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## AUDIT AND GOVERNANCE COMMITTEE 22/6/17

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

**Councillors:** Aled Ll. Evans, Aeron M. Jones, Aled Wyn Jones, Charles Wyn Jones, Huw G. Wyn Jones, Berwyn Parry Jones, Peter Read, Dewi Wyn Roberts, John Pughe Roberts, Paul Rowlinson, Angela Russell, Cemlyn Williams and Gethin Glyn Williams.

**Lay Member:** Sharon Warnes

**Others invited:** Peredur Jenkins (Cabinet Member for Finance)

**Also in Attendance:** Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Finance Senior Manager - for Item 7 on the agenda), Bethan Griffith (Risk Co-ordinator and Insurance Manager - for Item 8 on the agenda), Debbie Anne Jones (Welsh Language Services Manager), Luned Fôn Jones (Audit Manager), Dewi Morgan (Senior Revenue and Risk Manager), Dilwyn Williams (Chief Executive) and Bethan Adams (Member Support Officer).

**Apologies:** Councillors Stephen Churchman and Alan Jones Evans.

### Welcome

Sharon Warnes (Lay Member), attending her first meeting, was welcomed.

### **1. DECLARATION OF PERSONAL INTEREST**

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

### **2. URGENT ITEM**

The Cabinet Member for Finance referred to a recent article in the Daily Post newspaper, that noted that the Council had not collected £3.8m of tax arrears. He explained that the amount included tax arrears for a period of approximately five years and that the article had misinterpreted the information. He noted that the amount of tax collected annually by the Council was amongst the best of Wales' councils.

The Head of Finance Department added that the Council collected taxes effectively but also sensitive to the situation of Gwynedd Residents that pay, and the amount of council tax owed per individual house was lower than neighbouring councils. He noted that performance was monitored quarterly and that it was likely that further attention should be given to the matter at the next performance monitoring meeting of the Cabinet Member for Finance.

The Chair thanked the Cabinet Member for Finance for appearing before the committee, upon his request, to address the issue.

### **3. RISK MANAGEMENT ARRANGEMENTS**

Submitted - the report of the Senior Revenue and Risk Manager who provided an update on what had been achieved since a report had been submitted to the Committee on 9 February 2017 responding to the letter from the Performance Audit Manager (Wales Audit Office) to the Chief Executive on his review of the Council's risk management arrangements.

The new scoring method that was intended to be used to analyse risks from now on was presented, and the Committee was asked to express its views on the scoring method.

It was noted that the new principles would be consulted in terms of preparing and maintaining the Risk Register with the Council's Management Team (which is the Corporate Management Team and Heads of Departments) at its meeting on 10 July 2017.

It was reported that the Corporate Risk Register, and a document summarising the principles, would be ready to be presented to the Committee on 28 September 2017.

During the ensuing discussion, the following main observations were noted by members:

- Who decides in terms of risk scoring?
- The generic objective document was welcomed, but that there was a danger that it could be subjective.
- Would the Committee accept information if certain risks were acceptable?
- Was there a danger that departments might give higher risk scores just in case?
- Was there an intention to set a period of one month for departments to reduce the risk score of something that was in the red?
- Was there anything currently in the red?

The officers responded to the observations as follows:

- The departments decided the score by prioritising risks within the department. The Governance Arrangements Assessment Group reconciled the scores and this should reassure the members of the Committee of quality management;
- The Governance Arrangements Assessment Group were overseeing the register;
- There was a need to be open and accept that some risks were acceptable. If members of the Committee were of the opinion that the risk was unacceptable, they could ask officers to put steps in place;
- The Governance Arrangements Assessment Group's reconciling role was key;
- It was expected that anything in the red would receive attention at once with the action steps, responsible officer and timetable noted. It was not considered that setting a specific time period, such as a month, to reduce the risk score was practical since all risks would be different, with different circumstances;
- Nothing was currently in the red. Many plans were in the amber and they would be prioritised, with less matters in the yellow. Establishing new risk management arrangements would formalise what was happening already.

**RESOLVED to accept the report as an update on the progress of developing the risk management arrangements.**

#### **4. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2016/17**

Submitted - the report of the Audit Manager. On the basis of the work of Internal Audit that was completed in 2016/17, the officer was satisfied that Gwynedd Council had a sound framework of internal control.

It was reported that 69 out of 72 audits in the final amended internal audit plan had been completed by 31 March 2017, which corresponded to 95.83% of the plan, against a performance target of 95% for 2016/17.

Attention was drawn to the true 2016/17 result in terms of 'Percentage of Internal Audit follow-up reports with an "Acceptable" opinion or better (corporate indicator)' was 92% rather than 83% as noted on page 12 of the agenda.

