

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee / County Council
Date:	1 September 2020 / 8 September 2020
Subject:	Annual Report of the Audit & Governance Committee 2019/20 – Chair’s Report
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Nature and Reason for Reporting: The Audit and Governance Committee is required to report to ‘those charged with governance’ (the County Council) an assessment of its performance on its activities during the year to demonstrate how the Committee has discharged its responsibilities.	

1. Introduction

1.1. This report details the activities of the Audit and Governance Committee during 2019/20. The Audit and Governance Committee is an important element of the Council’s governance arrangements. Reporting on its activities helps demonstrate the Council is a well-managed authority which in turn contributes to ensuring that it is making the best use of its resources.

2. Recommendation

2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2019/20 prior to its submission to the meeting of the County Council on 8 September 2020.

Background Information

1. The Audit and Governance Committee is a statutory Committee of the Council. It is a key component of the Council's governance framework providing independent and high level resource to support good governance and strong public financial management.
2. The Committee provides, to those charged with governance, independent assurance on the adequacy of the governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators, it makes an important contribution to ensuring that effective assurance arrangements are in place.

Governance

3. The core functions of an audit committee are to be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
4. The Committee received the draft Statement of Accounts and Annual Governance Statement for 2018/19 prior to their review by External Audit at its meeting of 23 July 2019. At its meeting of 3 September 2019, following receipt of External Audit's Report on the Financial Statements for 2018/19, the Committee resolved to accept and note the Statement of the Accounts and Annual Governance Statement for 2018/19. It recommended its acceptance to the Full Council and referred the Annual Governance Statement to the Leader of the Council and the Chief Executive to be signed, as statutorily required.
5. Other governance documents received during the year were:

Information Governance Annual Report 2018/19

6. The report of the Director of Function (Council Business) / Monitoring Officer and designated Senior Information Risk Owner (SIRO) provided an analysis of the key information governance (IG) issues for the period and also included assurance of on-going improvement in managing risk to information during the period.
7. Following clarification around the costs of addressing the 1,052 Freedom of Information Act requests and whether the Council's transparency was sufficient in terms of the availability of information being a factor in the increase in the number of FOI requests, the Committee resolved to accept and adopt the report recommendations.

Concerns, Complaints and Whistleblowing 2018/19

8. On 3 September 2019, the report of the Director of Function (Council Business)/Monitoring Officer provided information on issues arising under the Council's Concerns and Complaints Policy. The report also included Social Services complaints but only those where the complainant was not a service user.
9. The Committee accepted the report as providing reasonable assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance and accepted and noted the Lessons Learnt Table within.

Policy Acceptance 2018/19

10. On 3 September 2019, the report of the Director of Function (Council Business) / Monitoring Officer provided details of compliance for the second round of policies introduced for acceptance via the Council's Policy Portal management system as well as the Learning Service's compliance levels for the first round of policies. The report provided the Committee with assurance that individual members of staff are reading, understanding and formally accepting key Information Governance policies. The Committee accepted the assurance following further clarification of how compliance levels were monitored across the Council.

Annual Corporate Health and Safety Report 2018/19

11. On 3 September 2019, the Corporate Health and Safety Advisor provided the Committee with assurance that the Council had appropriate arrangements for health and safety matters, by identifying the commitment, ability and direction of the management of occupational health and safety. The Committee, in discussing the report, sought clarification around RIDDOR incidents, responsibility for councillors' personal safety and the increase in violent incidents.
12. On 23 April 2019, the Committee also considered a follow-up report to the Corporate Health and Safety Annual Report for 2017/18. The follow-up report provided further analysis in connection with issues raised by the Committee when it was presented to it in February 2019, around the categories of Physical Assaults by Person and the apparent increase in the number of physical assaults and whether the upturn reflected an emerging trend.

Annual Cyber Security Report 2018/19

13. On 3 December 2019, the IT Service and Performance Management Manager delivered his report, which summarised the cyber threats facing the Council and provided an overview of some of the mitigations the Council had in place to counter these threats. The Committee welcomed the report as instructive and in discussing the information, sought further assurance with regard to a number of matters including

partnership and collaborative working, IT induction and the Council's vulnerability to fraud.

Annual Insurance Report 2018/19

14. On 23 July 2019, the Risk and Insurance Manager provided a summary of claims against the Council for the period 1 April 2014 to 31 March 2019. The report also provided a commentary on claim trends and future challenges.
15. Following clarification sought by the Committee around personal injury cover, reserves, public liability claims and learning lessons, the Committee accepted and noted the report.

