

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held in the Committee Room and on Zoom on 16 July 2025

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)
Councillor Euryon Morris (Deputy Chair)
- Councillors Geraint Bebb, Paul Ellis, Kenneth Hughes, Margaret M. Roberts.
- Lay Member: William Parry.
- IN ATTENDANCE:** Director of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Head of Adult Services (for item 8)
Corporate Planning, Performance and Programme Manager (GP)
Chief Digital Officer (MH) (for item 8)
Committee Officer (ATH)
Democratic Services Support Assistant (Webcasting) (CH)
- APOLOGIES:** Councillors Trefor Lloyd Hughes, MBE, Keith Roberts, Ieuan Williams.
- ALSO PRESENT:** Councillor Robin Williams (Deputy Leader & Portfolio Member for Finance and Housing), David Tomalin (Financial Audit Lead – Audit Wales), Accountancy Services Manager (IoACC) (BHO), Finance Manager (IoACC) (CK), Corporate Business and Performance Analyst (IoACC) (AW).
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The Chair noted a change in the order of business to bring forward item 10 on the agenda (Overview of the Panel Performance Assessment and Themes for the Panel to Consider) to be considered immediately after item 5 (Draft Annual Governance Statement 2024/25).

1 APOLOGIES

Apologies for absence were presented and were noted.

2 DECLARATION OF INTEREST

No declaration of interest was received.

3 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Governance and Audit Committee held on 26 June 2025 were presented and were confirmed as correct.

4 GOVERNANCE AND AUDIT COMMITTEE ACTION LOG

The report of the Head of Audit and Risk incorporating the committee action log was presented for consideration. The report updated the Committee on the status and progress of the actions and decisions it had agreed upon.

The Head of Audit and Risk confirmed that item 18 on the action log had been completed and that items 16 and 19 had been postponed to September 2025 at the request of the Director of Function (Council Business)/Monitoring Officer.

It was resolved to note the actions detailed in the action log table and to confirm that the Committee is content that the actions have been implemented to its satisfaction.

5 DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25

The report of the Head of Profession (HR) and Transformation incorporating the Draft Annual Governance Statement for 2024/25 was presented for the committee's consideration.

The Corporate Planning, Performance and Programme Manager presented the report which had been prepared in accordance with the principles set out in the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. He drew attention to the annual review of the effectiveness of the Council's Governance Framework, highlighting the conclusions set out on page 5. These demonstrate how the Council's governance arrangements align with those principles. He also outlined the actions taken and progress made in addressing governance issues identified in the previous year, as well as current governance challenges and the plans in place to address them in the year ahead.

In reviewing the Annual Governance Statement the committee raised the following points –

- It was suggested that the progress update on addressing governance matters from the previous year would benefit from the inclusion of RAG (Red, Amber, Green) status indicators for each issue to support more effective analysis.

The Corporate Planning, Performance and Programme Manager confirmed that the statement would be amended to incorporate RAG status information prior to its finalisation.

- The committee noted that the review concludes, under principle F (Managing risks and performance through robust internal control and string public financial management) that the Council has an effective performance management system that enables efficient and effective service delivery. The committee requested assurance that this conclusion is evidence-based.

In response, the Corporate Planning, Performance and Programme Manager stated that the Council's performance management process is acknowledged in the Council Plan and is regarded as robust. Key elements of this process include quarterly monitoring of the corporate scorecard by both Scrutiny and the Executive, regular oversight of service business plans, the Annual Performance Report which is reviewed and monitored by the Programme Board and the statutory Annual Self-Assessment conducted by the Council. The Corporate Planning, Performance and Programme Manager confirmed that the self-assessment for 2024/25 has been recently completed, and its findings will be reported to both this committee and to the Executive to provide assurance regarding the performance of the Council's services.

- The committee queried whether, in relation to the identified governance matters for 2024/25, it would be more effective to assign priority to the issues listed, rather than scheduling all for completion by the end of March 2026.