Reference was made to a new achievement measure for Internal Audit - 'Percentage of the agreed actions that have been implemented in accordance with schedule.' It was noted that drawing up agreed actions with officers rather than drawing up recommendations, as was done in the past, would encourage officer's ownership of the actions.

In response to members' observations regarding a decrease in staffing level of Internal Audit, the Senior Revenue and Risk Manager noted that that the decrease in accordance with the efficiency savings that were approved by the Full Council. He added that there was currently a vacant post in Internal Audit, the job had been advertised but the response was disappointing. He noted that it might be considered to advertise the post as a training contract to qualify.

A member noted that a Council Department received opinion C in many audits, he asked if the situation had improved and how likely it was that steps had been taken by the Department. In response, the Audit Manager noted that a service within a specific Department had received opinion C in many audits and that follow-up audits would be conducted. She added that it was unfortunate when audits had received opinion C, but it was good to see controls in place in response and she hoped that agreed actions would encourage officer's ownership.

A member noted that on occasion, new managers would ask Internal Audit to conduct an audit. In response, the Audit Manager noted that a new manager of one leisure centre had asked for an audit and had used the report as an action plan.

A member referred to paragraph 4.13 of the report, and asked whether it would be beneficial to note the follow-up audit that had received an unsatisfactory opinion. In response, the Audit Manager noted that it was a follow-up audit of the Highways and Municipal Department's Workshops, Garages and Depots' Site Maintenance, that had received an unsatisfactory opinion. This was reported to the Committee in a previous meeting. She explained that since receiving an unsatisfactory opinion, the service had implemented an action plan in response.

The Lay Member noted that the Controls Improvement Working Group was good practice, and asked if the arrangement would continue. In response, it was noted that the Working Group would continue and that it enabled members to discuss audits in greater detail with the relevant officers.

The Lay Member referred to the 'GwE Business Arrangements' audit in the 2017/18 Internal Audit Plan, and asked if other councils would contribute as GwE was a cross-county provision. In response, the Audit Manager noted that the audit was included in the 2017/18 plan at the request of the former Head of Education. She explained that the Council was GwE's Lead Authority.

**RESOLVED to accept the report as the formal annual report of the Head of Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards for the 2016/17 financial year.**

## **5. GWYNEDD COUNCIL ANNUAL GOVERNANCE STATEMENT 2016/17**

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

It was noted that action plans for the areas of high or mid priority had been noted in the statement. It was explained that these areas would receive attention when shaping the Council's new Strategic Plan including projects to address them.

The Chief Executive noted that he chaired the Governance Arrangements Assessment Group and that the statement submitted was a product of considerable work.

During the ensuing discussion, the following main observations were noted by members:

- In terms of the 'openness' of risk governance, the requirement in the constitution for a quarter of the membership to vote in favour of holding a registered vote at Full

Council meetings should be re-examined. It was acknowledged that this would not be possible at other committees, but as an electronic system was in place in Siamb Dafydd Orwig, every vote at Full Council meetings should be registered;

- There was a need to re-examine the risk score noted under 'Culture', as there was an opinion that the evidence noted in the statement did not justify such a high score.
- Was the statement a public document?
- Including examples of implementation would better explain why the risk score was so high;
- In terms of the statement's consistency, it is noted under 'Engagement' that the Gwynedd Challenge exercise had been very successful, whilst it was noted under 'Accountability' that only 2,000 residents responded out of a 18+ population of nearly 100,000.

The officers responded to the observations as follows:

- This matter should be considered as a formal item by the Committee with a report weighing the advantages and disadvantages of conducting a registered vote for every vote at Full Council meetings;
- Members were encouraged to attend Ffordd Gwynedd training on 5 July 2017. Corporate thinking did not generally put the people of Gwynedd at the centre, but by changing the Council's culture, the risk score would decrease. There was a higher number of looked after children in Gwynedd compared to other councils. Culture was a matter that really required attention. The evidence in the statement would be amended to better reflect this;
- The statement would appear on the Council's website and would be included with the financial statements;
- Examples would be included under 'Culture', and if members referred to other specific risks, examples could be noted, but efforts were made to keep the document short;
- In the context of 'Engagement', the response was very good in comparison with other consultations, but in regards to 'Accountability' it was not particularly good.

**RESOLVED:**

- (i) to approve the Annual Governance Statement for 2016/17;**
- (ii) to recommend that the Council Leader and the Chief Executive sign the statement;**
- (iii) to receive a report in relation to amending the Council's constitution to enable every vote in Full Council meetings to be registered without the requirement for a quarter of members to vote in favour of conducting a registered vote.**

**6. GWYNEDD HARBOURS' FINAL ACCOUNTS 2016/17**

The Head of Finance Department set out the background and context of the statutory requirements.

