

# AUDIT AND GOVERNANCE COMMITTEE

## Minutes of the meeting held on 8 December, 2015

<b>PRESENT:</b>	Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair)  Councillors Alun Mummery, Richard Owain Jones, Peter Rogers, Dafydd Rhys Thomas  Lay Members: Mr Richard Barker, Mrs Sharon Warnes
<b>IN ATTENDANCE:</b>	Chief Executive (for item 3) Head of Resources and Section 151 Officer Chief Public Protection Officer (for item 3) Head of Internal Audit (MH) Audit Manager (SP) Committee Officer (ATH)
<b>APOLOGIES:</b>	Mr Andy Bruce (WAO), Mr Martin George (PwC), Mrs Lynn Pamment (PwC)
<b>ALSO PRESENT:</b>	Councillor H.Eifion Jones (Portfolio Member for Finance), Councillor Richard Dew (Portfolio Member for Planning)

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### 1. DECLARATION OF INTEREST

No declaration of interest was received.

### 2. MINUTES 23 SEPTEMBER, 2015 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 23 September, 2015 were submitted and confirmed as correct.

Arising thereon –

- The Head of Resources and Section 151 Officer confirmed that prior to departing his post, the Interim Head of Resources and Section 151 Officer wrote to the Chief Constable to seek assurance that the investigation into the attempted fraud against the Isle of Anglesey County Council (and others) was being progressed. A Chief Inspector locally met with the Head of Resources and the Audit Manager last week to give a full report regarding what the investigation had entailed and the outcome thereof the details of which the Officer recounted to the Committee. In summary, in such cases the money fraudulently obtained (although in Anglesey's case, no monies were lost) is usually moved from account to account and eventually out of the country. As local authorities have become more alert to the risks of acts of fraud such as this, the perpetrators are targeting other organisations. Given that the Council did not report the attempted fraud for two months the delay diminished the likelihood of a positive result in terms of identifying and apprehending the fraudsters. In future, such acts will be forwarded to and dealt with by Action Fraud.

The Committee noted the information and accepted that the Police had done as much as possible in the circumstances and that it fell to the Authority to learn lessons from the experience particularly with regard to ensuring safeguards are in place and are robust, strengthening internal controls and taking prompt action when anything remiss is discovered.

- With regard to the request made by the Committee at its previous meeting that it be provided with a schedule of the Authority's for sale assets following concerns that they are not being sold quickly enough, the Head of Resources and Section 151 Officer said that whilst such a schedule exists it is a substantial document with a high level of detail which might not meet with what the Committee is looking for in terms of summary information about the Council's for sale assets and their marketing. The Officer referred the Committee to a published report by the Scrutiny Outcome Panel on the disposal of assets which is to be considered by the Executive on 14 December and which documents the Panel's findings and recommendations following its examination of how the Authority deals with its assets, including the process of selling assets.

The Committee accepted the Officer's advice and agreed that its Members would individually reference the report of the Scrutiny Outcome Panel.

### **3. FOOD STANDARDS AGENCY AUDIT**

The report of the Chief Public Protection Officer incorporating the report of the Food Standards Agency on the Food and Feed Law Enforcement Service on the Isle of Anglesey following an audit that was undertaken in July, 2014 was presented for the Committee's consideration. The report also included the Action Plan that was drawn up to address the recommendations made by the Food Standards Agency along with an update on the progress made in implementing those recommendations.

The Chief Public Protection Officer reported that the audit covered the Isle of Anglesey's arrangements for the delivery of food hygiene, food standards and feed law enforcement services which functions are delivered by the Public Protection section of Planning and Public Protection Division. The work at the time was delivered by officers in the Environmental Health and Trading Standards teams. The FSA's formal report was received on 21<sup>st</sup> July, 2015. The Officer referred to the audit findings and recommendations as summarised under paragraph 2.2 of the report in response to which a detailed Action Plan was formulated (Annexe A to the FSA Report). Work on addressing the recommendations began following the informal feedback session delivered by the FSA Auditors on 18 July, 2014. The Action Plan has been a live document and has been updated on a regular basis as the agreed actions have been completed; the latest version is provided at Appendix 1.

The Officer informed the Committee that the majority of the recommendations made were of a procedural nature and have been addressed. However, the adequacy of staff resources to carry out Food Hygiene, Food Standards and Feed Hygiene inspections remains a concern and current analysis shows a staff resource gap of 2 officers. The service is in the process of transformation in order to address such challenges; notwithstanding it is likely that even with a more agile, modern and flexible workforce there will remain a resource gap. The mitigation is to ensure well evidenced and informed prioritisations of the use of staff. As the streamlined approach is yet to be tested and the transformation process is incomplete, a short-term solution is being made through agency cover. The FSA will return to formally assess progress against the full report before 31 March 2016.

