

AUDIT AND GOVERNANCE COMMITTEE 28/11/19

Present: Councillor John Brynmor Hughes (Chair)
Councillor Angela Russell (Vice-chair)

Councillors: Aled Ll. Evans, Alwyn Gruffydd, R. Medwyn Hughes, Peredur Jenkins, Aled Wyn Jones, Berwyn Parry Jones, Dewi Wyn Roberts, John Pughe Roberts, W. Gareth Roberts, Paul Rowlinson and Gethin Glyn Williams.

Lay Member: Sharon Warnes

Others invited: Councillor Ioan Thomas (Cabinet Member – Finance)

Officers: Dafydd Edwards (Head of Finance Department), Ffion Madog Evans (Senior Finance Manager), Dewi Morgan (Assistant Head - Revenue and Risk), Luned Fôn Jones (Audit Manager), Bethan Adams (Scrutiny Advisor) and Lowri Haf Evans (Democratic Services Officer).

Also in Attendance:

In relation to item 5 on the agenda: Geraint Owen (Head of Corporate Support department) and Vera Jones (Democracy and Language Manager)

In relation to item 6 on the agenda: Geraint Owen (Head of Corporate Support Department), Dilwyn Williams (Chief Executive) and Iwan Evans (Head of Legal Services/Monitoring Officer).

In relation to item 9 on the agenda: Delyth Jones-Thomas (Investment Manager)

In relation to item 10 on the agenda: Dewi Wyn Jones (The Council's Business Support Service Manager) and Bethan Richardson (Business Support Officer)

1. APOLOGIES:

Apologies were received from Councillor Huw G. Wyn Jones

2. DECLARATION OF PERSONAL INTEREST

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

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the previous meeting of this Committee, that took place on 17 October 2019, as a true record.

5. A REVIEW OF SCRUTINY ARRANGEMENTS

A report was submitted by the Head of Democratic Services and the Democracy and Language Services Manager, outlining the results of a recent review of the Council's scrutiny arrangements. It was explained that a working group had been set up which consisted of

Members and Officers, in order to review the existing scrutiny arrangements following observations that scrutiny did not add value, that the arrangements were slow in achieving results, and a feeling that things could be done better. It was reiterated that striving for continuous improvement through reviewing and challenging the system contributed to driving improvement in services to the people of Gwynedd.

Originally, the Working Group drew up three options, and following consultation work with members and the Scrutiny Forum, these options were amended for the consideration of the Committee.

- Three Scrutiny Committees (minor amendments to the current arrangements)
- One Principal Scrutiny Committee
- Two Scrutiny Committees

The options were discussed, and reference was made to the advantages and disadvantages of each individual option. The Committee was asked to consider whether one option predominated and to submit the preferred option as a recommendation to the Full Council on 19.12.19.

Observations arising from the ensuing discussion from individual Members:

- One Member did not have the capacity to chair one Committee - a concern that this would be too much responsibility for one Chair
- The need to review the system was acknowledged
- Concern that matters on a specific subject would not be recorded in informal meetings / information sharing
- There was a need to consider how information would be submitted
- There was a need to look at items more strategically, rather than at general matters across the County.
- Whichever system or option that was selected, it did not mean that scrutiny would improve
 - needed to refine arrangements and priorities better
- The option of One Committee excluded too many Members
- The option of One Committee - this gave the opportunity for some Members to develop expertise through leadership
- Was it scrutiny that was defective, or a failure on members' part to identify their role? Needed to consider educating Councillors of their responsibilities

In response to an observation with regard to who would Chair the Scrutiny Committee should the option of One Scrutiny Committee predominate, the Monitoring Officer expressed that a statutory formula was in place to determine this in the context of the political balance. The formula would also be used if the option of Two Scrutiny Committees predominated.

Option 1 was proposed and seconded, namely Three Scrutiny Committees.

A request was also made for the Committee to consider which scrutiny committee should scrutinise matters of the Housing and Property Department following the reorganisation of the Adults, Health and Well-being Department. It was highlighted that discussions had been held in the Scrutiny Forum, in the informal meeting of the Care Scrutiny Committee and with the Chairs and Vice-chairs of the Communities and Care Scrutiny Committees. It was concluded in these discussions that the best place to scrutinise housing and property matters was the Care Scrutiny Committee as health and social matters were now connected to housing.

Observations arising from the ensuing discussion by individual Members:

- That there was a clear connection between Housing/Housing Quality and Health
- That the relationship between Social Services and Health was developing
- That the Communities Scrutiny Committee had the capacity to discuss housing matters

- That there was a clear link between Planning (which was a Communities scrutiny matter) and Housing and Property in the context of grants, building more houses and Housing Associations

It was proposed to discuss Housing and Property in the Communities Scrutiny Committee. Nobody seconded this proposal and, due to the shortcoming, Housing and Property would be discussed in the Care Scrutiny Committee.

