

# AUDIT AND GOVERNANCE COMMITTEE

## Minutes of the virtual meeting held on 1 September, 2020

- PRESENT:** Councillor Peter Rogers (Chair)  
Mr Jonathan Mendoza (Lay Member) (Vice-Chair)
- Councillors John Griffith, Richard Griffiths, G.O. Jones, R. Llewelyn Jones, Dylan Rees, Alun Roberts, Margaret M. Roberts.
- Lay Member: Mr Dilwyn Evans
- IN ATTENDANCE:** Chief Executive  
Director of Function (Resources) and Section 151 Officer  
Director of Function (Council Business)/Monitoring Officer (for items 3, 4 and 5)  
Interim Director of Social Services (for item 9)  
Head of Internal Audit & Risk (MP)  
Head of Democratic Services  
Committee Officer (ATH)
- APOLOGIES:** None received
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance), Mr Ian Howse (Engagement Partner - Deloitte)(for item 6), Ms Bethan Roberts and Mr Alan Hughes (Audit Wales) Accountancy Services Manager (BHO), Finance Manager (CK), Principal Auditor (NW), Senior Auditor (NR), Mr Gareth Wyn Williams, Local Democracy Reporter

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The Chair welcomed all those present to this virtual meeting of the Audit and Governance Committee.

### 1. DECLARATION OF INTEREST

Councillor Peter Rogers and Mrs Annwen Morgan, Chief Executive both declared a prejudicial interest with regard to item 4 on the agenda and neither was present when this item was considered by the Committee.

### 2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 21<sup>st</sup> July, 2020, were presented and were confirmed as correct.

Arising thereon –

- With reference to the request by the Vice-Chair that the Committee's two lay members be invited to the all-member monthly briefing sessions held to inform elected members about major developments, strategies and budget proposals, the Chief Executive confirmed that the matter had been considered by the Senior

Leadership Team and in addition was put to the Political Group Leaders following which an e-mail was sent to the Vice-Chair on 7 August, 2020 in explanation of the Council's viewpoint on this matter and why it was not possible for the Lay Members to be invited to the briefing sessions.

In expressing disappointment that this conclusion had been reached, the Vice-Chair said that he was not aware of having seen the e-mail; the Chief Executive advised that the e-mail would therefore be re-sent to the Vice-Chair to the e-mail address specified by him as the preferred address.

- With reference to the discrepancy between the figure in the final accounts and that in the External Audit draft Audit Plan for fees payable to Audit Wales, the Director of Function (Resources)/Section 151 Officer clarified that in its draft Audit Plan, Audit Wales had set out a figure of £70k as the cost of undertaking grant audit work for the year whilst in the draft Statement of Accounts the cost was shown as £135k the difference being attributable to ongoing grant work relating to the Housing Benefit Subsidy claim from the 2017/18 financial year for which a charge will be made once that work has been completed. The figure in the accounts is an accrued sum for the outstanding amount which is approximately £65k. Given that the work is time based, is ongoing and the audit has since transferred from Deloitte to Wales Audit, the final charge may vary from the £65k provision; the final fee for the item will be discussed upon the conclusion of the work. In the meantime, the figure in the accounts is for an estimated accrued amount in addition to the amount set out by Audit Wales for grant work relating to the 2019/20 financial year.

### **3. INFORMATION GOVERNANCE – ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) 2019/20**

The Annual Report of the Senior Information Risk Owner (SIRO) for 2019/20 was presented for the Committee's consideration. The report set out the SIRO's statement and overview of the Council's compliance with the legal requirements and relevant codes of practice in handling corporate information and, at Appendices 1 to 7 provided information about the Council's contact with external regulators, security incidents and breaches of confidentiality or near misses along with Freedom of Information requests and complaints during the period.

The Director of Function (Council Business)/Monitoring Officer and designated Senior Information Risk Owner (SIRO) highlighted the main points arising on the Annual Report as follows –

- That this was the first year the SIRO felt able to state with confidence that there is significant documented evidence to demonstrate that the Council's data protection and information governance arrangements are good and not just satisfactory as has been the opinion in the previous years.
- This assessment is based on the information governance systems, processes, policies and training the Council has in place which have been strengthened during the past year. The report also provides evidence of how the Council deals with data with it being the SIRO's considered opinion that this particular work has remained stable for some time. Additionally, the SIRO considers that information governance is now embedded within the operational culture of the Council and that this was demonstrated during the response to the Pandemic.
- That the nature of requests for the Legal Service's guidance and support has changed; in the past services were reluctant to share instances of data breaches or to ask for advice thereon, in more recent years services have progressed to actively

seeking the Legal Service's advice on how to respond to data breaches whereas by now services are seeking the Legal Service's endorsement of actions they propose to take in response to identified data incidents in line with what they understand are the expectations.

