

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 19 September, 2018

- PRESENT:** Councillor Peter Rogers (Chair)
Councillor Robert Llewelyn Jones (Vice-Chair)
- Councillors John Griffith, G.O. Jones, Dylan Rees, Alun Roberts, Margaret Roberts.
- Lay Member: Dilwyn Evans
- IN ATTENDANCE:** Chief Executive
Head of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Head of Housing Services (for item 10)
Corporate Information Governance Manager (HP) (for items 3,4 and 5)
Committee Officer (ATH)
- APOLOGIES:** Councillor Richard Griffiths, Jonathan Mendoza (Lay Member)
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance), Mr Gwilym Bury and Mr Alan Hughes (Wales Audit Office)
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1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 24TH JULY, 2017 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 24th July, 2018, were presented and were confirmed as correct.

The Chair thanked Mr Dilwyn Evans for chairing the Committee's meeting above in his and the Vice-Chair's absence.

3. INFORMATION GOVERNANCE – ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO)

The report of the Senior Information Risk Owner (SIRO) which provided an analysis of the key information governance (IG) issues for the period from 1 April, 2017 to 31 March, 2018 was presented for the Committee's consideration. The report also provided an update on the Council's progress with its GDPR Implementation Plan covering the period from 25 May, 2018 to 31 July, 2018.

The Corporate Information Governance Manager reported that the report provides an overview of the Council's compliance with legal requirements in handling corporate information including compliance with the Data Protection Act, 1998; the Freedom of Information Act, 2000 and the Regulation of Investigatory Powers Act, 2000 (Surveillance) and the relevant codes of practice. The report also includes assurance of on-going

improvement in managing risks to information during 2017-18 and identified future plans. It sets out the Council's contact with external regulators and provides information about security incidents, breaches of confidentiality or "near misses" during the relevant period. He highlighted the main points as follows –

- That non-compliance with data protection legislation is likely to be the primary information risk for the Council. Consequently, much progress has been made to develop awareness about personal data risks in order to introduce mechanisms to manage the risk in accordance with best practice and in anticipation of data protection reform. Additionally, the Council has identified risks around personal data in its corporate and service risk registers
- The Council recognises that there are number of risks to the security of information as listed in the report and that harm and distress to individual(s), financial penalties, enforcement actions, adverse publicity and loss of confidence in the Council are also risks associated with its personal data assets. Therefore, as well as technical and physical measures to protect the Council's information, a range of technical and organisational safeguards are in place against information risks; these range from suitable IG policies and procedures and encrypted ICT equipment to data protection training , IG KPIs and procedures for recording data security incidents and learning therefrom.
- That with regard to the General Data Protection Regulation (GDPR), Section 5.1 of the report outlines progress to 31 March, 2018 i.e. the period covered by the SIRO's report which saw the development of the Council's plans to implement the GDPR and also the subsequent work undertaken since 31 March, 2018 up to 31 July 2018 to implement GDPR including the 5 stage implementation plan. The Officer confirmed that all the requirements under each of the 5 stages have been met. In relation to training under Stage 5 of the process, the report shows the take-up to 31 July, 2018 of the e-learning module introduced in May, 2018 by each the Council's services. As at 31 July, a total of 747 staff or 47%, had completed the module. Evidence of training in combination with evidence of policy acceptance provides measurable assurance for the Council.
- That Policy Acceptance is a safeguard for the Council because it provides evidence that staff have read and understood the policy. The Council's Data Protection Policy was made mandatory for acceptance between 4 June, 2018 and 2 July, 2018 and the acceptance rate was 83%. The Data Protection Policy remains open for acceptance.
- That the Council has established its policy management system, Policy Portal which serves as a library of policies since November, 2016. The policy acceptance function was introduced in April, 2017 and provides assurance that key IG policies are being read, understood and formally accepted by individual members of staff. The availability of the Policy Portal has also made the task of monitoring data protection compliance post- 25 May, 2018 significantly easier. Acceptance rates for each of the mandatory policies – Clear Desk Policy, Records Management Policy and Data Classification Policy – was 95%.
- That the Policy Portal relies on the Council's Active Directory which now includes around 1,000 active users following the inclusion of the Learning Service. However, the amount of staff who do not have Active Directory is estimated at around 686. ADE users with email accounts occupy Microsoft Client Access Licences which are expensive. The provision of any IT equipment to facilitate access would also have cost implications. Whilst providing AD accounts for all staff would be technically possible, it would be too costly and therefore not a current priority.
- That during the period of the report, the Council monitored specific IG KPIs some on a monthly and others on a quarterly basis. (Section 5.9 of the report). It also publishes its access to information data on its website on a quarterly basis.
- That 19 Level 0 to Level 1 data security incidents were recorded during the period i.e. incidents classified as near misses or confirmed as data security incidents which do not

need to be reported to the Information Commissioner's Office (ICO) and other regulators (from 33 in the previous report). One Level 2 incident was recorded i.e. a data security incident that must be reported to the ICO and other regulators as appropriate. Details are provided in Appendix A to the report.

