

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Audit and Governance Committee / County Council</b>
<b>Date:</b>	<b>25 July 2017 / 26 September 2017</b>
<b>Subject:</b>	<b>Annual Report of the Audit &amp; Governance Committee 2016/17 – Chair’s Report</b>
<b>Head of Service:</b>	<b>Marc Jones, Head of Function (Resources) / S151 Officer</b> <b>01248 752601</b> <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
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<b>Nature and Reason for Reporting:</b> The Audit and Governance Committee is required under its terms of reference to prepare a report to the Council on its activities for the year. This report provides the necessary report to meet this requirement.	

## **1. Introduction**

- 1.1. This report details the activities of the Audit and Governance Committee during 2016/17.

## **2. Recommendation**

- 2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2016/17 prior to its submission to the meeting of the County Council on 26 September 2017.

## **3. Background Information**

- 3.1. 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.
- 3.2. 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.

#### **4. Governance**

- 4.1. There is a requirement for Welsh local authorities to undertake an annual review of the effectiveness of its system of internal control and governance arrangements with its annual Statement of Accounts.
- 4.2. The Council produced an Annual Governance Statement following widespread consultation and a review of governance processes in the year. The 2015/16 Statement was consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 4.3. The Committee approved the Annual Governance Statement for 2015/16 and referred the document to the Leader of the Council and the Chief Executive, as statutorily required, at its meeting of 21 September 2016.

#### **5. Risk Management**

- 5.1. 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 charge it with fulfilling these requirements.
- 5.2. The Committee has continued to support the development of the Risk Management framework within the Council during the year. The Committee approved the Council's Risk Management Policy at its meeting of 27 July 2015 and considered the Council's corporate risks on 26 May 2016 and 6 December 2016.
- 5.3. The Council will review its approach to risk management during 2017/18. The Head of Audit and Risk will update the Committee as required.

#### **6. Financial Accounts**

- 6.1. The Committee accepted and noted the Statement of Accounts for 2015/16 subject to the resolution of an outstanding issue as reported by the Head of Function (Resources) and Section 151 Officer.
- 6.2. The Committee delegated the Chair and Vice-Chair the authority to recommend the Statement of Accounts 2015/16 for approval by the Council on receipt of confirmation by the auditors that the issue outstanding on the accounts had been resolved to their satisfaction and they were able to issue an unqualified opinion.
- 6.3. Following the resolution of the outstanding issue, the auditors issued an unqualified opinion on the accounting statements on 30 September 2016, in accordance with the deadline.

## **7. Treasury Management**

- 7.1. In accordance with its terms of reference and the CIPFA Code of Practice for Treasury Management in Public Services (2011), the Committee scrutinised the Council's Treasury Management Strategy for 2016/17 on 6 December 2016 and considered the Annual Treasury Management Review for 2015/16 on 25 July 2016. The Committee forwarded both documents to the Executive without additional comment.
- 7.2. The Committee also received a mid-year report on Treasury Management at its meeting of 6 December 2016 to monitor developments and trends.
- 7.3. 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.

## **8. Internal Audit**

- 8.1. During 2016/17, the Council had an in-house Internal Audit Team managed under a Service Level Agreement with Conwy County Borough Council from 1 August 2015. This arrangement ended on 31 March 2017 on the appointment of an internal Head of Audit and Risk.
- 8.2. The Committee approved the current Internal Audit Charter at its meeting of 25 April 2015. The Head of Audit and Risk will submit a revised Charter to the Committee in September 2017 for its approval.
- 8.3. The Committee approved the Internal Audit Strategy 2016/17 – 2018/19 and Annual Audit Plan 2016/17 at its meeting held on 15 March 2016. The Audit Manager reported outcomes to each of the Committee's regular meetings as part of the internal audit progress report. Progress reports also include progress of services in implementing internal audit recommendations.
- 8.4. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit provided his annual internal audit opinion for 2015/16 based on an objective assessment of the framework of governance, risk management and control to the Committee at its meeting of 26 May 2016.
- 8.5. The Committee considered the Council's internal audit resource at its meeting of 26 May 2016 and tasked the Head of Function (Resources) and Section 151 Officer with raising its concerns with the Senior Leadership Team.

