

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee / County Council
Date:	23 April 2019 / 14 May 2019
Subject:	Annual Report of the Audit & Governance Committee 2018/19 – Chair’s Report
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Nature and Reason for Reporting: The Audit and Governance Committee is required to report to ‘those charged with governance’ (the County Council) an assessment of its performance on its activities during the year to demonstrate how the Committee has discharged its responsibilities.	

1. Introduction

- 1.1. This report details the activities of the Audit and Governance Committee during 2018/19.

2. Recommendation

- 2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2018/19 prior to its submission to the meeting of the County Council on 14 May 2019.

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. The core functions of an audit committee are to be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- 4.2. The Committee received the draft Statement of Accounts for 2017/18 prior to its review by External Audit at its meeting of 27 June 2018. At its meeting of 19 September 2018, the Committee approved the Annual Governance Statement for 2017/18 and referred the document to the Leader of the Council and the Chief Executive, as statutorily required.
- 4.3. Other governance documents received during the year included:
 - the Information Governance Annual Report of the Senior Information Risk Owner for 2017/18, which provided the Committee with assurance of the effectiveness of the Council's arrangements for Information Governance
 - the Head of Function (Council Business) / Monitoring Officer's report of Concerns, Complaints and Whistleblowing for 2017/18, which provided the Committee with reasonable assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance
 - a report regarding Policy Acceptance, which detailed the first year's compliance data since the implementation of the Policy Portal, which provided the Committee with assurance that individual members of staff are reading, understanding and formally accepting key Information Governance policies;
 - the Annual Corporate Health and Safety Report for 2017/18, which provided the Committee with assurance that the Council has appropriate arrangements for healthy and safety matters.

5. Risk Management

- 5.1. In relation to risk management, the core functions of an audit committee are to consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that management is taking action on risk-related issues, including partnerships and collaborations with other organisations.
- 5.2. In addition, 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 also charge it with fulfilling these requirements.

- 5.3. The Committee took assurance from the Council's insurers Zurich Municipal (ZM), who undertook an independent Risk Management Health Check during November 2018, and concluded that risk management was at a 'Managed' level (level 3) in the Council, within the five levels of maturity in the Performance Model used. The Head of Audit and Risk has developed an Action Plan to address the observations and recommendations raised by ZM.
- 5.4. 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 19 September 2018 and 12 February 2019.

6. Financial Statements

- 6.1. In relation to financial statements, the Committee's core function is to review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 6.2. The Committee accepted and noted the draft pre-audit Statement of Accounts for 2017/18 at its meeting of 27 June 2018.
- 6.3. On 19 September 2018, the Engagement Lead for Wales Audit Office reported the Auditor General's intention to issue an unqualified audit report on the financial statements subject to the satisfactory completion of outstanding work and receipt of the Council's Letter of Representation.
- 6.4. Consequently, the Committee resolved to recommend acceptance of the 2017/18 Statement of Accounts to the County Council.

7. Treasury Management

- 7.1. The audit committee also supports the Council by undertaking a wider role in reviewing and monitoring treasury management arrangements in accordance with Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017).
- 7.2. 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 Review of Activities Report for 2017/18. The Head of Function (Resources) presented the report for the Committee's consideration and scrutiny in line with regulations under the Local Government Act 2003 and the Council's Treasury Management Scheme of Delegation for 2017/18 on 24 July 2018.
- 7.3. The Committee also received a mid-year report on Treasury Management at its meeting of 4 December 2018 to monitor developments and trends.
- 7.4. The Committee scrutinised the Council's Treasury Management Strategy Statement for 2019/20 on 12 February 2019. The Committee resolved to accept the Treasury

Management Strategy Statement for 2019/20 and to recommend the Statement to the Executive without additional comments.

