement as a result of:

- The Accounts and Audit (Wales) Regulations 2014, which state:

The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk, and adequate and effective financial management.

The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control. The findings of the review must be considered by the members of the body meeting as a whole or by a committee.

Following the review, the body or committee must approve a statement on internal control prepared in accordance with proper practices. The relevant body must ensure that the statement accompanies any statement of accounts which it is obliged to prepare.

- CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (the "SORP").
- CIPFA / SOLACE Framework *Delivering Good Governance in Local Government* (2016).

3. SELF-ASSESSMENT OF THE EFFECTIVENESS OF THE GOVERNANCE ARRANGEMENTS

3.1 The Audit and Governance Committee has a key function in challenging the preparation procedures and the contents of the draft Annual Governance Statement. When signing the Governance Statement, the Chief Executive and Council Leader confirm:

"We have been advised on the implications of the result of **the review of the effectiveness of the governance framework** by the Audit and Governance Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas already addressed and those to be specifically addressed with new actions planned are outlined below".

3.2 The Annual Governance Statement summarises the results of the governance self-assessment, as updated by the Governance Arrangements Assessment Group, in a statement that tells the People of Gwynedd what our governance framework is, and how well it is working. The members of the Group are the Chief Executive, the Monitoring Officer, the Head of Corporate Support, Assistant Head (Revenues & Risk), Assistant Head of Corporate Support, Assistant Head (Supporting Families), the Risk & Insurance Manager and the Council Business Service Support Manager.

3.3 The Audit and Governance Committee needs to satisfy itself that the narrative justifying the scores is a fair reflection of the Council as far as it is aware, based on the information that it has received over the year.

4. IDENTIFYING GOVERNANCE RISKS

- 4.1 The Annual Governance Statement is based on the new CIPFA/Solace Framework that was published in 2016.
- 4.2 The new Framework identifies 7 Core Principles for Good Governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Source: CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*

4.3 The Principles are then divided further into several sub-principles.

4.4 In response to this new Framework, the Governance Arrangements Assessment Group has considered the Framework's Core Principles and Sub-principles and has created a Governance Risk Register, which will be part of the Council's Corporate Risk Register. The Governance Risk Register identifies risks in 22 areas of governance, noting the controls that the Council has in place to mitigate these risks.

4.5 Specific responsibility for these risks have been distributed across the Council as follows

Department	Number of risks
Environment	1
Corporate Support	9
Finance	4
Leadership Team and Legal	8
Total	22

4.6 The relevant department is responsible for assessing these risks continuously, with the Governance Arrangements Assessment Group keeping an overview of them.

4.7 As is usual in risk management arrangements, consideration is given to two factors when scoring the size of these risks:

- The **Impact** of the event if the risk were realised
- The **Likelihood** of the risk being realised.

4.8 The Impact and Likelihood are given a score of 1 to 5, using the following scoring guidelines.

Impact

Score	Impact	Definition
5	Catastrophic	A catastrophic effect on any resident (e.g. loss of life) or a destructive effect on the life or well-being of many residents
4	Destructive	A destructive effect on the life or well-being of several residents (e.g. where the quality of life or the well-being of someone has been effected to the degree that they have an intense need for assistance to allow them to live their lives) or a very substantial effect on many residents
3	Very Substantial	A very substantial effect on the life or well-being of several residents (e.g. the effect means that their quality of life or well-being is substantially lower than would otherwise be expected for a Gwynedd resident) or a significant effect on a many residents
2	Significant	A significant effect on the life or well-being of several residents (e.g. an effect on life or well-being, but falling within the expected range of day-to-day life) or a visible effect on many residents
1	Visible	A visible effect on the life or well-being of some residents (e.g. the effect is visible but not significant to their well-being) or a marginal effect on many residents

- Several = 10s to 100s of residents
- Many = 1,000s to 10,000s of residents

Likelihood

Score	Likelihood	Definition
5	Happening now	The effect is to be seen now (i.e. it is happening)
4	Very likely	Very likely that it will be seen in the foreseeable future
3	Likely	A chance it may happen, but may not
2	Unlikely	The likelihood of it happening is low – but is still there
1	Very Unlikely	Very unlikely to happen

4.9 The Impact Score and Likelihood Scores are multiplied together to give a **Current Risk Score**, which are the risk scores based on the controls that are currently in place. The Risk Score is defined from very high to low as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Medium Risk
Score 1-5	Low Risk

4.10 The Governance Statement notes the risk scores for the 22 risk areas. The assessment by departments and the Governance Arrangements Assessment Group concluded:

- Number of very high risks: 0
- Number of high risks: 1
- Number of medium risks: 11
- Number of low risks: 10

4.11 Where the current risk scores continue to be higher than the Council is willing to accept, further implementation steps have been identified and outlined in the Statement. However, it is emphasised that the majority of matters that have been highlighted in this systematic analysis have already been identified by the Council.