- That appendices 2,3,4 and 5 demonstrate a pattern of robust action with regard to dealing with specific requests for information on a day to day basis e.g.
- Of the 6,905 Freedom of Information questions submitted and dealt with, 12 resulted in requests for an internal review of the decision made by the Council with the original decision upheld in 9 cases; 2 cases resulted in the Council Service's response being changed and new refusal notices issued and in one case a determination was made that a Section 21 refusal notice should have been issued as the information was available to the applicant by other means. A total of 3 FOI appeals were lodged with the ICO during this period one of which was withdrawn; in one of the other two cases the Council was required to provide advice and assistance to the requestor within a specified timescale and in the other case the Council was required to respond within 10 working days.
- Of the 7 Data Protection Act (DPA) complaints to the Council none of the complaints were upheld; the Council's processing was lawful and the data subject rights could not be exercised. The Information Commissioner contacted the Council in respect of 3 DPA complaints and whilst the matters were not ultimately investigated by the ICO, the Council was asked to review its responses and take any steps to ensure that the complaints were dealt with fully. This was done.
- Of the 24 Subject Access Requests received, 83% of the responses were sent within the one month deadline. The responses to 3 of the requests were late by a few days and one request was complex and took 3 months to respond to (one month over the statutory time permitted for complex cases).
- During the period the Council made 2 successful applications for Covert Human Intelligence Sources (CHIS) authorisations.
- During the period of the report, the Council's policy and procedures under the Regulation of Investigatory Powers Act 2000 (RIPA) were revised and training provided to operational staff. The use of the Surveillance Camera Commissioner's CCTV specific Data Protection Impact Assessment and Guidance were introduced and a register of CCTV systems, managers and operators was created. A new CCTV policy was also developed.
- The Council's information governance policies were reviewed and quality assured during the period (Appendix 6 refers). Ten key policies were reviewed to ensure compliance with current ICO guidance and case law. The policies are due for their next review in 2022.
- A work plan for data protection was developed in the months following the implementation of the new data protection legislation in 2018. A summary of the current work plan to March 2021 is provided at Appendix 7. Items shown as outstanding and requiring completion will be addressed as soon as services are able to resume the work. An audit of the use of consent as a lawful ground for processing has been concluded in all services apart from the Learning Service. The work which had re-commenced was stalled by Covid-19 but is planned to re-commence again during 2020. Work is also planned to re-commence on developing and monitoring the Council's Article 30 Record of Processing Activities (ROPA).

In response to questions raised by the Committee specifically in relation to the risk implications of the outstanding audit in the Learning Service, the workload pressures generated by the volume of FOI requests year on year and the management of CCTV the Director of Function (Council Business)/ Monitoring Officer further clarified –

- That under the new data protection legislation that came into force in 2018 services are required to demonstrate they are processing personal data under a statutory authority if a statutory authority exists and that they are not solely relying on consent because that involves risk. The Learning Service was not able to allocate any internal resources to undertake the work with Legal Services who in turn could not undertake it on their behalf. Although the Director of Education, Skills and Young People is committed to carrying out the audit, current circumstances mean that the Learning Service is focusing resources on returning pupils to school making it difficult for the service to specify a timescale for completing the audit work. Not completing the audit does render the service open to a potential degree of risk that does not apply to the other services which have recognised the statutory basis for processing personal data and are therefore at less risk that individuals unhappy with the way their data has been processed would be able to make a valid complaint.
- That the number of FOI requests do increase year on year in every local authority as public awareness of rights increases. The number of overall requests was approximately 1500 – the figure in the report includes the number of individual questions asked in order to give an indication of the level of demand. Some requests are submitted as multiple questions and some services receive significantly more enquiries than others. The number is high and continues to grow as does the workload as a result.
- That with regard to the management of CCTV individual Heads of Service through their staff operate, manage and supervise the systems under their jurisdiction. The change in policy involves ensuring that there is corporate oversight of the circumstances in which services can develop systems.

**Having considered the report, the Audit and Governance Committee resolved –**

- **To accept the SIRO's statement covering the period April, 2019 to March, 2020.**
- **That the Learning Service ensures that adequate resources are allocated to ensure that the long outstanding consent audit is completed.**
- **That the Council's development of its GDPR Article 30 Record of Processing Activities is supported by its services.**
- **To endorse any remaining actions on the Data Protection Work Plan as reflecting the information governance risks facing the Council.**

**NO ADDITIONAL ACTION WAS PROPOSED**

#### **4. ANNUAL REPORT: CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2019/20**

The report of the Director of Function (Council Business)/Monitoring Officer providing information on issues arising under the Council's Concerns and Complaints Policy for the period 1 April, 2019 to 31 March, 2020 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.

