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## AUDIT AND GOVERNANCE COMMITTEE 28/9/17

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

**Councillors:** Aled Ll. Evans, Aled Wyn Jones, Berwyn Parry Jones, Charles Wyn Jones, Huw G. Wyn Jones, Dewi Wyn 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), Dewi Morgan (Senior Revenue and Risk Manager), Ffion Madog Evans (Senior Finance Manager - for Item 5 on the agenda), Ian Howse (Financial Audit Engagement Leader, Deloitte - for Item 5 on the agenda), Caroline Lesley Roberts (Investment Manager - for Items 5 and 6 on the agenda), Luned Fôn Jones (Audit Manager) and Bethan Adams (Member Support Officer).

**Apologies:** Councillors Peter Read and John Pughe Roberts.

### 1. DECLARATION OF PERSONAL INTEREST

The Head of Finance Department referred to Item 10 on the agenda, 'Non-domestic Rates - Discretionary Relief'. He stated that a number of members had enquired about the need to declare personal interest in relation to this item. He explained that the item did not relate to commercial business tax, and that the report related to establishing a working group to review charitable relief in general and members would only be required to declare an interest if a discussion was to take place about a specific category of charitable bodies relating to them.

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

### 2. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, that took place on 13 July 2017, as a true record.

### 3. FINAL ACCOUNTS 2016/17

#### i) Statement of the Accounts

The Head of Finance Department submitted the revised statutory financial statements for approval by the committee. He stated that the reports by Deloitte on behalf of the Wales Audit Office noted the main changes to the accounts since the pre-audit version was submitted to the Committee's meeting on 13 July.

#### ii) Report of the Appointed Auditor on the Audit of Financial Statements

##### a) The Council's Accounts

In accordance with the Annual Audit procedure, namely the Appointed Auditor's report for those charged with governance, the report by Deloitte on behalf of the Auditor General for Wales was submitted by Ian Howse, Financial Audit Engagement Leader, Deloitte.

It was reported that the Auditor General intended to issue an unqualified audit report on Gwynedd Council's accounts for 2016/17.

The following main observations were made:

- There were no uncorrected misstatements to report;
- There was one misstatement that had been corrected to their satisfaction;
- No matters which required attention had been highlighted by the audit team in relation to the significant risks that were tested;
- The accounts team were praised for the quality of the accounts and thanked for their cooperation with the Deloitte audit team.

A member noted that he was pleased with the praise for the accounts team.

In response to an enquiry by a member regarding the provision of bad debt, the Head of Finance Department stated that the accounts gave a snapshot of the situation on the final day of accounts. He explained that there was less likelihood of collecting older debts and that the Council was using an increasingly higher percentage of "loss" for the previous years' debts. He noted that the officers agreed with the auditor's recommendation, namely - "... that the percentages used to generate the sundry debts provision are formally reviewed on an annual basis and that an analysis of collection rates is used to inform the percentages determined."

In response to a question by a member, the Financial Audit Engagement Leader for Deloitte stated that the level of bad debt provision by the Council was fairly consistent with other councils.

## **b) Gwynedd Pension Fund Accounts**

The Deloitte Financial Audit Engagement Leader noted that the Auditor General intended to issue an unqualified audit opinion on the accounts of the Gwynedd Pension Fund for 2016/17.

The following main observations were noted:

- In relation to the misstatements that were not corrected, the auditors' examinations found that there was a judgmental misstatement on properties and private equity investments. As this was a matter of opinion, they were satisfied that it would remain uncorrected;
- No new recommendations stemmed from the financial audit work for 2016/17 and details of the follow-up work on the 2015/16 recommendations were to be found in Appendix 3 of the report.

The Chair noted that he was pleased that the Council was in a good position and was fulfilling the requirements.

The Cabinet Member for Finance stated his appreciation of the Deloitte auditing team's work. He added that he was pleased that the Auditor General intended to issue unqualified audit reports that reflected the good work produced by the officers in preparing the accounts. He expressed his appreciation of the work.