RESOLVED,

- a) **To welcome the review and accept the report**
- b) **To propose Option 1 - Three Scrutiny Committees with some amendments, as a recommendation to the Full Council 19.12.19**
- c) **That Housing and Property (under option 1) would be discussed in the Care Scrutiny Committee**

6. THE SAVINGS PROPOSALS OF THE CORPORATE SUPPORT DEPARTMENT, THE FINANCE DEPARTMENT AND THE CORPORATE MANAGEMENT AND LEGAL TEAM TO COPE WITH THEIR SHARE OF THE POTENTIAL £2M DEFICIT IN THE 2020-21 BUDGET

A report was submitted, detailing the savings proposals that would contribute towards the potential financial deficit in the 2020/21 budget. The Members were reminded of the fact that the annual grant received from Welsh Government had not been sufficient for the past 12 years and, consequently, had led to a situation where the Council had had to plan to fill the financial deficit. For 2020/21, it was decided to plan for a £2m deficit, requesting that all Departments find their share of the sum. The Committee was asked to consider the proposals of the Corporate Support Department, Finance Department and the Corporate Management Team and Legal as well as the implications.

The Cabinet Member and Heads of Department expanded on the content of the report, and also responded to questions/observations by the Members.

Savings of the Corporate Support Department

In response to a comment regarding a reduction in expenditure for printing corporate documents and the suggestion that Councillors should be going paperless, it was reported that savings had already been made by issuing Councillors with information technology equipment, but that more could have been done. It was reiterated that there was a need to better promote the use of technology, raise confidence in its use and address the problems of using video conferencing / remote attendance.

In response to a comment that the Department had been underspending historically and the need for a realistic budget in future, it was expressed that the Department was planning and preparing in advance for cuts/savings and that this was mainly responsible for any underspend from one year to the next.

Savings of the Finance Department

In response to an observation with regard to attracting income through new agreements as a host / lead authority, it was noted that this was something to take pride in due to the trust of other authorities in the quality of Gwynedd Council's work.

Savings of the Corporate Management Team and Legal

In response to a question regarding coping with two members of the Management Team rather than three, it was expressed that the post was currently being kept vacant, and the situation was being monitored in terms of its impact. It was reiterated that should the savings scheme go ahead, it would be possible to consider the post as a saving for the future.

General observations:

- That the sum should be estimated to the nearest hundred rather than to the pound
- It was welcomed that the savings did not create an impact on the residents of Gwynedd
- That the proposals were sensible

RESOLVED to accept the report and approve the proposals of the Departments to meet their share of relevant savings

7. 2018 - 2019 ANNUAL AUDIT LETTER BY THE EXTERNAL AUDITORS

The Head of Finance Department submitted a report which summarised the main key messages deriving from the statutory responsibilities of the Auditor under the Public Audit (Wales) Act 2004 and the reporting responsibilities under the Code of Audit Practice. In September 2019, the Auditor General issued an unqualified audit opinion on Gwynedd Council's 2018/2019 accounting statements, confirming that they gave an accurate and fair illustration of the Council's financial situation and transactions.

The Cabinet Member for Finance highlighted that the content of the letter was positive. All staff were thanked and congratulated for their work.

RESOLVED to accept the Audit Letter for 2018 - 2019

8. FINANCIAL STRATEGY - REMIT OF THE 2020-2021 BUDGET

The Head of Finance Department submitted a report outlining the process of drawing up a budget for the year 2020/2021, in accordance with the Committee's forward work programme. It was highlighted that planning the budget had been challenging as Welsh Government's budget had not been announced, and that there was no intention to do so until the UK general election (the announcement date of the 2020/21 draft settlement was 16.12.19). Consequently, as the details of the settlement were unavailable, savings of £2m were estimated when planning the budget, however it was forewarned that this could change.

The Cabinet Member highlighted that Budget Seminars for Members were being organised in January to share and discuss the information in more detail, and he emphasised the need for all Members to attend. In response to a question, it was confirmed that the invite was also open to the lay member.

RESOLVED to accept the timetable for the 2020/21 financial planning

9. TREASURY MANAGEMENT – MID YEAR REVIEW 2019-2020

The Head of Finance Department submitted a report, detailing the Council's actual Treasury Management activity in the current financial year. It was explained that between 1 April and 30 September 2019, the Council's borrowing activity remained within the constraints originally set. There were no banks where the Council had deposited money that had failed

to repay and it was estimated that the Council's actual investment income would exceed the expected income in the 2019/20 budget.