- That based on the information collected for the period which the report covers, the SIRO considers that there is significant documented evidence to demonstrate the following –
 - the Council's arrangements for IG and data protection compliance are reasonably effective
 - the Council has successfully met the challenge of implementing the new data protection legislation and it operates in a compliant way;
 - the Council has processes in place to demonstrate compliance to the ICO and it complies with the GDPR's accountability principle;
 - Data protection remains and is always likely to remain a medium risk to the Council because of the sensitivity of the personal data it processes which varies between the services.

The Committee considered the information presented and made points as follows –

- The Committee noted that as of 31 July, 2018 only 43% of staff had taken up the e-learning module for data protection learning with some services in a less compliant position than others e.g. Adults' Services and Highways, Property and Waste Services. The Committee sought clarification of whether arrangements have been made to ensure that all staff undertake the training and whether a target date has been set by which it is expected this will be completed.

The Corporate Information Governance Manager said that whilst the report refers to the position up to 31 July, progress has and is continuing to be made since that time. Heads of Service are responsible for ensuring that their staff complete the e-learning module although as the report discusses, some groups of staff within certain services – e.g. Home Carers within Adults' Services and Transport and Recycling Centre staff in Highways, Property and Waste services are experiencing access issues because they are not Active Directory users and are therefore not included in the process hence the lower compliance rates for these services.

- The Committee noted that the Corporate Information Governance Board (CIGB) established in 2014 to address IG issues may report matters directly to the Council's Senior Leadership Team (SLT). The Committee sought clarification of any circumstances where this has been found to be necessary and whether given the significance of the Information Governance function within the Council, the SLT should in any case be kept informed as a matter of course.

The Corporate Information Governance Manager said that since May, 2018 the Council is statutorily required to ensure that reporting lines to the SLT are open and accessible; historically data security incidents have been reported to the SLT along with related issues such as logjams in training for example. Currently so as to keep the reporting process proportionate, the SLT is kept updated on a periodic basis.

- The Committee noted that Data Protection training will form part of the induction process for new staff. The Committee sought clarification of whether this provision will be available to all new staff in services such as Adults' Services for example where access/attendance issues have been identified in relation to specific groups of staff particularly off-site staff such as Home carers.

The Corporate Information Governance Manager said that as the report acknowledges the Policy Portal's reliance on the Council's Active Directory has been recognised as a compromise from the outset because staff who do not use AD are omitted from the process. However, a meeting is planned for the end of September to look at various options for services so affected.

- The Committee noted that 22 Level 0 -1 Data Security incidents were recorded during the reporting period. The Committee sought clarification of whether after the completion of training the number of incidents will reduce and/or data security will improve.

The Corporate Information Governance Manager said that due to the nature of the risks associated with data protection e.g. human error, it is unlikely that the number of data security incidents will reduce to zero. Conversely, the recording of data security incidents demonstrates both awareness of the need to report such incidents and the effectiveness of the reporting process which are important in the context of information governance.

It was resolved to accept the report and to note its contents and to take assurance from the Senior Information Risk Owner's conclusions about the effectiveness of the Council's arrangements for Information Governance for the period covered by the Annual Report 2017/18.

NO ADDITIONAL ACTION WAS PROPOSED

4. POLICY ACCEPTANCE – YEAR 1 COMPLIANCE DATA

The report of the Head of Function (Council Business)/Monitoring Officer outlining the compliance levels for all services apart from the Learning Service for policy acceptance requirements based on information available as at 24 July, 2018, was presented for the Committee's consideration.

The Corporate Information Governance Manager reported that the Council's policy management system – the Policy Portal – was made available to staff as an electronic library in November, 2016. Policy acceptance requirements began on 24 April, 2017. The Policy Portal provides the Senior Information Risk Owner with assurance that key Information Governance policies are being read, understood and formally accepted by individual members of staff.

The Officer referred to the following key points in relation to Year 1 compliance levels –

- That 7 policies – Clear Desk Policy; Records Management Policy; Data Classification Policy; Managing Absence Policy; Display Screen Equipment Policy; Health and Safety - Roles and Responsibilities, and the Welsh Language Standards – were first subject to the click and accept system between April, 2017 and June, 2018 as determined by the Council's SLT.
- Details of compliance levels for the seven policies for all services apart from the Learning Service are provided in Appendix 1 to the report. A decision was taken in April, 2017 not to include the Learning Service as the service's IT group contained school-based staff for whom the process was not relevant. This issue has since been addressed and the Learning Service was first included in the corporate process in July, 2018 when the Council's Data Protection Policy was made available for acceptance. The first seven policies referred to will be assigned gradually to the Learning Service over the coming months.
- Compliance reports on a service by service basis are submitted to the SLT at the end of the 6 week acceptance period assigned for each policy. All policies remain available for

acceptance after the closing dates so that users who have not completed a policy on time are able to catch up.

