

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 21 September, 2017

- PRESENT:** Councillor Peter Rogers (Chair)
Councillor R. Llewelyn Jones (Vice-Chair)
- Councillors Richard Griffiths, Gwilym O.Jones, Dylan Rees, Alun Roberts.
- Lay Members: Dilwyn Evans, Jonathan Mendoza
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer
Head of Function (Council Business)/Monitoring Officer & Designated Senior Information Risk Owner (for items 3 and 4)
Head of Audit and Risk (MP)
Head of Service (Highways) (for item 6)
Senior Auditor (ECW)
Committee Officer (ATH)
- APOLOGIES:** Councillor Robin Williams
- ALSO PRESENT:** Councillor John Griffith (Portfolio Member for Finance), Ian Howse (Engagement Lead: Financial Audit, Deloitte), Gwilym Bury (Performance Audit Lead, Wales Audit Office), Michelle Hopton (Financial Audit Manager, Deloitte), Senior Accountancy Manager (BHO), Finance Manager (CK), Senior Auditor (SAJ)
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1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 25TH JULY, 2017 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 25th July, 2017 were presented and were confirmed as correct.

Arising thereon –

With regard to the Housing Maintenance Unit and the issues highlighted by an internal audit review regarding the Orchard System which the service uses to manage its housing assets which, the Committee sought further clarification that the system is effective and fit for purpose, the question not having been answered to a sufficient degree at the previous meeting to provide the Committee with the assurance that that is the case.

The Head of Function (Resources) and Section 151 Officer said that the Orchard Housing Management System has been in use for some time and a decision will need to be made either to renew the system or to tender for a new system. This will be dependent on evaluating whether Orchard is still the right system to meet the needs of the Housing Service and the Housing Maintenance Unit going forward. This assessment will take place in the

coming months before a final decision is made with regard to the Housing Management system.

3. INFORMATION GOVERNANCE – ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO)

The report of the Senior Information Risk Owner (SIRO) which provided an analysis of the key information governance issues for the period from 1 April, 2016 to 31 March, 2017 along with current priorities was presented for the Committee's consideration.

The Head of Function (Council Business) and Designated SIRO reported on the salient point as follows –

- That the main statutory driver with regard to Information Governance at the Council is currently the Data Protection Act significant breaches of which can result in large monetary penalties, currently up to a maximum of £500k.
- A considerable amount of audit work, including that of the Information Commissioner's Office (ICO) (2013-14) has highlighted deficiencies in the Council's data protection arrangements. Since 2013, the Council has invested in improving its compliance with the Data Protection Act and now has in place the relevant policies and procedures to support and to demonstrate compliance with the Act.
- The work that has been done to date and is ongoing and will continue in perpetuity. It is being led by the Corporate Information Governance Board which was established in 2014 originally as a project team to respond to the recommendations of the ICO audit from 2013. The Board is now a permanent governance structure and reports to the Senior Leadership Team. A summary of the work which the CIGB has and continues to be engaged with is provided at section 5 of the report.
- This work includes developing an initial version of the Council's Information Asset Register (IAR). The register allows the mapping of information content and information systems as they interact with changes to business requirements and the technical environment and is a key mechanism for understanding an organisation's information holdings and the risk associated with them. Whilst the intention was to undertake further work on the Information Asset Register to assess high risk areas for data breaches, the forthcoming General Data Protection Regulations (GDPR) which will replace much of the existing data protection legislation in May, 2018 requires that work on other aspects of the IAR be prioritised. Guidance from the ICO is to focus on work relating to retention schedules. The Council's retention schedules have now been completed on a service by service basis and will be circulated to Heads of Service. The new legislation will make complying with destruction dates on data held electronically and on paper fundamentally more important so the retention schedules represent a key step in that direction.
- The Council has devised IG policies and procedures over time and they are currently up to date. The Council has implemented a policy management system, Policy Portal which has served as a library of policies since November, 2016. Paragraph 5.3 of the report lists the policies available on the Portal. The system is useful in providing clear version control in terms of which policies are current as well as upcoming review dates. The click to accept function provides assurance that key IG policies are being read, understood and formally accepted by staff. The SLT receives reports on levels of compliance and across the Council these are mixed. Social Services for example are not compliant to a high level and there are ICT issues in relation to Education which means they are not included in the system. These two services because of the nature of the information they hold are considered high risk in terms of data breaches. A pause and review period at the end of the next quarter will give an opportunity to consider what can be done to increase the level of compliance.
- Section 5.6 of the report outlines the training arrangements which the Council has put in place for staff; these include mandatory basic training for all staff which is refreshed