In response, the Corporate Planning, Performance and Programme Manager explained that while governance matters often require long-term attention, the improvement actions identified for 2024/25 are intended to be addressed within the current financial year. He confirmed that as was done last year, he would provide a mid-year update for the committee to offer assurance that progress is being made on these actions.

- With regard to the governance matters from the previous year, the committee noted that staff retention for 2024/25 stood at 82%. The committee expressed concern that an 18% attrition rate appeared high and queried what proportion of this figure was attributable to natural wastage as opposed to staff leaving for better opportunities elsewhere.

The Corporate Planning, Performance and Programme Manager acknowledged that he did not have the information immediately available but committed to obtaining the relevant data for the committee. Councillor Robin Williams, Deputy Leader and Portfolio Member for Finance and Housing recalled that this issue had been raised during the Executive's discussions on the corporate scorecard. He noted that the reported percentage may include staff who have moved to other roles within the Council, which could distort the overall attrition figure. He highlighted the importance of distinguishing internal transfers from external departures to provide a more accurate picture.

It was resolved to approve the Draft Annual Governance Statement that will form part of the 2024/25 Statement of the Accounts.

Additional Actions –

- **The final version of the statement to include RAG status indicators for the governance matters identified in the previous year.**
- **The Committee to be provided with an update on progress against the governance matters identified through the 2024/25 assessment process at its December 2025 meeting.**
- **The committee's members to be provided with an analysis of the staff attrition rate, including a breakdown of internal movements as opposed to external exits.**

6 DRAFT STATEMENT OF THE ACCOUNTS 2024/25

The report of the Director of Function (Resources)/Section 151 Officer incorporating the draft Statement of the Accounts for the 2024/25 financial year was presented for the committee's consideration. It was noted that the figures were unaudited and may therefore be subject to change. A final report will be presented to the Full Council upon completion of the external audit.

The Director of Function (Resources)/Section 151 Officer reported that Audit Wales had issued a revised audit timetable but as these revised deadlines have not been written into the regulations, each council must publish a notice highlighting the delay in publication and the reasons for it. The draft Statement of the Accounts for 2024/25 was signed by the Council's Responsible Financial Officer – the Director of Function (Resources)/Section 151 Officer on 30 June 2025 and the external audit commenced on 1 July with the aim of securing approval of the final accounts by 31 October 2025. The Section 151 Officer thanked the Council's Accountancy Services team for its hard work in completing the draft accounts by 30 June.

The Section 151 Officer advised the committee of a change in the treatment of leased assets following a review of the Code of Practice on Local Authority Accounting. Leases are now required to be accounted for as if they were funded through borrowing, which has implications for the presentation of the Balance Sheet and for the Council's reported borrowing figures. He provided a summary of the main financial statements included in the accounts. The Comprehensive Income and Expenditure Statement (CIES) shows the total income and expenditure for the year across all services, based on accounting standards and includes technical items such as depreciation and the current and past service pension costs which are not funded by grants or local taxation. The CIES shows a net accounting surplus of £45m for the year. After adjustments have been applied as detailed in Table 1 of the report and Note 6 of the accounts, the surplus, which is credited to the Council's reserves and balances, reduces to £3.741m. The CIES and adjustments in Note 6 are brought together in the Movement in Reserves Statement to show the Council balances as at 31 March 2025. The Section 151 Officer also provided an overview of the notes to the financial statements and highlighted those which the committee might find most helpful in reviewing the accounts including earmarked reserves, capital expenditure and financing, provisions, expenditure and income analysed by nature, grants income, pensions, contingent liabilities and assets, and related party transactions.

