

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 28 June 2017

- PRESENT:** Councillor Peter Rogers (Chair)
Councillor R. Llewelyn Jones (Vice-Chair)
- Councillors Richard Griffiths, G.O. Jones, Dylan Rees
Margaret Roberts, Robin Williams
- Lay Members: Dilwyn Evans and Jonathan Mendoza
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Internal Audit Manager (SP)
Senior Internal Auditor (ECW)
Performance Advisor (Improvement) (NE) (for item 3)
Committee Officer (ATH)
- APOLOGIES:** Councillor Alun Roberts
- ALSO PRESENT:** Councillor Llinos Medi Huws (Leader), John Griffith (Portfolio Member for Finance – from item 6 onwards), Chief Executive, Accountancy Services Manager (BHO), Finance Manager (CK) (for item 3), Mr Andy Bruce (Performance Audit Manager – Wales Audit Office), 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 OF THE 28TH MARCH, 2017 MEETING

The minutes of the previous meetings of the Audit and Governance Committee held on the dates noted below were presented and confirmed as correct –

- 28th March, 2017
- 31st May, 2017 (election of Chair/Vice-Chair)

3 STATEMENT OF ACCOUNTS 2016/17 AND ANNUAL GOVERNANCE STATEMENT

The report of the Head of Function (Resources) and Section 151 Officer incorporating the draft pre-audit Statement of Accounts for the 2016/17 financial year along with the draft Annual Governance Statement 2016/17 was presented for the Committee's consideration.

The Head of Function (Resources) and Section 151 Officer reported that the Council has a statutory duty to approve and publish a Statement of Accounts for each financial year. Before External Audit can commence, the Section 151 Officer is required to sign the Statement of Responsibilities for the Statement of Accounts prior to the statutory deadline of 30th June each year. Whilst the Statement is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties information

about the Council's finances, it is a technical document and is set out in a form prescribed by accounting regulations and practices.

The Officer referred to and elaborated on the key statements contained within the accounts as follows:

- **The Narrative report** which provides a guide to the most significant matters reported in the accounts including the main influences on the financial statements thereby linking the Council's activities and challenges to how these impact on its financial resources.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. There are items within the Statement which are included due to accounting requirements e.g. depreciation which are then removed from Council Tax setting because as accounting items, they do not relate to how services are funded and are not true costs which affect Council usable balances. The CIES shows a deficit on the provision of services of £8.548m.
- **Expenditure and Funding Analysis** – this shows the information in the CIES but with the accounting adjustments cancelled out (Note 7); this helps to identify usable Council balances without the accounting adjustments. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and the HRA's balances and reserves. When the accounting adjustments are cancelled out, the true impact of the Council's cost of services (including the HRA) is reduced to £2.743m for the year giving an overall balance of usable reserves of £31.638m. This has reduced from 2015/16 as earmarked reserves have been used to fund costs for which the original reserves were earmarked.
- **The Movement in Reserves Statement (MIRS)** – this shows movement in the year to and from the reserves held by the Council divided into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves. The Statement shows that the General Council Reserve reduced by £0.189m for 2016/17 resulting in a total general reserve of £8.687m. The Housing Revenue Account (HRA) generated a surplus of £453k with a total HRA balance at 31 March, 2017 of £7.495m. Earmarked reserves were used as noted above. School balances also reduced (mainly in the secondary sector) resulting in an overall reduction in usable reserves despite a positive financial performance against 2016/17 budgets.
- **The Balance Sheet** – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority. The Balance Sheet reflects a good financial position at the end of 2016/17 with a net value of £165.811m, a reduction of £8.249m from the previous year mainly due to changes to the financial assumptions used by the pension actuary when calculating the pension net liability. The Council's pension liability has increased from £95.022m to £105.509m.
- **The Cash Flow Statement** – this shows the changes in cash and cash equivalents of the Council during the reporting period. Cash and cash equivalents at the financial year stood at £14.9m. Cash surpluses are invested in different ways in various accounts in accordance with the Treasury Management Strategy as approved by the Council.
- **The Notes to the core Financial Statements** provide more details about the Council's accounting policies, items and figures contained within the statements. The Officer highlighted the notes likely to be of main interest to the Council's stakeholders in reading the statements.
- **The Annual Governance Statement for 2016/17** – this sets out the processes, systems, principles and values according to which the Council conducts its business and

activities. The Statement enables the Council to assess whether it has achieved its strategic objectives in 2016/17 as set out in the Corporate Plan.