- As at 24 July, 2018 average compliance levels for all policies across the Council was 95%, compared with an average of 79% at the end of the 6 week acceptance period set for each policy. All services have attained high levels of compliance apart from Adults' Services where a number of staff do not have an Active Directory account which is an issue.
- Compliance in Children's Services - which was identified as an issue by the Audit Committee at its September meeting - has improved significantly with an average rate of 99% as at 24 July compared with an average of 57% at the end of the six-week acceptance periods. Adults' Services attained an average compliance rate of 78% as at 24 July, 2018 which whilst lagging behind other services, is an improvement on the 63% compliance average at the end of the 6 week acceptance period set for each policy.
- The Policy Portal relies on the Council's Active Directory (AD) which now includes around 1000 users following the inclusion of the Learning Service. The Portal's reliance on the AD has been recognised as a weakness from the outset with staff who are not AD users not included in the process. The number of staff who do not have Active Directory accounts is estimated at around 709 and include specialist support workers and off site staff in Adults' Service, Children's Services, the Learning Service, Highways, Waste and Property and Regulation and Economic Development Services. Although solutions have been considered e.g. provision of Microsoft Client Access Licences; IT equipment or the creation of manual accounts, it has been concluded that whilst widening the scope of the Portal to include non-AD connected staff is possible, the rollout would require significant resource and planning that goes beyond the original remit of the system.

The Officer concluded by saying that despite the limitations referred to above, the Policy Portal is a valuable system in terms of facilitating a high level of oversight and compliance monitoring thereby providing Management with assurance that staff are up to date with key information governance policies.

The Committee noted the policy acceptance compliance levels for Year 1 including the improvement in compliance in Children and Adults' Services whilst noting also that universal access by services' staff to the Policy Portal remains an issue that remains to be satisfactorily resolved.

It was resolved to accept the report and to note the information provided about Policy Acceptance Year 1 Compliance Data.

NO ADDITIONAL ACTION WAS PROPOSED

5. ANNUAL REPORT: CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2017/18

The report of the Head of Function (Council Business)/Monitoring Officer providing information on issues arising under the Council's Concerns and Complaints Policy for the period 1 April, 2017 to 31 March, 2018 was presented for the Committee's consideration. The report also included Social Services complaints but only those where the complainant was not a service user. Service user complaints are dealt with under the Social Services Representations and Complaints Procedure and are reported annually to the Corporate Scrutiny Committee.

The Corporate Information Governance Manager reported that during the period of the report, 112 concerns were received and 72 complaints were made. Of the 72 complaints, 1 complaint was withdrawn prior to investigation (Housing) so 71 complaints were investigated and formal responses sent. An analysis of concerns and complaints by service is provided in section 8 of the report. The overall rate of responses to complaints issued within the

specified time limit (20 working days) was 92%. Of the 71 complaints dealt with during the period, 17 were upheld in full, 6 were partly upheld and 48 were not upheld. Nine complaints were escalated to the Public Services Ombudsman for Wales; 8 of these were rejected and 1 resolved by early resolution. Each of the 9 complaints escalated to the Ombudsman had been through the internal process. No formal language related complaints were received during the year. Neither were any whistleblowing disclosure received during 2017/8 and there were no outstanding matters from 2016/17.

The Officer highlighted that the Concerns and Complaints Policy places an emphasis on learning lessons from complaints thereby improving services. Enclosure 1 to the report seeks to explain what lessons have been learnt and any practice which has evolved as a consequence.

The Committee considered the information presented and whilst it noted that the number of complaints was reasonable given the increasing financial constraints within which services are operating making complaints more rather than less likely, it noted also that no whistleblowing disclosures were reported with no outstanding matters from 2016/17. The Committee sought clarification of whether this pattern is replicated in other authorities or whether it signifies that whistleblowing procedures are not sufficiently documented and/or communicated throughout the Authority and are therefore not understood.

The Corporate Information Governance Manager said that he did not have benchmarking data in relation to whistleblowing disclosures; the absence of any such disclosures in 2017/18 may be an anomaly but is more likely to be continuation of the pattern in previous years wherein the number of whistleblowing disclosures has not been high.

It was resolved –

- **To accept 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.**
- **To endorse the main messages from the Lessons Learnt Table at Enclosure 1 of the report, namely -**
 - **That the Audit and Governance Committee reminds all Heads of Service that the Customer Care Charter must be followed when dealing with the public at all times and to ensure regular training and refresher training as required.**
 - **That from now on a new corporate system is to be implemented whereby services will be required to complete a formal lessons learned log at the end of the complaints process for any complaint upheld or partly upheld.**

NO ADDITIONAL ACTION WAS PROPOSED

6. INTERNAL AUDIT PROGRESS UPDATE

The report of the Head of Internal Audit and Risk which provided an update on Internal Audit's latest progress with regard to service delivery, assurance provision, and reviews completed was presented for the Committee's consideration.

The Head of Audit and Risk reported as follows –

- That four Internal Audit reports were finalised during the period three of which resulted in a Substantial Assurance rating – these were in relation to the Education Improvement Grant 2017/18; Pupil Development Grant 2017/18 and Highways Maintenance Contract Monitoring. The fourth review relating to the School Uniform Grant 2017/18 produced a

Reasonable Assurance rating. Although one moderate risk was raised on the Highways Maintenance Contract Monitoring review relating to the need to maintain a contract register, overall the controls in place to monitor highway maintenance contracts were deemed to be effective thereby providing substantial assurance.