In response to questions raised by the committee, the Director of Function (Resources)/ Section 151 Officer provided further clarification as follows –

- The provision for the Penhesgyn Waste Site relates to the aftercare of the areas of the site formerly used for landfill and maintenance of the culvert beneath the site. It includes potential costs that may arise from the failure of the culvert. An annual expert inspection assesses the risks, potential costs and the adequacy of the provision.
- The £5.7m payment to Cyngor Gwynedd under Related Parties includes payment for services under joint agreements, notably for Additional Learning Needs.
- The £67.607m for Council Tax income (Note 12) includes the North Wales Police and town and community council precepts and reflects the debit raised rather than the budgeted amount. The budget is based on the tax base which is lower to account for in year changes and non-collection of debt. The increase from £59m in 2023/24 to £67m in 2024/25 also reflects changes in the number of properties subject to payment of the Council Tax premium. Additional income was received late in 2024/25 following the reclassification of approximately 200 - 250 self-catering properties from business rates to standard council tax due to changes in the qualifying thresholds and they became liable also for the premium payment. The transfer of some properties was backdated to April 2023. This contributed to the 13% increase in Council Tax income in 2024/25.
- In respect of Note 39 (Council Tax) and the ratio of people to properties, the total number of properties on Anglesey is in the region of 35,000 of which over 2,500 are second homes with no permanent residents. Discounting these gives a total of 32,500. Additionally 11,000 -12,500 households claim a single person discount reflecting an increase in single person households. In terms of learning from this data or benchmarking it with other councils of a similar profile to Anglesey, the proportion of Band D equivalents is used to compare council tax rates across authorities. However, some councils particularly in South Wales have higher Band D council tax rates than Anglesey due to a greater number of Band A and B properties. The prevalence of second homes can also distort comparison.

- With regard to the Local Government Pension scheme although the pensions fund shows a net asset position of £139m (excluding unfunded benefits), accounting rules prevent recognition of this surplus on the balance sheet because it cannot be used or spent by the Council. An asset ceiling of £139m has therefore been applied reducing the asset to nil on the balance sheet. Additionally, unfunded pension obligations cannot be offset against the net pension asset resulting in a reported net pension liability of £9m despite a positive performance by the pensions fund in 2024/25.

The committee questioned the value of the Statement of Accounts in informing the wider public about Council spending. As an example, reference was made to the cashflow statement which shows a net surplus of £38m on the provision of services – up from £12m in 2023/24 which was noted as difficult to reconcile with ongoing service pressures and the cost of living crisis. It was suggested that key information from the accounts be presented in a more digestible summary format for the public benefit.

The Director of Function (Resources)/Section 151 Officer acknowledged that the Statement is a complex and technical document which is prepared in accordance with accounting regulations and is difficult for the public to interpret. In contrast, the regular budget oversight reports to the Executive are more accessible and effective in helping the public monitor the Council's financial performance and service delivery.

In closing the discussion, the Chair expressed his and the committee's appreciation of the efforts of the Accountancy service's staff in ensuring the timely completion of the draft accounts.

It was resolved to note the draft unaudited main financial statements for 2024/25.

7 TREASURY MANAGEMENT ANNUAL REVIEW 2024/25

The report of the Director of Function (Resources)/Section 151 Officer incorporating the Treasury Management annual review for 2024/25 was presented for the committee's consideration.

The Director of Function (Resources)/Section 151 Officer provided an overview of the key points as follows –

- The Council's revised capital expenditure budget for 2024/25 was £78.3m. The Council has maintained a strategy of using its cash reserves to fund capital expenditure and to avoid external borrowing in order to reduce interest payments. It is anticipated that borrowing will be required close to the end of 2025/26. Interest rates are expected to fall during 2025/26 and 2026/27 so external borrowing will be postponed for as long as possible to avoid locking into higher interest rates. If borrowing occurs, it will be on a short-term basis with a view to refinancing when interest rates are lower.
- During 2024/25, a final drawdown of a previously agreed Salix loan was received - £908k. No other external borrowing was undertaken. Two fixed term PWLB loans were repaid during the year as detailed in paragraph 4.3 of the report.
- The Council's investments through fixed term investments, call accounts and current accounts generated £1.55m in interest. After allowing for the transfer of interest to bond holders and minor trusts, investments generated £866k of interest for the General Fund versus a budget of £670k, £382k for the HRA versus a budget of £400k and £212k for schools.
- All treasury management indicators and authorised limits set out in the Treasury Management Strategy for 2024/25 were complied with as evidenced in Table 7 of the report.