5. CHANGES SINCE THE 2017/18 STATEMENT

5.1 Each of the governance risks have been reviewed during the year. This is done by the responsible department as a first step, with the Governance Arrangements Assessment Group undertaking a quality assurance role.

5.2 The scores of four of the risks have changed during the year:

Risk	Previous score	Impact Score	Likelihood Score	Current Score	Comments
<u>Stakeholders:</u> Weak relationship with institutional stakeholders, ending with sub-optimal services	12 (High)	Remain 3	Reduce from 4 to 3	9 (Medium)	<p>The probability score can be reduced because the examples seen during 2018/19 of the Council continuing to strengthen its relationships with various stakeholders.</p> <p>As the Public Service Board develops, the relationship between the institutions has matured (although some members continue to question if the Board adds as much value as it could).</p> <p>The Council has endeavoured to simplify the highly complex working environment that has developed at regional level.</p> <p>The relationship between the Council and the Third Sector continues to develop, and need further attention during 2019/20.</p>
<u>Direction and vision</u> Direction and vision that is not rooted in the outcomes for individuals and therefore does not realise the needs of the People of Gwynedd	9 (Medium)	Remain 3	Reduce from 3 to 2	6 (Medium)	<p>The culture of putting the people of Gwynedd at the centre of everything we do, together with the arrangements for challenge performance, are now sufficiently embedded that it is unlikely that any service would fail to consider the outcomes for individuals.</p>
<u>Decisions:</u> Unwillingness to make decisions on action, which means a delay to achieve the outcomes for the people of Gwynedd	6 (Medium)	Remain 2	Reduce from 3 to 2	4 (Low)	<p>The probability score can be reduced as further examples during 2018/19 have shown that it is unlikely that the Council will avoid taking difficult decisions in the future.</p>

Risk	Previous score	Impact Score	Likelihood Score	Current Score	Comments
<u>Leadership:</u> Deficiencies in the Council's leadership means that we are not doing the right things	12 (High)	Remain 4	Reduce from 3 to 2	8 (Medium)	<p>A comprehensive management review was completed during 2018/19 and was approved by the Cabinet on 7 May 2019. The commitment at political and operational levels to change our culture to one of "leadership" rather than "management" has borne fruit.</p> <p>A new job description has been developed for each manager and head to reflect this culture.</p> <p>This work is considered as something that remains key, whilst recognising that it is not as much of a risk as it has been in the past.</p>

6. RECOMMENDATION

6.1 The Audit and Governance Committee is requested to

- Consider the Draft Annual Governance Statement that appears in the appendix.
- Challenge the Assistant Head (Revenues and Risk) on the risk scores that have been identified, and the narrative that explains the justification for the score.
- Consider the action plan contained in the draft Annual Governance Statement.
- Approve the Statement, and recommend that the Council Leader and Chief Executive sign it.

ANNUAL GOVERNANCE STATEMENT

This statement meets with the requirement to produce an Internal Control Statement in accordance with Regulation 5 of the Accounts and Audit Regulations (Wales) 2014.

Part 1: SCOPE OF RESPONSIBILITY

Gwynedd Council is responsible for ensuring that it conducts its business in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Gwynedd Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions, having regard in particular to strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

In discharging these overall responsibilities, Gwynedd Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk and adequate and effective financial management.

Gwynedd Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*. A copy of the code is available on our website, or may be obtained by writing to Gwynedd Council, County Offices, Shirehall Street, Caernarfon, Gwynedd LL55 1SH. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 5(5) Accounts and Audit (Wales) Regulations 2014 in relation to publishing a statement on internal control.

Part 2: THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to enable the Council to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks that are relevant to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework described above has been in place at Gwynedd Council for the year ending 31 March 2019 and remains applicable up to the date of the approval of the Statement of Accounts.