Reference was made to the Borrowing Strategy, as well as providing a brief update on the certainty rates of the Public Works Loan Board (PWLB). It was noted that in October 2019, the standard interest rate had increased by 1% and the Council did not currently anticipate any need for PWLB borrowing. In referring to the investment activities, it was highlighted that the Council invested in pooled funds where short-term security and liquidity was less of a consideration, and rather, the aims were regular revenue income and long-term price stability. In the context of compliance, it was confirmed that all activities of the treasury management that were held during the period fully complied with the CIPFA code of practice as well as the Council's Treasury Management Strategy Statement.

In terms of forecasts for the rest of 2019/20, it was noted that the growth in the market was slowing down in light of the uncertainty with Brexit. Nevertheless, no significant impact was anticipated.

Gratitude was expressed for the accurate and positive report.

In response to a question regarding where to borrow if needed, the Head of Finance Department noted that although the interest rate had increased in October, the Treasury advisors did not anticipate interest rates increasing any further. The Council was not currently in a position to need to borrow.

In response to a suggestion that the Council could be in a position to offer mortgages / loan money to buy a house, it was noted that the Council was currently supporting a number of Housing schemes. One plan was to allocate the Council's premium tax funds for a range of opportunities and plans to bring vacant houses back into use. It was reiterated that running mortgages was not currently a priority.

RESOLVED to accept the information.

10. RECOMMENDATIONS AND IMPROVEMENT PROPOSALS OF EXTERNAL AUDIT REPORTS

The Head of Corporate Support Department submitted a report, highlighting the actions created in response to realising the recommendations of audit reports. The Members were reminded that they had a responsibility to consider external audit reports (national, and local to Gwynedd), the recommendations included in them, and the implications of these to governance, managing risk or management. The Committee had to satisfy itself that arrangements and processes were in operation in order to ensure that the improvement proposals were considered and implemented.

Observations arising from the ensuing discussion on the improvement proposals of the reports of the external auditors 2013 - 19 (part 1)

- There was a need to consider a more effective format to report on the recommendations in future - more details were included in some reports
- A request to expose bias
- There was a need to cross-reference reports and decisions that had been taken to other Committees (e.g. Scrutiny Committees)
- There was too much information about processes - needed to focus on the outputs and what had been completed
- A suggestion to set a timetable and to highlight the main milestones
- There was a need to focus on progress

Each of the improvement proposals were discussed in turn, and some of the conclusions were challenged.

- It was proposed to amend the conclusion of the 'Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales (CSSIW) 2013/14' to 'in progress' rather than 'completed' as it was noted that 'performance had deteriorated due to failing to reach all requirements within the statutory timetables'.
- It was proposed to amend the conclusion of 'Asset Management [Land and Buildings]' to 'in progress' rather than 'completed' as it was noted that 'there was a need to reopen discussions with local and regional partners with regard to developing a systematic method of jointly planning assets...'

Subject to the above proposals, the Committee was satisfied with the conclusions of the improvement proposals of local or regional reports that assessed the work of Gwynedd Council (part 1)

In the context of national or general reports that were relevant to Local Government (part 2), an observation was made with regard to the 'Good Scrutiny? Good Question!' report and, given Gwynedd Council's current review on Scrutiny arrangements, should the audit be noted as 'in progress'? It was noted that the 'Good Scrutiny? Good Question!' report was now outdated and the work had transferred to a report called 'Scrutiny Overview' and therefore, it was agreed that the conclusion 'completed' was acceptable.

RESOLVED to accept the report. The Committee was satisfied that the actions created in response to the recommendations were correct, subject to the amendments proposed to the conclusions of the Annual Performance Appraisal of the Care and Social Services Inspectorate for Wales (CSSIW) 2013/14 and 'Asset Management [Land and Buildings]'.

11. ANTI-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS

A report was submitted by the Assistant Head of Finance (Revenue and Risk) that updated the Committee on the Council's anti-fraud and anti-corruption arrangements, progress on the work programme for the next three years, together with national developments in the context of fraud against the public sector. The Members were reminded of the fact that Gwynedd Council's Anti-fraud, Anti-corruption and Anti-bribery Strategy 2019 - 2022 work programme had been adopted by the Committee on 14 February 2019.

It was emphasised that Council officers were not currently investigating allegations of fraud against it. Nevertheless, since 1 April 2019, it was reported that the Benefits Service had referred 22 Housing Benefit cases to the Department of Work and Pensions (UK Government) for further investigation. It was noted that the Department for Work and Pensions did not investigate any Council Tax Relief fraud, and therefore definite steps had been taken to develop skills internally to investigate this fraud. It was reiterated that three benefits officers and three taxation officers were currently working on the CIPFA *Accredited Counter Fraud Technician* qualification, which was a significant investment for the Council's fraud prevention processes.