The Senior Finance Manager submitted the report regarding the final accounts of Gwynedd Harbours for the year 2016/17 in line with the statutory requirements under the Harbours Act 1964. It was noted that Gwynedd Harbours was considered a small governing body, as turnover was less than £2.5m, and due to the fact that completing an annual official form for the Wales Audit Office (WAO) met statutory requirements.

Attention was drawn to the fact that the accounts did not include Hafan Pwllheli nor Victoria Dock as they were not included within the definition of a Harbour, for the purposes of the relevant legislation.

It was reported that the accounts and the form would soon be the subject of an audit by Deloitte, Gwynedd Council's external auditors which had been appointed by the Auditor

General for Wales, and an amended version would be submitted to a meeting of the Committee on 28 September 2017.

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

- In terms of low expenditure on training, training expenditure was included within the Maritime Service's budget;
- There was a difference in terms of budget and actual expenditure on insurance as a new insurance contract had come into force in April 2016; the budget was specified in December 2015;
- The Service had attempted to generally cut costs to ensure that the expenditure was in line with the budget;
- That the Committee, at its meeting on 6 June, had decided to ask the Education and Economy Scrutiny Committee to consider expanding its scrutiny work on reviewing the management and governance arrangements at Hafan, Pwllheli to include all harbours.

**RESOLVED:**

- (i) **accept and approve the information in the appendices, namely -**
- **Income and Revenue Expenditure Account 2016/17 - Appendix A; and**
  - **Statements of Accounts form for 2016/17, for audit - Appendix B.**
- (ii) **authorise the Chairman to sign the statements of accounts form 2016/17.**

**7. INSURANCE CLAIMS AGAINST THE COUNCIL**

Submitted - the report of the Senior Revenue and Risk Manager that elaborated on Council arrangements in terms of dealing with insurance claims and included information about public liability and employers liability claims that had been settled during 2016/17. Attention was drawn to the fact that 75.5% of accountability claims against the Council had been settled without costs.

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

- The number of employers liability claims was relatively low considering the number of staff employed by the Council, the number of Council owned vehicles and the services provided;
- An attempt was made to learn lessons from the defended claims in addition to those that had been lost;
- In terms of paying claimant costs, only fixed costs could be claimed since 2013. The Council attempted, when possible and if appropriate, to resolve claims with settlements before going to court. Legal opinion was sought in terms of the likelihood of defending some claims;
- Each of the cases listed in the Appendix were subject to an excess of £25,000 before 1 April 2016, the excess had subsequently risen to £50,000 per Public Liability and Employers Liability claim. The Council paid any costs towards individual claims up to this threshold, and the insurance company paid any sums above that.
- There had not been an increase in the number of insurance claims following the Council's decision to reduce the frequency of grass cutting.

**RESOLVED to accept the report.**

**8. SAVINGS PLANNING TO SUPPORT FINANCIAL RESILIENCE**

It was reported that a national report had been published on 14 June, by the Wales Audit Office (WAO), stating that "the majority of Welsh council's had improved their financial plans for the medium term and, by now, they have an effective means of projecting savings they need to achieve," but "that councils have more to do to plan how they will bridge the funding

gap that has been identified by them, which undermines their financial plans for the medium term."

It was noted that the specific WAO report on 'Gwynedd Council's Financial Savings' had been positive. Attention was drawn to the fact that the Auditor General for Wales noted that the WAO had reached the conclusion -

- the Council's financial management arrangements are sound and it is well placed to tackle future challenges;
- the Council has an effective and well-considered savings planning approach, which is supporting future financial resilience;
- this is a continued strong position from 2015-16 - the Council has well-established and clear policies around its financial planning arrangements.

The Head of Finance Department guided members through the report with specific reference to the appendix which detailed the WAO proposals and the Council's response/action.

A member referred to a WAO improvement proposal, namely establishing a more corporate approach to identifying opportunities to generate income. It was noted that a more corporate approach would be welcomed and that he assumed that managers would take more risks in regards to generating income if a strategy existed to support them.

In response, the Chief Executive noted that culture was extremely important and that there was scope to look at income generating opportunities in order to ensure that the results of any decisions on main income streams were fully assessed. He noted that managers were expected to look for opportunities to increase income in terms of smaller income streams.

The member noted that some managers noted that workload effected their ability to venture. In response the Chief Executive noted that it was a matter of prioritising and that some managers completed work that could be dealt with by the workforce in accordance with Ffordd Gwynedd.

**RESOLVED to accept the report.**

## **9. PERFORMANCE MONITORING**

Members were invited to express an interest in attending performance monitoring meetings for 2017/18. It was explained that the Committee had two specific areas of work - Corporate Support and Finance.

The Chair, Vice-chair and Councillors Huw G. Wyn Jones and Cemlyn Williams expressed an interest.

The meeting commenced at 10.00am and concluded at 11.50am

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**CHAIR**