

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Audit and Governance Committee / County Council</b>
<b>Date:</b>	<b>26 April 2018 / 15 May 2018</b>
<b>Subject:</b>	<b>Annual Report of the Audit &amp; Governance Committee 2017/18 – Chair’s Report</b>
<b>Head of Service:</b>	<b>Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a></b>
<b>Report Author:</b>	<b>Marion Pryor, Head of Audit and Risk 01248 752611 <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a></b>
<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 during 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 2017/18.

## **2. Recommendation**

- 2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2017/18 prior to its submission to the meeting of the County Council on 15 May 2018.

## **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 2016/17 Statement was consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 4.3. The Committee received the draft Statement of Accounts 2016/17 prior to its review by External Audit at its meeting of 28 June 2017. At its meeting of 21 September 2017, the Committee approved the Annual Governance Statement for 2016/17 and referred the document to the Leader of the Council and the Chief Executive, as statutorily required.
- 4.4. Other governance documents received during the year included the Annual Report of the Senior Information Risk Owner and the Head of Function (Council Business) / Monitoring Officer's Concerns, Complaints and Whistleblowing report for 2016/17, which were reported to the meeting of 21 September 2017.

#### **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. From 1 April 2017, the Risk Manager's line-management transferred to the Head of Audit and Risk. Together, they reviewed the Council's approach to risk management, with the Audit and Governance Committee receiving a report of the outcome at its meeting on 5 December 2017, along with the Council's Risk Management Policy and Framework.
- 5.3. The Committee has continued to support the development of the Risk Management framework within the Council during the year and considered the Council's corporate risks on 21 September 2017 and 13 February 2018.

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

- 6.1. The Committee accepted and noted the draft pre-audit Statement of Accounts for 2016/17 at its meeting of 28 June 2017.
- 6.2. On 21 September 2017, the Engagement Lead for Financial Audit (Deloitte) reported his intention to issue an unqualified opinion on the accounting statements in accordance with the statutory deadline, subject to the satisfactory completion of

three matters set out in his report and the receipt of the Council's Letter of Representation.

- 6.3. Consequently, the Committee resolved to recommend acceptance of the 2016/17 Statement of Accounts to the Full Council.

## **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 considered the Annual Treasury Management Report for 2016/17 on 25 July 2017.
- 7.2. The Committee scrutinised the Council's Treasury Management Strategy Statement for 2017/18 on 13 February 2018. The Committee forwarded both documents to the Executive without further comment.
- 7.3. The Committee also received a mid-year report on Treasury Management at its meeting of 5 December 2017 to monitor developments and trends.
- 7.4. 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. The Council appointed a new internal Head of Audit and Risk with effect from 1 April 2017, following the ending of the previous Service Level Agreement with Conwy County Borough Council for the management of the internal audit service from 1 August 2015.
- 8.2. The Committee received the former Audit Manager's Internal Audit Annual Report 2016/17 at its meeting of 28 June 2017. The Committee resolved that having considered the information presented both verbally and within the documentation, the Committee was assured that for the 12 months ended 31 March 2017, the Council had satisfactory internal control, risk management and corporate governance processes in place to manage and support the achievement of its objectives.
- 8.3. At its meeting of 28 June 2017, the Committee received the results of the External Quality Assessment of the internal audit service, as part of its obligations under the Public Sector Internal Audit Standards, where an external assessment must be conducted every five years. The Committee noted that the internal audit service '*Generally Conforms*' with the Standards and noted the Head of Audit and Risk's Action Plan developed to address the improvement areas identified.
- 8.4. The Committee approved the Internal Audit Charter at its meeting of 21 September 2017. It included the safeguards to limit impairments of independence or objectivity which may be caused by the chief audit executive undertaking non-audit activities, namely responsibility for risk management and insurance.

- 8.5. The Committee approved the Internal Audit Strategy and Annual Audit Plan for 2018/19 at its meeting of 13 February 2018, noting the new audit approach to audit planning.
- 8.6. Throughout the year, the Head of Audit and Risk reported outcomes to each of the Committee's regular meetings as part of the internal audit update report. Progress reports also included the progress of services in implementing internal audit recommendations and addressing Issues/Risks.

## **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. The Performance Lead reported to the 28 June 2017 meeting on its work in relation to its Annual Improvement Report 2016/17, including a summary of reports issued by other regulators, namely CSSIW, Estyn and the Welsh Language Commissioner. The Performance Lead reported that the Council was likely to comply with the requirements of the Local Government Measure (2009) during 2017/18.
- 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 2016/17 to the 21 September 2017 meeting.
- 9.4. The External Audit Annual Letter for 2016/17 along with the notice of the certification of the completion of the audit of the 2016/17 accounts was presented to the 5 December 2017 meeting for information.
- 9.5. 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 2017/18.