The committee noted the report and welcomed the simplified format.

It was resolved to note the Treasury Management Annual Review report for 2024/25 and to forward the report to the Executive without additional comment.

8 INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk providing an update as at 30 June, 2025 on the audits completed since the previous update as at 31 March 2025 was presented for the committee's consideration. The report also set out the current workload of Internal Audit and its priorities for the short to medium term going forward. Members of the committee were provided under separate cover with copies of the assurance reports finalised in the period in relation to Adult Social Care Finance: Financial Assessments – Residential and Nursing Care (Limited Assurance), Council Tax Base (Reasonable Assurance), IT Audit: IT Service Desk Management (Reasonable Assurance), and IT Audit: IT Supplier Management (First Follow Up) (Limited Assurance).

The Head of Audit and Risk provided an overview of the two audit reports completed during the period which offered reasonable assurance. Regarding the two limited assurance audit reviews, she reported that while the review of Adult Social Care financial assessments concluded that although the Council has taken steps to improve the charging and recovery of residential care home fees, the benefits from these changes have yet to be fully realised and key challenges remain particularly around case backlogs and process inefficiencies. An action plan is in place aiming for resolution by March 2026 and a follow up review will be undertaken in August 2025. With regard to the IT Supplier Management First Follow Up, while notable improvements have been implemented, most actions remain in progress under the wider Procurement Improvement Programme and it remains too early to evaluate their impact. A further follow up review is scheduled for December 2025 to assess ongoing progress and the effectiveness of the measures implemented.

The committee's discussion focused on the two limited assurance review reports and the following matters were raised –

- The committee noted that additional investment had been made in Adult Services in previous years to address rising demand. They questioned whether this funding had been used effectively. Regarding the identified process inefficiencies, the committee asked whether these were due to a lack of individual accountability, insufficient management oversight or the absence of systems to flag potential failings.

The Head of Adult Services explained that obtaining clients' financial information and securing payments often occurs during difficult periods in their lives. This information is not always readily available, may take time to obtain and individuals are sometimes unsure about what they can share. The process is further complicated by the number of clients with dementia. To address these challenges, the service will reinstate client visits to collect necessary financial information promptly to enable the timely completion of assessments. The team although small, manages complicated and individualised cases. Processes have been strengthened to improve the accuracy and completeness of information from the outset, and policies and documentation have been revised accordingly. While the team received additional resources this year, it had previously experienced staff losses the impact of which is still being felt. The Covid pandemic further hindered information gathering and some of the outstanding debt stems from that period. Despite these challenges and at times ambiguity around payment responsibilities and payment avoidance, the service remains committed to ongoing improvements.

The Director of Function (Resources)/Section 151 Officer reported that following audit reviews, the Debt Collection and Recovery Team has been supplemented by two temporary posts focused on clearing the backlog of unpaid residential and nursing care fees. As part of the recovery process, the reasons for uncollected payments are being examined to refine procedures and reduce the amount of debt written off. These debts are among the largest faced by the Council and are particularly challenging to recover due to the sensitive nature of cases, client vulnerability and complex circumstances.

In response to a committee question about confidence in meeting the action plan's deadlines, the Head of Adult Services stated that the goal is to resolve issues early to avoid future delays. The service is confident that, with staff stability, meaningful progress can be made. Improvements already implemented, including revised policy documentation have made arrangements more robust. However, ongoing changes present new challenges such as the digitisation of information, which can make access more difficult than paper records. Additionally, shorter client stays in residential care reduce the window for resolving issues.

The Director of Function (Resources)/Section 151 Officer further noted while projections in Quarter 3 anticipated a break-even position for the Adult Services' budget, the year ended with a significant underspend. This was partly due to additional income from invoices raised after processing some of the backlog of client assessments, and reflects progress made.