Part 3: GOVERNANCE ARRANGEMENTS AND THEIR EFFECTIVENESS

- 3.1 The **Governance Arrangements Assessment Group** monitors matters of governance continuously in a disciplined manner, raising a wider awareness of these, and promoting a wider ownership of the Annual Governance Statement. The Group comprises the Chief Executive, the Monitoring Officer, Head of Corporate Support, the Assistant Head (Revenue and Risk), Assistant Head of Corporate Support, Assistant Head (Supporting Families), the Risk and Insurance Manager and the Council Business Service Support Manager.
- 3.2 As a result of the publication of a new version of the CIPFA/SOLACE Framework - *Delivering Good Governance in Local Government* in 2016, the Group has adapted the Council's arrangements for identifying and assessing its governance arrangements in order to reflect the new Framework. Consequently, the local framework was set out in the form of a Governance Risk Register that is part of the Corporate Risk Register, identifying 22 areas of governance risks.
- 3.3 An outline is given of the Governance Areas, the relevant risks and the Council's arrangements to deal with these, and the effectiveness of these arrangements, in the remainder of this section of the Annual Governance Statement.
- 3.4 For each Governance Risk, a current score is shown, which is the score following an objective assessment of the control arrangements that are currently in place. Consideration is given to two factors:
- The **Impact** of the risk in the event of it being realised
 - The **Likelihood** that it will occur.
- 3.5 Impact scores vary from 1 (Visible impact) to 5 (Catastrophic impact), and the Likelihood scores from 1 (very unlikely) to 5 (occurring now). The risk score is calculated by multiplying the impact score and the likelihood score.
- 3.6 The comparative level of the risks is calculated as follows:

Score 20-25	Very High Risk
Score 12-16	High Risk
Score 6-10	Medium Risk
Score 1-5	Low Risk

Culture

Risk: Inappropriate culture within the Council can hinder our ability to do the right things in the correct manner

Assessment:

We have assessed that this is currently a **High** risk, because:

- An appropriate culture can promote all aspects of governance noted in the register and, in the same manner, an inappropriate culture can hinder all aspects of governance.
- If the culture is correct, this can dominate everything else that affects our ability to achieve as the principles of good governance are an inevitable part of the day-to-day conduct of each individual within the establishment. The Ffordd Gwynedd Strategy notes that one of the Council's main aims is to place the people of Gwynedd at the heart of everything we do. In reality, this also describes the Council's values - namely anything that is in keeping with that objective.
- The six-day training programme for Service Managers on the principles of Ffordd Gwynedd (including robust performance management principles) was introduced in the summer of 2017. Each service manager has now followed this training and a plan for the year 2019/20 has been established to ensure that this training is available for new managers as well as potential managers for the future. The Managers' Network has been re-established and has held its first series of meetings in March 2019. The early signs are reassuring, with the encouragement for managers and their teams to undertake reviews within their own services rather than the previous focus on undertaking intensive reviews. There is a significant progress in general but there is evidence that that progress is not consistent across the Council.

Current Risk Score:

Impact	Likelihood	Risk score
4	3	12

Conduct

Risk: Lack of integrity, ethics and respect in the conduct of members and officers, undermining the public's confidence in the Council

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council has adopted codes of conduct for its members and officers, based on national regulations (codes such as the Member/Officer Relationship Code, Members' Code of Conduct, Officers' Code of Conduct, Anti-fraud and Anti-corruption Policy and the Whistle-blowing Code of Practice) and these together set the foundation to ensure integrity and ethics. There is evidence of action when it appears that these codes of conduct have been breached.
- There is clear evidence that the Council gives due consideration to the Ombudsman's reports as part of the work of the Standards Committee, which works effectively.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Lawfulness

Risk: Ignoring the rule of law, which means that the Council is open to challenges from the courts

Assessment:

We have assessed that this is currently a **Low** risk, because:

- Statutory Officers (the Monitoring Officer and the Head of Finance) have to offer comments on any formal decision, as part of a comprehensive constitution that is regularly reviewed.
- There are formal protocols in place in order to safeguard the rights of statutory officers.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Being open

Risk: A Council that is not open, meaning that it is not possible to hold it accountable for its decisions

Assessment:

We have assessed that this is currently a **Low** risk, because:

- Only the minimum of Committee reports are exempt
- Publicity is given to the decision sheets of individual members, with procedures to ensure that this occurs.
- Background papers are published with committee reports in order to ensure that the decisions are made with full information.
- Many committee meetings that make decisions are web-broadcast.
- The Cabinet regularly considers performance reports as part of its meetings that are open and the Council publishes its Corporate Plan, Annual Performance Report and the Statement of Accounts to seek to give as much information as the residents need for us to be accountable.
- Various other methods are also used such as the website, 'Newyddion Gwynedd' and social media to try to ensure that Gwynedd residents are aware of what is happening within the Council.

