

# AUDIT AND GOVERNANCE COMMITTEE

## Minutes of the meeting held on 9 February 2017

- PRESENT:** Councillor R.Llewelyn Jones (Chair)  
Councillor John Griffith (Vice-Chair) (from item 4 onwards)
- Councillors Jim Evans, Alun Mummery, Peter Rogers,  
Dafydd Thomas
- Lay Members: Mr Richard Barker and Mrs Sharon Warnes
- IN ATTENDANCE:** Chief Executive  
Head of Function (Resources) and Section 151 Officer  
Internal Audit Manager (SP)  
Chief Public Protection Officer (DR) (for item 3)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Richard Owain Jones and Nicola Roberts
- ALSO PRESENT:** Councillor Ieuan Williams (Leader), Mr Gwilym Bury (Performance Audit Lead - Wales Audit Office)
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### 1 DECLARATION OF INTEREST

No declaration of interest was received.

### 2 MINUTES 6TH DECEMBER, 2016 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 6th December, 2016 were presented and confirmed as correct.

Arising thereon –

The Internal Audit Manager informed the Committee that Mr Ivan Butler, Denbighshire County Council's Head of Internal Audit has commenced work on conducting the peer assessment of Anglesey's Internal Audit Service in accordance with the Public Sector Internal Audit Standards. The standards require that an external assessment of the Internal Audit Service must take place at least once every 5 years by a qualified, independent assessor or assessment team from outside the organisation. It is planned to report on the outcome of the assessment to the Committee's next meeting at the end of March.

### 3 FOOD STANDARDS AGENCY AUDIT

The report of the Chief Public Protection Officer regarding the Food Standards Agency's revisit to Anglesey on the 15th and 16th September, 2016, to follow up on the progress made subsequent to the Agency's original audit of the Authority's Food and Feed Service in July, 2014 was presented for the Committee's consideration.

The Chief Public Protection Officer said that he had reported previously to the Audit and Governance Committee in September 2015 on the Action Plan and progress that followed the Food Standards Agency's original audit that took place in July, 2014. A number of findings were reported upon following the audit which gave rise to 40 recommendations by the Food Standards Agency's Audit team. The main findings of the original audit are summarised in section 2.1 of the report. The recommendations were responded to by way of an Action Plan detailing how each recommendation

would be addressed. The FSA Audit team revisited the Authority in September, 2016 in order to formally assess progress against the full report; this involved an on-site visit and subsequent report which took the form of an updated Action Plan. The follow up report shows that good progress has been made on the majority of the actions agreed with 22 being completed and 10 deemed to have made good progress. Only 4 have been designated as being of limited progress and there were none showing as no action; 4 items were untested as no activity in that area of work had taken place. The 4 items which require the most attention are listed in paragraph 3.3 of the report and include the further development of the Service Delivery Plan. The Service anticipates being able to meet all the actions by April, 2017. The lack of staffing resources to meet the target numbers of Food Hygiene and Food Standards inspections remains a concern against the decreasing Public Protection service budget. The staffing shortfall and the implications with regard to addressing a backlog of inspections are referred to in paragraphs 2.3 to 2.6 of the report. The enforcement of Feed Controls is now being delivered collaboratively across North Wales and meets the recommendations identified by the FSA report. The FSA does not plan to return to the Authority to specifically check on the remaining actions, they will be picked up in the course of any visits they may make to the Authority in future.

The Committee considered the report and made the following points –

- The Committee acknowledged the progress that had been had been made in addressing the majority of the Food Standards Agency's recommendations and congratulated the Service thereon.
- The Committee noted the length of time between the original FSA audit and the Agency's re-visit to check on implementation and verify progress. The Committee suggested that where issues have been identified, the regulatory follow up needs to happen more promptly to ensure there has been appropriate action and compliance.
- The Committee noted that the adequacy of staff resources remains an issue which could potentially hamper the Service in seeking to fulfil its food hygiene and food standards inspection responsibilities effectively (feed hygiene inspections now being delivered collaboratively). The Committee sought assurance that the Service is confident that it has the necessary resources to be able to manage its inspections workload and to prevent the inspections backlog from escalating. The Chief Public Protection Officer said that the service has had difficulty in covering staff absences over a period of 2 to 3 years which coupled with an increase in demand in food inspections as a result of the food hygiene rating system have proved challenging. This has created a backlog of inspections which needs to be cleared. There is funding within the service budget set aside to do this but recruiting temporary cover has been difficult in practice. However, the backlog of inspections is also being addressed internally. A transformation and restructure of the teams within the Public Protection directorate took place in April, 2016 to address challenges facing the service and this has led to more flexible staff arrangements whereby staff are able to move around according to where the demand is greatest. The changes that took place are still bedding in as regards developing the skills and competencies to undertake more than one role.
- The Committee noted that in a context where the restaurant and eating out sector is a growth industry the effective monitoring and enforcement of food standards is critical as an area where there are risks, and where the repercussions of a food incident can be serious. The Chief Public Protection Officer said that the inspection of new businesses (of which there were 113 this year requiring inspection) is a priority for the service; these businesses are not risk rated until they have been inspected. While growth in the food business is a positive that is to be welcomed, it does create a demand on the service. Anglesey does have a good food standards/hygiene profile as regards the number of premises with a food hygiene rating of 4 or 5. Premises are risk rated and those judged to be of a higher risk are inspected every 6, 12 or 18 months while those rated a lower risk are inspected every 2 years.
- The Committee sought clarification of how much money the Service is able to raise from charging for the inspections it carries out and whether more could be done to increase revenue. The Chief Public Protection Officer said that while there is no charge for a first inspection the service does levy a charge for a revisit where there are remedial issues to be followed up as this would happen out of sequence. The Food Standards Agency has issued a working paper wherein it is proposed that a lot more of the work done by local authorities in this area is cost recoverable.
- The Committee suggested that the Service Delivery Plan needs to be risk focussed so that resources are targeted to areas where they are required i.e. priority areas identified as being of higher risk. The Committee noted that this principle applies equally to other services.