- The Chief Digital Officer provided an update on progress following the IT Supplier Management First Follow Up, noting that improvements have been made in structuring the approach towards identifying digital project needs and embedding assessment processes into the way the service operates. These developments will integrate with the proposed procurement review board which will oversee procurement proposals and ensure that appropriate risk assessments are undertaken prior to project expenditure. In response to a committee question about the adequacy of resources, he explained that the issue is primarily one of balancing workloads. While the service has received additional resources over recent years which are being effectively utilised, it continues to work through a significant backlog of projects. Prioritisation is therefore essential. Although further resources would be beneficial, the approach is to focus on identifying and progressing the most strategically valuable digital projects.

When questioned by the committee whether the procurement improvement programme will help resolve the issues with IT supplier management, the Section 151 Officer responded that it is ultimately for the Executive to decide whether the Procurement Service should be prioritised for additional resources. The Interim Procurement Manager is currently reviewing procurement processes and structures with the main recommendation being that procurement should be involved earlier in projects. This would allow the procurement service to better plan and direct resources where they are most needed particularly for one-off projects and those led by individuals less familiar with procurement practices. A case will be made for additional resources to support the corporate procurement team in meeting the demands of the new procurement legislation and investing in systems upgrades to enhance functionality. The Section 151 Officer also outlined the differences between procuring works and services and the importance of achieving value for money and incorporating social value considerations.

- The committee queried whether the action plan is designed to bring procurement to the level the Council aspires to internally or to the level when benchmarked against other public bodies.

The Head of Audit and Risk clarified that most management actions stem mostly from the Star Procurement Improvement programme which was meant to prepare the Council for

the new Procurement Act. The original audit of IT supplier management recognised that the issues could not be addressed in isolation from the Council's wider procurement framework. Consequently, actions are being prioritised based on what is required for compliance with the new legislation. However the actions noted have to be deliverable which can mean mitigating rather than eliminating risk according to capacity and resources.

It was resolved to note the outcome of Internal Audit's engagements, the assurance provided and its priorities going forward.

9 IMPLEMENTATION OF THE NEW GLOBAL INTERNAL AUDIT STANDARDS IN THE UK PUBLIC SECTOR

The report of the Head of Audit and Risk which set out the progress made in implementing the new Global Internal Audit Standards in the UK Public Sector (GIAS) was presented for the committee's consideration. An action plan detailing the further work required to ensure full conformance with the standards was attached at Appendix A to the report.

The Head of Audit and Risk reported that a gap analysis conducted against the new standards had shown that the Council's internal audit function generally conforms with the new requirements. However, some areas need to be strengthened which will be addressed through the operational action plan outlined in Appendix A. Most of the actions relate to strengthening evidence gathering to support working practices. An overview of the actions already implemented is provided in section 3 of the report.

It was resolved to confirm that the Governance and Audit Committee is content that the actions that have been taken and are planned to be taken will help ensure that the Isle of Anglesey County Council conforms with the requirements of the new Global Internal Audit Standards in the UK Public Sector.

10 OVERVIEW OF THE PANEL PERFORMANCE ASSESSMENT AND THEMES FOR THE PANEL TO CONSIDER

The report of the Head of Profession (HR) and Transformation which provided an overview of the Panel Performance Assessment process and the themes for the Panel to consider was presented for the committee's information.

It was resolved to note the themes that the Panel Performance Assessment will be asked to consider as outlined in the report.

11 REVIEW OF FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the forward work programme for 2025/26 was presented for the committee's consideration.

The Head of Audit and Risk advised that the Annual Concerns, Complaints and Whistleblowing Report 2024/25 had been deferred to the September meeting. Due to the number of items now scheduled for that meeting she suggested that with the committee's consent, she would seek to move some items to the extraordinary meeting planned for October. The date of the October meeting is to be confirmed and is dependent on the completion of the external audit of the accounts.

It was resolved to confirm the Forward Work Programme for 2025/26 as meeting the committee's responsibilities in accordance with its terms of reference and to agree to the Head of Audit and Risk deferring certain items from the September to the October 2025 meeting as appropriate.

Mr. Dilwyn Evans
Chair