The Head of Function (Resources) and Section 151 Officer highlighted the key achievements, issues and risks affecting the Council as set out in paragraph 3.3 of the narrative report. In 2016/17, the Council reported an underspend of £326k against planned activity of £124m, and it achieved £3.4m of savings. The impact of an underspend means that the Council added £447k to the General reserves. The Council maintains reserves balances to meet the cost of unforeseen demands and events. Section 3.4.2 of the report refers to the Council's capital expenditure including how the capital programme is funded and the Council's borrowing commitments. At 31 March, 2017, the Authority's Capital Financing Requirement which is a measure of the Council's underlying borrowing need was £134.014m which is well within the Authorised Borrowing Limit of £169m in the Treasury Management Strategy Statement approved by Council.

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

- The Committee noted that one of the significant changes on the Balance Sheet relates to the Council's pension reserve where the Council's liability has increased by £10.487m. The Committee sought clarification whether this is matter for concern and whether it is likely to have an impact other than on the financial statements in terms of the Council's financial position in the future. The Head of Function (Resources) and Section 151 Officer said that the pension deficit figure relates to the Councils liabilities with regard to the payment of pensions and benefits in future years in the event that the pension fund summarily closes which scenario is very unlikely. The increased pension liability is based on actuarial valuations based on a number of assumptions. The Council's contributions to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension's Fund's Actuary. Variations in the Fund's performance are common as investments go up and down according to market conditions. The latest actuarial evaluation determined that there should be no increase in the Council's contribution rate to the Pension Fund as it was considered sufficient to help bring down the deficit over time. The Officer confirmed that the Pension Fund position had improved considerably over the past few years and that professionally he did not consider the deficit to be an issue of immediate concern.
- The Committee sought clarification of whether the Council benchmarks its contributions rates and payments with those of other local authority pension funds. The Head of Function (Resources) and Section 151 Officer said that such information is obtainable from other local authorities' statements of their accounts. The contribution rates vary amongst local authorities and are based not only on the Pension Fund performance but also on historical decisions such as the early release of staff as part of local government reorganisation. Decisions to release staff early means there are fewer staff to contribute to the Fund whilst the liabilities of the Fund increase as more staff draw benefits from it over a longer period.
- The Committee noted that notwithstanding a positive financial performance in 2016/17, there was an overall reduction in the Council's usable reserves. The Committee sought assurance that the Council has sufficient funds in reserve to be able to guard against financial risks and emergencies. The Head of Function (Resources) and Section 151 Officer said that maintaining a healthy reserves balance allows the Council to invest in service transformation and business process improvements with a view to securing ongoing efficiencies; this is the Council's strategy for the utilisation of reserves; it is not considered that reserves should be used routinely to balance the budget or to fund lower Council Tax increases. Whilst as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level for the general fund reserves balance, the Council is looking to maintain £6m as a minimum level in order to provide leeway to be able to

respond to issues arising such as residual Equal Pay claims and additional pressures on service budgets where annual reductions have left little room for manoeuvre.

- The Committee sought clarification of the role of capital receipts in budget planning and setting. The Head of Function (Resources) and Section 151 Officer said that receipts from the sale of assets are used to reduce the Council's indebtedness or to contribute towards funding new capital investment. For example, the proceeds from the sale of former school buildings are earmarked as a contribution towards the construction of planned new schools. Capital receipts help reduce the Council's level of borrowing.
- The Committee noted that there has been additional investment in Children's Services in 2016/17 and it sought clarification of where the extra funding was derived from. The Head of Function (Resources) and Section 151 Officer said that a better than expected revenue settlement in 2016/17 and 2017/18 has allowed the Council the scope to fund some additional growth; Children's Services have been identified as a priority area for the receipt of additional funding.

It was resolved to note the draft Statement of Accounts 2016/17 prior to its review by External Audit.