- That six reports with a Limited Assurance rating are scheduled for a follow-up review as detailed in paragraph 16 of the report. Four Follow-up reviews are currently underway – Sundry Debtors; Child Care Court Orders under the PLO; Corporate Procurement Framework and the Council's Preparation for GDPR – these have a planned reporting date of the Audit Committee's December meeting.
- That a detailed report of all outstanding recommendations and issues/risks is provided separately on the agenda.
- That progress has been slow in delivering the Internal Audit Operational Plan for 2018/19 due mainly to two vacancies and a long-term sickness absence. However, two new Senior Internal Auditors have recently commenced in post meaning that for the first time since August, 2017 the Internal Audit Service is fully staffed.
- That as well as undertaking follow-up work, the Service is engaged in a Primary Schools Thematic Review primarily focused on income collection as well as work in relation to the Gypsies and Travellers (Requirements of the Housing (Wales) Act 2014). In addition, the Service is involved in the National Fraud Initiative biennial exercise and is providing data for the data matching exercise; it also will shortly be commencing work on the cyber security review.
- That the Internal Audit Operational Plan 2018/19 will be updated to reflect the Senior Leadership Team's latest review of the Corporate Risk Register which took place on 10 September; the updated version will be presented to the Committee's December meeting.
- That in order to ensure objectivity and independence, the Risk Management audit will be undertaken by the Council's Insurers in the form of an independent health check as it would not be appropriate for the Internal Audit Service to conduct the audit given the Head of Audit's oversight responsibility for Risk Management.
- That there is currently a resource shortfall of 77 days on the Operational Plan – however it is anticipated that the recent review of the Corporate Risk Register and the de-escalation of specific risks will result in changes to the Plan with some reviews being taken out thereby reducing the commitments and bringing the shortfall down.

The Committee noted the information presented and was satisfied with the progress made taking assurance from the update provided.

It was resolved to accept and to note the progress to date by Internal Audit in terms of service delivery, assurance provision, reviews completed and its performance and effectiveness in driving improvement.

NO ADDITIONAL ACTION WAS PROPOSED

7. OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

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

The Head of Audit and Risk reported as follows –

- That the Council is steadily improving its performance in implementing recommendations/ addressing risks with the overall implementation percentage currently standing at 93%.

- That as at 3 September, 2018 the Council had outstanding recommendations/risks and issues with a target implementation date of 31 August, 2018 as summarised in Table 4.1 of the report and elaborated upon in Appendix A.
- That the two red risks outstanding relate to Child Care Court Orders under the Public Law Outline – specifically the conduct of support worker visits, and the Corporate Procurement Framework – Corporate Compliance (Housing Service). With regard to the former, the Internal Audit Service has concluded that although the relevant visits may have been undertaken, they were not recorded as such. However, preliminary testing has evidenced that this risk has now been addressed. Work remains to be done in relation to the Corporate Procurement Framework and the follow-up audit is still ongoing. In order to enable the Committee to obtain an appreciation of the scale of the undertaking, and the materiality of the issues involved, Internal Audit will report to the Committee's December meeting on the outcome of data analytical work it is carrying out as part of the follow-up audit.
- That the Internal Audit Service will be better placed to report on the 8 unimplemented Amber risks to the Committee's December meeting.

It was resolved to note the Council's progress to date in addressing the outstanding Internal Audit recommendations and risks raised since 1 April, 2014.

NO ADDITIONAL ACTION WAS PROPOSED

8. STATEMENT OF THE ACCOUNTS 2017/18 AND ISA 260 REPORT

8.1 The report of the Head of Function (Resources)/Section 151 Officer incorporating the Final Statement of Accounts for 2017/18 following audit was presented for the Committee's consideration.

The Head of Function (Resources)/Section 151 Officer reported that the statutory deadline for the completion of the 2017/18 audited accounts has again been met. Improvements which the audit process identified last year have been made and are continuing. All issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

The Officer said that all amendments to the draft accounts which have been agreed as requiring restatement by Deloitte as the Council's financial auditors have been processed and are contained within the Statement of Accounts. The significant amendments required to the draft statement have been largely confined to the following –

- Incorrect reconciliation of overpaid Housing Benefits recorded on the Housing Benefits system to the Council's ledger over the last three years, which resulted in an under recognition of revenue;
- incorrect percentages were initially used in the internal valuer's report that led to an incorrect calculation of fixed asset revaluation amounts;
- following a review of the treatment of the earmarked reserve for the Penhesgyn Waste Landfill site, it was identified that this meets the criteria for a provision, therefore a provision has been charged to the Comprehensive Income and Expenditure Statement. The earmarked reserve has been released.

The Head of Function (Resources)/Section 151 Officer referred to the two misstatements which Management has decided not to correct as detailed in Appendix 3 to the External Auditor's report, the one in relation to the treatment within the draft accounts of a contribution of £3.66m made by the Council to the Gwynedd Pension Fund to cover the fixed element of the employer contributions for the 3 year period 2017/18 to 2019/20 and the other in relation

to the treatment of a refund of approximately £0.8m from HMRC for VAT paid on Leisure Services dating back to 2012.