**RESOLVED** that the Audit Committee, with the power delegated by the Council to be "those charged with governance" in relation to approving the statutory financial statements and the relevant audits, approve the amended statutory financial statements, accept the related reports by Deloitte on behalf of the Auditor General for Wales, and authorise the Head of Finance Department and Chairman of the

**Committee to sign the "letters of representation" relating to the Council's accounts and the Pension Fund accounts and submit them to the Auditor General for Wales.**

**4. 2017/18 TREASURY MANAGEMENT – MID YEAR REVIEW**

The background and context of the report on the current year's treasury management activity was set out by the Investment Manager.

The Head of Finance Department confirmed that no bank with which the Council had invested was in danger and that the Council's money was safe. He highlighted that investments could vary and that the Council weighed up the flexibility of short term investment with long term investments that attract a higher rate of interest.

In response to a question from a member about the £2.2m reduction in loans since 31 March 2017, the Investment Manager stated that the reduction was due to the Council having repaid historic loans and using cash flow, rather than borrowing, in accordance with the Council's current policy of not borrowing more money.

The Head of Finance Department stated that a briefing meeting would be held on 24 January 2018 by Arlingclose, the Council's Treasury Management Consultants, for Committee members. He stated that it would be a golden opportunity to discuss and explain the Council's Treasury Management Strategy for 2018/19.

In response to an enquiry by a member about the shift in internal short term loans and short term financing from £3m to £1m since 31 March 2018, the Head of Finance Department stated that the Council was hopeful that short term financing could take place internally. He explained that the Chief Executive and Cabinet Member for Finance would present the Assets Strategy to the Committee, the Cabinet and the Full Council. It would be an Assets Management Strategy that would identify future borrowing needs. He stated that the shift showed that some short term loans had come to an end.

A member enquired as to who was responsible for setting the rates of the Public Work Loans Board (PWLB). In response, the Head of Finance Department noted that PWLB came under the Westminster Government but was a separate agency. He added that the Treasury was considering stricter rules since councils in England had become commercialised and were borrowing to the detriment of the country, but that this power had not been devolved to Welsh councils.

In response to a question by a member in relation to the Council's levels of borrowing, the Head of Finance Department highlighted the debt restrictions and explained that he was authorised to invest up to £180m during 2017/18, i.e. the operational margin, with an authoritative margin of £190m which required the Committee's approval. He explained that the Council was borrowing £109m and was currently self-borrowing £51m, and that the choice of when to borrow was a strategic one. He noted that the amount the Council needed to borrow depended on the Assets Strategy.

In response to an enquiry by a member about PFI (*Private Finance Initiative*), the Head of Finance Department stated that he did not encourage PFIs for a number of reasons, and that costs would be incurred if a decision was made to revoke them. One historical project had been funded in this way in Gwynedd.

**RESOLVED to accept the report for information.**

**5. REPORT OF THE CONTROLS IMPROVEMENT WORKING GROUP**

Submitted – the report of the Chair of the Committee on a meeting of the above-mentioned working group held on 11 September 2017 to consider the 'Social Services Complaints Procedures' audit that had received a category B rating along with audits that received a category C rating, namely -

- a) Deprivation of Liberty Safeguards (DoLS)
- b) Support Workers (Adults).

Officers had been invited to attend the meeting to discuss the matters that had arisen from the audits and the work undertaken to reinforce the internal regulations in question since the audit reports had been published.

Members of the Working Group expressed their concern about the financial risk to the Council because of the backlog of DoLS assessments and that the cost of not carrying out DoLS assessments could be as much as £1000 per individual per week.

A member asked whether Social Services had to complete DoLS assessments or could other bodies complete them. In response, the Audit Manager stated that Social Services were responsible for completing DoLS assessments; only in cases where the individual was in hospital could the Health Service carry out assessments. She added that the Council held training sessions for private care homes which had led to an increase in the number of referrals for DoLS assessments.