In the context of data use, reference was made to the act of assessing the possibility of improved use of data in order to identify and investigate fraud. It was reiterated that the current plan to identify and investigate fraud was the Taxation Service's practice to review some of the discounts and exceptions permitted to the County's Council Tax accounts. In a research investigation, it was highlighted that the third most common type of fraud committed by adults in Wales was false claims for a Single Person Discount. It was noted that 18,000 Gwynedd homes received a Council Tax single person discount and, in order to ensure that

every exception and discount granted was accurate, Gwynedd Council would work with the Datatank company to review discount claimants. If inaccurate claims were discovered, the Council would terminate the claims, write to the tax-payers and attempt to recover the discount.

Attention was drawn to the report of the Auditor General which was published in June 2019, which provided an illustration of the types of fraud that could be committed against the public sector in Wales. It was noted that the report was provided at the request of the National Assembly's Public Accounts Committee, so that it was possible to report on the arrangements in place within the different types of public bodies. The Auditor General's proposal to carry out a further review (stage 2) to investigate how effective fraud prevention arrangements were in practice was approved, as well as making recommendations for improvement. It was reported that it was intended to publish stage 2 of the review in June 2020, with a suggestion that the Committee should receive a report on the outcome of the work and any matters that were specific to Gwynedd.

In response to a question regarding fraud relating to the transfer of self-serviced property out of the Council Tax System, it was noted that it was the responsibility of the Valuer's Office to gather information and come to a decision on such fraud matters. In an observation with regard to the need to verify the work and decision of the valuer, it was noted that government officers could be contacted to make further enquiries.

RESOLVED to accept the report as well as to note the timetable of the Wales Audit Office to report on stage 2 results of the Auditor General's review.

12. OUTPUT OF THE INTERNAL AUDIT SECTION

The report of the Audit Manager was submitted for information, which provided the Committee with an update on the internal audit work for the period between 7 October and 15 November 2019. It was noted that eight of the plan's audits had been completed. Attention was drawn to the relevant assurance level of the plan's audits, and it was noted that the outcomes were positive, and that they all fell into the two highest categories, namely satisfactory (controls are in place to achieve their objectives but there are aspects of the arrangements that need tightening to further mitigate the risks) and high (certainty of propriety can be stated as internal controls can be relied upon to achieve objectives).

Reference was made to the Section 106 Agreement Plan - adequate assurance level. An audit was carried out on suitable arrangements that were in place when imposing section 106 planning obligations in order to mitigate the negative impacts of developments. A sample of financial obligations and contributions for e.g. educational provision, open spaces and transportation were selected, as well as a sample where there had been no financial contributions. It was highlighted that in some situations, funds received for many developments had not been spent despite the efforts of the Planning Authority to encourage organisations such as Community Councils to spend it. It was reiterated that this could create a risk of having to repay money to the developer with interest.

Reference was made to the Bed and Breakfast Costs Plan - adequate assurance level. The purpose of the audit was to ensure that suitable arrangements were in place to administrate homelessness applications where applicants were placed in bed and breakfast accommodation. It was reported that there had been a 36% increase in the demand for the service since 2014/15, and more recently the side effect of universal credit. It was noted that the budget had reduced in the past three years due to cuts within the Council to save money,

as well as losing staff, specifically in Arfon, the area with the largest percentage of applicants and a lack of available locations.

Reference was made to the Plan of the Plas Pengwaith, Bryn Blodau and Llys Cadfan homes - adequate assurance level. The purpose of the audits was to ensure that the management and maintenance arrangements of the homes were appropriate and in accordance with relevant regulations and standards. It was noted that the homes had committed to implement the steps to mitigate the risks highlighted by the Auditors.

In response to an observation regarding the need to ensure that the Homes were being managed effectively, it was expressed that there had been an improvement in the management, with measures in place for improvement. It was noted that work was being done to ensure that evidence and records were available on matters such as staff training. It was reiterated that the situation was still being monitored, and if there was no progress, 'lack of action' could be noted.

RESOLVED to accept the report and support the actions that have already been agreed with the relevant services.

13. INTERNAL AUDIT PLAN 2019/20

The report of the Audit Manager was submitted, providing an update on the current situation in terms of completing the 2019/20 internal audit plan. It was noted that 18 schemes out of the 54 audits included in the plan had been released in a final version. In order to reflect the impact on further amendments and additions to the plan, the work was prioritised on a risk basis, and a conclusion was reached to cancel seven further audits. In accordance with a request made in a meeting in October 2019, brief logic was provided for the decision for each cancelled audit.

In response to an observation that the number of audits that were cancelled appeared high, it was noted that the entire procedure and the annual plan had been considered in conjunction with the Assistant Head - Revenue and Risk. It was added that the 14 audits would not 'drop out' of the medium-term plan, as they would be a priority within the 2020/21 Internal Audit plan. It was also noted that 40 days' work had been allocated for Byw'n Iach and that this was an additional requirement that would, in due course, create an impact on the number of audits held for Gwynedd Council.

RESOLVED to accept the report.

The meeting commenced at 10.00am and concluded at 1.00pm.

CHAIR