every two years. Compliance levels are at 88%. Training has been highlighted as a significant area in all the reports which the Council has received in relation to IG. An E-Learning platform is about to be launched through which the mandatory training package will also be delivered.

- The number and breakdown of data security incidents reported by the Council is provided in Appendix A to the report. There were 34 incidents during the period covered by the report; of these 33 were classified as Level 0 to Level 1 i.e. near misses or incidents that do not need to be reported to the ICO or other regulators. There was one Level 2 incident which was reported to the ICO. The proportion of Level 0 to Level 1 incidents has risen sharply from 6 in the previous year's report. A significant proportion of the incidents have involved information being sent by email. The SIRO thinks that the increase in Level 1 breaches being reported is due to an encouraging increased awareness of the need to report data security incidents, rather than a worsening of data security.
- Section 5.10 of the report refers to performance against key Performance Indicators.
- Section 6.1 of the report confirms that the Action Plan devised to respond to the recommendations in the Enforcement Notice issued by the ICO in October, 2015 under the Data Protection Act has now been completed and a closure report thereon to the Senior Leadership Team is tabled for September, 2017.
- Internal Audit will undertake an audit of GDPR readiness during October to December, 2017; additionally a matrix is at present being populated to identify the actions that need to be taken to ensure compliance with GDPR by May, 2018. This will be shared with the Senior Leadership Team and then with the Heads of Service.
- In conclusion, the SIRO considers that there is significant documented evidence to demonstrate that –
 - The Council's arrangements for Information Governance and data protection compliance are reasonably effective;
 - Much progress has been made (from a low base) to implement the recommendations if the ICO's audit work, and enforcement activity;
 - The measures required are not yet fully implemented, and where they are implemented, they are not yet sufficiently matured to justify an enhanced level of assurance;
 - To move to a higher level of assurance will require implementation and successful testing of the further steps described in the report;
 - The Council's overall (there being variance between services) data protection compliance remains a medium risk to the Council;
 - Any failure to implement and comply with the GDPR will be a major risk for the Council.

The Committee considered the information presented and raised points as follows –

- The Committee noted that the SIRO is not able to report on the adequacy of the controls and mitigations of information risk currently associated with each critical asset because the Council does not as yet have a complete understanding of the information risks and the mitigations and controls in place. The Committee sought clarification of the steps the Council needs to take to attain a complete understanding of the position with regard to information risk and how it is managed as well as the resource implications of doing so. The SIRO said that gaining this level of understanding is a process involving the steps that are identified in the report; these include the Information Asset Register when populated which will encompass Retention Schedules when completed; notifying the public about the use of personal data by way of privacy notices on documents and undertaking Privacy Impact Assessments when required. These are three key elements that need embedding fully within the Council to enable the SIRO to be satisfied that the

Council is doing as much as it can to understand and manage information risks and the related control environment. The Officer further confirmed that current resources are at present sufficient in the context of the work required; work is also being conducted on a regional level to facilitate consistency and avoid duplication. Whilst the Council Business section is leading on providing the policies and procedures and ensuring that appropriate training is commissioned, there are expectations on services to contribute to the process given that they are best placed to know what information they hold and why and the systems used to manage the information. It is a responsibility that is shared across the Council corporately with Council Business providing support to services to take the necessary action to manage the information risks within their services.