The Officer said that the sum paid to the Gwynedd Pension Fund was treated as an advance payment but, after seeing how the Actuary in reviewing the Pension Fund had accounted for the payment, it became apparent that the Authority's treatment was incorrect. The auditors having taken advice from the Wales Audit Office have concluded that the payment should be recognised in full in the year of payment i.e. 2017/18 and charged to the general fund. However, as this would have the effect of reducing the general fund balance, Management has decided not to take this course and instead a negative reserve has been created which has the effect of reducing the earmarked, instead of the general reserve balance. The difference in treatment being a difference in classification has no effect on the total useable reserves figure. The auditors have explained the different approaches in their report.

With regard to the second uncorrected misstatement the Authority has received a refund of approximately £800k from HMRC for VAT paid on leisure service fees dating back to 2012 as these are now classed as exempt supply instead of standard rated. Guidance on how to treat the refund was sought from the Council's Executive, but as the Executive did not meet until 17 September it was too late to change the accounts to reflect the decision made. The refund has therefore not been accounted for in the 2017/18 accounts; instead the credit for the reimbursement will come in the 2018/19 accounts. Because the refund was for a period prior to 1 April, 2018 it is the auditors' opinion that it should have been accounted for in the 2017/18 accounts. However, the figure is not so significant for its omission to have a material effect on the 2017/18 accounts.

The Auditors at the end of the audit of the Statement of Accounts have made 7 recommendations in relation to accounting and payroll control; 2 recommendations in relation to IT and 4 recommendations in relation to asset valuation.

8.2 The report of External Audit on the audit of the Financial Statements for 2017/18 (ISA 260 report) was presented for the Committee's consideration.

Mr Ian Howse, Engagement Lead for the Financial Audit reported as follows –

- The draft financial statements for the year ended 31 March, 2017 were received by the Auditors on 11 June, 2018 and the audit work thereon is now substantially complete. At the date of issue of the audit of financial statements report, the three matters set out in section 6 of the report were outstanding.
- Subject to the satisfactory completion of outstanding work, it is the Auditor General's intention to issue an unqualified audit report on the financial statements once the Authority has provided a Letter of Representation based on that set out in Appendix 1 to the report.
- As regards significant issues arising from the audit, there are misstatements that have not been corrected by Management which the auditors consider should be drawn to those charged with governance due to their relevance to their responsibilities over the financial reporting process. These are set out with explanations in Appendix 3 to the report.
- There are misstatements that have been corrected by Management which are drawn to the attention of those charged with governance due to their relevance to their responsibilities for the financial reporting process. These are also set out with explanations in Appendix 3.
- The Financial Audit Plan provided information regarding the significant audit risks that were identified during the Auditors' planning process. The table at section 12 of the report sets out the outcome of the Auditors' audit procedures in respect of those risks. The audit was conducted in line with the Financial Audit Plan.

- In the course of the audit, consideration is given to a number of matters both qualitative and quantitative relating to the accounts and any significant issues are reported to those charged with governance. No such issues arose this year.
- The Auditors have no concerns about the qualitative aspects of the Council's accounting practices and financial reporting. The Auditors concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- No significant issues were encountered during the audit.
- There were no significant matters discussed and corresponded upon with Management which require reporting.
- There are no other matters significant to the oversight of the financial reporting process that require reporting.
- No material weaknesses in internal controls were identified although several areas in which it would be possible to improve controls have been identified and are reported in Appendix 4 to the report
- There are no other matters specifically required by auditing standards to be communicated to those charged with governance.
- The recommendations arising from the financial audit work are set out in Appendix 4 to the report. Management has responded to them and progress on their implementation will be followed up and reported during next year's audit.

The Committee considered the information presented and made points as follows -

- The Committee noted that the accounts have again been completed in accordance with the statutory timescale and that thanks are due to the staff of the Finance Service for their work in ensuring that the accounts' deadline was met.
- The Committee noted that the External Auditors are satisfied with the quality of the Council's accounting practices and financial statements and that it is the Auditors' view that the financial statements have been properly prepared and give a true and fair view of the Council's financial position as at 31 March, 2018.
- The Committee noted that no major issues arose during the course of the audit.
- The Committee noted that there are two misstatements that Management has chosen not to correct. The Committee sought further clarification of why these misstatements might remain unadjusted and whether this is the right approach given that the accounts which are in any case complicated, need to be as clear and as transparent as possible for the benefit of those who read them.

The Head of Function (Resources)/Section 151 Officer clarified that accounting is not an exact science and that sometimes how an item is treated is a matter of opinion as to how the code of practice and the relevant regulations are interpreted. The opinion of Management and that of the External Auditor on how the two misstated items should be treated differ. However, Management has chosen not to make the suggested adjustments because the two items as they have been accounted for do not have any material effect on the accounts.