## **9. External Audit**

- 9.1. 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.

- 9.2. The Wales Audit Office, on behalf of the Auditor General, undertakes the Performance Work. It reported to the 25 July 2016 meeting on its work and a summary of reports issued by other regulators, namely CSSIW, Estyn and the Welsh Language Commissioner.
- 9.3. 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 2015/16 to the 21 September 2016 meeting.
- 9.4. The Committee has received and considered regular update reports from the Wales Audit Office 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.

## **10. Countering Fraud and Corruption**

- 10.1. The Committee did not receive any fraud and corruption reports during 2016/17.

## **11. Frequency of Meetings**

- 11.1. 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 eight occasions.
- 11.2. The membership and attendance at meetings during 2016/17 is at [Appendix A](#).

## **12. Membership**

- 12.1. The Committee consists of eight members of the Council, which are politically balanced, plus a maximum of two lay co-opted members appointed by the Committee.
- 12.2. At its meeting of 12 May 2016, the Committee elected Councillor Robert Llewelyn Jones as its Chairperson and Councillor John Griffith as its Vice-Chairperson.

## **13. Effectiveness**

- 13.1. The Committee has worked within its 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.
- 13.2. Actions raised by the Committee and their resolution are detailed at [Appendix B](#).
- 13.3. The Committee's Forward Work Programme for 2017/18 is detailed at [Appendix C](#).

#### **14. Chair's Remarks**

- 14.1. The former 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 and to those Council employees who have attended and contributed to the meetings. The former Chair takes this opportunity to thank all the staff within the Finance and Internal Audit Services whose staff he has found most helpful at all times.
- 14.2. The former Chair would take the opportunity to remind the Council of the importance of the work of the Committee, which is even more relevant in the current economic situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.
- 14.3. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2017/18.

**COUNCILLOR ROBERT LLEWELYN JONES**  
**FORMER CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE**  
**25 JULY 2017**

## Appendix A – Frequency of Meetings and Attendance

Members	Meetings								Number of Meetings Attended
	12/05/16	26/05/16	27/06/16	25/07/16	21/09/16	06/12/16	09/02/17	28/03/17	
<b>Cllr R.L.I.Jones (Chair)</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>8</b>
<b>Cllr John Griffith (Vice-Chair)</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>8</b>
<b>Cllr Jim Evans</b>	Yes	Yes	Yes	Apology	Yes	Apology	Yes	Yes	<b>6</b>
<b>Cllr R O Jones</b>	Yes	Apology	Apology	Apology	Apology	Did not attend	Apology	Apology	<b>1</b>
<b>Cllr Dafydd Thomas</b>	Yes	Apology	Yes	Yes	Yes	Yes	Yes	Yes	<b>7</b>
<b>Cllr Alun Mummery</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>8</b>
<b>Cllr Peter Rogers</b>	Did not attend	Apology	Yes	Yes	Yes	Apology	Yes	Yes	<b>5</b>
<b>Cllr Nicola Roberts</b>	Yes	Did not attend	Did not attend	Yes	Yes	Yes	Apology	Did not attend	<b>4</b>
<b>Mrs Sharon Warnes</b>	Apology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>7</b>
<b>Mr Richard Barker</b>	Apology	Yes	Yes	Yes	Yes	Apology	Apology	Yes	<b>5</b>
<b>Total for Committee</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>59</b>