- The Committee noted that Social Services and Education are lagging behind as regards compliance with the Council's Click to Accept policy acceptance system. Given that these two service areas are recognised as being high risk as regards data breaches because of the nature of the information they hold, the Committee sought assurance that action is being taken to improve both services' levels of compliance. The SIRO said that compliance across the Council is 74% with some individual services attaining compliance levels of 90% and over. Compliance levels in Adults' and Children's Services are 60% and 38% respectively. The Education service is not as yet part of the Policy Acceptance System because of ICT issues relating to its shared system with schools for which the policy acceptance process is not relevant. An 8 week pause and review period has started during which a further report will be sent to the SLT and Y Penaethiaid.
- The Committee noted that a high proportion of the Level 0 to Level 1 data security incidents recorded relate to information sent by e-mail. The Committee sought clarification whether this is a matter of human error or a systemic issue that requires input by the ICT service in terms of reviewing the robustness of the e-mail programme. The SIRO said that the principal risk lies in the potential that information is inadvertently shared with unauthorised external parties. The ICO has recommended that the Council considers dispensing with the autocomplete function on its e-mail system. The SLT has asked each service to review its use of autocomplete against the risk of a data breach with the result that whilst two services and two sections have disabled the function the majority of services have not because they find it useful from a business perspective. The next step is to encourage all staff to have their photograph installed on the Outlook e-mail system; a report to that effect is to be presented to the SLT. Alternatively, information regarding the individual's contact number, department etc. can be inserted in the space where a photograph should be. It is believed that this will reduce the risk of data breaches arising from autocomplete.
- The Committee sought clarification of the Council's approach to the risk that data may be compromised by malicious hacking by external parties. The SIRO said that that is a technical matter which comes under the domain of ICT Services rather than that of the SIRO. The ICT service is represented on the Information Governance Board and ICT issues are addressed by the latter.
- With respect to GDPR, the Committee sought assurance that the Council has sufficient resources and capacity to ensure compliance by May, 2018. The SIRO said that with some additional funding which is to be confirmed depending on the exact requirements, the corporate centre will be able to roll out the work to the services; the latter will then have to confirm whether or not they have the resources to implement what they need to do. This will be addressed by the Action Plan to be presented to the SLT and Y Penaethiaid.

The Committee accepted and noted the SIRO's conclusions as to the position with regard to Information Governance at the Council. Whilst the Committee was concerned that the Social Services and the Education Service's level of compliance with the Council's Policy Acceptance system is below expectation, it accepted that Senior Management is aware of

this and is assessing the situation with a view to taking steps to secure improvement in the these services' compliance.

It was resolved to note and to accept the report with the proviso above.

ADDITIONAL ACTION PROPOSED: ICT Service to report back to the Committee on the Council's approach to dealing with the threat from malicious hacking activities.

4. CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2016/17

The report of the Head of Function (Council Business)/Monitoring Officer setting out the issues arising under the Council's Concerns and Complains Policy for the period from 1 April, 2016 to 31 March, 2017 along with a summary of whistleblowing issues notified during the same period was presented for the Committee's consideration. The report included Social Services complaints but only those where the complainant was not a service user. Service user complaints are dealt with under the Social Services Policy – Representations and Complaints Procedure for Children and Adults and are reported annually to the Corporate Scrutiny Committee.