*Having declared a prejudicial interest in this matter, the Chair of the Committee withdrew from the meeting for the discussion thereon. The Vice-Chair took the chair for the item.*

*The Chief Executive had also declared a personal interest in this matter and withdrew from the meeting for the discussion thereon.*

The Director of Function (Council Business)/Monitoring Officer reported on the main points as follows –

- That during the period covered by the report, 136 concerns were received and 69 complaints were made with two being withdrawn prior to investigation. Therefore 67 complaints have been investigated and responded to during this period. The number of complaints received remains at around the same level as in 2018/19 and are broken down by service in the table within the report. The Council publishes complaints data monthly.
- Of the 67 complaints dealt with during the period, 13 were upheld in full, 5 were partly upheld and 49 were not upheld. 8 complaints that had been through the internal process were escalated to the PSOW and all 8 were rejected.
- The overall rate of responses to complaints issued within the specified time limit (20 working days) was 94%. 8% of the complaints received (down from 9% in 2018/19) resulted from escalated concerns which continues to indicate that services are dealing effectively with concerns thereby limiting formal complaints.
- The Concerns and Complaints Policy places an emphasis on learning lessons from complaints and thereby improving services. Appendix 1 to the report explains what lessons have been learnt and any practice which has evolved as a consequence of the findings from the 13 upheld and 5 partially upheld complaints during 2019/20.
- Where the complainant remains dissatisfied with the Council's response to a complaint, the Concerns and Complaints Policy includes the option of escalating the complaint to the PSOW. There were 20 complaints relevant to this process within the timescale of the report lodged with the PSOW – 8 were escalated following formal responses under the Council's Complaints Procedure and 12 complaints were made directly to the PSOW. None of the complaints were taken into investigation.
- During 2019/20, one code of conduct complaint against a County Councillor was received by the PSOW but was closed after initial assessment without any investigation.
- Whilst there were no formal language related complaints during the year, 6 expressions of concern were received and recorded relating to the matters documented in the report. All 6 issues were resolved without being escalated into formal complaints.
- During 2019/20, one whistleblowing concern under the Council's Whistleblowing Policy was received and is noted in the report. Owing to the sensitive nature of such matters only limited information can be disclosed. The Policy and Guidance document was revised during May 2019; the revised Policy was published in June and became the Porth Policy click to accept policy for Council staff during the month. The compliance rate as at 16 July, 2019 was 89% (855 out of 960 staff) and was 94% as at 28 July, 2020 (930 out of 988 staff)

In considering the information presented, the Committee raised the following issues -

- Further clarity around the point at which a concern becomes a complaint. The Director of Function (Council Business)/Monitoring Officer clarified that the PSOW defines a "concern" as an expression of dissatisfaction that can be resolved promptly at the initial point of contact or very soon thereafter. A complaint is usually more serious in nature, may often not be possible to remediate and generally requires an investigation into the circumstances before a response or resolution can be achieved. The essential difference is the element of intractability involved.
- Whether a record is kept of compliments, expressions of appreciation and/or positive feedback about aspects of service. The Director of Function (Council Business) /Monitoring Officer confirmed that whilst services do collect data relating to the compliments received, the information is not part of the reporting process to the Audit and Governance Committee. Should the Committee so wish, the information could be incorporated as part of that process. **The Committee was of the view that in order to obtain a balanced picture of customer satisfaction around service delivery, it would be useful to have this information to hand.**

- Further clarity about the arrangements for dealing with whistleblowing issues relating to Town and Community Councils. The Director of Function (Council Business) /Monitoring Officer clarified that Anglesey's Whistleblowing Policy reflects the legislative requirements and as such applies to members of staff, independent contractors working for the Council and workers supplied through agencies who raise issues. Whilst it is open to anyone to make a complaint there is protection for staff, contractors and agency workers against what under the Public Disclosure Act is defined as detrimental treatment as a consequence of raising issues or making a whistleblowing complaint.
- The arrangements for ensuring 100% compliance for acceptance of the revised Whistleblowing Policy under the Porth Policy Click to Accept policy. The Director of Function (Council Business) /Monitoring Officer explained that there is an ongoing issue regarding members of staff - estimated at around 700 - who do not have access to the Policy Portal which relies on the Council's Active Directory because they are not AD users and are therefore not able to evidence that they have read and accepted the policy. Solutions to this problem are being sought but it remains unresolved at present because of the significant cost implications. For those members of staff who are included in the Active Directory and are able to access the Policy Portal, compliance reports are published every six weeks and made available to the Heads of Service who have access to the Portal and can monitor compliance within their own services, establish where there are gaps and subsequently follow those up. Compliance for this group of staff is high. **The Committee in noting the explanation provided recognised the compliance issue with regard to staff without access to the Policy Portal as a risk and sought assurance that the matter is being pursued at the highest level.** The Director of Function (Council Business) /Monitoring Officer confirmed that the matter is receiving corporate consideration with the need for clear and simple communication with staff having been brought into greater focus by the Covid-19 emergency. However, the cost of addressing the problem is prohibitive and remains the primary impediment to an effective resolution at present.
- Whether any action had been taken in response to the whistleblowing concern raised as outlined within the report noting also the length of time for results to be fed back the whistle-blower. The Director of Function (Council Business) /Monitoring Officer referred to the summary of actions under lessons learned which included the preparation of an Action Plan the progress of which is regularly reviewed and reported to the Deputy Chief Executive.