The Committee considered the report and raised the following issues thereon –

- Whether in comparison with other comparable authorities the staffing situation is an issue particular to this authority and whether there is a timescale for reaping benefits from planned training to enable officers to become multi-functional. The Chief Public Protection Officer said that staffing is a general issue. The Public Protection restructure is due to be completed in January, 2016 after which attention will be given to training and working practices. One of the issues with regard to Food Hygiene is that officers need to be qualified environmental health officers and also to be able to demonstrate ongoing competence so there has to be a regular training régime which will have to be extended to other members of the team.
- Whether collaborative working is a potential solution to staffing difficulties particularly as regards drawing on resources to cover absences e.g. maternity leave. The Chief Public Protection Officer said that some aspects of enforcement and regulation can be delivered across a wider base but that inspection work especially with regard to Food Hygiene tends to be localised. Cross border authorisations have been introduced to enable officers to work in any of the six North Wales authorities. However given that competence is key in relation to Food Hygiene what is being

explored is the possibility of combining specialist services so expertise can be shared and called upon when required.

- The Committee noted with concern that the service is hampered by underlying issues of capacity and scale and by uncompetitive levels of pay which make recruitment more difficult. The Committee sought assurance that retraining officers to be able to undertake other aspects of the work will not place an additional burden on staff. The Chief Public Protection Officer that whilst risks are high as regards staff leaving, Public Protection staff retention levels are good and there is a process of staff development and succession planning. Difficulties are more likely to arise in circumstances where staff might leave quickly. As regards covering a range of duties the Officer said that one touch regulation should reduce pressures as regards demand and it is also a matter of prioritising the workload to deliver in accordance with the regulations.
- The Committee queried whether the income of approximately £12k which the service received for the Food Standards Agency for carrying out inspections is a fair reflection of the costs involved. The Chief Public Protection Officer said that Feed Hygiene is a much smaller aspect of the service than Food Hygiene which involves in the region of 500 visits per annum (compared to 100 for Feed Hygiene). The former is important in terms of maintaining the integrity of the food chain. However, it is not considered that the income derived from the inspection work is adequate to recoup the costs which the work entails.

**It was resolved to accept the Food Standards Agency Audit report and to note its contents.**

**ACTION ENSUING: The Committee to be provided with an update on progress against the Action Plan.**

#### **4. EXTERNAL AUDIT – ANNUAL AUDIT LETTER**

The Annual Audit Letter for 2014/15 was submitted and was noted by the Committee.

The Audit Letter confirmed the following –

- That the Isle of Anglesey County Council complied with its responsibilities relating to financial reporting and use of resources.
- That the Auditor General for Wales is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in the use of resources.
- That the Auditor General for Wales issued a certificate confirming that the audit of the accounts had been completed on 30 September, 2015.
- That work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015/16 accounts or key financial systems.

**NO FURTHER ACTION ENSUING**

#### **5. EXTERNAL AUDIT – CERTIFICATE OF COMPLIANCE**

- The Wales Audit Office Certificate of Compliance confirming that the Isle of Anglesey County Council has discharged its duties under the Local Government (Wales) Measure 2009 to publish an assessment of its 2014/15 performance before 31 October, 2015 in the financial year, was presented and was noted by the Committee.
- The External Audit Performance Work Programme update was presented and was noted.

**NO FURTHER ACTION ENSUING**

#### **6. INTERNAL AUDIT PROGRESS REPORT**

The report of the Internal Audit Section on the work of the Internal Audit Service during the period from 1 April to 31 October, 2015 was presented for the Committee's consideration.

The Committee considered the information presented and highlighted the following matters –

- With reference to performance targets, the Committee noted that progress has been hampered by a higher than expected level of sickness within the service and that the Team has been carrying a vacancy (which it was informed had since been filled). The Committee sought assurance that the Internal Audit Service has adequate staff resources to be able to carry out its duties effectively including the fulfilment of the Audit Plan and whether if needed there might be recourse in the short term to an audit officer at Conwy County Borough Council's as the provider of the internal audit management function at Anglesey.

The Head of Internal Audit said that sickness absence is unpredictable and therefore difficult to plan for. The arrangement with Conwy County Borough Council was not intended to enable an officer resource to be parachuted in to bridge a gap and that the resources already available within Anglesey's Internal Audit Service must be managed as effectively as possible. The issue for the Head of Internal Audit and Head of Resources is whether the Internal Audit function in Anglesey is sufficiently equipped to provide adequate coverage of activities on Anglesey to provide the level of assurance required at the year end. The service seeks to meet the requirements of the Audit Plan as mandated but the situation can change for example, because of additional unplanned work; it is the role of the Head of Internal Audit to ensure that the level of audit coverage by the end of the year is adequate to provide a sound basis for the opinion on the level of assurance that Internal Audit provides.

The Head of Resources and Section 151 Officer said that the Section 151 Officer and External Audit need to be satisfied that Internal Audit is able to provide them with the necessary level of assurance otherwise consideration will have to be given to putting in additional resources into Internal Audit. That point has not been reached. The Finance Service has engaged a trainee accountant who is spending periods of work in all the Finance sections and who as part of the training programme will shortly be moving to Internal Audit thus providing the service with some extra coverage.