The Head of Function (Council Business)/Monitoring Officer reported as follows –

- That 191 concerns were received and 74 complaints made during the period covered by the report. Of the 74 complaints 3 were not pursued for the reasons outlined meaning therefore that 71 complaints were investigated and formal responses sent to complainants.
- Of the 71 complaints dealt with during the period, 12 were upheld in full; 10 were partially upheld and 48 were not upheld. 24 complaints were referred to the Public Services Ombudsman for Wales (PSOW) but none was accepted for investigation. Of the complaints to the PSOW, 12 had been dealt with through the internal process during 2016/17 whilst the remaining 12 took their complaints directly to the PSOW.
- There has been an increase of 12 in the number of complaints received from the 59 received during 2015/16. Some services have received complaints for the first time; some have received complaints on account of an increase in fees; others are due to a change in policy e.g. the 3 weekly bin collection and charges for new bins introduced by the Waste Management Services. These changes led to an increase in the volume of telephone calls to the service which then resulted in concerns and complaints about the time taken to answer calls.
- The overall rate of responses to complaints issued within the specified time limit of 20 working days is 93%. When responses are late, the service is expected to send a holding response to the complainant to keep them informed of progress; the reasons for the delay and estimated response time.
- A summary of complaints by service is provided in paragraph 8 of the report.
- From an analysis of the above, 21% of the complaints received resulted from escalated concerns; 72% of complaints were made directly to the formal internal process and the remaining 7% were sent to the Council by the PSOW who refused to deal with them until the internal Council process had first been exhausted.
- The Concerns and Complaints Policy places an emphasis on learning lessons from complaints and thereby improving services. Enclosure 1 to the report seeks to explain what lessons have been learnt and any practice which has evolved as a consequence. However, apart from the Waste Management issues reported in the last report and the Waste Management issues this year relating to changes in policy which suggest that any change in policy directly impacting the public should be planned for in advance by services, there are no discernible patterns to the complaints received by the other services. One clear corporate message is the benefit of keeping the complainant informed on the progress of the issues raised.

- Section 10 of the report summarises the complaints made to the PSOW and their outcomes.
- Section 11 of the report summarises complaints about Members. These are reported more fully to the Standards Committee.
- Section 16 of the report provides a summary of whistleblowing complaints reported by services for the period.

It was resolved –

- **To accept that the report provides reasonable assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance.**
- **To accept and to note the Lessons Learnt at Enclosure 1 to the report without further comment.**
- **To endorse omitting the Compliments data from future reports and that these be left to be reported and discussed at Service Reviews.**
- **To note the recommendation made in the Internal Audit report – Anglesey County Council Ethical Culture – regarding the fact that “the Council does not centrally record its Whistleblowing disclosures” (and) that “there is a risk that the Council will not identify trends and act promptly”, and to note also that this will be a matter for the Senior Leadership Team to decide.**

NO ADDITIONAL ACTION PROPOSED.

5. STATEMENT OF ACCOUNTS AND ISA 260 REPORT

5.1 The report of the Head of Function (Resources) and Section 151 Officer incorporating the final Statement of Accounts 2016/17 was presented for the Committee’s consideration and acceptance.

The Committee was informed that the draft Statement of Accounts was presented for audit on 28 June, 2017. The detailed audit work is now substantially complete and the Auditor’s report has been issued and a small number of amendments to the draft have been incorporated into the accounts.

The statutory deadline for the completion of the audited accounts 2016/17 has again been met. Improvements identified by the previous year’s audit have been implemented and these improvements have continued. All issues raised throughout the audit have been dealt with promptly and in a satisfactory manner. Details of the main amendments to the draft accounts are covered by the Auditor’s report. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts. A summary of the significant amendments to the draft Statement is provided in section 3.2 of the report. The Auditors have made 8 recommendations in relation to accounting and payroll control; 6 recommendations in relation to IT and 7 recommendations in relation to Asset Valuation.

5.2 The report of the External Auditor on the audit of the Financial Statements 2016/17 (ISA 260 Report) was presented for the Committee’s consideration.

Mr Ian Howse, Engagement Lead for Financial Audit reported as follows –

- That the draft financial statements for the year ended 31 March, 2017 were received by the Auditors on 12 June, 2017 and that the audit work thereon is now substantially complete. At the date of issue of the audit of financial statements report, the three matters set out in section 6 of the report were outstanding.
- Subject to the satisfactory completion of outstanding work, it is the Auditor General’s intention to issue an unqualified audit report on the financial statements once the

Authority has provided a Letter of Representation based on that set out in Appendix 1 to the report.