A member of the Working Group stated that the meeting had been an eye opener as regards the work with assessments taking place outside the County when a Gwynedd resident needed a DoLS assessment, leading to an increase in the time taken to complete the assessment because of a need to travel.

In response to a question by a member about the Adults, Health and Well-being Department's capacity to complete DoLS assessments, the Audit Manager stated that two posts had recently been filled and that an agreement was in place for 25 Social Workers who have a *Best Interest Assessors (BIA)* accreditation to complete one assessment per month. She added that not many Social Workers completed one assessment a month.

The Head of Finance Department stated that this was a high risk field and that the Working Group, in accordance with the content of the report, should receive an update from the relevant Senior Managers within six months. Sufficient notice should also be given to the Head of Adults, Health and Well Being Department that the performance against targets given to *BIA* accredited Social Workers had been discussed and that consideration should be given to requesting the attendance of the Head of Department.

A member stated that the Head of Department and Cabinet Member for Adults, Health and Well-being should come before the Committee on 30 November 2017, with the Working Group receiving an update by the relevant Senior Managers within six months.

**RESOLVED:**

- (i) to accept the report;**
- (ii) to invite the Head of Adults, Health and Well-being and the Cabinet Member for Adults, Health and Well-being to the meeting of the Committee on 30 November 2017 to discuss DoLS arrangements;**
- (iii) that the Controls Improvements Working Group receive an update from the relevant Senior Managers within six months on the DoLS arrangements.**

**6. INTERNAL AUDIT OUTPUT 1/7/16 - 16/9/16**

Submitted - the report of the Audit Manager outlining the Internal Audit section's work for the period. It was noted that 10 reports on audits from the action plan had been completed.

Reference was made to the follow-up work. It was highlighted that during 2016/17 agreement was reached on 205 action steps to be completed by 31 March 2018. It was noted that acceptable action had been taken on 26.83 of the agreed steps. It was reported that, to date, a request for the progress on the actions of 104 agreed steps had been sent and that 86 had been acceptably actioned, i.e. 82.5%. It was explained that follow-up arrangements were in place if a response was not forthcoming on the actioning of the agreed steps.

Each individual report was considered and, during the discussion, reference was made to the following matters –

### **Training New Members**

In response to a member's observation, the Audit Manager noted that an inclusive programme had been created for new members with an opportunity for members to contact the Learning and Development Service to request additional training.

A member noted, as the Chair of Democratic Services, that he had attended a meeting with the Chairs of Democratic Services Committees along with lead Officers in the field, which highlighted the Council as being one of the best providers of training for new members. He confirmed that there was opportunity for members to contact the Learning and Development service to request additional training and the Democratic Services Committee could consider promoting the opportunity.

### **Glan Wnion Leisure Centre**

In response to a comment by a member regarding awareness of the Safeguarding Adults and Children procedures among staff, the Audit Manager stated, in accordance with a request by the Safeguarding Operation Group, that an audit would be conducted on field workers' awareness of safeguarding procedures. She explained that many staff members outside the main offices did not have an e-mail address or access to online learning modules and, therefore, received information from their manager and at area meetings. She stated that perhaps the best way to improve understanding of the safeguarding arrangements was to distribute pamphlets and hold conversations, and discuss examples.

### **Plas Maesincla**

In response to a member's question as to why the audit had yielded a category C rating rather than B, since important issues were being highlighted, the Audit Manager stated that this was the auditor's opinion and that she supported it. The Head of Finance Department added that the auditor's opinion needed to be accepted and respected and that the Committee, should they so wish, could consider the audit at the Controls Improvement Working Group or address the audit after the follow-up work had been completed.

A member noted that the issues mentioned in this audit arose consistently in audits for residential homes and that the same problems were being highlighted.

A member mentioned that a number of issues were being highlighted around training and that workers training needs should form part of their annual review. In response, the Audit Manager noted that it was the Residential Homes Managers' responsibility to ensure that staff had received the necessary training and that the Area Manager also had a responsibility to ensure that residential homes complied with requirements.