NO FURTHER ACTION ENSUING

4 INTERNAL AUDIT ANNUAL REPORT 2016/17

The Annual Report of the Internal Audit Service for 2016/17 was presented for the Committee's consideration. The report provides an analysis of the performance of the services for the period from 1 April, 2016 to 31 March, 2017 and incorporates an assurance statement based on the work of Internal Audit during the year ended March, 2017.

The Internal Audit Manager highlighted the main considerations as follows –

- A schedule of the Service's performance against established targets for the year (Appendix A) shows that the Service achieved 73.85% of the Annual Plan against a target of 80% and an all Wales average performance indicator of 85%. There were 3 audits which constitute work in progress at the year end and will demonstrate on completion that 78.46% of the Annual Plan has been achieved. The shortfall was due to the factors described in section 3.2.2 of the report.
- The Service completed 48 audits during the year, 4 of which were unplanned, against a planned target of 65 audits. 79.17% of audits were completed within the planned timescale against a challenging performance indicator of 90% and compared to an all Wales average figure of 68%. Achievement of this indicator was affected by 7 projects which exceeded planned targets and which accounted for 97.62 days.
- The performance with regard to recommendations accepted is 98.57%. Out of a total of 279 recommendations issued, there was a failure to agree on 4 which were assessed as being low impact.
- Draft audit reports were issued within 3.59 days against a performance target of 7 days and an all Wales average of 7.2 days.
- Slippage of 258 days occurred in the year that resulted in 23 planned audits not being performed for the reasons outlined in paragraph 3.2.2 of the report. Audit assurance cannot be provided in respect of audits removed from the 2016/17 Plan. These areas for review will be prioritised during 2017/18. A schedule of the actual slippage that occurred in the year is shown under Appendix B to the report.
- All the audits performed during the year have resulted in positive levels of assurance with the exception of the 7 audits listed in paragraph 4.2.2. of the report which were assessed as providing Limited Assurance. These will be followed up during 2017/18.

- A further review of the Risk Management Framework was undertaken during 2016/17 which demonstrated reasonable progress in embedding risk management in the Authority.
- The overall results of the Internal Audit work identified that 81.08% of reviews resulted in a positive assurance opinion (Substantial or Reasonable) and 18.92% resulted in a negative assurance opinion (Limited or Minimal). The 18.92% of reports receiving negative assurance opinions is made up of 7 reports (7 Limited, Nil Minimal).
- A schedule of the 11 follow up audits and their outcome is provided at Appendix E to the report. The table in section 4.4.3 of the report summarises the implementation of High and Medium rated recommendations as at 31 March, 2017. The percentage implementation rate as at 31 March, 2017 was 86% recorded as implemented. All outstanding High and Medium recommendations are documented in Appendix G to the report.
- The Internal Audit Service has undertaken 11 investigations some of which were brought forward from 2015/16. This has accounted for 224.46 days work compared to an annual target of 153 counter fraud work.
- In giving an audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Committee is a reasonable assurance based upon the work undertaken during the year that there are no major weaknesses in other than those identified. Qualifications to the Audit opinion are set out in paragraph 3.5.1 of the report and take account of the considerations listed in paragraph 6.1.2.
- The Audit Manager is aware of areas where significant weaknesses in control would prevent the Council placing reasonable reliance on systems of internal control in respect of the work of the Internal Audit Service during the year. The current position with regard to those areas is set out in section 6.5 of the report.

The Internal Audit Manager concluded that overall, she was satisfied that the internal audit work undertaken during 2016/17 allowed her to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control processes for the areas reviewed. The Officer confirmed that she was satisfied that the work of the external regulators together with the Authority's service performance reviews allowed her to draw a reasonable conclusion that for the 12 months ended 31 March, 2017, the Isle of Anglesey County Council had in place, satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.

