

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the virtual meeting held on 9 December, 2021

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Vice-Chair) (In the Chair)
- Councillors Jeff Evans, John Griffith, Richard Griffiths, Gwilym O. Jones, Dylan Rees, Alun Roberts.
- IN ATTENDANCE:** Chief Executive
Director of Function (Resources) and Section 151 Officer
Director of Education, Skills and Young People
Head of Internal Audit & Risk (MP)
Principal Auditor (NW)
Programme, Business Planning and Performance Manager (GM)
Schools Data Protection Officer (EW)
Business & Performance Manager (Learning) (AJ)
Committee Officer (ATH)
- APOLOGIES:** Councillors Mrs Margaret Roberts, Peter Rogers (Chair)
- ALSO PRESENT:** Councillors Robin Williams (Portfolio Member for Finance), R. Meirion Jones (Portfolio Member for Education, Libraries, Culture and Youth), Mr Alan Hughes (Audit Lead – Performance Audit, Audit Wales), Yvonne Thomas (Audit Wales), Bethan Owen (Accountancy Services Manager), Fôn Roberts (Director of Social Services), Nonn Hughes (Service Strategy & Business Manager)
-

In the absence of the Chair, Councillor Peter Rogers, the meeting was chaired by the Vice-Chair, Mr Dilwyn Evans.

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Governance and Audit Committee held on the following dates were presented and were confirmed as correct –

- 21 September, 2021
 - 20 October, 2021
 - 15 November, 2021
- Arising on the minutes of the 21 September, 2021 meeting –

The Learning Service's Business and Performance Manager confirmed with regard to the two uncompleted pieces of work in relation to the consent audit and record of processing activities (ROPA) that the former had now been completed and had been forwarded to the Data Protection Officer. In relation to the latter a number of meetings have been held both

internally and with an external company to review the current arrangements; with all managers within the Learning and Culture Directorate having reviewed this work it has been transferred to a new template and it too has been forwarded to the Data Protection Officer. Some further work remains to be done in connection with ROPA to ensure that all procedures and processes are in place including data agreements and privacy notices.

The information was accepted and was noted.

- Arising on the minutes of the 15 November, 2021 meeting

The Director of Function (Resources)/Section 151 Officer confirmed that the Statement of the Accounts for 2020/21 was approved by the Full Council on 22 November, 2021 and was subsequently signed off by External Audit without any further amendments to the version presented to this Committee on 15 November, 2021. The approval and sign-off process was concluded within the 30 November statutory deadline and the Statement of the Accounts for 2020/21 and External Audit's report on the financial statements have now been published on the Council's website.

The information was noted for update purposes.

3. ANGLESEY SCHOOLS ANNUAL INFORMATION GOVERNANCE ASSURANCE REPORT

The report of the Schools Data Protection Officer incorporating an analysis of the key information governance issues in relation to Anglesey's schools for the period July, 2020 to November 2021 was presented for the Committee's consideration. The report provided the Schools Data Protection Officer's statement along with an overview of Anglesey primary, secondary and special schools' compliance with legal requirements in handling information including those pertaining to the UK's General Data Protection Regulation (UK GDPR), Data Protection Act 2018 and relevant codes of practice.

The Schools Data Protection Officer summarised the contents of the report as providing details of actions taken since the last report in July, 2020 to provide schools with policies and documents to support them in complying with data protection legislation as well as details of progress to date against the Schools Data Protection Plan 2021/22. The report also documents what was achieved against the Support Plan for Schools – Schools Data Protection Policies and Procedures 2020/21. She confirmed that the period had been particularly challenging for schools because of the Covid 19 pandemic which has made it difficult for schools to prioritise anything other than keeping open, providing education and dealing with staff shortages and other challenges which are still ongoing hence the yellow or orange status of a number of the actions. The report at 2.2.1 lists those policies, guidance, documents and templates that have been shared with schools for them to adopt and use and at 2.2.2.2 the data protection training delivered to schools is outlined. Training is also provided each time policy documentation is shared with schools to ensure they understand what is expected of them in terms of compliance requirements. The report also makes reference to data mapping work, specifically mapping data processors and data flows between schools and the Council. Taking everything into consideration, it is the Schools Data Protection Officer's view that schools now better understand their data protection obligations and the importance of data protection and are now giving more priority to ensuring that actions are taken to comply with requirements under data protection legislation. Whilst there is still more work to be done as reflected in the next steps, the Schools Data Protection Officer is able to provide reasonable assurance with regard to schools compliance with data protection requirements.