- The Committee noted comments made via e-mail by the Vice-Chair who was not present for this item which it was agreed would be referred on to the Chief Public Protection Officer.

**It was resolved to accept the report as providing assurance that good progress has been made on implementing the post audit recommendations of the Food Standards Agency and that there is a timescale for completing the actions remaining.**

#### **NO FURTHER ACTION ENSUING**

#### **4 INTERNAL AUDIT PROGRESS REPORT**

The report of the Internal Audit Manager on the Internal Audit Service's performance to date relative to the 2016/17 Audit Plan was presented for the Committee's consideration.

The Internal Audit Manager reported as follows –

- The report analyses the performance of the Internal Audit Service for the period from 1 April, 2016 to 31 December, 2016 and is supported by Appendices A to G which detail progress against performance targets for 2016/17 and the work undertaken by the Service during this period.
- The amount of work allocated to work in progress during 2016/17 to the end of December, 2016 accounts for 111.55 days and will be met from closure of previous year's work contingency.
- The schedule of performance targets for the period ending 31 December, 2016 at Appendix A shows that 56.06% of planned audits have been completed up to 31 December, 2016 against an annual target of 80%.
- There were 2 additional unplanned audits performed during the period from 1 April to 31 December, 2016 amounting to 10.36 days work as documented at Appendix B.
- A summary of all audit assignments completed during the year to date including work in progress from 2015/16 is provided at Appendix D. Two of the planned audits completed since 1 September 2016 are assessed as not providing positive levels of assurance. The Child Care Court Orders under the Public Law and the Extra Care Housing Commissioning Arrangement were both assessed as providing Limited Assurance. Details of the audits are summarised in Appendix D to the report.
- The percentage rate for the implementation of internal audit recommendations as at 31 December, 2016 was 82%. A graph showing the breakdown of recommendation implementation by service is provided in Table 2. Those recommendations outstanding as at 31 December, 2016 are listed in Appendix E.
- A schedule of the 10 follow up audits conducted during the period from 1 April to 31 December, 2016 is provided at Appendix F. This shows the number of recommendations accepted and subsequently implemented by management in each area along with a revised audit opinion regarding the adequacy of the internal control environment.
- A summary of special investigations undertaken by Internal Audit during the period is given in Appendix G; these amount to 141.08 days.
- Sickness absence accounted for 5 days absence up to the period ending 31 December, 2016 against an annual target of 45 days.
- An analysis of the Service's performance in the period in question demonstrates that performance levels are on target. However, the ability of the service to achieve the Operational Plan will be dependent on the level of demand for audit resources in respect of referrals, unplanned work prior to the year end and sickness absence levels.

The Committee considered the information presented and made the following points –

- The Committee noted with regard to the Council's management and assurance processes and controls for Corporate Safeguarding (Appendix D) that this area which has been assessed as providing Limited Assurance, has been under consideration for some time. In light of the risks inherent in corporate safeguarding due to the vulnerability of the individuals who are assessed as being in need of protection, the Committee sought clarification of the position with regard to acting on the key findings from the audit of this area. The Internal Audit Manager informed the Committee that Internal Audit is scheduled to report on the follow up to the audit of Corporate Safeguarding to this Committee in June, 2017. All Limited Assurance audits are followed up and the outcome along with the revised audit opinion are reported to the Committee.