The Committee considered the information presented about the work of the Internal Audit for the year to 31 March, 2017 and the level of assurance that the outcome of that work was able to provide. The Committee noted that as at the time of reporting, only 74% of the Annual Plan had been delivered; the Committee noted further that the audits not undertaken could relate to areas where there might be weaknesses in control arrangements which may pose a risk both as regards the immediate areas concerned and as regards the wider Council. The Committee sought clarification therefore whether the conclusion as to the reasonableness of the assurance which the Council's system of internal control is able to provide can be justified. The Internal Audit Manager said that the Internal Audit approach is risk based. The Council's Corporate Risk Register is the main reference point in shaping the Audit Plan but service risk registers as well as internal and external audit reports are also consulted. The Audit Plan is informed by an accumulated knowledge of the risk environment which helps identify which areas require audit coverage. Any slippage that has to occur will be in relation to lower risk areas.

It was resolved that having considered the information presented both verbally and within the documentation, the Committee is assured that for the 12 months ended 31 March, 2017, the Isle of Anglesey County Council had satisfactory internal control,

risk management and corporate governance processes in place to manage and support the achievement of its objectives.

NO FURTHER ACTION ENSUING

5 PUBLIC SERVICES INTERNAL AUDIT STANDARDS (PSIAS) - EXTERNAL ASSESSMENT

The report of the Head of Audit and Risk incorporating the results of the external assessment of the Isle of Anglesey County Council's Internal Audit Service along with an Action Plan to respond to the areas for improvement identified was presented for the Committee's consideration.

The Head of Audit and Risk reported that the PSIAS require the chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. The assessment must be conducted at least once every five years by a qualified independent reviewer from outside the organisation, either by a full external assessment or a self-assessment validated by an external reviewer. The Welsh Chief Auditors Group (WCAG) has collaborated to undertake a peer review approach to the external assessment with a self-assessment validated by an external reviewer. Denbighshire County Council's Head of Internal Audit was nominated by WCAG to undertake the assessment of the Isle of Anglesey County Council's Internal Audit Service and this was carried out in March, 2017.

The Officer said that whilst the results of the external assessment as conducted by Denbighshire's Head of Internal Audit documented under Appendix A to the report, provides assurance that Anglesey's Internal Audit service generally conforms with the Standards, the external assessor highlights three areas where conformance is partial and raises seven areas for improvement. Most notable is the absence of an audit assurance framework to ensure that Internal Audit's work focuses on key areas. The Internal Audit Service will undertake a complete review of the service's approach and practices in the current financial year with a view to having an assurance framework in place in 2018/19. In addition notwithstanding it was fully compliant at the time of the external assessment, the chief audit executive's additional responsibilities for risk management and insurance as from April, 2017 has jeopardised continued compliance with Standard 1100 in relation to the independence and objectivity of the audit function. However, the PSIAS have also been revised with effect from April, 2017. Standard 1112 in respect of Chief Audit Executive Roles Beyond Internal Auditing now recognises that chief audit executives may have operational responsibilities other than for internal audit. The Internal Audit Charter will be updated to reflect the new arrangements and the revised version will be presented to the Committee in September, 2017.

The Officer confirmed that an Action Plan has been developed to address the areas of partial conformance and those areas identified for improvement and this is appended to the external assessment report. The intention is that for the future the Audit Plan will be risk assessed continually so that only areas of high risk will be audited meaning that areas of low risk, and with them the occurrence of slippage should taper off .

The Committee considered the information presented and it raised the following points -

- The Committee sought clarification of whether similar standards would be applied to internal audit reports particularly in relation to the implementation of recommendations. The Head of Audit and Risk confirmed that she would reviewing the whole audit approach during the year to include reporting arrangements. The Officer said that performance

standards need to be meaningful and that she would consult with the Committee about its expectations and requirements for performance reporting so that it can be assured about the effectiveness of the Internal Audit service in monitoring the adequacy of the Council's system of internal control.

- The Committee noted that as part of the review of Internal Audit, the audit approach would be focussed on identified high risk areas with the result that areas of lower risk would drop off the Audit Plan. The Committee sought clarification of whether there was a danger inherent in this strategy that unreviewed lower risk areas could generate high risks and it asked about the steps being taken to mitigate against this possibility. The Head of Audit and Risk said that in the Assurance Mapping Framework which is designed to identify what assurance is provided and from where that has been obtained, time is a key factor in the sense that the longer an area goes without review, the riskier it becomes. Low risk areas will be picked up eventually because over time they will automatically become higher risk by virtue of not having been reviewed. There are a number of criteria in the risk assessment and Assurance Mapping Framework that are used to establish what areas require audit coverage at the time and this will be updated continually.