Risk Based Verification Policy

16. In December 2019, the Committee received a report from the Benefits Manager asking for the Committee's views about the Council's new policy, which sought to concentrate resources on checking those benefit cases where discrepancies/errors are likely to occur, before the Benefits Manager presented it to the Executive for approval. Following discussion around the methodology in terms of age range and a request for random sampling to be included, the Committee resolved to note the proposed Housing Benefit/Council Tax Reduction Risk Based Verification Policy with two recommendations.

Risk Management

17. In relation to risk management, the core functions of an audit committee are to consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that management is taking action on risk-related issues, including partnerships and collaborations with other organisations.
18. In addition, the Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the Council. The Audit and Governance Committee's terms of reference also charge it with fulfilling these requirements.
19. The Committee has continued to support the development of the Risk Management framework within the Council during the year and reviewed the Council's Risk Management Policy Statement at its meeting of 23 July 2019. It was resolved to accept the Risk Management Policy Statement as presented and to recommend its approval by the Executive.
20. The Committee considered the Council's corporate risks twice during the year, on 3 September 2019 and 11 February 2020 respectively. In September 2019, following clarification around how the Senior Leadership Team (SLT) would determine which

risks it would review each month, discussion around the tolerance of the three major risks, the term 'catastrophic' and management of these risks, and the timeframe for the introduction of measures to mitigate Brexit, the Committee took assurance that the risks to the Council's aims and objectives were being recognised and managed by the Senior Leadership Team.

21. In February 2020, following clarification around recognising the Coronavirus outbreak as a risk within the Corporate Risk Register and a request for an update about the Risk Verification Policy, the Committee took assurance that the Senior Leadership Team had recognised and was managing the risks to the achievement of the Council's priorities.

Financial Statements

22. In relation to financial statements, the Committee's core function is to review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
23. The Committee received the draft pre-audit Statement of Accounts for 2018/19 at its meeting of 23 July 2019. Following clarification around the deterioration in school balances, teachers' pay pressures, the School Modernisation Programme, Pension Scheme Fund liabilities, debtors and the relationship with the Health Board, and provisions, the Committee resolved to note the draft unaudited financial statements for 2018/19.
24. On 3 September 2019, the Director of Function / Section 151 Officer reported to the Committee that the statutory deadline for the completion of the 2018/19 audited accounts had been met.
25. At the same meeting, the External Audit Engagement Lead for Financial Audit presented the report of External Audit on the audit of the Financial Statements for 2018/19 (ISA 260 report) for the Committee's consideration. The Engagement Lead confirmed that subject to the satisfactory completion of outstanding work, it was the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority had provided a Letter of Representation based on that set out in Appendix 1 to the report.
26. Following clarification of a payment to the Pension Fund (an immaterial misstatement), the Authority's approach to password security and password controls and outstanding external audit recommendations including segregation of duties, the Committee resolved to accept and to note the Statement of the Accounts for 2018/19. It also resolved to recommend its acceptance to the Full Council, to note External Audit's Report on the Financial Statements for 2018/19 and to approve the Annual Governance Statement for 2018/19 and to refer the Statement to the Leader of the Council and the Chief Executive to be signed.

Treasury Management

27. The audit committee also supports the Council by undertaking a wider role in reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017).
28. In accordance with its terms of reference and the CIPFA Code of Practice for Treasury Management in Public Services (2011), the Committee considered the Annual Treasury Management Review of Activities Report for 2018/19. The Director of Function (Resources) presented the report for the Committee's consideration and scrutiny in line with regulations under the Local Government Act 2003 and the Council's Treasury Management Scheme of Delegation for 2018/19 on 23 July 2019.
29. Following clarification around the underspend on the capital budget and the Minimum Revenue Provision (MRP) policy, the Committee noted that the outturn figures in the report would remain provisional until the audit of the 2018/19 Statement of Accounts was completed and signed off; any resulting significant adjustments to the figures included in the report would be reported as appropriate. The Committee also noted the provisional 2018/19 prudential and treasury indicators in the report and accepted to recommend it to the Executive without comment.
30. The Committee also received a mid-year report on Treasury Management at its meeting of 3 December 2019 to monitor developments and trends. The Director of Function (Resources)/Section 151 clarified the Council's investment activities with an English Council recently reported in the press, which the Committee noted.
31. The Committee scrutinised the Council's Treasury Management Strategy Statement for 2019/20 on 11 February 2020. Following an observation about realising assets that were surplus to requirements, the Committee resolved to accept the Treasury Management Strategy Statement for 2020/21 and to recommend the Statement to the Executive without additional comments.
32. On 11 February 2020, the Director of Function (Resources)/Section 151 also presented a statement on the Authority's Treasury Management Practices in compliance with the CIPFA Code of Practice on Treasury Management (2017). Following clarification around the Council's general powers to invest, the Council's overdraft facility, credit rating of local authorities and details of the specialist Treasury Management Consultants/Advisory Service, the Committee endorsed the revised Treasury Management Practices and resolved to forward them to the Executive without further comment.
33. As part of the scrutiny of the above reports, the Committee reviewed the Council's risk exposure and its ability to manage risk in relation to its Treasury Management activities.