## **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 six occasions.
- 11.2. The membership and attendance at meetings during 2017/18 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 co-opted Lay Members appointed by the Committee.
- 12.2. The two co-opted Lay Members' tenure ended at the end of May 2017. The Committee appointed two new Lay Members, following an external process, with effect from June 2017.
- 12.3. At its meeting of 31 May 2017, the Committee elected Councillor Peter S Rogers as its Chairperson and Councillor Robert Llewelyn Jones as its Vice-Chairperson.

## **13. Terms of Reference**

- 13.1. The Committee should periodically review its terms of reference for appropriateness. It last reviewed and approved its terms of reference in February 2015, with approval granted by the Executive in April and the County Council in May 2015.
- 13.2. In accordance with the Committee's Forward Work Programme, the terms of reference were due to be submitted to the Committee's meeting in September 2017. However, due to a delay in publishing updated CIPFA guidance, the Committee agreed to postpone the review until the updated guidance is published.
- 13.3. It is anticipated that the new guidance will be published during April 2018.
- 13.4. Following that, a review of its responsibilities, in particular, in terms of governance, will be undertaken.

## **14. Effectiveness**

- 14.1. The Committee has 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.
- 14.2. Actions raised by the Committee and their resolution are detailed at [Appendix B](#).
- 14.3. The Committee's Forward Work Programme for 2018/19 is detailed at [Appendix C](#). This is subject to change following the revision of its Terms of Reference during 2018/19.

## **15. Chair's Remarks**

- 15.1. 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. He also takes this opportunity to thank the two co-opted Lay Members who came to the end

of their tenure during the year, for their work during the term of the previous Committee.

- 15.2. The Chair would also like to express his gratitude to those Council employees who have attended and contributed to the meetings and, in particular, also takes this opportunity to thank all the staff within the Finance and Internal Audit Services whom he has found most helpful.
- 15.3. 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 situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.
- 15.4. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2017/18.

**COUNCILLOR PETER S ROGERS**  
**CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE**  
**24 APRIL 2018**

## Appendix A – Frequency of Meetings and Attendance

Members	Meetings							Number of Meetings Attended
	27/04/17	31/05/17	28/06/17	25/07/17	21/09/17	05/12/17	13/02/18	
Cllr Peter S Rogers (Chair)	Cancelled	Yes	Yes	No	Yes	Yes	Yes	5 / 6
Cllr Robert Ll. Jones (Vice-Chair)	Cancelled	Yes	Yes	Yes	Yes	No	Yes	5 / 6
Cllr Richard Griffiths	Cancelled	Yes	Yes	Yes	Yes	Yes	Yes	6 / 6
Cllr G O Jones	Cancelled	Yes	Yes	Yes	Yes	No	Yes	5 / 6
Cllr Dylan Rees	Cancelled	Yes	Yes	Yes	Yes	Yes	No	5 / 6
Cllr Alun Roberts	Cancelled	Yes	Apologies	Yes	Yes	Yes	Yes	5 / 6
Cllr Margaret Roberts	Cancelled	No	Yes	Yes	No	Yes	Yes	4 / 6
Cllr Robin Williams	Cancelled	Yes	Yes	Yes	Apologies	Yes	Yes	5 / 6
Mrs Sharon Warnes (Lay Member)	Cancelled	Yes	n/a	n/a	n/a	n/a	n/a	1 / 1
Mr Richard Barker (Lay Member)	Cancelled	Apologies	n/a	n/a	n/a	n/a	n/a	0 / 1
Mr Dilwyn Evans (Lay Member)	n/a	n/a	Yes	Yes	Yes	Yes	Yes	5 / 5
Mr Jonathan Mendoza (Lay Member)	n/a	n/a	Yes	Yes	Yes	Yes	Yes	5 / 5
<b>Total for Committee</b>	<b>0</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>9</b>	

## Appendix B – Progress on Actions Raised by the Committee during 2017/18

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
28/06/17	6	Two Limited Assurance Reports in relation to the Housing Maintenance Unit in Gaerwen	Head of Audit and Risk to ask the Head of Housing Services to attend the next Committee in July 2017 to give an account of the service's response to the issues raised.	Head of Audit and Risk / Head of Housing Services	July 2017	The Housing Technical Services Manager and the Housing Management Unit's General Manager attended the 25 July 2017 meeting to give an account of the work undertaken to address the issues raised.	
28/06/17	6	Outstanding Internal Audit Recommendations	Head of Audit and Risk to provide the Committee at its meeting in September 2017 with a schedule of all outstanding internal audit recommendations.	Head of Audit and Risk	September 2017	The Head of Audit and Risk provided the Committee with a schedule of all outstanding internal audit recommendations at its meeting of 21 September 2017.	
28/06/17	6	Limited and Minimal Assurance Audit Reports	Head of Audit and Risk to provide the Committee with reviews resulting in Limited or Minimal Assurance as and when they are issued.	Head of Audit and Risk	Ongoing	Reviews resulting in Limited or Minimal Assurance have been issued to Members as and when they have been issued.	



Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
28/06/17	10	Forward Work Programme updates	Head of Audit and Risk to update the Forward Work Programme in accordance with the discussions during the meeting.	Head of Audit and Risk	Ongoing	The Forward Work Programme is updated accordingly at the end of every meeting.	
25/07/17	3	Internal Audit Delivery Plan	Head of Audit and Risk to amend the 'On Track' column in the table showing the progress of delivery against the IA Operational Plan to indicate the Audit Committee meeting to which the outcome of the review is due/likely to be reported.	Head of Audit and Risk	Immediate	Action superseded. Full Internal Audit Annual Plan submitted to each meeting, with the expected date of the Audit Committee meeting to which the outcome of the review will be reported. Internal performance measure also established.	
21/09/17	3	Threats from malicious hacking activities	ICT Service to report back to the Committee on the Council's approach to dealing with the threat from malicious hacking activities.	Head of ICT	December 2017	The ICT Business Transformation Manager reported on the Council's approach to dealing with the threat from malicious hacking activities and other forms of cyber-crime at its meeting of 5 December 2017.	

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
21/09/17	6	Internal Audit of School Transport Arrangements	The Internal Audit review report in relation to School Transport to be referred to Scrutiny for its examination with the recommendation that an Action Plan be formulated and that the Plan be monitored and overseen by a project team. The Audit Committee to be informed of the outcome of Scrutiny's examination of the report.	Committee Administration	Immediate	The Corporate Scrutiny Committee considered this issue at its meeting on 31 January 2018. It was satisfied overall by the progress made against the Internal Audit Action Plan and by the commitment shown by both services to complete the plan within timescale. The Corporate Scrutiny Committee had further determined that it be provided with a progress update at its June 2018 meeting.	
21/09/17	6	Delivery dates of individual review reports in the Internal Audit Plan	Provision to be made in the IA Plan to indicate	Head of Audit and Risk	Immediate	As above – date now included in the Internal Audit Annual Plan.	

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
05/12/17	3	Members' access to internal audit reports	The Chair, Portfolio Member for Finance and Head of Function (Resources) / Section 151 Officer to meet with the Committee's two Lay Members to consider how best to enable them to have access to the range of Internal Audit reports in support of their role on the Committee.	Head of Function (Resources) / Section 151 Officer	Immediate	A meeting was held on 7 February 2018 between the Head of Function (Resources) / Section 151 Officer, the Head of Audit and Risk, the Chair of the Audit and Governance Committee and one of the Lay Members to discuss the way forward with providing internal audit reports to the members. It was agreed to provide more detail in the Internal Audit Update and to continue providing full copies of the individual audit reviews with a Limited or Minimal Assurance.	
05/12/17	3	Corporate Procurement Framework – First Follow Up review	Head of Audit and Risk to follow-up on the officer response in connection with the Corporate Procurement Framework first follow up review.	Head of Audit and Risk	April 2018	The Head of Audit and Risk will update the Committee at its meeting of 24 April 2018.	

## Appendix C – Forward Work Programme 2018/19

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
April 2018		Update Report	Progress Report				Election of Chairperson and Vice-Chairperson  Annual Report of Committee – Chair's Report
June 2018	Draft Statement of Accounts & Annual Governance Statement	IA Annual Report for 2017/18	Progress Report			Annual Review of the Audit and Governance Committee's Terms of Reference	
July 2018		Update Report	Progress Report	Treasury Management Annual Report on 2017/18 Activity			
September 2018	Recommend for Approval of Council the Statement of Accounts and Annual	Update Report  Outstanding Internal Audit	Receive Report on Accounts to those charged with		Annual Review of Risk Management Strategy	Progress made on External Regulatory Reports	

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
	Governance Statement	Recommendations	Governance (ISA 260)		Review of Corporate Risk Register		
December 2018		Update Report	Progress Report	Scrutiny of Mid-Year Report on Treasury Management Activity in 2018/19		Annual Health & Safety Report	Annual Report on Fraud and Corruption  Annual Review of Audit Committee Effectiveness & Counter Fraud Arrangements
February 2019		Internal Audit Strategy and Annual Plan 2019/20 for approval  Update Report	Progress Report	Treasury Management Strategy 2019/20 including Prudential Indicators	Corporate Risk Register	Progress made on External Regulatory Reports	