- The Committee sought clarification of Internal Audit's approach to fraud and the safeguards it has in place to minimise the risk of losses from fraud. The Head of Audit and Risk said that the Council is a member of the National Fraud Network through which it is alerted to potential acts of fraud. The Council has good relationship with other local authorities with which it conducts meetings to discuss any emerging risks. The Council is also a member of CIPFA. Maintaining these contacts means that the Council is kept well briefed about the risks affecting the sector and this information feeds into the assurance mapping framework thereby enabling timely action to be taken if and when required.

The Performance Audit Manager, WAO said that the nature of fraud risk is changing. Technological developments and the increasing digitisation of services means that organisations that conduct business electronically including councils, are more exposed to the risk of fraud and the losses arising from fraud. However, the Wales Audit Office does pass on to local authority Audit Services any intelligence it has on potential sources of fraud.

It was resolved to accept and to note the results of the external assessment of the Internal Audit Service and the Head of Audit and Risk's Action Plan developed to address the improvement areas identified.

NO FURTHER ACTIONS ENSUING

6 INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk setting out the progress to the end of May, 2017 with regard to the Internal Audit reports issued since 1 April, 2017; follow up of previous Internal Audit reports; progress in delivering the Internal Audit Annual Plan 2017/18 and an update on specific areas as requested by the Committee was presented for consideration.

The Head of Audit and Risk reported on the following matters –

- The Internal Audit reports recently issued which related to Energy Island (April, 2017 assessed as providing Substantial assurance) Stock Check, Housing Maintenance Unit, Gaerwen (May, 2017 assessed as providing Limited Assurance); Housing Maintenance Unit (May, 2017 assessed as providing Limited Assurance) and the Main Accounting System (May, 2017 assessed as providing Substantial assurance). The Officer referred to the key findings in relation to each of the audits with particular reference to the shortcomings identified in the two Limited Assurance audits. She confirmed that Internal

Audit would be keeping a watching brief over these two areas to ensure compliance with the recommendations made for improving the internal controls.

- Follow up reviews completed in relation to Building Regulation Fees – Inspection and Enforcement and ICT Disaster Recovery. In the case of the former the first follow up in April, 2017 found that little progress had been made in implementing the actions agreed to address the internal audit recommendations. A further follow up review will be undertaken in August, 2017 and the outcome reported to the Committee's September meeting. In the case of ICT Disaster recovery the third follow up review found that little progress had been made in implementing actions to address the internal audit recommendations outstanding from the previous two follow up reviews. A further follow up review will be undertaken in August, 2017.
- Progress on implementing audit recommendations. The service is currently compiling a report on the performance in implementing all outstanding recommendations which will be presented to the Audit and Governance Committee at its meeting in July, 2017.
- Progress in delivering the Internal Audit Operational Plan 2017/18. Due to the slippage of the work from the 2016/17 Annual Plan, work on the 2017/18 Plan has been slow. However, work is currently ongoing in 14 areas as listed in paragraph 6.2 of the report.
- Updates requested by the Audit and Governance Committee with regard to Corporate Safeguarding and the arrangements for implementing of CSSIW's recommendation following its inspection of Children's Services. With regard to the former, early indications are that reasonable progress has been made in implementing the agreed actions and a draft report was issued in 14 June, 2014. The outcome of the follow up review will be reported to the July meeting of this Committee. With regard to the CSSIW inspection report, the Head of Children's Services has reported and presented a Service Improvement Plan to the Corporate Scrutiny Committee and the Executive in March, 2017. Progress on implementing the Service Improvement Plan which incorporates the recommendations made by CSSIW was reported to the Corporate Scrutiny Committee in April, 2017 and this will be a standing item on that Committee's agenda from June, 2017 onwards. Internal Audit is therefore able to provide assurance to the Audit and Governance Committee that Children's Services have a process in place to ensure the monitoring of the Service Improvement Plan.