Internal Audit

34. In relation to the authority's internal audit functions, the Committee's core function is to oversee its independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit within the assurance framework.
35. It also has a role in supporting effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encouraging the active promotion of the value of the audit process.
36. The Committee received the Head of Audit and Risk's Internal Audit Annual Report 2018/19 at its meeting of 23 April 2019. Following discussion around the issue of the Committee's own effectiveness and whether it could be regarded as being sufficiently proactive, the Committee resolved to accept the Head of Audit and Risk's overall audit opinion in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2019.
37. The Committee approved minor amendments to the Internal Audit Charter at its meeting of 3 September 2019.
38. The Committee noted the draft Internal Audit Strategy for 2020/21 at its meeting of 11 February 2020, accepting that the approach and priorities as outlined met the Council's assurance needs.
39. The Head of Audit and Risk reported outcomes of each audit assignment to each of the Committee's regular meetings as part of the internal audit update report. The reports also included the progress of services in implementing management actions to address 'Issues/Risks' raised by Internal Audit and, at six-monthly intervals, the Committee received a detailed report of all the outstanding 'Red' and 'Amber' rated 'Issues/Risks' raised by Internal Audit.

External Audit

40. The core functions of an audit committee are to consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
41. The Auditor General for Wales is the statutory external auditor of the Council. The Auditor General's role includes examining how the Council manages and spends public money, including how it achieves value in the delivery of public services and on how well the Council plans for improvement.
42. At its meeting of 23 April 2019, the Performance Audit Lead, on behalf of the Auditor General, set out the proposed Audit Plan for the 2018/19 audit year. It included the work proposed in relation to financial audit, an outline of the performance audit

programme and a timetable for the completion and reporting of the external audit work at the Authority. Following clarification that financial audit is delivered by Deloitte on behalf of the Auditor General and that the performance audit programme is delivered by Audit Wales, the Committee asked for future reports to differentiate between the areas of audit work in terms of the fees charged.

43. Audit Wales reported to the 23 July 2019 meeting that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019/20 in relation to making arrangements to secure continuous improvement.
44. In July 2019, Audit Wales also presented an external audit report on the findings of its examination of the steps the Council is taking to meet its well-being objectives, namely to promote Anglesey to encourage major developers to invest in the Island. The Committee accepted the report as providing a positive assessment overall of the Council's work in applying the sustainable development principle in its approach to the promotion of Anglesey to encourage major developers to invest in the Island.
45. Deloitte, on behalf of the Auditor General, undertakes the financial audit work. It reported its intention to issue an unqualified audit report on the financial statements for 2018/19 to the 3 September 2019 meeting. Subsequently, the External Audit Annual Letter for 2018/19 along with the notice of the certification of the completion of the audit of the 2018/19 accounts was presented to the 3 December 2019 meeting for information.
46. The Committee has received and considered regular update reports from Audit Wales and Deloitte. This is an important aspect of the Committee's business to ensure that the Council considers all external reports, by either the Audit and Governance Committee or one of the Scrutiny Committees, and that it is taking appropriate action.

Countering Fraud and Corruption

47. The committee is required to review the effectiveness of the council's whistleblowing arrangements, including the policy, its counter-fraud and corruption strategy, actions and resources, fraud and corruption risks, and to oversee any major areas of fraud, and monitor action plans to address control weaknesses.
48. The Committee received the Director of Function (Council Business)/Monitoring Officer's report on issues arising under the Council's Concerns and Complaints Policy at its meeting on 3 September 2019 and took assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance.
49. No reports of any major fraud committed against the Council were reported to the Committee during the year.
50. Internal Audit include an assessment of fraud risks during each audit, which were reported to the Committee regularly throughout the year. No major fraud risks were

identified. In addition, Internal Audit conducted a specific audit of the management of the risk of fraud during 2019/20 and reported reasonable assurance; however, this was not reported to the Committee until 2020/21.

