

# GOVERNANCE AND AUDIT COMMITTEE

## Minutes of the virtual meeting held on 19 April 2022

<b>PRESENT:</b>	Mr Dilwyn Evans (Lay Member) (Vice-Chair) (In the Chair)  Councillors John Griffith, Alun Roberts, Margaret M. Roberts.
<b>IN ATTENDANCE:</b>	Deputy Chief Executive/Interim Head of Democratic Services Director of Function (Resources) and Section 151 Officer Head of Internal Audit & Risk (MP) Principal Auditor (NW) Committee Officer (ATH)
<b>APOLOGIES:</b>	Councillors Gwilym O. Jones, Dylan Rees, Peter Rogers
<b>ALSO PRESENT:</b>	Councillors Robin Williams (Portfolio Member for Finance), Bethan Owen (Accountancy Services Manager), Andrew Lewis (Senior Internal Auditor)

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In the absence of the Chair Councillor Peter Rogers, who was unable to be present because of connection issues, the meeting was chaired by the Vice-Chair, Mr Dilwyn Evans.

### 1 **DECLARATION OF INTEREST**

Mr Dilwyn Evans declared a personal and prejudicial interest with regard to item 2 on the agenda and was not present when the item was considered.

### 2 **APPOINTMENT OF LAY MEMBERS TO THE GOVERNANCE AND AUDIT COMMITTEE**

The report of the Head of Audit and Risk on the outcome of the process for recruiting additional lay members to the Governance and Audit Committee in accordance with the requirements of the Local Government and Elections (Wales) Act 2021 was presented for the Committee's consideration.

*Having declared a personal and prejudicial interest in this matter, Mr Dilwyn Evans withdrew from the meeting during the discussion and determination thereof. Councillor Alun Roberts was elected to chair the item (which was taken last in the order of business).*

The Head of Audit and Risk reported that the Local Government and Elections (Wales) Act 2021 introduces reforms of the performance and governance regime, including changes to the composition and proceedings of the Governance and Audit Committee which require that one third of the Committee's membership are lay members and two thirds are members of the Council. For the Isle of Anglesey County Council, this means there will be a requirement for four lay members to serve on the Committee. Mr Dilwyn Evans, current lay member has indicated that he is willing to serve a second five year term which is provided for in the Committee's Terms of Reference and the Council's Constitution.

The Head of Audit and Risk referred to the recruitment process which was held in collaboration with the Welsh Local Government Association and involved a national programme of promotion as previously reported to the Committee. The process resulted in

the Council receiving 13 applications. These were the subject of a shortlisting exercise on 19 January, 2022 conducted by a panel consisting of the Chair and Vice-Chair of the Committee and the Director of Function (Resources)/Section 151 Officer which identified four candidates for interview. The interviews were subsequently carried out in February, 2022 by a panel of the Chair of the Committee, the Director of Function (Resources)/Section 151 Officer and the now Chief Executive. The interview panel selected the following three candidates to be considered for appointment - Mr Michael Wilson, Llangefni, Anglesey Sharon Warnes, Pwllheli, Gwynedd and Mr William Parry, Rhosneigr, Anglesey.

In response to a question about why the shortlisting exercise only produced four candidates for interview from an applicant pool of thirteen, the Director of Function (Resources)/Section 151 Officer clarified that there were several reasons why a number of applicants were eliminated at the shortlisting stage including incomplete application forms and no connection or familiarity with the authority or authority area. Some applicants had also applied to every council in Wales. The panel was satisfied that the shortlisting process had produced four strong candidates from whom three could be considered for appointment to serve as lay members on the Governance and Audit Committee having met the criteria for the position.

**It was resolved –**

- **To approve the selection and appointment of Michael Wilson, Sharon Warnes and William Parry as lay members to the Governance and Audit Committee and to recommend their appointment to the Council.**
- **To recommend to the Council that Mr Dilwyn Evans continues as lay member for a second five year term.**

**3 MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting of the Governance and Audit Committee held on 8 February, 2022 were presented and were confirmed as correct.