- As regards significant issues arising from the audit, there is one prior year uncorrected misstatement which has been discussed with Management but remains uncorrected. It was agreed that it did not require restatement as there would be no material impact on the balance sheet in 2016/17. Further details are provided in Appendix 3 to the report.
- There are misstatements that have been corrected by Management which are drawn to the Committee's attention due to their relevance to its responsibilities over the financial reporting process. These are set out with explanations in Appendix 3.
- The Financial Audit Plan provided information regarding the significant audit risks that were identified during the Auditors' planning process. The table at section 12 of the report sets out the outcome of the Auditors' audit procedures in respect of those risks. The audit was conducted in line with the Financial Audit Plan.
- In the course of the audit, consideration is given to a number of matters both qualitative and quantitative relating to the accounts and any significant issues are reported to Committee. There were no issues arising in these areas this year.
- The Auditors have no concerns about the qualitative aspects of the Council's accounting practices and financial reporting. The Auditors concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- No significant issues were encountered during the audit.
- There were no significant matters discussed and corresponded upon with Management which require reporting to Committee.
- There are no other matters significant to the oversight of the financial reporting process that require reporting to Committee.
- No material weaknesses in internal controls were identified although several areas in which it would be possible to improve control are highlighted.
- There are no other matters specifically required by auditing standards to be communicated to those charged with governance.
- The recommendations arising from the financial audit work are set out in Appendix 4 to the report. Management has responded to them and progress on their implementation will be followed up during next year's audit.

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

- The Committee noted that the preparation of the accounts process had been timely and that the accounts were presented in accordance with the statutory timescale. The Committee noted that thanks are due to the Finance Service's staff for their work in ensuring that the completion of accounts deadline was met.
- The Committee noted that the External Auditors are satisfied with the quality of the Council's accounting practices and financial statements and that it was the Auditors' view that the financial statements are fairly presented and that the disclosures made are clear and unbiased.
- The Committee noted that no major issues arose during the course of the audit.
- The Committee noted that in the accounts, the Teachers' Pension Scheme although technically a defined benefit scheme is stated as being unfunded and that the long term liabilities connected with the scheme are not recognised in the Balance Sheet whereas the liabilities arising from the Local Government Pension Scheme are included in the accounts. The Committee also noted that the liabilities associated with unfunded pension schemes are incorporated within some other organisations' accounts and as it can be a large figure, it sought clarification of whether that should be the case with local authority accounts and the reasons for the difference in treatment. Mr Ian Howse said that the inclusion of pension liabilities in the accounts

depend on whether the scheme is a defined benefit scheme or a defined contribution scheme. Much of local governance accounts is about factors that impact on the contribution made by Council tax payers so adjustments are made to the accounts accordingly. As regards the Local Government pension scheme, the impact on the council tax payer is confined to the cash contribution made by the Council to the fund as an employer – which is a revenue item - which includes the pension deficit reduction plan. All other items in relation to pension liabilities are put into the accounts and then removed as they do not impact on Council Tax setting. With regard to the Teachers' Pension Scheme, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the accounts it is therefore accounted for as a defined benefit scheme. The Council's accounts are consistent with other local authorities as regards the treatment of pensions.

- The Committee sought clarification of aspects of budget performance during the year and whether these are reflected in the accounts as well as the adequacy of the Council's reserve balances. The Head of Function (Resources) and Section 151 Officer said that the accounts reflect actual expenditure; budget performance monitoring and outturn are reported in another format elsewhere. With regard to balances, the Officer confirmed that the Council's General Fund balances are currently at a level above that generally recommended i.e. around 5% of net revenue expenditure. However, there is a risk going forwards that those balances may reduce as the Council seeks to address forecasted over expenditure.