Current Risk Score:

Impact	Likelihood	Risk score
2	1	2

Stakeholders

Risk: Weak relationship with institutional stakeholders, ending with sub-optimal services

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- Work is currently proceeding to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 that facilitates collaboration between Gwynedd Council, other nearby unitary councils, the Police, the Health Board, the third sector and others.
- Work has been undertaken to create a Well-being Plan and the relationship between organisations has matured.
- The Council is committed to the Public Services Board
- However, members have questioned if the Board has yet discovered the place where the true value that is available has been maximised

- The Board's Plan is consistent with the Council's Plan.
- Collaboration also occurs at a regional level which is not always as effective as it could be due to the footprint size and the difficulty of building a relationship with such a large number of people. There are some examples of success (e.g. Ambition Board).
- There is also collaboration taking place at county level with varying success. Our relationship with the Third Sector continues to evolve and we try to ensure that we use that relationship to maximise the benefits that can flow from that to the people of Gwynedd. This journey will continue with the relevant departments continuing to develop the relationship.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Engagement

Risk: Failure to engage with service users and individual citizens, leading to not doing things correctly

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- Clear engagement with the People of Gwynedd to establish clear lines of communication, and to get a true understanding of their needs, is one of the principal elements of governance arrangements.
- The purpose of the Council's Engagement Strategy is to ensure that the Council receives the views of the public and other stakeholders as appropriate, with the Communication and Engagement Unit supporting services to consult using a suitable method and to give support in analysing the results.
- The County was divided into eight well-being areas and the residents of those areas were consulted in preparing the assessment of well-being. The well-being areas have been used as a basis for early discussions on the Council's Plan in October 2017, and it is possible to analyse data and consultations on the basis of these areas as well.
- The Engagement Handbook had been reviewed in 2018 in order to ensure compliance with new performance management arrangements.
- New arrangements have been established to engage specifically with young people of Gwynedd in the light of the work on reviewing the Youth Service. There were two significant corporate exercises ("the people's priorities" and "Gwynedd Council's financial strategy") during 2018/19 and 14 services supported were to engage with their users. These exercises were used to:
 - Strengthen the Council's ability to hold two-way conversations with "hard to reach" cohorts (young people, LGBT+ people, ethnic minorities, refugees, adults with learning disabilities etc);
 - Identify steps to strengthen and improve the Guidance and the Engagement Toolkit;
 - Undertake an audit of the ability of departments to engage and establish joint arrangements with the Research and Information Service to ensure that the service level projects that are supported meet the Council's engagement principles (clear purpose and output, practicable timetable, accessibility, commitment to report back on the findings etc).

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Direction and vision

Risk: Direction and vision that is not rooted in the outcomes for individuals and therefore does not realise the needs of the People of Gwynedd

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The Council is effective in setting its priorities and managing expectations because of the culture of concentrating on what is important to the people of Gwynedd, with the performance measures that are used across all services derived from this.
- The Council's Plan 2018-23 (2019/20 review) was approved by the Full Council of Gwynedd on 7 March 2019. The Plan includes our Well-being Statement, seven Improvement Priorities and every departmental plan. A great effort was made to ensure that it is clear and easy to read and understand.

Current Risk Score:

Impact	Likelihood	Risk score
3	2	6

Sustainability

Risk: A risk of creating unsustainable answers that do not comply with the five principles of the Well-being of Future Generations Act and do not therefore look at the long term

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The Council has acknowledged the importance of acting in accordance with the Well-being of Future Generations Act and, jointly with its partners on the Public Services Board, has done initial work to identify what needs to be done to operate in accordance with the five principles - Long term, Prevention, Integration, Collaboration and Involvement.
- The Management Group has received an explanation of the principles of the Act and have agreed that the best way for this to root is for the Departmental Management Teams to pay attention to the principles when planning ahead.
- Reports that come before the Cabinet are forwarded beforehand to the Corporate Support Department to be reviewed to keep an eye out for areas where perhaps those principles have not been followed as well as they could have been.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Decisions

Risk: Unwillingness to make decisions on action, which means a delay in achieving the outcomes for the people of Gwynedd

Assessment:

We have assessed that this is currently a **Low** risk, because:

- Over the last few years there is evidence that Gwynedd Council is willing to take difficult or unpopular decisions, e.g. schools, externalising Council houses, acting on the difficult results of the Gwynedd Challenge, changing the Youths arrangements and taking steps to ensure implementation principles within Education.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Planning Operations

Risk: Intervention without sufficient planning, that could mean either acting on impulse or excessive planning wasting time and resources

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council strives to maintain a suitable balance between Project Management procedures and working efficiently.
- The Council tries to strike a balance between the need for order and the need to deliver as soon as possible by doing as little paperwork as is consistent with this, encouraging simple, brief reports that set out the main key points.
- The Council has a Medium Term Financial Strategy, with annual budgets based on this. The Council's work on financial planning is regularly praised by the external auditors, and the Audit and Governance Committee takes a leading role with financial scrutiny.
- There is an element of evidence that there remains a need to improve the communication between the Cabinet and the body responsible for co-ordinating the scrutiny.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Reviewing Outcomes

Risk: Failure to review the outcomes of our actions, which means that we do not learn lessons by continuing to do the same things incorrectly