**4 GOVERNANCE AND AUDIT COMMITTEE SELF-ASSESSMENT OF GOOD PRACTICE**

The report of the Head of Audit and Risk incorporating the Governance and Audit Committee's self-assessment of good practice was presented for the Committee's consideration.

The Head of Audit and Risk reported that the self-assessment of good practice was undertaken in March 2020 (a week prior to lockdown) by a panel consisting of the Committee's Chair and Vice-Chair, a lay member, the Head of Audit and Risk and the Principal Auditor. Due to the implementation of the Council's Strategy for Committee meetings during the Covid emergency, the self-assessment was not shared with the Committee at that time. The self-assessment was refreshed in March, 2022 by the Head of Audit and Risk to ensure it remains accurate. It provides a high level review that incorporates the principles set out in CIPFA's Position Statement and the associated guidance. The outcome of the self-assessment has also been used to support the planning of the Governance and Audit Committee's work programme and training plans and will inform the Governance and Audit Committee Chair's Annual Report.

Using the recommended practice in the CIPFA publication has enabled the Committee to establish that it is providing a good standard of performance. However in order to improve effectiveness, further, wide-ranging evaluations will be undertaken during 2022-23 as identified below –

- A qualitative self-assessment will be conducted during 2022-23 to obtain feedback on the Committee's performance with those interacting with the Committee or relying on its work, including senior management and members of the Committee to evaluate whether and how it is adding value to the organisation.
- A qualitative self-assessment will be conducted during 2022/23 with individual members of the Committee to assess their own effectiveness and to identify whether there are any areas for development and training.
- The Council should explore whether the Governance and Audit Committee would benefit from having a dedicated Democratic Services Officer assigned to it.

With regard to the availability and provision of dedicated democratic services support for the Committee and what it would entail, the Head of Audit and Risk clarified that such an officer would provide administrative support that is distinct from meeting support e.g. conducting the Committee's self-evaluation of performance and effectiveness which task currently falls to the Head of Audit and Risk. A dedicated Democratic Services Officer would be able to bring a greater degree of detachment and objectivity to this and similar exercises. The Deputy Chief Executive/Interim Head of Democratic Services confirmed that he would discuss the requirements with the Head of Audit and Risk and would review the existing position and capacity within Democratic Services to be able to provide the service.

**It was resolved –**

- **To note the reviewed and refreshed self-assessment and**
- **To approve the improvements suggested.**

## **5 GOVERNANCE AND AUDIT COMMITTEE'S DRAFT TERMS OF REFERENCE**

The report of the Head of Audit and Risk incorporating the draft revised terms of reference for the Governance and Audit Committee following changes made as a result of the Local Government and Elections (Wales) Act 2021 was presented for the Committee's consideration.

The Head of Audit and Risk confirmed the main changes to the Committee's Terms of Reference consequent upon the new responsibilities bestowed on the Committee by the Local Government and Elections (Wales) Act 2021 as summarised at paragraph 1.3 of the report. The draft Terms of Reference with the changes tracked were attached in full at Appendix 1 to the report. The Terms of Reference will be submitted for Full Council approval on 25 April, 2022 following a request to the Executive to recommend the changes to the Council.

In response to questions by the Committee, the Head of Audit and Risk –

- Confirmed that paragraph 3.4.8.2.4 remains unchanged a suggestion having been made that it be reworded to improve clarity.
- Explained the involvement of the Governance and Audit Committee with the panel performance assessment which the Council is required to arrange once during the electoral cycle. The Governance and Audit Committee as part of its responsibilities under the Act will be required to review the Council and Executive's response to the panel performance assessment report and if appropriate, to make recommendations for changes to the draft response. If the Council does not make a change recommended by the Governance and Audit Committee it must set out in the final response the reasons why it did not make the change.

- That the Governance and Audit Committee's terms of reference (and those of Governance and Audit Committees in other Welsh councils) are benchmarked against CIPFA's Practical Guidance for Audit Committees in Local Authorities and Position Statement 2018. The changes to the Terms of Reference consequent upon the Act have been worked through with a Legal Advisor commissioned for the purpose. CIPFA has also been approached since the changes to the responsibilities of Governance and Audit Committees brought about by the Act have implications for the Guidance and it has been asked to issue new guidance for councils in Wales. It has indicated that it is working towards addressing this requirement in May.