- The Committee noted that during 2013/14 the Council brought together responsibility for safeguarding children and adults under one Head of Service (Children). The Committee sought clarification whether this organisational change has been reviewed for effectiveness and whether the restructure has helped in terms of contributing to improving the Council's controls and processes for managing risks associated with Corporate Safeguarding. The Chief Executive said that safeguarding is a corporate responsibility and is an aspect which all Heads of Service were required to address both last year and this year, and for which they are held accountable. The Children's Services is currently under review and the point made will be taken into account as part of the review.
- The Committee sought clarification of the processes for monitoring work undertaken under contract to the Council and for identifying and following up instances where the workmanship is not to standard, is incomplete or does not meet with contract specifications meaning there could be a risk of financial loss to the Council especially where payments have already been made. An example of such a scenario was given. The Internal Audit Manager said that the Internal Audit Services has recently commenced an audit of Housing Maintenance and will include the point raised as part of the examination of the controls, processes and practices in this area.
- The Committee sought assurance that action is being taken to ensure that recommendations are implemented and that reasons for non-implementation or issues that could hinder implementation e.g. a lack of staff resources are identified and flagged up be that via the Corporate Risk Register or elsewhere. The Committee emphasised that early identification and timely reporting of potential risks are essential to help prevent those risks from materialising. The Chief Executive said that there is a procedure for identifying and escalating risks where necessary. Service risk registers are regularly reviewed and any issues are fed through to the Senior Leadership Team; if they are deemed to pose a corporate risk they are then escalated to the Corporate Risk Register.

**It was resolved to accept the report as providing assurance regarding the internal control, risk management and corporate governance processes that are in place to manage the achievement of the Authority's objectives.**

#### **NO FURTHER ACTION ENSUING**

### **5 INTERNAL AUDIT FOLLOW UP REPORTS**

The report of the Internal Audit Manager providing a further update on the Business Continuity and ICT Disaster Recovery audits with regard to progress on addressing the issues identified and completing the actions recommended as part of the audits was presented for the Committee's consideration. Details of the Business Continuity and ICT Disaster Recovery second follow up audits were summarised in Appendices A and B to the report respectively.

The Internal Audit Manager reported as follows –

- Business Continuity Arrangements Second Follow-up – as detailed in paragraph 2 of Appendix A, the second follow up review identified that the two high rated recommendations outstanding at the time of the last review have been implemented in full. The remaining high rated recommendation relating to the need for building recovery management arrangements to be included in the Corporate Business Continuity Plan is assessed as partly implemented. As not yet fully implemented, the recommendation has been reiterated. The medium rated recommendation relating to training requirements to support the implementation of the Business Continuity Plan is assessed as fully implemented. In relation to the remaining medium rated recommendation that Services should ensure that business continuity and emergency planning arrangements are up to date and operational and that they are included within Service Delivery Plans, not all services have included Business Continuity within service plans and as such this part of the recommendation is therefore reiterated. Based on the findings of the second follow up review, it is assessed that the Council has demonstrated good progress in implementing the actions agreed to address the audit recommendations and that the level of assurance now provided in this area is Substantial.
- ICT Disaster Recovery Follow-up - as detailed in paragraph 2 of Appendix B, the second follow up review identified that one high rated recommendation relating to the need to produce, adopt and implement a comprehensive ICT Disaster Recovery Plan has been assessed as implemented for the purpose of the review. A second high rated recommendation has been assessed as having been implemented in the main part while with regard to the third high rated

recommendation, there remains a need to incorporate testing of the system and data backups by services in the ICT Disaster Recovery Plan. In relation to the remaining high rated recommendation in respect of formally documenting the responsibility for maintenance and monitoring of the environmental control and fire suppression systems within the data centres, a new recommendation has been made to the effect that responsibility for managing and maintenance of the UPS and air conditioning system within ICT Data Centre is transferred to Property Services to be incorporated into the Buildings Management Plan. Based on the findings of the second follow up review, it is assessed that the Council has demonstrated reasonable progress in implementing the actions agreed to address the audit recommendations and that the level of assurance now provided in this area is Reasonable.

The Committee noted that the two areas referred to have been the subject of the Committee's attention for some time; it now welcomed the progress made on actioning the audit recommendations to improve the control environment in both areas as evidenced in the update report, thereby reducing the risks identified in those areas.

**It was resolved that the Committee is satisfied with the level of assurance provided as documented in the report regarding the actions taken in relation to Business Continuity and ICT Disaster Recovery.**

**ACTION ENSUING: The Committee to receive a final update on ICT Disaster Recovery in June 2017 to enable it to be satisfied that the residual actions have been completed.**

## **6 FORWARD WORK PROGRAMME**

The Committee's Forward Work Programme as presented to the 6th December, 2016 meeting was re-presented for review and update.

The Committee noted the following as additional items for inclusion in the Work Programme either as matters arising from the Committee's business at this meeting, or otherwise as matters requiring consideration –

- The External Audit Plan 2017 to be presented to the Committee in March, 2017
- The follow up audit report with regard to Corporate Safeguarding to be presented to the Committee in June, 2017
- The final update on ICT Disaster Recovery to be presented to the Committee also in June, 2017.

**It was resolved to accept the Forward Work Programme with the inclusion of the additional items as noted above.**

**NO FURTHER ACTION ENSUING**

**Councillor R. Llewelyn Jones  
Chair**