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The Council's arrangements for risk assessment, formulating a Corporate Plan and project management will ensure that the intended outcomes to be achieved are clear at the start of any project.
- The annual performance report will try to focus on assessing to what extent these outcomes have been achieved. There are good examples of where this has occurred and the situation is improving.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Property Assets

Risk: The Council's property assets not used to their full potential

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council had an Assets Strategy in place for the period 2009-2018 that was regularly updated. The result is that a number of buildings that were not required any more have been disposed of. A new Assets Strategy is being prepared for 2019-2028.
- In terms of vehicles, a plan has been implemented to try and make better use of the Council's fleet that has already presented some financial savings and is likely to achieve more.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information Technology Assets

Risk: The Council's Information Technology assets not used to their full potential

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- Over the years, Information Technology activities have focussed on ensuring appropriate infrastructure to guarantee basic support for services. Whilst there are examples where we can use information technology more extensively to improve how we deliver services for the residents of Gwynedd, there is no evidence that this is consistent across the authority and that it is happening at the speed we would wish.
- The Information Technology Strategy in place for 2018/19 tried to extend the use made of technology in order to support the improvement aims in the Strategic Plan, by also improving the ability of services to take advantage of the opportunities available to use technology effectively. There is an element of evidence that this is bearing fruit with self-service increasingly becoming part of using technology to make it easier for residents to receive services.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Planning the Workforce

Risk: Council's workforce not being developed; this means that we cannot provide the best services for the people of Gwynedd

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The People Plan has evolved over the last twelve months to work jointly with a project around Identifying and Developing Talent i.e. identifying gaps in the existing workforce and in the future and then attract and develop internally and externally the talent needed.
- The People Plan prioritises improving arrangements for nurturing talent within the Council, enhance our workforce planning arrangements, and to ensure that our learning arrangements and development focuses on the necessary things.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Leadership

Risk: Deficiencies in the Council's leadership means that we are not doing the right things

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- Leadership sets the expected standard that every Member and Council employee should follow. Therefore, its impact is great – good Leadership can overcome everything else, whilst poor Leadership can destroy what the Council is trying to achieve. It is this that facilitates embedding the Council's culture.
- The roles of the Council, Cabinet, Individual Members and the Chief Officers, together with a clear scheme of delegation, are set out in the Council's Constitution. Gwynedd Council has also prioritised the development of its Leadership Programme and this is part of the People Plan adopted by the Cabinet.
- Whilst there is a clear commitment to try and continuously improve leadership, we have not always been clear regarding what this entails nor how to improve it.
- There is an element of evidence (via self-assessment) that leadership within the Council is improving with many examples of transformational leadership shown rather than transactional leadership. The increasing emphasis placed on "leading" rather than "managing" within the Ffordd Gwynedd culture is another strong indication of the strides made by Cabinet members in taking a leading role to promote good leadership by committing to their development as leaders. Furthermore, the definition of leadership within Gwynedd Council was agreed upon and is reflected in amended job descriptions for every head and manager within the Council. The commitment at the political and executive level demonstrates that these positive steps have borne fruit and that the need and the ability to lead is embedded as the norm within the Council. In light of all this, this work is considered to be something that continues to be key, but with the recognition that it is not as great a risk as it has been in the past.

Current Risk Score:

Impact	Likelihood	Risk score
4	2	8

Risk Management

Risk: Weaknesses in our risk management arrangements that increase the threat of something going wrong or failure to take an opportunity to improve

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- There are strong arrangements for monitoring our compliance with certain types of operational risks, such as Health and Safety, Safeguarding Children and Adults and Emergency Planning and Business Continuity. There is quantitative evidence that performance in these areas is improving-although there are examples of room for further improvement.
- Each risk in the Corporate Risk Register has been considered from the perspective of the risk to the people of Gwynedd, not from the Council's introverted point of view.
- The Council's risk management arrangements continue to develop, and they will evolve further as the Ffordd Gwynedd culture permeates the Council. Recent work to develop a corporate risk register for the whole authority, and to do so hand-in-hand with arrangements where business units record obstacles and actively try to resolve those immediately, is beginning to show success.