A member referred to the action step 'Ensure that an evacuation exercise is carried out annually', noting that the evacuation exercise should be held as soon as possible and take

place every year thereafter. In response, the Audit Manager stated that following an audit a timetable for implementation was set and that there was a requirement to hold an evacuation exercise by 1 December 2017 and take place annually thereafter.

A member stated that audits were positive and that follow up work was vital in ensuring that the agreed action steps were carried out.

In response to a member's question about thematic reports, the Audit Manager stated that the Internal Audit Unit had, in the past, carried out audits based on themes but full residential home audits were now carried out in three year cycles. She added that it was necessary to consider the best use of the unit's resources but that she could highlight these to the department if desired. She emphasised that it was the responsibility of the Registered Manager of the Residential Home to take action.

A member highlighted that the audit of Plas Hafan Residential Home had received a category A rating, showing good management and maintenance arrangements, and that these should be shared as good practice to other care homes.

A discussion was held on the arrangements for dealing with audits that received a category C rating, along with the themes that often cropped up in Residential Home audits.

**RESOLVED:**

- (i) to accept the report on the work of the Internal Audit for the period from 1 July 2017 to 15 September 2017 and to 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 along with Sharon Warnes serve on the Working Group to consider the audits that have received a category 'C' rating;**
- (iii) that the Cabinet Member for Adults, Health and Well-being and the Head of the Adults, Health and Well-being department attend the Working Group to consider the themes that are often highlighted in Residential Homes' audits, and invite the relevant officers to the meeting;**
- (iv) that it was the responsibility of any member unable to attend the Working Group to arrange a substitute.**

**7. INTERNAL AUDIT PLAN 2017/18**

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2017/18 internal audit plan.

It was reported that the Internal Audit Unit up to 15 June 2017 had completed 18.75% of the plan, and that 12 of the 64 audits in the 2017/18 plan had been released in a finalised version and that the percentage was expected to rise to 26.5% by 30 September 2017. Attention was drawn to amendments to the Plan.

In response to an enquiry by a member about the Unit's staffing capacity, the Audit Manager stated that the Unit had full capacity.

**RESOLVED to accept and note the contents of the report as an update of progress against the 2017/18 audit plan.**

**8. NON-DOMESTIC RATES - DISCRETIONARY RELIEF**

The Senior Revenue and Risk Manager presented the report, stating that Section 47 of the Local Government Finance Act 1988 included a selective provision for billing authorities to

amend non-domestic rates (other than in specific cases such as local authority property), in addition to mandatory relief permitted through Section 43. He stated the Council had to consider every application for this type of relief on its own merit, but the policy framework had been set up to provide objective guidance when considering whether to allow discretionary relief where the tax payer was not a charity or a Community Amateur Sports Club (CASC), or in order to increase the relief that was available to a charity / CASC from the mandatory 80% up to 100%.

He stated that the Council's Policy for providing Discretionary Relief for payers of Non-domestic Rates had been established for some years, and had received minor amendments. He, therefore, explained that the time was right for the Council to hold a comprehensive audit of the Discretionary Relief Policy, not only in order to ensure it remained relevant in light of legislative changes, but also to consider whether the relief the Council permitted was being targeted to the right places and whether it was affordable in light of the constant need to find savings.

He stated that the Committee is requested to consider setting up a Working Group to investigate the Council's Policy on allowing discretionary relief, and offer guidance in forming the new policy.

In response to a question from a member about the timetable, the Senior Revenue and Risk Manager stated that he anticipated holding two or three meetings of the Working Group. He explained that it would be the Cabinet that would adopt the new policy, and the aim was to submit the amended policy to Cabinet at its 12 December 2017 meeting.

**RESOLVED:**

- (i) To establish a working group to investigate the Council's Policy on allowing discretionary relief;**
- (ii) That the Chair and Vice-chair of the committee, along with Councillors Aled Wyn Jones, Huw G. Wyn Jones, Dewi Wyn Roberts and Angela Russell would serve on the Working Group.**

The meeting commenced at 10:05am and concluded at 12:15pm

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**CHAIR**