**It was resolved to endorse the amendments to the Governance and Audit Committee's Terms of Reference ahead of their submission to the Executive and Full Council.**

## **6 INTERNAL AUDIT UPDATE**

The report of the Head of Audit and Risk providing an update as of 1 April, 2022 on the audits completed since the previous update to the Committee in February, 2022 was presented for the Committee's consideration. The report also outlined the current workload of Internal Audit and its priorities for the short to medium term going forward.

In presenting the update the Head of Audit and Risk highlighted –

- That three pieces of work had been finalised in the period and one report issued – First Follow-Up of Payments – Supplier Maintenance and Identification of Duplicate Invoices and Recovery of Duplicate invoices which resulted in a Limited Assurance rating. The first review of Payments – Supplier Maintenance and Payments in January, 2021 led to further work being undertaken in this area and a report of Duplicate Invoices and Recovery of Duplicate Payments was issued in May, 2021. Both reports resulted in Limited Assurance ratings with separate action plans agreed to address the risks identified. As several of the risks and subsequent agreed actions are linked a combined follow up review was conducted between January and March, 2022. The follow-up review concludes that while the Finance and Payments teams have carried out some work to address the risks raised during the original audit, the majority of agreed actions remain outstanding. Due to the number of issues/risks remaining and the lack of progress in key areas, Internal Audit is unable to increase the assurance rating from Limited at this time. A further follow-up review will be conducted in November, 2022.
- The progress made on addressing the risks identified in a review of "Recovering Council Debts and the Impact of Covid 19", a Limited Assurance report on which was presented to the December Governance and Audit Committee meeting. In response to the original report, the Director of Function (Resources)/Section 151 Officer commissioned consultancy firm CIWB to work with the Service to address the issues/risks raised. Internal Audit is satisfied with progress to date and will undertake formal follow up testing in October 2022 to establish whether all the issues/risks raised have been fully mitigated.
- Work in progress as per the table at paragraph 18 of the report where seven audits are at fieldwork stage, three of which are highlighted as Red residual risk in the Strategic Risk Register and are being prioritised accordingly.
- Outstanding actions comprising of 3 Moderate actions connected with the Leavers' Process audit within the Resources Service.
- Capacity and short/medium term and longer term priorities of the Internal Audit section.

In response to questions by the Committee the Director of Function (Resources)/Section 151 Officer clarified the position with regard to Payments and referred to on-going staffing and recruitment issues, workload pressures, a protracted restructure and extra work

created by Services failing to follow correct purchasing processes as factors having contributed to the Limited Assurance review as well as the time being taken to fully address the issues/risks identified. The creation of a Business Manager post will provide additional resource to review/simplify system processes and to facilitate performance improvements across the Resources function; the recruitment of a Trainee Payroll and Payments Officer as part of the Council's Mōn Future Programme will also be an added resource. On appointment the Business Manager will be tasked with assisting the Payments team in addressing the outstanding issues/risk in this area. The Director of Function (Resources/Section 151 Officer provided assurance that the outstanding issues/risks – specifically the two Major issues/risks will be addressed ahead of the revised completion date where possible but that appointment to the Business Manager post is key to expediting the work and achieving the target date. The Director of Function (Resources)/ Section 151 Officer further confirmed that the systems review will encompass the Leavers process where there are three overdue actions related to the audit of this area. As regards any issues raised by External Audit with regard to this matter, the Section 151 Officer explained that in conducting its audit of the 2020/21 accounts External Audit would have taken assurance from Internal Audit's work in this area; given that in the region of £130m is paid through the Creditor system annually the level of duplicate payments identified is less than 1% of the payments made and as such may fall below the level of materiality set by External Audit.

**It was resolved to note Internal Audit's assurance provision and priorities going forward.**

## 7 OUTSTANDING ISSUES AND RISKS

The report of the Head of Audit and Risk on the status and details of the outstanding risks that Internal Audit has raised was presented for the Committee's consideration.