**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 accept and to note the Lessons Learnt Table as at Appendix 1 to the report as presented.**

**ADDITIONAL ACTION – The Director of Function (Council Business) /Monitoring Officer to include data relating to compliments received in next year's annual report.**

## **5. POLICY ACCEPTANCE – YEAR 3 COMPLIANCE DATA**

The report of the Director of Function (Council Business)/Monitoring Officer setting out the level of compliance in relation to policy acceptance via the Council's Policy Portal Management system for the third year of monitoring was presented for the Committee's consideration.

The Director of Function (Council Business)/Monitoring Officer reported on the main points as follows –

- That on 10 June, 2019, the Senior Leadership Team decided to reduce the number of policies in the core set from sixteen to the nine policies listed in the report. The first of these policies (Display Screen Equipment Policy) was introduced for re-acceptance on 1 October, 2019. The nine policies will be subject to acceptance once in every two-year period but will be compulsory for new staff throughout that time.
- The process of re-introducing policies for acceptance was suspended on 23 March, 2020 owing to the need to re-prioritise the Council's work to respond to the Covid-19 emergency although the Portal remained open for access to policies for information. As a result of the decision to suspend the process only the Display Screen Equipment Policy and the Corporate Health and Safety Policy have been re-introduced for acceptance to date. The report also includes compliance data for the final policy in the previous series – the Equality and Diversity Policy – which was introduced for acceptance on 29 July, 2019 but not included in last year's report because the six-week acceptance period had not ended.
- Compliance data as at 28 July, 2020 for the three policies is set out in Appendix 1 to the report. A comparison of the average compliance rates for each service for the past three years is provided within the report (the policies reported upon in 2018 and 2019 are listed in Appendix 2) and shows that whilst the majority of services have maintained high compliance levels, compliance in Housing Services is on a downward trend.
- A pilot requiring middle managers to accept certain policies that are not applicable under the click and accept arrangements to other members of staff was re-scheduled from January to March, 2020 but was further delayed because of the Covid-19 emergency; this is now due to commence in October, 2020.
- Ensuring compliance by staff who do not have access to the Policy Portal because they are not users of the Council's Active Directory remains an issue and is unresolved despite discussions to identify workable and proportionate solutions to address the risk.
- A system has been developed to provide the Council with assurance that staff who are not technically employed by the Council who work for agencies, consultancies and partnerships etc. are aware of and comply with the key corporate policies listed. It is proposed to introduce a statement asking those staff to ensure that they are aware of and abide by the policies.

In noting a year on year decline in the policy acceptance compliance level in the Housing Service over the past three years the Committee queried whether the Head of Housing Services had been able to provide an explanation for why the compliance level in the service has tailed off. In response to confirmation by the Director of Function (Council Business)/Monitoring Officer that there had been no specific explanation, the Committee requested that the Head of Service be asked to provide a response as a matter of information to the Committee at its next meeting bearing in mind also that all Heads of Service have direct access to the Portal to monitor compliance within their own services.

**It was resolved to accept the report and to note the current position with regard to policy acceptance across the Council and the proposal to re-start the requirements as from 1 September, 2020.**

**ADDITIONAL ACTION: The Head of Housing Services be asked to provide the Committee with a response to the declining policy acceptance compliance level within Housing Services.**

## 6. STATEMENT OF THE ACCOUNTS 2019/20

The report of the Director of Function (Resources)/Section 151 Officer highlighting the main issues arising since the draft Statement of Accounts was presented to the Audit and Governance Committee on 21 July, 2020 was presented.