Current Risk Score:

Impact	Likelihood	Risk score
5	2	10

Performance

Risk: Weaknesses in our performance management arrangements mean that we cannot take appropriate steps to achieve our purpose

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council's Performance Management system focusses on ensuring that business units achieve their purpose and this is done by continuously reviewing if we are measuring the right things.
- Regular meetings take place with Cabinet Members and managers to assess the latest performance, with members of the relevant Scrutiny Committee also present to challenge. Regular performance reports are submitted by Cabinet members on their areas of responsibility to Cabinet meetings.
- The Auditor General also observes our performance in different areas by publishing various reports and the Audit and Governance Committee takes an overview that any recommendations receive attention.
- The new Corporate Complaints Procedure continues to develop well. The Services Improvement Officer ensures that we learn lessons from any complaints, and try to avoid repeating mistakes.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Internal Control

Risk: Unsuitable internal control arrangements which means that we either do not protect ourselves from risks, or waste resources on over-control

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Audit Manager's annual report confirms that the Council's internal controls can be relied upon.
- Reviewing and adapting internal controls so that they are proportionate to what is necessary is central to the goal of placing the people of Gwynedd at the centre of to everything we do, by removing overly bureaucratic tasks. The removal of barriers is part of everyone's work, leading to a suitable level of internal control.
- The efficiency of the Internal Audit system is under continuous review and self-assessment indicates that the service satisfies professional standards in accordance with expectation.
- Gwynedd Council's Audit and Governance Committee has an agreed terms of reference. There is evidence that the Audit and Governance Committee is very effective in delivering its functions. However, there may be a tendency here and there for the Committee to try and duplicate the work of others (e.g. scrutiny committees), rather than keeping an overview of the arrangements.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Information

Risk: Failure to control information leading to the failure of safeguarding the information we hold, or not to make the best use of it

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- The ERDMS system has now rolled out to almost everyone in the Council and is a foundation for sharing information more effectively, reducing duplication and enabling fewer stages in processes.
- The Research and Information Team supports departments in using information to make decisions with a focus on the highest priorities in the Council plan.
- There is a continuing need to raise awareness about Data Protection principles, and improving the approach in the field. This work continues. In particular, much work has been done to prepare for the arrival of new data protection legislation in May 2018.

Current Risk Score:

Impact	Likelihood	Risk score
3	3	9

Finance

Risk: Weaknesses when controlling public finance which mean that the Council's finance is not used on its priorities

Assessment:

We have assessed that this is currently a **Low** risk, because:

- Clear evidence exists that the Council's arrangements are strong, and the reviews by external auditors - not only of the Annual Statements of Accounts but also reviews of financial resilience - offer an independent opinion that confirms this.

Current Risk Score:

Impact	Likelihood	Risk score
3	1	3

Accountability

Risk: Poor reporting, without transparency and unsuitable for the audience, does not highlight to the public what the Council does for them, undermining the democratic position

Assessment:

We have assessed that this is currently a **Low** risk, because:

- The Council has provided guidelines on preparing reports and on making good decisions, in order to ensure that the reports available to the public are clear.
- As well as formal reports for making decisions, the reports produced also include the Annual Performance Report, the Council's Plan (that includes departmental business plans) and the Annual Governance Statement produced in accordance with the CIPFA/Solace framework.
- The Council produces regular reports on its financial position.
- However, despite the Council's efforts, and apart from cases where there is a fairly fundamental change in question, the number of responses to consultations suggest there is no great aspiration amongst the public to hold the Council to account.

- Monitoring of Cabinet reports will naturally continue with the Chief Executive taking a look at each one.

Current Risk Score:

Impact	Likelihood	Risk score
2	2	4

Assurance

Risk: Lack of assurance and accountability that raises suspicion amongst the public regarding what the Council is doing

Assessment:

We have assessed that this is currently a **Medium** risk, because:

- There are many ways available within the Council to provide independent assurance that the Council's governance arrangements are working as they should. Statutory officers ensure that matters comply with the law and the procedures in the Constitution, whilst the Chief Executive and the Directors continually challenge whether or not the departments are doing the right things. Cabinet members also meet often to challenge each other regarding developments.
- The Audit and Governance Committee keeps an overview of the governance arrangements as well as the implementation of the external auditor's recommendations.
- Supporting this is the Internal Audit Service that operates in accordance with the statutory professional standards, namely the Public Sector Internal Audit Standards. An external assessment in 2018/19 has given independent assurance of this.
- However, formally it is the scrutiny procedure that should continue to hold the Cabinet to account. There is transparent and objective scrutiny and challenging of decisions and policies; however, there is uncertainty regarding how effective this is. This has received attention in the Scrutiny Review commissioned by the Audit Committee in 2016/17, but at its meeting on 3 March 2017 the Council resolved contrary to the Audit Committee's decision to adopt a different procedure in the future.
- The new procedure was implemented following the May 2017 elections. A promise was made to review the effectiveness of the amended arrangements and the Scrutiny Working Group has been established, which includes members of the Cabinet, Scrutiny Forum and senior officers sit on this Working Group.