It was resolved –

- **To recommend to the Full Council that it confirms acceptance of the 2016/17 Statement of Accounts.**
- **To approve the Annual Governance Statement 2016/17 and to refer the document to the Leader of the Council and the Chief Executive for their signatures.**
- **To accept the Audit of Financial Statements Report and to note its contents.**

6. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk which provided an update on Internal Audit's progress with regard to service delivery and reviews completed was presented for the Committee's consideration.

The Head of Audit and Risk reported as follows –

- That 5 internal audit review reports were finalised in the period as detailed in paragraph 3.2 of the reports. Two of the reports – School Transport and Corporate Procurement Framework – Corporate Compliance resulted in a Limited Assurance opinion. The Committee was provided with the full Limited Assurance reports separately to the agenda.
- That follow up reviews of two areas previously assessed as providing Limited Assurance, namely the Housing Maintenance Unit and ICT Disaster Recovery show that the Council has demonstrated good progress in implementing the actions agreed to address the risks identified in areas, and consequently the Housing Maintenance Unit has now been reassessed as providing Reasonable Assurance and ICT Disaster Recovery as providing Substantial Assurance.
- To date, the Internal Audit Service has completed 22% of the Annual Plan with a further 17% currently work in progress. The internal audit approach is being reviewed; additionally, due to changes in corporate fraud arrangements and significant slippage from 2016/17, the resource available to complete the Operational Plan for 2017/18 has

been reduced. The Head of Audit and Risk will undertake a risk assessment during quarter three and audit reviews will be prioritised to ensure resources are targeted to the areas of highest risk.

- The Committee's terms of reference were scheduled to be submitted to this meeting line with the Forward Work Programme. However due to two issues – the scheduling of training on 15 September when Members will have an opportunity to review the terms of reference for appropriateness and the publication of updated CIPFA guidance in November, 2017 it is proposed that the review of the terms of reference be deferred until the Committee's December, 2017 meeting.

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

- The Committee noted with disquietude the number of concerns highlighted by the Limited Assurance review of **School Transport** in relation to the monitoring of contractor compliance; controls over expenditure and income collection. The Committee sought assurance that speedy action is being taken to address the systemic and procedural weaknesses identified so that it can be demonstrated that contractors are fully compliant with contract requirements; that the service is cost-effective and that sound arrangements are in place to ensure that all income due to the Council is being collected.

The Head of Function (Resources) and Section 151 Officer said that the Executive in 2016 allocated £1m from General Balances to address Business process issues within various areas of the Council including school transport. The Education Service in Anglesey along with those of the five other North Wales authorities have signed up to the ONE software system as part of a collaborative procurement exercise. One of the system's modules relates to school transport and utilises information about pupils' addresses and the schools they attend to produce an optimum taxi/bus route which when updated for any changes will reorganise the routes accordingly. Anglesey has not hitherto implemented this module because of resources and data cleansing issues but when implemented it will generate savings because it takes a more scientific approach to how routes are allocated. However, in order for it to work effectively, the database from which it draws information must be up to date and accurate and this will involve data cleansing work. Work was planned before Internal Audit issued its review report so Management was aware of issues with school transport; the Internal Audit review confirms those issues and imposes a formal action plan to address them.

With regard to income collection which it is recognised needs to be improved, the ultimate aim of the Council is to move to a system whereby payments for services are made online in advance. For that to happen the Council needs to upgrade its systems and it is currently planning and working to that end.

The Committee was given the opportunity to question the Head of Service (Highways) on the service's approach to the issues arising. The Officer said that whilst expenditure on school taxis needs to be reviewed, the allocation of contracts for both taxis and buses is based on a competitive tendering process. Additionally, secondary school transport in Anglesey has consistently been the second lowest in Wales as regards cost.