- The Committee sought clarification of the extent and impact on the Audit Plan of unplanned audit work especially that pertaining to grant work as outlined in Appendix B to the report, and queried whether given these grants are known and ongoing and are not ad-hoc, work on them should be factored into the Audit Plan. The Audit Manager said that the grant work involves work formerly undertaken by External Audit and the administration fee is inbuilt in the grant. The Head of Resources and Section 151 Officer said that the work is unplanned as regards its timing; the Officer suggested, and it was agreed that the Committee be provided with a report setting out the process for auditing grants and how the expectations of the Wales Audit Office are met.
- The Committee referred to the summary of audit recommendations and assurance levels as at Appendix D and the key messages therefrom and it sought clarification of the situation in relation to recommendations that remain unimplemented. The Head of Resources and Section 151 Officer said that with regard to recommendations relating to the Finance Service which show as unimplemented, the follow up audits will demonstrate that many of these will have been actioned either as recommended or in alternative ways that still address the weakness identified. In relation to debtors, a great deal of work has been undertaken to address this issue and to reduce the debtor balance through recovery actions or by writing off unrecoverable debts. Services are now in possession of far more accurate information on the level of debt within their respective services and systems such as direct debit and pre-payment are geared towards facilitating the prompt collection of income.
- The Committee noted that ICT Disaster Recovery and Business Continuity are still deemed to be areas where the assurance level is limited and it noted both as areas of recurring concern for the Committee. The Committee took the view that it should now be exercising its authority to hold Management to account for the inadequate response to Internal Audit recommendations to improve the system of controls in these two areas and because of the risks involved, they should also be flagged up with the Senior Leadership Team as requiring attention. The Audit Manager said that she would endeavour to complete the follow up audits on ICT Disaster Recovery and Business Continuity in time for the next Audit Committee meeting in February, 2016.
- The Committee noted that the assurance level for Information Governance is judged to be reasonable whilst the key messages from the Annual Review of Compliance remain largely

negative. The Committee was informed that the scope of the reviews undertaken by the ICO's Office in 2012 and 2013/14 which was concerned with Data Protection Governance and Records Management was different to that undertaken by Internal Audit which looked at compliance with existing policies. The ICO's enforcement notice was issued after the publication of the draft IA review report. Work on information governance including addressing both the recommendations relating to the enforcement notice and the recommendations of the Internal Audit review is being done under the oversight of a board. It was suggested and agreed that the Committee be provided with an update on Information Governance compliance issues at its next meeting so that it is clear regarding where the Authority is at on this matter.

**It was resolved to accept the progress report and to note its contents.**

#### **ACTIONS ENSUING:**

- **That the follow up audits in relation to ICT Disaster Recovery and Business Continuity be presented to the Audit and Governance Committee's next meeting.**
- **That the ICT Business Transformation Manager be asked to attend the next meeting to brief the Committee on progress to date on the above two areas.**
- **That the Senior Leadership Team be made aware of the Committee's continuing concern with regard to ICT Disaster Recovery and Business Continuity as high risk areas requiring attention.**
- **That the Head of Council Business be asked to update the Committee at its next meeting on the position with regard to Information Governance compliance.**
- **That the Head of Resources and Section 151 Officer provide the Committee at its next meeting with a report on the process for auditing grants and how the expectations of the Wales Audit Office are met.**

#### **7. REVISION OF INTERNAL AUDIT PROTOCOL**

The report of the Head of Internal Audit incorporating a revised Internal Audit Protocol was presented for the Committee's consideration and comment.

The Audit Manager reported that no enhancement of the internal control framework can be made or reductions in associated risks until recommendations are implemented in full. A Follow-Up and Monitoring process to provide assurance that the agreed recommendations are implemented within the timescales set out in the Final Report Action Plan is outlined in paragraphs 10 and 11 of the Internal Audit Protocol as presented. The Follow-Up procedures for establishments (Elderly and Children's Homes, Day Care Centres, Leisure Centres, Libraries, Museums etc.) are the same apart from school audits which are explained at paragraph 6, page 13 of the Protocol.

With regard to the work of Internal Audit and specifically the Audit Work Plan the Committee noted that in approving the Audit Plan it would be helpful if it were to be given the opportunity earlier in the process to provide an input at scoping stage so that it can be satisfied that areas which it has identified as problematic or where findings suggest closer monitoring of the system of internal controls is required are covered by the Plan and address the needs arising. Currently the work plan is presented as a "fait accompli." The Audit Manager said that the Work Plan is not fixed and that she would bring the Audit Strategic Plan to the next Committee.

**It was resolved to accept the Internal Audit Protocol as presented.**

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

**Councillor R.Llewelyn Jones  
Chair**

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