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

- The Committee sought clarification of whether the Energy Island Programme as a major cross organisational project is linked to a risk register given that there could be consequential risk to the Council as a partner within the programme. The Internal Audit Manager confirmed that the Energy Island Programme project is included on the Council's Corporate Risk Register.
- The Committee noted that actions recommended by Internal Audit as necessary in order to remedy failings and weaknesses in controls as identified in audit reviews are not always being taken promptly by Management. The Committee noted the length of time which Management was given to implement actions including actions to address basic systemic shortcomings and/or housekeeping issues which should be actioned swiftly – the two audits in relation to the Housing Maintenance Unit in Gaerwen being cases in point. The Committee further noted that Management's responsiveness to internal audit recommendation could be improved – the follow up audits of Building Regulation Fees and ICT Disaster Recovery were noted as examples where "little progress" had been made since the previous follow-up meaning that audit recommendations had not been acted upon fully or in a timely way.
- The Committee, whilst acknowledging that services are often operating under pressure, and that this needs to be borne in mind in considering response times to audit recommendations, nevertheless noted that Management needs to be more robustly

challenged for the non-implementation of internal audit recommendations or for inaction over an extended period of time, especially where the level of assurance has been assessed as Minimal or Limited. The Head of Audit and Risk confirmed with regard to the Limited Assurance audit of the Housing Maintenance Unit that the Head of Housing Services has committed to addressing the majority of recommendations immediately and that the Committee would be updated on progress at its July meeting.

- The Committee proposed that the Head of Housing Services be called to the Committee's meeting in July to explain how the weaknesses in internal control arose, how the service is delivering on the agreed actions to address the control issues identified in the two audits relating to the Housing Maintenance Unit in Gaerwen and how the service proposes to ensure that the system of control remains effective in future.

- The Committee noted that a report on outstanding audit recommendations is being compiled by Internal Audit. The Committee sought clarification of the current position with regard to outstanding recommendations. The Head of Audit and Risk said that currently, there are 77 reports with outstanding recommendations; of those recommendations, 5 are Red (2 of which have not yet reached their implementation deadline), 30 Amber (14 of which have not reached their implementation deadline), 41 Yellow and 14 Green. From the previous rating system, 10 High recommendations are outstanding, 109 Medium and 115 Low.

- In light of the above information and whilst mindful of the volume of information that it might entail the Committee proposed that as a one-off exercise and to provide it with an overview and context, it be given a schedule of all outstanding internal audit recommendations (including any from those reports where the assurance was assessed as Substantial) and that all those where the risks and/or issues are assessed as Catastrophic or Major be accompanied by a brief summary of background, progress and status. It was suggested that consideration needs to be given to asking Heads of Service to explain unactioned audit recommendations where the risks are classed as Catastrophic or Major.

- The Committee further proposed that in order to remain on top of the situation and to gain an appreciation of issues arising before they are considered in detail, internal audit review reports should be made available to the Committee outside the committee meetings cycle as and when they are issued. To keep the information manageable, and to ensure that the focus remains on the key sources of risk only, the reports provided should be in a summary format and cover reviews where the assurance opinion is Minimal or Limited.

- With regard to the CSSIW inspection report on Children's Services, the Committee sought assurance that the 12 months which it was informed the service had been given to implement the recommendations arising from the inspection was not an overly long timeframe given the significant concerns identified and the high risk nature of the service area concerned. The Committee was informed that 7 recommendations are to be addressed as a matter of priority with the remaining recommendations to be actioned over 12 months. This is the timeframe laid down by the regulator which recognises that implementing some of the recommendations involves introducing new practices and processes which need to embed over a period of time. Monitoring the progress of implementation will be undertaken by Scrutiny.

It was resolved to note the progress made by Internal Audit in terms of its service delivery, assurance provision, reviews completed, and performance and effectiveness and in driving improvement.