The Principal Auditor reported as follows –

- That as at 31 March, 2022, 62 outstanding actions were being tracked in the 4action system 17 of which are rated major (amber) and 45 moderate (yellow in risk priority - Graph 1 of the report). A detailed status update of the 17 outstanding major rated issues/risks is provided at Appendix 1 of the report. No Red issues/risks were raised in the year and no Red issues/risks are currently outstanding.
- Three actions have reached their target date for completion and have now become overdue – these are all of moderate impact and relate to Payroll. Internal Audit is aware of the ongoing staffing and recruitment issues within the Payroll team as well as additional end of year workload pressures that have made the work of addressing these issues/risks challenging. Internal Audit will continue to work with the Service to ensure the issues/risks are successfully addressed.
- Graph 3 shows the status of all outstanding actions (irrespective of the date management agrees to address them by) and confirms that management has now addressed 56% of which 55% have been verified by Internal Audit. The remaining 1% relates to an audit of ICT Service Continuity (Phishing) which will be formally followed up in May, 2022. The majority of the actions not started relate to two audits recently finalised in relation to Information Governance and Software Licensing Management; the actions identified during these audits have not yet reached their anticipated completion dates.
- Graph 4 shows the status of all actions that have reached their target date and confirms that where due, 96% have been addressed.
- Target dates are extended where the Service can demonstrate a legitimate reason for the extension.

- The 62 outstanding actions are spread between 2017/18 to 2021/22 with the majority relating to the last two financial years. Three issues/risks that management have yet to fully address date back to 2017/18. These relate to general improvements and efficiencies within the Council's Sundry Debtors processes and are rated as moderate or yellow in risk priority. Work to address these issues forms part of the consultancy project currently underway within the Income Team and the planned restructure of the wider Revenues and Benefits section reported upon in the Internal Audit update report. No major or amber rated risks/issues date back further than 2019/20.
- All outstanding actions are being pursued by Internal Audit to ensure their completion.

In response to a point raised by the Committee whether there is a risk that because the completion dates for actions can be extended, issues/risks that could be of major concern and are in effect overdue are not being captured and might therefore not be given priority attention e.g. the two outstanding major risks/issues in connection with Supplier Maintenance and Payment, and Duplicate Invoices whose completion dates have been pushed back to November, 2022. The Principal Auditor confirmed that where amber rated risks/issues are concerned they are given priority, due regard is paid to how long the completion date is being extended for and updates are pursued expeditiously.

The Head of Audit and Risk clarified that issues/risks are assessed against the Council's risk appetite so that risk/issues rated yellow in risk priority are not prioritised by virtue of that designation; slippage in that case would not be a cause of significant concern. However, where slippage increases the risk then the risk priority rating would be changed and if necessary updated to Amber. She confirmed that the outstanding major risks/issues referred to in relation to Supplier Maintenance and Payment, and Duplicate Invoices are included in the data in the report.

**It was resolved to note the Council's progress in addressing the outstanding Internal Audit Issues/Risks.**

## **8 INDICATIVE FORWARD WORK PROGRAMME 2022-23**

The report of the Head of Audit and Risk incorporating an Indicative Forward Work Programme for 2022-23 was presented for the Committee's consideration.

The Head of Audit and Risk reported that confirmation of the Work Programme is pending the publication of the Council's Dates of Meetings Calendar. The programme has been developed having had regard of the Committee's new responsibilities as a result of the Local Government and Elections (Wales) Act 2021 and the consequent amendments to the Committee's Terms of Reference.

**It was resolved to accept the Indicative Forward Work Programme proposed for 2022/23 as meeting the Committee's new responsibilities in accordance with the Committee's amended Terms of Reference.**

*After concluding the business of the meeting, Mr Dilwyn Evans, Vice-Chair (and Chair of this meeting) on behalf of himself and the Chair, Councillor Peter Rogers thanked the members of the Committee for their work and commitment over the past five years and thanked all the Officers involved with the Committee for their support and contributions during that time.*

**Mr Dilwyn Evans  
Chair**