## Appendix B – Progress on Actions Raised by the Committee 2016/17

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
26/05/16	4	ICT Disaster Recovery arrangements	To provide the Committee with an update on progress in respect of addressing issues in relation to ICT Disaster Recovery.	ICT Business Continuity and Support Manager	Ongoing	Updates: 27/06/16 25/07/16 21/09/16  Committee continues to monitor progress – see 09/02/16 Item 5	Green
26/05/16	4	The adequate resourcing of the Internal Audit Service	To follow up with the Senior Leadership Team the Committee's concerns	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
26/05/16	4	Internal Audit to provide a summary update of specific areas of concern	To incorporate within the quarterly reporting process to Committee a summary update on specific areas of concern to include the status of actions, the responsible officers and the timeline for completion.	Head of Function (Resources) and Section 151 Officer / Internal Audit Manager	Immediate	Actioned	Green

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
26/05/16	8	Review of Lay Member Appointments	To extend the appointment of the two existing Lay Members of the Audit and Governance Committee to May 2017.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
26/05/16	8	Review of Lay Member Appointments	That as from May, 2017, the period of appointment for Lay Members appointed to the Committee be fixed at 5 years to coincide with the length of time between the Council's elections and that members so appointed are able to serve more than one term either consecutively or at any time.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
25/07/16	3	ICT Disaster Recovery Back-up System	To provide the Committee with a summary document of how the back-up system would operate in a disaster scenario.	ICT Service and Performance Management Manager	21/09/16	Actioned	Green



Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
25/07/16	4	A clear and accurate picture of the position of services with regard to implementing audit recommendations.	To raise with the SLT the importance of effective and timely communication by Management in providing a clear and accurate picture of the position of services with regard to implementing audit recommendations.	Head of Function (Resources) and Section 151 Officer	21/09/16	Actioned	Green
21/09/16	5	Internal Audit of Corporate Safeguarding – referral to the Corporate Scrutiny Committee	Findings of internal audit review of Corporate Safeguarding to be referred for scrutiny by the Corporate Scrutiny Committee.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned by a Panel of the Corporate Scrutiny Committee on 17/10/16	Green
09/02/17	5	Final Update on ICT Disaster Recovery	The Committee to receive a final update on ICT Disaster Recovery in June 2017 to enable it to be satisfied that the residual actions have been completed.	ICT Service and Performance Management Manager	28/06/17	ICT Service and Performance Management Manager to be invited to attend the meeting of 25/07/17	Amber

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
28/03/17	7	Council's response to the CSSIW inspection report on Children's Services	An update on the position with regard to responding to the CSSIW inspection report on Children's Services.	Internal Audit Manager / Head of Audit & Risk	28/06/17	Committee provided with assurance that the Council has arrangements in place to respond to the CSSIW report	Green
28/03/17	8	Qualifying criteria for appointment of Lay Members	To confirm with the Head of Function (Council Business) / Monitoring Officer whether there is any flexibility with regard to the application of the qualifying criteria.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green

## Appendix C – Forward Work Programme 2017/18

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
May 2017							Election of Chairperson and Vice-Chairperson
June 2017	Draft Statement of Accounts & Annual Governance Statement	IA Annual Report for 2016/17	Progress Report				
July 2017		Update Report	Progress Report	Treasury Management Annual Report on 2016/17 Activity			Annual Report of Committee – Chair's Report
September 2017	Recommend for Approval of Council the Statement of Accounts and Annual Governance Statement	Update Report	Receive Report on Accounts to those charged with Governance (ISA 260)		Annual Review of Risk Management Strategy  Review of Corporate Risk Register	Progress made on External Regulatory Reports	

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
December 2017		Update Report	Progress Report	Scrutiny of Mid-Year Report on Treasury Management Activity in 2017/18		Annual Review of the Audit and Governance Committee's Terms of Reference  Annual Health & Safety Report	Annual Report on Fraud and Corruption  Annual Review of Audit Committee Effectiveness & Counter Fraud Arrangements
February 2018		Internal Audit Strategy and Annual Plan 2018/19 for approval  Update Report	Progress Report	Treasury Management Strategy 2018/19 including Prudential Indicators	Corporate Risk Register	Progress made on External Regulatory Reports	