Frequency of Meetings

51. To discharge its responsibilities effectively the Committee should meet regularly, at least four times a year, and have a clear policy on those items it will consider in private and those it will consider in public.
52. The Committee's terms of reference require it to meet a minimum of four times per year. During the year, the Committee met formally on five occasions, with a sixth meeting to appoint the Chair and Vice-Chair. The membership and attendance at meetings during 2019/20 is at [Appendix A](#).
53. The Committee's terms of reference provide for it to meet privately and separately with the external auditor and the Head of Audit and Risk if required, although there was no such requirement during 2019/20.

Structure and Membership

54. The Committee is independent of both the executive and the scrutiny functions and includes an independent member as required by legislation. It has clear rights of access to other committees/functions, and is directly accountable to the Council.
55. The Committee consists of eight members of the Council, which are politically balanced, plus a maximum of two co-opted Lay Members appointed by the Committee. The two co-opted Lay Members' tenure commenced in June 2017. Membership is objective, independent of mind, knowledgeable and has a mix of expertise.
56. Members are supportive of good governance principles and their practical application towards the achievement of organisational objectives. Members have unbiased attitudes and treat auditors, the executive and management fairly and have the ability to challenge the executive and senior managers when required.
57. At its meeting of 14 May 2019, the Committee elected Councillor Peter S Rogers as its Chairperson and Mr Jonathan Mendoza (Lay Member) as its Vice-Chairperson.
58. During the year, members have attended internal and external training, which is listed at [Appendix B](#), along with regular internal briefing sessions.
59. The Head of Function (Resources) / Section 151 Officer and the Head of Audit and Risk also attend every meeting of the Committee. The Chief Executive, and Head of Function (Council Business) / Monitoring Officer, and the appointed external auditor all

regularly attend. These officers are able to access the Committee, or the Chair, as required.

60. The Committee's Forward Work Programme for 2020/21 is at [Appendix C](#). This is subject to change due to the current emergency situation.

Terms of Reference

61. Good practice suggests that committees should periodically review their terms of reference for appropriateness. During 2018/19, following a full revision of the CIPFA guidance earlier that year to take account of legislative changes and professional developments, the Committee's terms of reference were substantially revised to update the core functions of the audit committee in relation to governance, risk management, internal control and audit.
62. The Committee, at its meeting on 3 December 2019, approved the existing terms of reference with only minor changes to update the Director of Function (Resources) and Section 151 Officer's job title.

Effectiveness

63. The Committee has mostly worked within its current terms of reference, which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit and Governance Committee in monitoring risk management, governance and internal control within the Council.
64. Due to the current emergency situation, the self-assessment against the new CIPFA Audit Committees Practical Guidance for Local Authorities and Police (2018), which commenced in March 2020, has not been finalised. Depending on the emergency situation, it is hoped that it will be finalised during 2020/21.
65. Actions raised by the Committee and their resolution are detailed in the corporate action tracking system (4action) to identify responsibility, record and track the action.

Chair's Remarks

66. The Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year.
67. The Chair would also like to express his gratitude to those Council employees who have attended and contributed to the meetings and, in particular, the Chair takes this opportunity to thank all the staff within the Finance and Internal Audit services whom he has found most helpful.

68. The Chair takes this opportunity to remind the Council of the importance of the work of the Committee, which is even more relevant in the current economic and emergency situation in terms of ensuring that the Council is run in a sound manner and that it obtains value for money.
69. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2020/21.

COUNCILLOR PETER S ROGERS
CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE
1 SEPTEMBER 2020

Appendix A – Frequency of Meetings and Attendance

Members	Meetings						Number of Meetings Attended
	23/04/2019	14/05/2019	23/07/2019	03/09/2019	03/12/2019	11/02/2020	
Cllr Peter S Rogers (Chair)	Yes	Yes	Yes	Yes	Apologies	Yes	5/6
Mr Jonathan Mendoza (Lay Member) (Vice-Chair)	Yes	Yes	Yes	Apologies	Yes (Chair)	Yes	5/6
Cllr Robert Ll. Jones	Yes	Yes	Yes	Yes	Apologies	Yes	5/6
Cllr John Griffith	Yes	Yes	Yes	Yes	Yes	Yes	6/6
Cllr Richard Griffiths	Yes	Yes	Not recorded	Yes	Yes	Yes	5/6
Cllr Gwilym O. Jones	Yes	Yes	Yes	Yes	Yes	Yes	6/6
Cllr Dylan Rees	Apologies	Yes	Yes	Yes	Yes	Yes	5/6
Cllr Alun Roberts	Apologies	Yes	Yes	Apologies	Yes	Yes	4/6
Cllr Margaret M. Roberts	Yes	Yes	Yes	Apologies	Yes	Yes	5/6
Mr Dilwyn Evans (Lay Member)	Yes	Yes	Yes	Yes	Yes	Yes	6/6
Cllr Robin Williams (Finance Portfolio Holder)	Yes	Not recorded	Yes	Yes	Yes	Yes	5/6
Total for Committee¹	9	10	10	9	9	11	

