

## AUDIT AND GOVERNANCE COMMITTEE 30/11/2020

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**Present:** Councillor John Brynmor Hughes (Chair)  
Councillor John Pughe Roberts (Vice-chair)

Councillors: Selwyn Griffiths, Alwyn Gruffydd, Peredur Jenkins, Aled Wyn Jones, Berwyn P Jones, Huw W Jones, Dewi Roberts, W Gareth Roberts, Paul Rowlinson, Angela Russell and Gethin Glyn Williams.

Sharon Warnes (Lay Member)

**Officers:**

Dafydd Edwards (Head of Finance Department), Dewi Morgan (Assistant Head - Revenue and Risk), Luned Fôn Jones (Audit Manager), Delyth Jones-Thomas (Investment Manager) and Lowri Haf Evans (Democratic Services Officer)

**Others invited:**

Councillor Ioan Thomas (Cabinet Member – Finance)  
Councillor Edgar Owen (Council Chairman)  
Morwena Edwards (Corporate Director)  
Alan Hughes (Wales Audit)

**1. APOLOGIES**

Apologies were received from Councillor Aled Evans and Councillor Medwyn Hughes

**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 held on 15 October, 2020 as a true record.

**5. LETTERS FROM THE AUDITOR GENERAL FOR WALES**

Submitted - the report of the Head of Finance Department, drawing members' attention to two letters submitted by the Auditor General for Wales following receipt of post-audit comments on local extracts, on residential and nursing care in north Wales (specifically in Conwy and Denbighshire councils). It was highlighted that although the reviews discussed the local arrangements in Conwy and Denbighshire, Audit Wales had concerns regarding the north Wales region's pragmatic solution to the challenge of creating a pooled budget for care home placements for older people. It was explained that the regional pooled fund was a partnership between the six north Wales councils and Betsi Cadwaladr University Health

Board (BCUHB). The regional partnership had concerns regarding the accountability of a broader pooled fund, and had established a low risk system, however, Audit Wales had noted that the current system did not offer value for money and did not deliver any of the intended benefits of a pooled fund.

The Audit Wales Representative noted that the Fund had been established in response to the requirements of the Social Services and Well-being Act (Wales 2014) with Denbighshire leading on the administration of the Fund. It was reiterated that the fund's administration costs were approximately £20k, and that transferring money back and forth between the regional partners did not benefit the service user and was not a good use of public money.

In response, the Head of Finance Department noted that the arrangement allowed the local authorities to comply with the requirements of the Act and to identify the scale of relevant action across the region. He highlighted that he was satisfied that the arrangement minimised the risk, and that broader benefits derived from the contribution to Denbighshire's role. He added that the region's treasurers along with the BCUHB treasurer would meet on 30/11/20 to discuss the matter further.

The Corporate Director reiterated that including the regional requirements in the Act was a misjudgement, and that extending the pooled fund would not deliver benefits for the services users. She suggested that local funds would be the best method, with flexibility to respond to the need in Gwynedd, whilst the regional procedures should focus on frameworks and structures.

The Cabinet Member reiterated that extending the pooled fund arrangements would maximise the risk of losing control and there was a need to safeguard Gwynedd taxpayers.

Members expressed their thanks for the report.

In response to a question regarding the implications of not complying with the requirements of the Act, it was noted that the north Wales region had decided to limit the implementation while complying with the Act.

In response to a question about the role of the Health Board, it was explained that BCUHB made a contribution across the region to the nursing care budget.

During the discussion, members raised the following matters:-

- The Act was not the best tool for governing the money
- That the legislation was an example of the Government's inability to listen to the comments / opinions of local authorities
- That officers were doing the minimum they could to comply with an unnecessary arrangement
- The Government had not stated clearly what its intention was in pooling the budget or the intended benefits
- Any legislation should focus on developing fields where collaboration and joint commissioning was needed - pooling should happen on planning matters, but not on finance matters.
- That the situation was unfortunate.
- There should be a mandate to change the arrangement - need to reconsider the Act - the Government had not listened- a suggestion was made to correspond with the Government and ask it to amend the act to have a firm arrangement in place
- That the dissatisfaction of the Committee regarding the regional discussions should be conveyed

**DECISION:**

**To accept the report, noting the Auditor General's letters and the viewpoint of the region's local authorities and the Health Board.**