The Director of Function (Resources)/Section 151 Officer -

- Advised that the Council's draft Statement of Accounts for 2019/20 was presented to the Council's external auditors for audit on the 6 July, 2020. Whilst the detailed audit work is now substantially complete, External Audit is not able to provide an audit opinion or publish its ISA 260 report on the financial statements due to outstanding reviewing and reporting work. The delay is a result of resourcing issues within the audit team which has been compounded by a delay in NHS audits because of Covid-19.
- Explained the process that would be followed in the absence of the Auditor's opinion and report which would entail subject to Audit and Governance scrutiny and Full Council, the Director of Function (Resources)/Section 151 Officer signing the Statement of Accounts without the audit opinion and publishing the Statement on the Council's website on or before 15 September, 2020 with an explanatory notice regarding the unavailability of the audit opinion and ISA 260 report. It is hoped that the audit opinion and report will be available as soon as possible thereafter. Consequently, additional Audit and Governance Committee and Full Council meetings will need to be convened to review the accounts again with the Auditors' opinion and report and following endorsement by Full Council, they will be signed by the Director of Function (Resources)/Section 151 Officer and published definitively with a notice of completion of audit.
- Highlighted that since the draft accounts were published a small number of changes have been made by the Council's accounting team together with a small number of amendments to the disclosure note as recommended by the external auditors (Section 3 of the report refers). The most significant amendment (detailed in paragraph 3.1) is in relation to the Pension Fund valuation as a result of a recent judgement in the McCloud case in respect of the provision of protection to early retirees against adjustment to their pension as a result of early retirement. Whilst the change in the valuation of the Pension Fund is reflected in the accounts, the pension liability is adjusted out when the amount to be charged to local taxation is calculated; therefore while there is a resulting change in the value of the Balance Sheet it does not affect the Council's general reserves position.
- Asked the Committee to support the revised process and make a recommendation to the Council to confirm the acceptance of the 2019/20 Interim Final Statement of Accounts and to endorse the Annual Governance Statement and refer it to Full Council for approval and to be signed by the Leader of the Council and the Chief Executive. Welsh Government has issued guidance that the accounts closure and approval process should be completed by 30 November, 2020 and based on the progress of the audit to date, he was confident the revised timetable would be met.

Mr Ian Howse, Deloitte in clarifying the External Audit position, congratulated the Council's Finance Service on meeting the original statutory timetable for issuing the draft accounts and confirmed that the delay was due to External Audit not having sufficient resources to be able to complete the audit. All audit work has been held up because of the pandemic hence the extension to the deadline by Welsh Government to 30 November reflecting the fact also that some councils have not yet issued draft accounts. He could not see any reason why the revised deadline could not be met with much of the audit work already completed. External Audit will endeavour to conclude the work as soon as practicably possible and to minimise the impact on the Finance Service's staff as a result of the audit taking longer than planned.

In considering the situation, the Committee's members together with the Portfolio Member for Finance reiterated their appreciation of the work undertaken by the Finance Service's

staff in succeeding to meet the challenge of issuing the draft accounts in line with the original statutory timescale. The Committee raised the following points on the information presented

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- Clarity around the wording at paragraph 3.3.3.2 of the narrative report which states that the balances of the reserves has continued its recent trend of reducing year on year when in fact the 2019/20 end of year balance has increased. The Director of Function (Resources)/Section 151 Officer confirmed that the wording would be amended.
- With reference to the Pension Fund assets, the bulk of the investments is described as not quoted despite the fact that 67% of the investments is shown to be in equities which suggests they are quoted investments. The Director of Function (Resources)/Section 151 Offices explained that he would clarify the matter with the Actuary, Hymans Robertson LLP from whose report the information was derived.
- The Vice-Chair asked that he be provided with a list of the Council's assets so that he could be better informed about the Council's management of assets in terms of ensuring they are achieving the use the Council proposes for them and that assets that can be realised to provide income for the Council are being actively pursued. The Director of Function (Resources)/Section 151 Officer explained that the Council's Land and Assets group which monitors the Council's assets is provided with a list of land and assets that are available for disposal and that pre-pandemic it met on a regular basis to review those assets. As part of the review process, the list is then forwarded to elected members which he understood included the Lay Members. This was affirmed by a member of the Committee with reference to an e-mail from September. The Chief Executive confirmed that elected members are provided with such a list on a monthly basis and that further in response to the Vice-Chair confirming that he had no recollection of seeing the list, she would liaise with the Chair of the Land and Assets Group to confirm its availability for the Committee's Lay Members.

**It was resolved –**

- **To recommend to the Full Council that it confirms acceptance of the 2019/20 Interim Final Statement of Accounts as presented in Appendix 1 to the report to Committee**
- **To endorse the Annual Governance Statement and to refer the document to Full Council for approval and the Leader of the Council and the Chief Executive for signature.**
- **To note that the Statement of Accounts 2019/20 will return to the Audit and Governance Committee and Full Council and will be signed again by the Director of Function (Resources)/Section 151 Officer once the audit opinion and report have been completed. Any changes arising from the audit review will be reflected in the Statement of Accounts on its return for scrutiny and endorsement.**

**ADDITIONAL ACTIONS-**

- **Director of Function (Resources)/Section 151 Officer to amend/clarify the textual points raised with regard to wording.**
- **Chief Executive to confirm availability of the assets list for the Committee's Lay Members with the Chair of the Land and Assets Group.**

## 7. UPDATE ON THE INTERNAL AUDIT STRATEGY AND PRIORITIES 2020/21

The report of the Head of Audit and Risk providing an update as at 18 August on the work of Internal Audit since the last report to Committee on Internal Audit activity in February, 2020 together with the priorities for the short to medium term was presented.