Mr Ian Howse said that it is the auditors' task to assess whether the treatment of the two items in question makes a difference to how people read and interpret the accounts. The auditors work to a materiality of £5m meaning that if there was a difference of opinion over the treatment of an item/items the value of which exceeded £5m then that would have to be resolved on the grounds that it is the auditors' opinion that this would influence the readers of the accounts' view of what is going on. Items which are for less than £5m are not likely to significantly change readers' view of things in the general scheme of the Council's overall assets and liabilities. The Officer said that the audit process is a very rigorous process and has been strengthened following the financial crisis. The corrections highlighted by the

auditors are to do with judgements and moving items between lines in the balance sheet and ultimately, they do not affect the Council's cash balances.

- The Committee sought clarification of whether the payment to the Gwynedd Pension Fund should have been treated as an item of expenditure

The Head of Function (Resources)/Section 2151 Officer confirmed that the payment is an expenditure item but that in drafting the accounts one third of the £3.66m payment was charged to the revenue account with the remaining two thirds being treated as a pre-payment for years 2 and 3 i.e. 2018/19 and 2019/20. The Actuary treated the contribution as expenditure in 2017/18 which makes the Authority's treatment incorrect. Consequently, the full £3.66m has been charged to the revenue account in 2017/18, but in order to mitigate the effect of this expenditure on the Council's general fund balance a negative reserve has been created from which £2.4m of the £3.6m has been funded which will be unwound over the next two years. The payment has therefore been treated as expenditure but in a way that lessens the impact on the general balances whilst not making any difference to the net reserves of the Council.

- The Committee noted that the Balance Sheet shows that the Council's current cash ratio is now less than 1. The Committee noted further that it has been the Council's strategy because the return on investment is poor to use cash balances to fund part of its capital expenditure in order to avoid borrowing. The Committee noted also that cash balances have now reduced to an extent that it is likely the Council will have to borrow to meet its expenditure needs. The Committee sought clarification of whether this is prudent approach.

Mr Ian Howse said that the ways in which Councils can access funds e.g. through the Public Works Loans Board means that it is not difficult to borrow. Because funding is readily accessible, how the Council chooses to do so and the balance of how it uses those funds for capital and revenue does not cause undue concern because of the availability of funding.

The Head of Function (Resources)/Section 151 Office said that the Council borrows to replenish the cash it has used for capital purposes. The Council has been using cash balances to fund capital expenditure because with interest rates remaining low, using cash to avoid external borrowing provides a better return than cash on deposit.

- The Committee noted that it is difficult to gain a picture of the Council's financial performance from the Statement of the Accounts. The Committee sought clarification of whether it is possible to benchmark the Council's performance against other local authorities of similar stature to obtain a better understanding of what might be expected of it in terms of financial performance.

The Head of Function (Resources) and Section 151 Officer said that due to a number of factors including size, location, and geography it would be difficult to find a comparable authority in order to be able to make a like for like comparison. Although councils in Wales operate within a common legislative and regulatory framework they have different approaches to various issues depending on local needs and priorities e.g. outsourcing services, applying national pay, implementing Job Evaluation which bring about different results in each council. Although benchmarking is done for individual services, globally it is problematic because it is difficult to make a comparison that is meaningful enough to enable Management to make changes on that basis.

It was resolved –

- **To accept and to note the Statement of the Accounts for 2017/18 and to recommend their acceptance to the Full Council.**
- **To note External Audit's Report on the Financial Statements for 2017/18.**
- **To approve the Annual Governance Statement for 2017/18 and to refer the Statement to the Leader of the Council and the Chief Executive to be signed.**

NO ADDITIONAL ACTION WAS PROPOSED

9. REVIEW OF THE AUDIT AND GOVERNANCE COMMITTEE'S TERMS OF REFERENCE

The report of the Head of Audit and Risk incorporating the Committee's revised draft Terms of Reference was presented for the Committee's consideration and endorsement.

The Head of Audit and Risk reported as follows –

- That there have been a number of significant developments in governance and audit practice since the Committee's Terms of Reference were last reviewed in February, 2015 including the introduction of the new Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016) .
- That CIPFA's guidance represents best practice for audit committees in local authorities throughout the UK. It published its new guidance in May, 2018 which was discussed by members of this Committee at a workshop held on 13 June, 2018.
- That the revised guidance updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. CIPFA has also updated the audit committee role in relation to counter-fraud to reflect the Code of Practice on Managing the Risk of Fraud and Corruption. The guidance continues to include a strong focus on the factors that support improvement which include the knowledge and skills that audit committee members require as well as areas where the committee can add value.
- That the guidance has mostly been incorporated into the terms of reference apart from the requirement that Full Council approves the appointment of the Lay Members. The Head of Function (Resources)/Section 151 Officer was concerned that due to committee scheduling, a delay in the appointment of the Lay Members until the Full Council meeting would also delay the Audit and Governance Committee with implications for meeting the deadline for reporting and approving the draft Statement of Accounts. The previous provision that Lay Members be approved by the Audit and Governance Committee therefore remains.
- That in developing the terms of reference, account has been taken of specific regulations and guidance appropriate for the Council. Consultation has been undertaken with the Head of Function (Resources)/Section 151 Officer, the Head of Function (Council Business)/Monitoring Officer and the remainder of the Senior Leadership Team. The Committee's two Lay Members were also consulted.

It was resolved to endorse the Audit and Governance Committee's revised Terms of Reference as presented and to recommend the same to the Executive.