Whilst the Committee took some assurance from the Officer feedback on the issues identified by the Internal Audit review as requiring attention and noted that specific measures have been recommended to rectify those issues particularly around controls and processes, it was of the view that Scrutiny be asked to consider the service issues arising, to formulate an action plan and to report back to this Committee on the outcome of its examination of the matter. Additionally, given that

School transport encompasses two services and input from a number of officers from across those two services, the Committee recommended that the process of implementing the action plan is likely to deliver swifter results if it were project managed by a team to provide oversight of progress.

- The Committee also noted with concern the Limited Assurance review of the **Corporate Procurement Framework – Corporate Compliance**; the Committee sought assurance that action is being taken to improve internal controls and compliance in this area.

The Head of Function (Resources) and Section 151 Officer said that the Corporate Procurement function within the Authority has made significant progress since a fitness check of procurement arrangements at Anglesey was undertaken by KPMG in December 2013 as part of a review of procurement at all 22 Welsh Authorities commissioned by Welsh Government. The major issue which has led to Internal Audit issuing a Limited Assurance opinion in this instance is the absence of a complete central contracts register which holds information about all the contracts the Council enters into and which is then monitored. Whilst the Council does have a corporate contracts register the Officer said that he was not able to provide assurance at this point that it is 100% complete; however the Corporate Procurement Team is currently working with Accountancy and other services to identify the gaps in the register. As well as working on the register, the Team also monitors compliance with procurement regulations and both advises and undertakes work on individual tenders which can take up a lot of team resources. So whilst Management has commenced work to implement the internal audit action plan, it is doing so in a way that current Team resources and demands allow. The remainder of the issues identified by the Internal Audit review are mainly housekeeping matters of a moderate or minor risk.

The Committee accepted the explanation provided by the Head of Function (Resources) and Section 151 Officer and was assured that appropriate action is being taken to respond to the risk and control issues identified by Internal Audit

The Head of Audit and Risk confirmed that follow up audits of both the areas where the assurance has been assessed as limited will take place at the end 6 months and an update report provided to the Committee at that time.

- The Committee sought an update on progress with regard to implementing the recommendations of CSSIW's review of Children's Services. The Head of Audit and Risk said that the governance responsibility for the Action Plan resulting from the CSSIW review lies with the Corporate Scrutiny Committee. Additionally, it was noted that several members of the Audit and Governance Committee are also members of the Children's Services Improvement Panel and/or Corporate Scrutiny Committee which has oversight of monitoring progress on implementing the Children's Services Improvement Plan. Those Members confirmed to the remainder of the Audit Committee that regular detailed reports are made to the Corporate Scrutiny Committee and that progress against the Improvement Plan is currently on track. **The Committee determined in light of this information that it did not therefore require a formal update report.**

It was resolved –

- **To note Internal Audit's latest progress in term of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement and to accept the assurance provided subject to the additional**

action proposed with regard to the IA review report in relation to School Transport.

- **To postpone the review of the Committee's terms and conditions until CIPFA issues its new guidance document.**

ADDITIONAL ACTIONS PROPOSED:

- **The IA review report in relation to School Transport to be referred to Scrutiny for its examination with the recommendation that an Action Plan be formulated and that the Plan be monitored and overseen by a Project Team. The Audit Committee to be informed of the outcome of Scrutiny's examination of the report.**
- **That provision be made in the IA Plan to indicate the date of the Audit Committee meeting to which individual review reports are likely to be presented.**

7. OUTSTANDING AUDIT RECOMMENDATIONS

The report of the Head of Audit and Risk setting out the current outstanding recommendations/risks as at 7 September, 2017 was presented for the Committee's considerations. Details regarding the risk status of each recommendation along with the planned implementation date was provided in Appendix A to the report.

The Head of Audit and Risk reported that that the new internal audit approach entails raising issues and risks rather than making recommendations. These are then graded in accordance with the Council's risk management framework so that internal audit work is aligned to the Council's risk appetite. The graph at 3.4 of the report shows that performance in implementing recommendations and/or addressing risks has steadily improved over the last 12 months.