- 7.5. 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. In relation to the authority's internal audit functions, the Committee's core function is to oversee its independence, objectivity, performance and professionalism, support the effectiveness of the internal audit process and promote the effective use of internal audit within the assurance framework.
- 8.2. It also has a role in supporting effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encouraging the active promotion of the value of the audit process.
- 8.3. The Committee received the Head of Audit and Risk's Internal Audit Annual Report 2017/18 at its meeting of 27 June 2018. The Committee resolved to accept the Head of Audit and Risk's overall audit opinion in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2018.
- 8.4. The Committee approved minor amendments to the Internal Audit Charter at its meeting of 19 September 2018.
- 8.5. The Committee approved the Internal Audit Strategy and Annual Audit Plan for 2019/20 at its meeting of 12 February 2019.
- 8.6. The Head of Audit and Risk reported outcomes of each audit assignment to each of the Committee's regular meetings as part of the internal audit update report. The reports also included the progress of services in implementing management actions to address 'Issues/Risks' raised by Internal Audit and, at six-monthly intervals, the Committee received a detailed report of all the outstanding 'Red' and 'Amber' rated 'Issues/Risks' raised by Internal Audit.

9. External Audit

- 9.1. The core functions of an audit committee are to consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.
- 9.2. 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.

- 9.3. The Wales Audit Office, on behalf of the Auditor General, undertakes the Performance Work. The Performance Audit Lead reported to the 24 April 2018 meeting on its work in relation to its Annual Improvement Report 2017/18, including a summary of local reports, progress and planned publication and current and planned Wales Audit Office work nationally as well as Isle of Anglesey County Council specific.
- 9.4. The Wales Audit Office reported to the 19 September 2018 meeting 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. It also confirmed that no reviews of the Council by Estyn or the Care Inspectorate Wales had taken place during the period covered by the report.
- 9.5. The Wales Audit Office presented external audit reports on Wylfa Newydd Readiness and its impact on corporate capacity to the 27 June 2018 meeting and a report on 'The Service User Perspective – The Welsh Housing Quality Standard' to the 19 September 2018 meeting. It also reported to the 14 December 2018 meeting on the outcome of a review of the Council's scrutiny arrangements - 'Overview of Scrutiny – Fit for the Future?'
- 9.6. 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 2017/18 to the 19 September 2018 meeting.
- 9.7. The External Audit Annual Letter for 2017/18 along with the notice of the certification of the completion of the audit of the 2017/18 accounts was presented to the 12 February 2019 meeting for information.
- 9.8. 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. In December 2018, the Head of Audit and Risk provided the Committee with two reports relating to fraud; the first provided assurance that the Council had minimised its exposure to fraud in relation to concessionary travel, and the second provided details about the National Fraud Initiative exercise conducted by Wales Audit Office on behalf of the Cabinet Office. It detailed the work that Internal Audit would conduct to identify potentially fraudulent or erroneous claims and transactions.

11. Frequency of Meetings

- 11.1. To discharge its responsibilities effectively the Committee should meet regularly – at least four times a year, and have a clear policy on those items it will consider in private and those it will consider in public.

- 11.2. 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. The membership and attendance at meetings during 2017/18 is at [Appendix A](#).
- 11.3. The Committee's terms of reference provide for it to meet privately and separately with the external auditor and the Head of Audit and Risk if required, although there was no such requirement during 2018/19.

12. Structure and Membership

- 12.1. The Committee is independent of both the executive and the scrutiny functions and includes an independent member as required by legislation. It has clear rights of access to other committees/functions, and is directly accountable to the Council.
- 12.2. 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. The two co-opted Lay Members' tenure commenced in June 2017. Membership is objective, independent of mind, knowledgeable and has a mix of expertise.
- 12.3. Members are supportive of good governance principles and their practical application towards the achievement of organisational objectives. Members have unbiased attitudes and treat auditors, the executive and management fairly and have the ability to challenge the executive and senior managers when required.
- 12.4. At its meeting of 15 May 2018, the Committee elected Councillor Peter S Rogers as its Chairperson and Councillor Robert Llewelyn Jones as its Vice-Chairperson.
- 12.5. The Head of Function (Resources) / Section 151 Officer and the Head of Audit and Risk also attend every meeting of the Committee. The Chief Executive, and Head of Function (Council Business) / Monitoring Officer, and the appointed external auditor all regularly attend. These officers are able to access the Committee, or the Chair, as required