NO ADDITIONAL ACTION WAS PROPOSED

10. EXTERNAL AUDIT: THE SERVICE USER PERSPECTIVE – THE WELSH HOUSING QUALITY STANDARD – ISLE OF ANGLESEY COUNTY COUNCIL

The report of External Audit on the outcome of its review of Anglesey's Council House tenants' experiences in relation to the delivery of the Welsh Housing Quality Standard (WHQS) was presented for the Committee's consideration.

Mr Gwilym Bury, Wales Audit Office reported on the main issues as follows –

- In 2017/8, the Wales Audit Office completed work to understand the “service user perspective” at every Council within Wales. A broadly similar approach was followed at each council, although the specific focus and approach to the work was agreed with each council individually. In the Isle of Anglesey County Council, the Housing Service was reviewed and in particular, tenants' engagement with and degree of choice experienced in delivering the Welsh Housing Quality Standard (WHQS) and their view on the quality of the service they receive from the Council.
- That for the purpose of the review, the auditors spoke to a sample of 119 tenants via a doorstep survey. Although it was not possible to talk to everyone, engaging with a sample of service users helped gain a better understanding of their perspective. In addition, a focus group with the Môn Tenants and Officers Voice Group was held and most of the Council's housing estates were visited.
- Overall the review found that most of the Council tenants who the auditors spoke to were satisfied with the quality of the service, but they were less involved in service design than they have been, and the Council has not always evaluated the impact of changes to the service. This conclusion was reached because –
 - before 2015, the Council effectively involved tenants in service design on WHQS, but tenant involvement has declined since.
 - Most Council tenants are satisfied with the quality of the service although 37% of the tenants felt they had problems with damp and condensation in their home. The Wales Audit Office has conducted a similar survey in the last 12 months at all 11 councils in Wales which retained their housing stock and this is one of the highest recorded percentages of tenant reporting problems with damp and condensation in their homes.
 - Tenants can access the services they need but the Council has not always evaluated changes it has made to access models and service standards for sheltered housing. Many of the sheltered housing tenants whom the auditors spoke to said that they value the housing service and are happy in their homes. However, they feel that although they are informed of changes, the level of service has declined and their views are not always listened to. The tenants approached regretted the withdrawal of the dedicated site-based warden service and some felt lonely and isolated as a result. At two schemes visited, the arrangements for the fire-alarm service in which wardens used to play a role in checking and resetting alarms is a concern to some tenants. The auditors were told that alarms are sometimes taking over an hour to be reset by some external contractors and their concerns were not being addressed.
- That as a result of the review findings, the following proposals for improvement have been made –
 - The Council should work with tenants to review its approach to assisting people experiencing problems with condensation and damp, and
 - The Council should work with tenants to review the long-term impact of ending the resident warden service from its sheltered housing schemes.

The Head of Housing Services said that the Service is working to maintain the Welsh Housing Quality Standard which it met in 2012. One of the areas which the service is working on is the information held in relation to acceptable fails i.e. dwellings where an individual element(s) of the WHQS has for specific allowable reasons not been achieved but are otherwise compliant. Currently, the Service is carrying out inspections on those dwellings and its focus has been on reducing the number of acceptable fails amongst its housing stock. It is the Service's intention next year to conduct a complete stock condition survey so that it can gain a better understanding of any areas where it needs to focus attention. With regard to the number of tenants who were concerned about damp in their homes, 37% of the 119 tenants spoken to is not an especially high number and reduces the issue to around 40 tenants. Lifestyle factors e.g. tenants not heating their homes or not opening windows to ventilate their homes are a consideration as is educating tenants on how to deal with the issue and remediate the problem and these are high on the Service's agenda. In the worst cases the Service can install specialist dehumidifying units to eliminate dampness. However, the number of complaints about dampness is not particularly high in the context of the complaints the Service receives.

The Committee considered the information presented and made points as follows –

- The Committee noted that the External Audit report recognises that the Council's WHQS programme has successfully raised housing quality and that the WAO's survey with tenants shows that people are generally very satisfied with the quality of the housing service; that they value the housing service highly and that many commented on the high level of customer service provided by most housing staff.
- The Committee noted that 37% of tenants had raised concerns about problems with damp and condensation in their homes. The Committee noted also that this is a complex issue with multiple causes; and it further noted that the External Audit report accepts that the Council is reviewing its process for investigating reports of damp and condensation and intends that in future surveyors will gather more information on damp in homes and raise awareness on how to avoid and eliminate condensation via a number of channels which the Service deploys to engage with its tenants. This approach is confirmed by the Head of Housing Services.
- The Committee noted and was concerned by the comments made by many of the Council's sheltered housing tenants about feeling lonely and isolated following the withdrawal of the dedicated site based warden service. The Committee was particularly concerned by the arrangements for the fire-alarm service at the two sheltered housing schemes visited because of the potential risks arising from the delay in re-setting alarms now that this task is undertaken by external contractors where previously it was part of the warden's role.