**6. 2019/20 TREASURY MANAGEMENT – MID YEAR REVIEW**

Submitted - the report of the Head of Finance Department in response to the CIPFA Code of Practice which recommended that a report should be produced on the Council's actual Treasury Management activity during the current financial year. It was reported that despite the impact of covid 19 between 1 April and 30 September 2020, that the Council's borrowing activity had remained within the constraints originally set. It was noted that there were no banks where the Council had deposited money that had failed to repay. It was estimated that the Council's actual investment income was lower than the expected income in the 2020/21 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 reiterated that the PWLB was launching a broad consultation in response to significant policy changes. In the context of investment activity, it was reported that the Council, since April, had received money from Welsh Government to support small and medium sized businesses during the pandemic through grant schemes. £62m had been received, temporarily invested in short-dated liquid instruments such as call accounts and money market funds. £59m had been disbursed by the end of September. During the six months, the Council's investment balance had ranged between £49.6 and £110.4 million due to timing differences between income and expenditure. It was reiterated that the Council's main objective was to invest the money prudently and to strike a balance between risk and return.

It was reported that the economic outlook for interest rates had changed completely with the global pandemic. The average interest rate received on short term balances had been 0.07% during the six month period to 30th September 2020, with more recent investment being made as low as 0.01% This indication had been set when the base rate was 0.75% and therefore it was reasonable that there was such an impact due to a 1% rise, and it demonstrated the severe impact that the pandemic had had on investment returns.

It was explained that the medium term global economic outlook was weak. While the strict initial lockdown restrictions had eased, coronavirus had not been suppressed and second waves had prompted more restrictive measures on a regional and national basis. These restrictions would continue to impact normal activity until an effective vaccine was produced and distributed.

The members expressed their thanks for the report and for the work in managing the treasury during a challenging and uncertain time.

In response to a question regarding the possibility of having to pay banks to manage our funds, it was noted that this was a possibility, but although the situation had been avoided thus far, negative bank rates should not be ruled out in the future.

**RESOLVED to accept the report**

## 7. COUNTER-FRAUD, ANTI-CORRUPTION AND ANTI-BRIBERY ARRANGEMENTS

A report was submitted by the Assistant Head of Finance (Revenue and Risk) which updated the Committee on the Council's anti-fraud and anti-corruption arrangements and progress on the work programme for the next three years. 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 noted that the Strategy included eight actions that should be delivered during the three years to strengthen the Council's anti-fraud arrangements within available resources.

It was emphasised that Council officers were not currently investigating allegations of fraud against it.

Reference was made to identifying new risks drawing attention to the action of undertaking regular workshops with relevant officers to discuss issues that arose, apparent risks and to share good practice. A plan had been submitted to the Committee in July which included specific audits that responded to areas that could be subject to fraud in the wake of the pandemic.

It was reported that one of the impacts of the crisis was the increase in opportunities for fraud and scams, and that we were becoming more aware of these matters while working from home by experiencing the number of fraudulent phone calls being made to our homes. In seeking to investigate Council Tax reduction fraud, it was noted that although it was intended to hold fraud interviews, the circumstances this year had not allowed for further steps to be taken as expected as the public health emergency had not allowed formal interviews etc. to be held.

In the context of data use, reference was made to assessing the possibility of improved use of data in order to identify and investigate fraud. It was noted that Gwynedd Council was working with Datatank to provide a rolling review of the single person discount applied to Council Tax accounts. False claims for this discount was amongst the most common fraud committed nationally.

Members expressed their thanks for the report.

In response to a question about furlough payments, it was noted that a number of fake furlough applications had been submitted across Britain. It was reiterated that the Audit Unit would investigate matters relating to any fraudulent applications submitted to the Council.

### **RESOLVED:**

**To accept the report as an update on the anti-fraud and anti-corruption steps the Council is taking.**

## 8. RISK MANAGEMENT ARRANGEMENTS

A report was submitted by the Assistant Head of Finance (Revenue and Risk) to update the Committee on developments in risk management arrangements, the implementation steps and to consider whether the response addressed the matters raised in the Auditor's letter. Members were reminded that one of the Committee's statutory responsibilities was to review and assess the authority's risk management, internal control and corporate governance arrangements, in accordance with part 81(1)(c) of the Local Government Measure (Wales) 2011.

It was explained that the risk register was a live document and was updated appropriately to reflect the Council's actual position. It was acknowledged that in the past actions had only been

taken occasionally in response to updating the register, however, by now the matter was being addressed much more regularly which was an indication that Managers were beginning to view updating the register as a natural part of their work. It was also reiterated that the contents of the risk register and the progress achieved in addressing the matters requiring attention would play a central role in future performance review meetings.