The Head of Internal Audit –

- Updated the Committee on the assurance work completed for 2019/20 comprising of 3 audits the results of which were presented to the Committee's July meeting as part of the Internal Audit Annual Report for 2019/20. Due to services being heavily involved in responding to the emergency, work on four audits were suspended (paragraph 9 refers). Once staff return from their redeployment, work on those audits will resume
- Reported that early on in the Covid-19 emergency, the Deputy Chief Executive on behalf of the Emergency Management Response Team (EMRT) commissioned Internal Audit to provide assurance that the Council's emergency response arrangements were safe, robust, effective and fit for purpose. The outcome of this work was reported in two parts and provided Reasonable Assurance for each. Six Issues/Risk were raised and these were reviewed a month later and all were found to have been addressed. (Copies of the reports were issued separately to the Committee's members). The work which the review of the emergency response entailed is ground-breaking in so far as no other local authority Internal Audit service has conducted such a review and consequently Anglesey's Internal Audit Service has been asked by CIPFA to produce a case study.
- Explained that due to services being heavily involved in responding to the emergency, work on following up actions to address the Issues/Risks raised previously in audit reports was suspended with the result that a number of actions have become overdue. The 4action dashboard at Appendix 1 shows that as at 18 August 5 Major and 6 Moderate actions were overdue. The Committee was further advised that as at present only 1 Major action remains overdue and is within the Learning Service and relates to the absence of central compliance monitoring to ensure policies and guidance are followed with regard to Primary School income collection. Also, the Major outstanding actions have reduced from 19 to 15 with Moderate outstanding actions remaining at 34.
- Referred to the Corporate Risk Register priorities confirming that in 2019/20 50% of the risks in the corporate risk register with a red or amber residual risk rating were reviewed (83% over a 17 month rolling period). The remaining 3 risks that need to be reviewed to complete red and amber risk coverage over a 12 month rolling period will have to be parked until capacity is restored, as in the current circumstances they are considered a low priority. The EMRT has developed a separate risk register to capture the risks associated with the pandemic – it contains 35 risks and these are a priority which Internal Audit will be focusing on to provide assurance that they are being effectively managed.
- Outlined the priorities for Internal Audit over the coming months divided into high, medium and low priority taking into account the availability of staff within other services as well as the resources available to Internal Audit. The High priority items include post-event assurance to assess the risks associated with the relaxing of policies and processes during the emergency response; NDR Fiscal Stimulus – Business Grants post payment assurance to provide assurance that payments have been made to the correct organisations and that its use was as intended; Managing the Risk of Fraud – Payments (Supplier Maintenance and Payments) in light of the increased risk of fraud posed by the current climate and collaborating with the National Fraud Initiative biennial exercise.

- Updated the Committee on the resourcing of Internal Audit and Risk Management with regard to recruitment, redeployment, and secondments.

The Committee considered the report and thanked the Internal Audit Service for its work during the period. The Head of Audit and Risk provided the following further clarifications in response to questions by the Committee on the matters noted –

- That with regard to the overdue action in the Learning Service in respect of central compliance monitoring of policies and procedures in relation to primary school income collection, the Learning Service's performance staff have been heavily involved with the community hubs over the past few months. The Service is now working on the outstanding recommendations and Internal Audit is assured that it will not be long before the issues/risks remaining to be addressed are implemented.
- That with regard to the Limited Assurance audit of IT resilience and whether in light of the proliferation of cyber security incidents and an increase in attempted fraud against local authority systems, the follow up audit should be brought forward from April, 2021, the audit was focused on the resilience of IT infrastructure rather than cyber-security arrangements. A previously conducted internal audit of the latter did provide a Reasonable assurance opinion. The resilience of the IT provision was also examined as part of the audit of the Council's Covid-19 emergency response and the rapid shift to large scale digital working which that entailed, and was found to be robust and effective.

The Chief Executive confirmed that the IT Service is now reviewing cyber security arrangements in terms of staff and expertise in order to further improve protection for the future.

- That with regard to the adequacy of resources to support remote working/ meetings, the Head of Democratic Services confirmed that arrangements are being reviewed and that a questionnaire is to be circulated to Members to establish IT hardware and software needs to facilitate/improve the conduct of remote meetings.
- That Salford City Council has been commissioned by Internal Audit to undertake a piece of work to health check the Council's IT function with a view to providing assurance about the effectiveness and robustness of the Council's IT arrangements at the same time as providing the service with the benefit of their knowledge and expertise in this area.

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

**NO ADDITIONAL ACTION WAS PROPOSED**

## **8. FINANCIAL SUSTAINABILITY ASSESSMENT – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of External Audit which sought to assess the sustainability of the Council's short to medium term financial position as part of a broad study of the financial sustainability of all 22 councils in Wales was presented for the Committee's consideration. The report focused on the financial strategy of each council as well as reviewing financial indicators of each council's financial position in relation to performance against budget; delivery of savings plans; use of reserves, Council tax and borrowing.