13. Terms of Reference

- 13.1. Good practice suggests that committees should periodically review their terms of reference for appropriateness. The Audit and Governance Committee reviewed its terms of reference in February 2015, with approval granted by the Executive in April and the County Council in May 2015.
- 13.2. The Committee approved postponement of review of its terms of reference until the publication of new Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.
- 13.3. In May 2018, CIPFA fully revised and updated its guidance to take into account the legislative changes and professional developments that have affected the public sector including the introduction of the new Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016). The revised guidance updates the

core functions of the audit committee in relation to governance, risk management, internal control and audit.

- 13.4. CIPFA 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.
- 13.5. The Committee at its meeting on 19 September 2018 endorsed the revised Terms of Reference, which the Executive approved on 29 October 2018 and County Council adopted on 11 December 2018.

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. The Committee will conduct a detailed self-assessment against the new CIPFA Audit Committees Practical Guidance for Local Authorities and Police (2018) during 2019/20.
- 14.3. Actions raised by the Committee and their resolution are detailed at [Appendix B](#).
- 14.4. The Committee's Forward Work Programme for 2018/19 is at [Appendix C](#). This is subject to change following the self-assessment of the Committee's effectiveness during 2019/20.

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.
- 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, the Chair 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 it obtains value for money.
- 15.4. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2019/20.

COUNCILLOR PETER S ROGERS
CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE
23 APRIL 2019

Appendix A – Frequency of Meetings and Attendance

Members	Meetings						Number of Meetings Attended
	24/04/18	27/06/18	24/07/18	19/09/18	04/12/18	12/02/19	
Cllr Peter S Rogers (Chair)	Yes	Yes	Apologies	Yes	Yes	Yes	5 / 6
Cllr Robert Ll. Jones (Vice-Chair)	Apologies	Yes	Apologies	Yes	Yes	Yes	4 / 6
Cllr John Griffith (former Finance Portfolio Holder)	Apologies (Portfolio Holder)	Yes	Yes	Yes	Yes	Yes	5 / 6
Cllr Richard Griffiths	Yes	Apologies	Apologies	Apologies	Apologies	Yes	2 / 6
Cllr Gwilym O. Jones	Yes	Yes	Yes	Yes	Apologies	Yes	5 / 6
Cllr Dylan Rees	Yes	Yes	Yes	Yes	Yes	Yes	6 / 6
Cllr Alun Roberts	Yes	Apologies		Yes	Yes	Yes	4 / 6
Cllr Margaret M. Roberts	Yes	Yes	Yes	Yes	Yes	Apologies	5 / 6
Cllr Robin Williams (current Finance Portfolio Holder)	Yes	Apologies (Portfolio Holder)	Yes (Portfolio Holder)	Yes (Portfolio Holder)	Apologies (Portfolio Holder)	Apologies (Portfolio Holder)	3 / 6
Mr Dilwyn Evans (Lay Member)	Yes	Yes	Yes	Yes	Yes	Yes	6 / 6
Mr Jonathan Mendoza (Lay Member)	Yes	Yes	Yes	Apologies	Yes	Yes	5 / 6
Total for Committee¹	8	8	5	8	8	9	

¹ In accordance with the Committee's Terms of Reference, the committee will consist of eight elected members and two lay members. Elected members will be politically balanced and will not be members of the Executive, but the Finance Portfolio Holder is required, as far as possible, to attend all meetings of the Committee.