The members thanked the department for the report and expressed that the register highlighted the positive message that there was an arrangement in place.

In response to an observation regarding logging the pandemic as a new risk and that the lessons learnt from the crisis should be identified, it was noted that the register was a tool for prioritising, and an observation was made that this should be highlighted in the report.

**To accept the report as an update on the steps the Council is taking to ensure there is a complete risk register in place.**

## **9. INTERNAL AUDIT PLAN 2020/21**

Submitted - the report of the Audit Manager updating the Committee on the current situation in terms of completing the 2020/21 Internal Audit Plan. It was highlighted that 38 individual audits had been scheduled for the year and the actual achievement for 31/10/20 was 18.42% - out of the 38 audits, 7 had been released in a finalised version / completed. In response to the COVID-19 crisis, it was noted that some of the Audit Unit officers had been transferred to the Revenue Service to support the service to administrate Welsh Government business grants.

Members expressed their thanks for the report.

In response to a question regarding the implications of completing fewer audits than had been planned, the Audit Manager noted that there was a need to amend the way in which audits were being carried out. It was accepted that conducting audits was difficult in the current climate, however, there was a trend among services of not implementing steps due to the additional requirements related to the crisis. It was reiterated that there was a need to instruct officers to cooperate, but to emphasise that the work would not affect key officers.

In response to a question about how the Unit was overcoming the restrictions related to going on-site, it was expressed that the Unit was seeking to avoid investigations where there was a need to go on-site and a number were now being conducted through Teams and evidence being received by e-mail. It was expressed that there was a risk of failing to provide assurance and it was expressed that the Unit was seeking to work with services to try to make things as easy as possible for officers to act.

### **RESOLVED**

- **To accept the report, and note the content as an update of progress against the 2020/21 audit plan.**
- **To support the Audit Unit in using reasonable persuasion with the Departments so that it can continue to undertake the work appropriately in the circumstances.**

## **10. REPORT OF THE REGULATORY IMPROVEMENT WORKING GROUP**

Submitted - a report by the Chair of the Committee reporting on a meeting that had been held on 10/11/2020 to discuss the 'Overtime' audit in response to the Committee's decision (30/07/20) to call the Head of Highways and Municipal Department to a meeting of the Controls

Improvement Working Group to discuss the matter further. There were controls in place, however, it was accepted that improved compliance with the controls and/or introducing new controls was necessary to reduce the risks the service was vulnerable to.

The Audit Manager expressed that the current policy was not sensible in terms of paying overtime - overtime could be paid for planned work but not for unplanned work. She reiterated that if a Manager was aware of any planned work, there was no reason as to why this could not be scheduled into the service's normal work programmes and that overtime payments should be made for emergencies only.

It was reported that the Human Resources Advisory Services Manager had noted that the policy had been established some time ago and there was a need to revisit the policy and the overtime arrangements on a corporate level. It was stated that a project was already underway.

As a consequence of the meeting, the Head of Highways and Municipal Department had revisited the action plan and updated it in terms of dates of implementation.

It was noted that the discussion had been beneficial.

**RESOLVED to accept the information.**

## **11. OUTPUT OF THE INTERNAL AUDIT SECTION**

Submitted- for information the report of the Audit Manager updating the Committee on the internal audit work for the period up to 31 October 2020. It was noted that 10 of the plan's audits had been completed.

In addition, work had been undertaken on the 'Employment Statements' audit. The purpose of the audit was to verify that a clause on statutory training such as safeguarding had been included in the employment statements of all Council staff to strengthen the importance that the responsibility applied to all of us. A sample of 40 members of staff from across the Council who were new in post since January 2020 had been selected and their employment statements and training records had been checked. It was found that the clause had not been included in any of the selected employment statements. The Human Resources Service (Corporate Support Department), and the Human Resources Advisory Services Manager confirmed that work had not been completed to include the clause as the circumstances of Covid-19 had impacted this work. To this end, it had been decided not to allocate a level of assurance and that the Internal Audit Service would revisit the subject during quarter 4 2020/21, and select a new sample of staff. The findings would be reported to the Committee.

**RESOLVED**

**To accept the report on the work of the Internal Audit Section for the period 1 April 2020 to 31 October 2020 and to support the agreed actions that have already been presented to the managers of the relevant services.**

The meeting commenced at 10.00 and concluded at 12.00pm.

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**CHAIR**