Current Risk Score:

Impact	Likelihood	Risk score
2	3	6

We have been advised on the implications of the result of **the review of the effectiveness of the governance framework** by the Audit and Governance Committee, and that the arrangements **continue to be regarded as fit for purpose in accordance with the governance framework**. The areas that have already been addressed and those which the Council will address specifically have new ongoing action plans and are outlined below.

Part 4: SIGNIFICANT GOVERNANCE ISSUES

4.1 The above scores indicate that it is not considered that any of the 22 areas of governance present a very high risk. However, there is 1 high risk and 11 medium risks.

4.2 Actions for the areas that are a high or medium risk are noted below.

HIGH RISKS

Governance Area	Response Arrangements	Department Responsible
The Council's Culture	As a result of the change of direction to conducting ongoing reviews within services rather than focusing on intensive reviews, we will reconsider the role of the Ffordd Gwynedd consultants. We will also give further attention to the follow-up support provided to existing managers after their training, with a view to providing the necessary support to those managers and their teams to drive the culture change within their individual services. This will include support for managers to ensure full awareness and understanding of the principles and implementation of Ffordd Gwynedd among members of each team. The Ffordd Gwynedd Core Group has been established to coordinate and lead on this. We will also agree on a final job description that will identify the common expectations for each of the five functions in the Council and provide a copy of the relevant job description to every employee in the Council.	Corporate Support

MEDIUM RISKS

Governance Area	Response Arrangements	Department Responsible
Stakeholders	<p>There are ongoing efforts in various areas to try to simplify a complex working relationship. However it must be acknowledged that there is only so much that can be done and there is room to question that the solution now is to try to find ways to work around the legislative barriers that have been set by the Government. We are already doing so quite successfully.</p> <p>Given that our relationship with the third sector is so important, the Cabinet Member for Children and Young People chairs the Third Sector Group to ensure that we get the best out of that sector.</p>	Leadership Team and Legal
Engagement	<p>During 2019/20 there is an intention to:</p> <ul style="list-style-type: none"> •continue to work with the Youth Service and external partners to further develop our ability to engage with young people. We will also be working with the Child Protection Service to develop the way the Council engages with young people who are either in care or have left the Council's care; • establish a new Residents Panel which will make far greater use of electronic means of engagement and will also conform to the requirements of the Data Protection Act and GDPR; •continue to strengthen the support available to services to undertake meaningful and effective engagement exercises. This will include publishing and promoting templates, examples of good practice, guidelines and a practical toolkit; • assess and identify progress across the Council in understanding the needs of those who receive a service. 	Corporate Support
Direction and vision	The risk is accepted at its present level.	Corporate Support
Sustainability	The Governance Group will commission a piece of work by the Internal Audit Service as the basis for an assessment of how the 5 ways of working are embedded within individual departments before coming to a conclusion about what steps need to be taken to fully adopt the well-being of future generations principles across the Council.	Corporate Support

Governance Area	Response Arrangements	Department Responsible
Reviewing Outcomes	The risk is accepted at its present level.	Leadership Team and Legal
Information Technology Assets	Operate in accordance with the work programme included in the Information Technology Strategy. This includes extending the use of self-service in order that the people of Gwynedd can access a service at a time that is convenient for them.	Finance
Planning the Workforce	The Project Group and officers from the Human Resources Team are currently working closely with the managers of the Adults, Health and Well-being Department and are focussed on the identification of key jobs and functions there. This work will spread to the rest of the Council during the coming year. The need to develop individuals to perform specialist and key functions is met in several ways with the focus in the coming year on apprenticeships, the experts of tomorrow scheme and developing leadership skills among the existing workforce.	Corporate Support
Leadership	The Leadership Development project has led to the development of the Cabinet and the individual members within the Cabinet over the past year, and there is a clear intention for the development workshops arranged for them to continue during the coming year. The recent resurrection of the Managers' Network, with emphasis on developing leadership skills, is a key step in changing the emphasis from a "management" to a "leadership" culture within the Council. The next series of meetings (and networking among managers) are also a key focus for this work during 2019/20. Further, during the coming year, we will focus on promoting women in leadership in an effort to increase the number of women who apply and are appointed to undertake senior responsibilities within the Council.	Corporate Support