The Committee emphasised the importance of the Council's sheltered housing schemes as a component of its preventative agenda whereby older people who might otherwise have to enter residential care are given appropriate support to live independently. The Committee highlighted that for sheltered housing schemes to be effective, standards of service need to be maintained. The Committee endorsed the External Audit proposal that the long-term impact of the ending of the warden service should be assessed and it recommended that the Housing Service conduct a post-implementation review of the withdrawal of the dedicated site based warden service at its sheltered housing schemes.

The Head of Housing Services said that the warden service has to all effects been externalised with mobile support being commissioned through the Supporting People Programme; this was one of the decisions made by the Council in withdrawing its dedicated warden service. There is therefore a mobile service available to individuals who require support but this provision extends beyond the Council's tenants and is

available to property owners and private sector renters and is centred on individual needs rather than on a housing scheme.

It was resolved to accept the External Audit report on the Service User Perspective in relation to the WHQS at the Isle of Anglesey County Council and to note its contents.

ADDITIONAL ACTION PROPOSED – The Housing Service to conduct a post-implementation review of the withdrawal of the dedicated site-based warden service at its sheltered housing schemes.

11. EXTERNAL AUDIT: ISLE OF ANGLESEY ANNUAL IMPROVEMENT REPORT 2017/18

The report of External Audit summarising the audit and assessment work undertaken and reported during 2017/18 in relation to the Council including the conclusions and proposals for improvement for each report issued was presented for the Committee's consideration.

Mr Gwilym Bury, Wales Audit Office confirmed that based on and limited to the work carried out by the WAO and relevant regulators, the Auditor General for Wales believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018/19 in relation to making arrangements to secure continuous improvement. No reviews of the Council by Estyn or the Care Inspectorate Wales have taken place during the time period covered by the report.

It was resolved to accept External Audit's Annual Improvement Report 2017/18 for the Isle of Anglesey County Council and to note the contents.

NO ADDITIONAL ACTION WAS PROPOSED

12. INTERNAL AUDIT CHARTER

The report of the Head of Audit and Risk incorporating an updated Internal Audit Charter was presented for the Committee's consideration and approval.

The Head of Audit and Risk reported that although the Audit Charter is not due for full formal review until April, 2020, a review conducted to ensure its continued appropriateness has identified the two following minor changes –

- Paragraph 10 first bullet - to include Lay Members in accordance with the equal status afforded to Lay Members in the Committee's updated Terms of Reference.
- Paragraph 11 – to correct an error in the date of the regulations and to update for new legislation as detailed in the report.

It was resolved to approve the amendments to the Internal Audit Charter as presented.

NO ADDITIONAL ACTION WAS PROPOSED

13. FORWARD WORK PROGRAMME

The Committee's Forward Work Programme was presented for review and comment.

The Head of Audit and Risk reported that as a result of the changes to the Committee's Terms of Reference the Committee's Work Programme is likely to expand meaning that it will also change in the future.

It was resolved to accept the Forward Work Programme as presented without amendment.

NO ADDITIONAL ACTION WAS PROPOSED

14. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved Under Section 100 (A)(4) of the Local Government Act 1972 to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in Schedule 12A of the said Act and in the Public Interest Test presented.

15. CORPORATE RISK REGISTER

The report of the Head of Audit and Risk incorporating the revised Corporate Risk Register was presented for the Committee's consideration.

The Risk and Insurance Manager reported that the Corporate Risk Register was reviewed by the Senior Leadership Team on 10 September, 2018 and has been updated to reflect their comments and opinions at that meeting. Since the Corporate Risk Register was last presented to the Audit and Governance Committee, the 4Risk software has been procured as a means to improve the recording and monitoring of risks throughout the Council. The migration to the 4Risk system has resulted in changes to the risk references of some risks.

The Officer highlighted the changes in the updated Register as follows –

- Risk YM35 has been removed from the Register on the basis that the risk has materialised and is now considered an issue as opposed to a risk.
- Five risks (YM20, YM23, YM26, YM29 and YM33) have been de-escalated because the likelihood of occurrence and/or impact have reduced.
- Two new risks (YM38 and YM39) have been added to the Register.
- The top red risks to the Council are the three risks identified in paragraph 12 of the report.

The Committee considered the information presented and made points as follows –

- The Committee noted that Risk YM11 is classified as C1 in terms of inherent risk, and that the introduction of risk controls has seemingly had no impact on YM11's residual risk status which remains unchanged at C1. The Committee noted further that implementing the risk controls might have been expected to result in downgrading the residual risk status of YM11 .

The Risk and Insurance Manager clarified that YM11 is a risk for which controls are in place which had they not been put into effect would likely mean the inherent risk level would have to be upgraded.

- The Committee noted that the use of a combination of letters and numerals to classify risks can be confusing.

The Committee was informed that the criteria for designating risks have been approved by the Senior Leadership Team which takes the view that by using both letters and numerals the likelihood of a risk materialising (letter - with A denoting the highest probability) as well as the impact if it does (numeral - with 1 denoting the greatest impact) can be conveyed simultaneously.

It was resolved to note the contents of the report and that the Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team.

NO ADDITIONAL ACTION WAS PROPOSED.

**Councillor Peter Rogers
Chair**

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