Mr Alan Hughes, Audit Lead, in introducing the report acknowledged that despite its having been overtaken by events and its publication delayed by the Covid-19 pandemic, the contents of the report remain relevant from the perspective of setting out the fundamental principles of good public financial management. He referred to the overall conclusions of the report as noted below and guided the Committee through the substance of the detailed report highlighting the findings which formed the basis of those conclusions –

- Overall it was found that the continual funding of unrealised savings and year end overspends from general reserves is not sustainable; the Council needs to develop a more sustainable financial strategy to deliver services within available funding whilst building usable reserves to improve its resilience. This conclusion was reached because -
  - The Council has had an overall overspend in recent years and is allocating significant additional resources to fund the increased pressure in key services.
  - The Council has a track record of delivering a substantial amount of planned savings, but undelivered savings create additional financial pressure; the Council is likely to find identifying and delivering savings increasingly challenging going forwards.
  - The Council's continued use of reserves to fund year end deficits and planned revenue expenditure is not sustainable.
  - Council Tax collection rates have remained stable and council tax as a proportion of the Council's income has grown over the last decade; and
  - The Council has no purely commercial focused projects and overall borrowing is set to increase.

The Director of Function (Resources)/Section 15 Officer responded to the report's findings highlighting that changes do happen in a normal year but that the scale of the changes brought about by Covid 19 has impacted significantly on the Council's finances. Notwithstanding, the need to draw on the Council's reserves to balance the 2019/20 budget did not materialise and consequently, the level of general balances is now approaching the target of 5% of the net revenue budget as agreed by Council. It is difficult to predict how the 2020/21 financial year will evolve – with reduced income and additional costs the Authority could potentially find itself with an overspend of £2m to £3m dependent upon how quickly restrictions are lifted and the extent of additional financial support that Welsh Government may provide. In the longer term the Council's financial situation will be influenced by when social distancing measures are lifted thereby enabling resources such as leisure centres to operate closer to normal capacity. In accepting that the Council does not always succeed in delivering fully on its savings programme, the Director of Function (Resources)/ Section 15 Officer advised that in such circumstances the Council does review and adjust its budgets accordingly; alternatively, savings may be realised over a longer timeframe than the financial year for which they were planned or underspends may be identified in one area that can be used to meet the shortfall in another area so the Council does take steps to mitigate the savings gap. The idea that planning for an enhanced level of savings over and above what is actually required is one that is accepted and will be looked at in the event that savings have to be found for the next financial year. The 2020/21 budget included savings to the value of £300k; by and large these were straightforward to identify and have been implemented fully. In respect of Council Tax collection the Council's performance for the 2018/19 and 2019/20 financial years placed it in the upper quartile with an annual collection rate of 97.3% (in the region of 99.3% over 3 years). However, Council Tax collection has been affected in the past six months by the Covid 19 pandemic and the Council Tax recovery process has been delayed as a result. In terms of commercial income the opportunities for the Council to undertake commercial investment are limited and with hindsight it is fortunate in not being dependent on commercial sources of income as those have been particularly hit by the

pandemic with councils who are committed in this way having been significantly affected by the loss of income.

The Head of Audit and Risk referred back to the Internal Audit report on Financial Resilience which formed part of the assurance work completed in 2019/20 which was undertaken to benchmark the Council against the new CIPFA Financial Code issued in 2019. She confirmed that a copy of the audit review report which produced a Reasonable Assurance opinion would be forwarded to the Committee's members once it has been translated.

In considering the External Audit report the Committee raised the following points –

- In recognising that the report had been overtaken by events the Committee believed that it should be revised and updated to reflect the Council's actual position in particular the positive revenue outturn result for 2019/20 and improved reserves position.

Mr Alan Hughes confirmed that the contents of the report had been agreed with the Council's Officers as part of the factual verification of the draft during February/March, 2020 on the basis of the information available at the time. The final version was not issued until much later due to the intervention of Covid-19. The indications at the beginning of the calendar year were that the Council would again overspend its budget meaning it would have to further deplete its general reserves to make up the deficit; had this happened the General Fund would have fallen to an estimated £4.6m at the end of 2019/20 below the reserves threshold agreed by Council thereby perpetuating a pattern that is unsustainable in the long-term and placing the Council at greater financial risk. In the event, having invested additional resources in the services that were under pressure, the Council delivered an underspend on its revenue budget at the end of the financial year which helped improve its reserves position. However, when faced with reducing reserves the Council's approach has been to replenish the reserves through ad hoc underspends rather than through planned contributions from the base budget.

In confirming that consideration has been given to building up the reserves on a planned basis and has been discussed with the Executive, the Director of Function (Resources)/Section 151 Officer clarified that in light of the Council's financial position at the time, significant Council Tax increases over 2 years and additional investment in under pressure services, the Executive determined not to increase the balances through a budget that underspends by design, but recognised also that this was an option had the Council's reserves level continued to decline.

- The Council's performance in delivering savings when benchmarked against that of other councils of similar size and structure.