¹ In accordance with the Committee's Terms of Reference, the committee will consist of eight elected members and two lay members. Elected members will be politically balanced and will not be members of the Executive, but the Finance Portfolio Holder is required, as far as possible, to attend all meetings of the Committee.

Appendix B – Training Attended by Members 2019/20

Training	Cllr Peter S Rogers (Chair)	Mr Jonathan Mendoza (Lay Member) (Vice-Chair)	Cllr Robert LI. Jones	Cllr John Griffith	Cllr Richard Griffiths	Cllr Gwilym O. Jones	Cllr Dylan Rees	Cllr Alun Roberts	Cllr Margaret M. Roberts	Mr Dilwyn Evans (Lay Member)
Equality Impact Assessment	16/05/19			16/05/19			16/05/19			
Cyber Awareness				09/12/19						29/07/19
Prevent										12/09/19
Domestic Abuse of Older People			15/11/19		08/10/19					
Planning Matters Training			24/10/19	24/10/19	24/10/19	25/11/19	24/10/19		24/10/19	
Treasury Management	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19	07/11/19
Safeguarding				14/11/19			14/11/19	14/11/19		
General Data Protection Regulations				09/12/19						
CIPFA Development Day for Audit Committees		23/01/20								23/01/20
National Approach to Statutory Advocacy	05/03/20			05/03/20				05/03/20	05/03/20	

Appendix C – Proposed Forward Work Programme 2020/21

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
April 2020 (Cancelled)		Update Report (delayed) Internal Audit Annual Report for 2019/20 (delayed)	Annual Plan 2020 (delayed)				Annual Report of the Committee – Chair’s Report (delayed)
May 2020 (Cancelled)							Election of Chairperson and Vice-Chairperson
June 2020 (Cancelled)	Draft Statement of Accounts 2019/20 (delayed)					Draft Annual Governance Statement 2019/20 (delayed)	
July 2019	Draft Statement of Accounts 2019/20	Update Report (delayed) Internal Audit Annual Report for 2019/20	Annual Plan 2020 Annual Improvement Report 2019/20 (delayed)	Annual Treasury Management Review 2019/20	Annual Review of Risk Management Strategy (delayed)	Annual Insurance Report 2019/20 (delayed)	
September 2020	Recommend for Approval of Council the Statement of	Update Report, including outstanding	Report on Accounts to those charged		Review of Corporate Risk Register (delayed)	Annual Corporate Health and Safety Report	Annual Review of the Audit and Governance Committee’s

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
	Accounts 2019/20 and Annual Governance Statement	Internal Audit 'Issues/Risks' Review of Internal Audit Charter (delayed)	with Governance (ISA 260)			2019/20 (delayed) Annual ICT Security Report 2019/20 (delayed) Annual Information Governance report – report of the SIRO Annual Complaints, Comments and Whistleblowing report – report of the Monitoring Officer Annual Policy Compliance report – report of the Monitoring Officer	Terms of Reference (delayed) Annual Report of the Committee – Chair's Report

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
December 2020		Update Report Review of Internal Audit Charter	Progress Report	Mid-Year Review of Treasury Management Activity in 2020/21	Review of Corporate Risk Register	Annual Corporate Health and Safety Report 2019/20 Annual ICT Security Report 2019/20	Annual Report on Fraud and Corruption Annual Review of Audit Committee Effectiveness Annual Review of the Audit and Governance Committee's Terms of Reference
February 2021		Draft Internal Audit Strategy 2021/22 for consideration Update Report Outstanding Internal Audit 'Issues/Risks'	Progress Report	Treasury Management Strategy 2021/22 including Prudential Indicators	Annual Review of Risk Management Strategy Review of Corporate Risk Register (delayed)	Progress made on External Regulatory Reports Annual Insurance Report 2019/20	