ACTIONS ENSUING:

- **Head of Audit and Risk on behalf of the Committee to ask the Head of Housing Services to attend the Committee's next Committee in July, 2017 to give an account of the service's response to the two Limited Assurance audit in relation to the Housing Maintenance Unit in Gaerwen and the issues arising.**

- **Head of Audit and Risk to provide the Committee at its meeting in September, 2017 meeting with a schedule of all outstanding internal audit recommendations. Outstanding recommendations assessed as High priority or where the risks/issues arising are assessed as Catastrophic or Major to be accompanied by a summary of background, progress and status.**
- **Head of Audit and Risk to make arrangements to provide the Committee with a summary of internal audit reviews resulting in a Minimal or Limited audit opinion as and when they are issued.**

7 EXTERNAL AUDIT - PRESENTATION ON THE REGULATORY FRAMEWORK

This matter was deferred to a planned training session for Members. This matter was deferred to a planned training session for Members of the Audit and Governance Committee to be held in September, 2017. Details of the session to be confirmed in due course.

8 EXTERNAL AUDIT : GOOD GOVERNANCE WHEN DETERMINING SIGNIFICANT SERVICE CHANGES - ISLE OF ANGLESEY COUNTY COUNCIL

The report of External Audit on the outcome of its review of the effectiveness of the Council's governance arrangements for determining service changes was presented for the Committee's consideration.

The WAO's Performance Audit Manager reported that the assessment was undertaken during the period September to November, 2016. In order to inform the assessment of the Council's overall arrangements for developing and determining service changes, aspects of decision making arrangements in relation to a range of significant service change proposals were looked at; these included the Smarter Working review, the Residual Waste Management review and the Libraries review. Overall the report is positive with External Audit finding no flaws in the Council's decision making only areas which can be further improved. External Audit concluded that the Council's governance arrangements for decision making on significant service changes are generally effective, but that it recognises that they could be further strengthened. Two proposals for improvement have been made, the one in relation to introducing equality impact assessments at an early stage of the decision making process and to a consistent standard, and the other in relation to developing arrangements for monitoring the impact and benefits of service changes.

The Head of Function (Resources) and Section 151 Officer confirmed that Equality Impact Assessment templates are being reviewed and simplified to ensure better consistency across the Council and, as part of the 2018/19 budget setting process they will be made available to Elected Members at an earlier stage in the process at the Members' budget workshops.

It was resolved to accept and to note the External Audit report including the proposals for improvement.

NO FURTHER ACTION ENSUING

9 EXTERNAL AUDIT : ANNUAL IMPROVEMENT REPORT 2016/17 - ISLE OF ANGLESEY COUNTY COUNCIL

External Audit's Annual Improvement Report for 2016/17 in relation to the Isle of Anglesey County Council was presented for the Committee's consideration. The report summarised the work carried out since the last Annual Improvement report including that of the relevant regulators.

Mr Gwilym Bury, Performance Audit Lead – WAO reported that the Council is meeting its statutory requirements in relation to continuous improvements and based on and limited to the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017/18. During the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made as documented in the report. Progress against these proposals as well as those made in national reports (Appendix 3 to the report) will be monitored by External Audit as part of its improvement assessment work.

It was resolved to accept and to note the report by External Audit.

NO FURTHER ACTION ENSUING

10 FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the Committee's Forward Work Programme for the year was presented for the Committee's consideration and review.

The Head of Function (Resources) and Section 151 Officer reported that the work programme has been developed to schedule matters that occur naturally as part of the audit cycle and also to enable the Committee to keep track of issues it has raised during the course of discussions at its meetings and regarding which it requires further assurance; these matters will remain on the work programme until such time as the Committee is satisfied that they have been appropriately addressed.

The Committee noted the following as additional items to be logged onto the work programme as arising from the discussions on this meeting's business –

- Update on the Housing Service's response to addressing the issues raised in the two Limited Assurance audit reviews relating to the Stock Check, Housing Maintenance Unit in Gaerwen and Housing Maintenance Unit, Gaerwen to be made to the Committee's July, 2017 meeting.
- A review of all outstanding internal audit recommendations to be undertaken by the Committee at its September, 2017 meeting.

It was agreed that consideration of the Committee's terms of reference and whether they need to be amended to reflect wider responsibilities as set out by CIPFA be referred initially to the training session.

It was resolved to accept and to note the Forward Work Programme subject to the inclusion of the additional items above.

ACTION ENSUING: Head of Audit and Risk to update the Work Programme accordingly.

**Councillor Peter Rogers
Chair**