Mr Alan Hughes clarified that although the Council delivered 82% of planned savings in 2018/19 it meant that savings to the value of £400k were not achieved; the challenge for all councils in not achieving their planned savings is that those unachieved savings are then carried forward to the following year thereby placing additional pressure on those councils and their Officers to deliver the cumulative savings required, leading to potential overspend and use of reserves to bridge the gap. If savings form a significant part of budget setting then it might be advisable to aim to over-achieve the savings target especially if the savings carry an element of risk.

- Mr Dilwyn Evans, Lay Member thought that zero based budgeting represented a better approach in terms of operating efficiently and that the Council should aim to preserve its cash reserves as far as possible rather than utilising them for capital purposes especially when the cost of borrowing is very low.

**It was resolved to accept the External Audit's Financial Sustainability Assessment Report with regard to the Isle of Anglesey County Council and to note its contents.**

**ADDITIONAL ACTION - Head of Audit and Risk to circulate the Internal Audit review report on Financial Resilience once translation has been completed.**

*The Chair highlighted at this juncture that as the Committee had now been in session for three hours, under the provisions of paragraph 4.1.10 of the Council's Constitution, a resolution was required by the majority of those Members of the Committee present to agree to continue with the meeting. **It was resolved that the meeting should continue.***

## **9. WELL-BEING OF FUTURE GENERATIONS: AN EXAMINATION OF EARLY INTERVENTION AND PREVENTATION TO ENSURE THAT CHILDREN ARE SAFE AND SUPPORTED – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of External Audit on the findings of its examination of the extent to which the Council is acting in accordance with the sustainable development principle in Early Intervention and prevention to ensure that children are safe and supported was presented for the Committee's consideration.

Mr Alan Hughes, Audit Lead reported that in accordance with the Well-being of Future Generations Act the Auditor General for Wales is statutorily required to examine public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. The report above sets out External Audit's findings from its examination of Early Intervention and prevention to ensure that children are safe and supported, a step the Isle of Anglesey County Council is taking to meet its wellbeing objectives. In order to act in accordance with the sustainable development principle, public bodies must take account of the "five ways of working" as defined in the Welsh Government's Well-being of Future Generations (Wales) Act 2015 The Essentials document which relate to safeguarding the ability to meet *long-term* needs; acting to *prevent* problems occurring or getting worse; considering *integrating* the public body's well-being objectives with their other objectives or other public body's objectives; acting in *collaboration* with any other person or different parts of the body itself and *involving* persons with an interest in achieving the well-being goals ensuring that those persons reflect the diversity of the area which the body serves.

The report found that –

- The Council has considered and applied the sustainable development principle in developing Early Intervention and prevention to ensure that children are safe and supported, but there are opportunities to further embed the five ways of working.
- The Council has sought to design services with a view to encouraging individuals to engage with services early in order to reduce longer-term demand and the need for higher levels of intervention, but it is unclear if funding is sustainable in the long-term.
- The Council has sought to understand the factors that impact on children but needs to continue to further analyse data to understand root causes and inform its preventative activities.

- The Council has considered how its step has contributed to its well-being objectives but a more widespread knowledge of the definition of integration under the Well-Being of Future Generations Act may help to realise operational benefits.
- The Council has taken steps to collaborate with partners and reflect the needs and wishes of local communities, but could improve how it reviews the effectiveness of collaboration.
- The Council has involved stakeholders in the shaping of the service but needs to review the effectiveness of its approach to identify good practice and see if there are lessons to be learnt.

Mr Alan Hughes elaborated on the strengths identified under each of the headline findings above along with the opportunities for improvement. Following the conclusion of the fieldwork, External Audit's findings were presented to Council Officers at a workshop in October, 2019 where the Council began to consider its response to the findings. As a result of discussions at the workshop and further reflection on the findings, the Council has developed a series of actions under the five ways of working themes which are set out in the table in Part 2 of the report.

The Committee accepted the report as providing a positive assessment overall of the Council's work in applying the sustainable development principle in Early Intervention and prevention to ensure that children are safe and supported and highlighted that the Council has made great strides in Children's Services generally in the past few years.

The Interim Director of Social Services said that he welcomed the report and the opportunities for improvement.

**It was resolved to accept External Audit's report on its examination of Early Intervention and prevention to ensure that children are safe and supported and to note the contents.**

**NO ADDITIONAL ACTION WAS PROPOSED**

#### **10. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2019/20**

The Annual Report of the Chair of the Audit and Governance Committee detailing the Committee's activities during 2019/20 was presented for the Committee's endorsement.

In endorsing the Annual Report the Chair thanked the head of Audit and Risk both for compiling the report and for her and her team's support during the year.

**It was resolved to endorse the Annual Report of the Audit and Governance Committee for 2019/20 prior to be submission to the Full Council meeting on 8 September, 2020.**

**Councillor Peter Rogers  
Chair**