The Committee noted the information presented and the improvement made.

It was resolved to accept and to note the report.

NO ADDITIONAL ACTION PROPOSED

8. INTERNAL AUDIT CHARTER

The report of the Head of Audit and Risk incorporating an updated Internal Audit Charter was presented for the Committee's consideration.

The Head of Audit and Risk reported that the role of the Head of Audit and Risk changed with effect from 1 April, 2017 to include responsibility for risk management and insurance activities. The Public Sector Internal Audit Standards require that the charter describes the safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities. Therefore the charter has been updated and amended to include these safeguards.

The Committee sought assurance that Internal Audit is sufficiently resourced to be able to undertake its responsibilities properly. The Head of Audit and Risk said that it was her role as part of the Service's annual report to provide the Committee with assurance about the Council's internal control arrangements; based on that and the current IA Operational Plan, she was able to provide assurance as to the adequacy of the resources within Internal Audit. However, the service would find it difficult to cope with any reduction in the resources it has at present.

It was resolved to approve the Internal Audit Charter which includes the safeguards to limit impairments of independence or objectivity which may be

caused by the chief audit executive undertaking non-audit activities, namely responsibility for risk management and insurance.

9. FORWARD WORK PROGRAMME

The Committee's Forward Work Programme was presented for review and comment.

Mr Gwilym Bury, WAO Performance Audit Lead informed the Committee that he would be providing an update on the WAO's Performance Work Programme to the Committee's December meeting.

It was resolved to accept the Forward Work Programme subject to the inclusion for the Committee's December meeting of the WAO Performance Work Programme update.

ADDITIONAL ACTION PROPOSED: Internal Audit Manager to update the Forward Work Programme accordingly.

10. EXCLUSION OF PRESS AND PUBLIC

It was resolved to adopt the following provision in considering item 11 on the agenda:

"Under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test."

11. CHANGES TO COUNCIL TAX RELIEF SCHEME INVESTIGATION ARRANGEMENTS

The report of the Head of Function (Resources) and Section 151 Officer setting out operational changes to the investigation of Council Tax Relief Scheme fraud was presented for the Committee's consideration. The report outlined the background as regards the changes that followed the transfer of responsibility for the investigation of all benefit fraud from the Council to the Department of Work and Pensions Single Investigation Service in November, 2014 and the arrangements the Council made thereafter to continue to investigate Council tax Reduction Scheme fraud offences (as this was not classed as a benefit) and other Council Tax offences. A retirement provided an opportunity to review arrangements following which it was decided to delete the retiree's post; the report outlines the resulting operational changes that were made to continue with the work in relation to the Council Tax Referral Scheme fraud; the National Fraud Initiative and other fraud investigations.

It was resolved to note the operational changes to the investigation of Council Tax Relief fraud and the deletion of a relevant post within Internal Audit.

12. EXCLUSION OF PRESS AND PUBLIC

It was resolved to adopt the following provision in considering item 13 on the agenda:

"Under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test."

13. CORPORATE RISK REGISTER

The report of the Head of Function (Resources) and Section 151 Officer incorporating the Corporate Risk Register as reviewed and updated to the end of Quarter 1 2017/18 by the Senior Leadership Team was presented for the Committee's consideration.

The Insurance and Risk Manager reported on the following matters –

- The top (red) risks to the Council
- Risks that have fallen out of the Register
- Risks that have been de-escalated in the period since the last report to the Committee in December, 2016 as the residual risk is now deemed to be less than it was when last reported
- Risks newly identified and included within the Corporate Risk Register and the reasons for their inclusion therein.

The Committee noted the information and sought clarification of certain aspects in relation to the timeframe for implementing mitigating actions as regards specific risks, and the rationale for actions that are aimed at reducing the impact of some risks rather than the likelihood of their occurring.

It was resolved to note the report and that the Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team.

NO ADDITIONAL ACTION WAS PROPOSED

**Councillor Peter Rogers
Chair**