Appendix B – Progress on Actions Raised by the Committee during 2018/19

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
27/06/18	3	Statements of Accounts 2017/18 and Annual Governance Statement	The Committee to be provided with information on how the Budget outturn figures in paragraph 3.4.1 of the narrative report are reconciled to the financial statements.	Accountancy Services Manager	Immediate	The Accountancy Services Manager provided the information to the Lay Member following the meeting.	
19/09/18	5	Annual Report: Concerns, Complaints and Whistleblowing 2017/18	<p>To endorse the main messages from the Lessons Learnt Table at Enclosure 1 of the report, namely -</p> <p>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.</p> <p>That from now on a new corporate system is to be</p>	Head of Function (Council Business) / Monitoring Officer	Immediate	Completed	

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
			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.				
19/09/18	10	External Audit: The Service User Perspective – The Welsh Housing Quality Standard - IOACC	The Housing Service to conduct a post-implementation review of the withdrawal of the dedicated site-based warden service at its sheltered housing schemes.	Head of Housing Services	Not specified	Waiting for update.	
04/12/18	4	Internal Audit Progress Update	Head of Audit and Risk to provide the Committee with the following – <ul style="list-style-type: none"> • Data on past and present usage in relation to concessionary travel • Benchmarking data in relation to school meals income collection 	Head of Audit and Risk	Next Committee	Completed. The Head of Audit and Risk provided the information to the February 2019 meeting of the Committee.	

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
04/12/18	8	Forward Work Programme	It was resolved to note and accept the Forward Work programme subject to the including the 2017/18 Audit Letter as an item for the Committee's February 2019 meeting.	Head of Audit and Risk to update the Forward Work Programme accordingly.	Immediate	Completed	
12/02/19	2	Managing school debt	Head of Audit and Risk to inquire with Councils in Wales where the school-dinner debt level is low what practices they have in place to manage school dinner debt.	Head of Audit and Risk	Immediate	Information obtained from Cardiff Council and Rhondda Cynon Taf CBC and shared with the Learning Service	

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
12/02/19	3	Corporate Health and Safety Annual Report 2017/18	<p>The Corporate Health and Safety Officer was asked to clarify the following –</p> <p>Whether there are any specific reasons for the increase in the number of physical assaults and whether the upturn reflects an emerging trend</p> <p>The differentiation between the two categories of “Physical Assault by Person” in the Types of Incident Table at Page 6 of the report.</p>	Corporate Health and Safety Advisor	Immediate	The Corporate Health and Safety Advisor is reporting to the April 2019 meeting of the Committee.	

Appendix C – Forward Work Programme 2019/20

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
April 2019		Update Report Internal Audit Annual Report for 2018/19	Annual Plan 2019 Progress Report				Election of Chairperson and Vice-Chairperson Annual Report of Committee – Chair's Report
July 2019	Draft Statement of Accounts & Annual Governance Statement 2018/19	Update Report	Progress Report	Annual Treasury Management Report 2018/19	Annual Review of Risk Management Strategy	Annual Insurance Report 2018/19	
September 2019	Recommend for Approval of Council the Statement of Accounts and Annual Governance Statement	Update Report Outstanding Internal Audit 'Issues/Risks' Review of Internal Audit Charter	Report on Accounts to those charged with Governance (ISA 260)		Review of Corporate Risk Register	Progress made on External Regulatory Reports Annual Corporate Health and Safety Report 2018/19	Annual Review of the Audit and Governance Committee's Terms of Reference

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
						Annual ICT Security Report 2018/19	
December 2019		Update Report	Progress Report	Scrutiny of Mid-Year Report on Treasury Management Activity in 2019/20			Annual Report on Fraud and Corruption Annual Review of Audit Committee Effectiveness
February 2020		Internal Audit Strategy 2020/21 for approval Update Report Outstanding Internal Audit 'Issues/Risks'	Progress Report	Treasury Management Strategy 2020/21 including Prudential Indicators	Corporate Risk Register	Progress made on External Regulatory Reports	