Governance Area	Response Arrangements	Department Responsible
Risk Management	<p>Work still needs to be done to ensure that all Council departments maintain the procedure of recording their major risks and review them regularly. The Insurance and Risk Service will support all departments to ensure that the use of the Corporate Risk Register is consistent across the Council, and that risks are continuously updated. The procedure of considering the contents of risk registers when monitoring the performance of departments will develop further.</p> <p>During 2019/20, assessments will be undertaken of the maturity of departments when assessing their health and safety risks.</p>	Finance
Information	<p>It is planned for the Research and Information Team to extend the work of supporting services when using and interpreting performance data as part of the Department's activity in supporting Ffordd Gwynedd.</p> <p>The team is also looking at establishing and promoting Information Standards for areas where inconsistencies exist or have arisen.</p> <p>The work of ensuring that the Council complies with the requirements of the new data protection legislation will continue. As a result of the work of creating data asset registers, there is better understanding of the personal data that is kept by the Council and what personal information is being shared externally and the need for appropriate commercial agreements to be in place.</p> <p>But there remains the concern about the low number of staff who take up training and accept policies in the field. A group has been established to specifically look at this across the statutory issues in order to identify the most effective ways for delivering the training.</p>	Corporate Support
Assurance	<p>We will consult widely within the Council on the options to either change or adhere with the existing scrutiny arrangements during the year, with the aim of changing or confirming the arrangements before December 2019.</p>	Corporate Support

Part 5: OPINION

We intend to take measures to deal with the above matters during next year in order to improve our governance arrangements. We are satisfied that these measures will deal with the need to improve as identified in the effectiveness review, and we will monitor their operation as part of the next annual review.

DILWYN O. WILLIAMS
CHIEF EXECUTIVE, GWYNEDD COUNCIL

Cllr. DYFRIG SIENCYN
LEADER, GWYNEDD COUNCIL

DATE

DATE

Agenda Item 17

COMMITTEE

AUDIT AND GOVERNANCE COMMITTEE

DATE

13 JUNE 2019

TITLE

COMMITTEE FORWARD PROGRAMME

PURPOSE OF REPORT

TO PRESENT AN OUTLINE OF THE COMMITTEE'S WORK PROGRAMME FOR 2019/20

AUTHOR

DEWI MORGAN, ASSISTANT HEAD (REVENUES AND RISK)

ACTION

FOR INFORMATION

1. INTRODUCTION

- 1.1 The purpose of this report is to give an outline of the Committee's work programme for the period up to June 2020, which is included in the Appendix.
- 1.2 This is an opportunity for the members to consider the items to be discussed during this period in order to fulfil the Committee's role within the Council's Governance Framework, and to give members the opportunity to prepare as required.
- 1.3 Of course, the exact form of committee agendas may be different by the time of the meetings, depending on the circumstances at the time. This may include issues which have arisen in audit work, the need to consider specific issues in the wider areas of governance, or matters that have arisen from the Committee's scrutiny role in relation to corporate matters.

2. RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to consider the contents of the forward programme, to question officers about the items as required, to offer comments and to note for information.

Forward Programme of the Audit and Governance Committee to May 2020

29 July 2019

Final Accounts

- a) To submit the revised statutory financial statements
- b)(i) To submit the formal “ISA 260” report for Gwynedd Council
- b)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” (the Council)
- c)(i) To submit the formal “ISA 260” report for the Pension Fund
- c)(ii) To authorise the Committee Chairman and the Head of Finance to sign the “letter of representation” (Pension Fund)

Gwynedd Harbours Final Accounts 2018/19 (only if there are post-audit changes)

Recommendations and Proposals for Improvement of External Audit Reports

17 October 2019

Internal Audit Output 1/4/2019 – 30/9/2019

Internal Audit Plan 2019/20

Report from the Control Improvement Working Group

Revenue Budget 2019/20 – End of August Review

Capital Programme 2019/20 – End of August Review

28 November 2019

Treasury Management 2019/20 – Mid-Year Review

Counter fraud, Anti-Corruption and Anti-Bribery Arrangements

Risk Management Arrangements

Report from the Control Improvement Working Group

Internal Audit Plan 2019/20

Financial Strategy – 2020/21 budget remit

13 February 2020

Financial Strategy 2020/21 – 2023/24 and Budget 2020/21

Capital Strategy 2020/21

Report from the Control Improvement Working Group

Revenue Budget 2019/20 – End of November Review

Capital Programme 2019/20 – End of November Review

Savings Overview – Progress Report on Realising Savings Schemes

Internal Audit Output 1/10/2019 – 31/1/2020

Internal Audit Plan 2019/20

Draft Internal Audit Plan 2020/21

Self-Assessment of Governance Arrangements

Self-Assessment of the Effectiveness of the Audit Committee

May 2020

Internal Audit Output 1/2/2020 – 31/3/2020

Head of Internal Audit Annual Report 2019/20

Gwynedd Council Annual Governance Statement 2019/20

Audit and Governance Committee Forward Plan 2020 -2021

June 2020

Final Accounts 2019/20 – Revenue Outturn

Capital Programme 2019/20 – End of Year Review

Savings Overview – Progress Report on Realising Savings Schemes

Treasury Management 2019/20

Gwynedd Harbours Final Accounts 2019/20