Points of discussion by the Committee were as follows –

- **The arrangements in place to follow up on the implementation of the next steps and to monitor compliance.** The Committee was advised that a Data Protection Plan for 2021/22 has been formulated (details provided at section 3 of the report) along with an action plan and timeline; the latter has been reviewed internally to take into account the range of other priorities which schools have and it now sets out clear expectations of when actions are to be fulfilled. All actions needed to ensure schools meet the expectations with regard to information governance/ data protection and GDPR implementation are contained within the action plan. An internal management system whereby schools confirm their adoption of policies forms part of the monitoring arrangements with the Schools Data Protection Officer also meeting regularly with schools to oversee compliance.
- **The implications and severity of the secondary schools cyber incident in June, 2021 and the remedial steps taken to safeguard data.** The Committee was advised that a team of specialised cyber-technology consultants were immediately brought in by the Council to investigate the incident with the National Cyber Security Centre also providing support to resolve matters. Forensic analysis of the cyber incident found no evidence that ICT systems were infiltrated or compromised. The incident was reported to the Information Commissioner's Officer as a possible data breach and an investigation has begun which could take up to several months to complete. *The Committee requested and it was agreed that it be informed of the findings of the ICO's investigations including any recommendations as regards lessons to be learnt that may arise therefrom.*
- **The relationship and level of understanding between Hwb (the digital platform for learning and teaching in Wales) and its responsible body, and the Council's IT Service.** The Committee was advised that the Hwb programme is a national programme implemented across Wales's schools; the circumstances of the past year and the accelerated move towards digital learning has enhanced the general understanding and appreciation of Hwb and its potential in terms of access to digital services and resources and has also led to a constructive and professional relationship between Hwb officials (Welsh Government) and officers from the ICT and Learning Services. It is envisaged that this relationship and understanding will continue to evolve.
- **Whether an estimated date for the completion of the information governance work with schools can be given acknowledging that there is an action plan with target dates to which the Committee is not party.** The Committee was advised that whilst the majority of the policies and templates which schools need to have in place will be available to them by the end of the school year some of the implementation work may overspill into the following year depending on the position in terms of schools' capacity. *The Committee asked that target dates be included in the 2021/22 annual report to better enable it to assess performance and achievement.*

It was resolved –

- **To accept the Schools Data Protection Officer's Annual Information Governance Assurance Report for 2020/21.**
- **To endorse the Schools Data Protection Officer's proposed next steps – the Schools Data Protection Plan – in order to enable schools to fully operate in accordance with data protection requirements.**

4. COUNTER FRAUD, BRIBERY AND CORRUPTION STRATEGY

The report of the Head of Audit and Risk incorporating the Counter Fraud, Bribery and Corruption Strategy 2021-24 was presented for the Committee's consideration. The report set out the activity that Internal Audit will carry out in the stated timeframe to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

The Head of Audit and Risk summarised the content and objectives of the strategy highlighting that in the absence of a Wales specific strategy the “Fighting Fraud and Corruption Locally Strategy for the 2020s” (FFCL) publication endorsed by CIPFA has been used as a basis for the strategic focus; this is the overarching counter fraud and corruption strategy for local government in England and provides a blueprint for a tougher and more up to date response to fraud and fraud perpetrated against local authorities than that found in CIPFA’s Code of Practice on Managing the Risk of Fraud and Corruption (2014) (the CIPFA Code) which was also considered. Similar to the CIPFA Code, the FFCL strategy focuses on five pillars of activity or strategic objectives; these are outlined within the report and will help set out where the Council needs to concentrate its counter-fraud efforts. The Head of Audit and Risk referred also to the National Fraud Initiative, a two yearly data matching exercise which drives much of the counter fraud work and she confirmed that ongoing work on the first tranche of the NFI 2020/21 matches released in January 2021 has not to date shown up any instances of fraud in respect of the Council’s systems.

Points of discussion by the Committee were as follows –

- **The recognition of the need to strengthen the Council’s approach to procurement as one of the highest perceived fraud risk areas in 2019/20 with there being no consistent system or approach at present; the absence of a procurement policy and/or strategy to provide standardisation was therefore queried.** The Head of Audit and Risk clarified that it is the contract monitoring element of the Council’s procurement arrangements that is not centralised and that the audit which is underway will assess the robustness of the Council’s controls and measures to detect and/or prevent fraud and corruption in this area.
- **Whether the revenue generated by the last review of Council Tax Single Person Discount claims was the result of identifying fraudulent claims and whether in such cases and cases involving disabled parking concession fraud and grant fraud any prosecutions have followed.** The Head of Audit and Risk in confirming that no prosecutions had occurred in the last few years clarified that the review of SPD claims is a Datatank initiative providing a data verification service; the review screened 11,200 accounts, targeted 2,245 accounts and identified 484 errors with an error rate of 4.3%.
- **Whether the increased potential for grant fraud arising from Welsh Government’s Covid-19 grant support schemes had been realised when administering the schemes and whether any lessons had been learnt from the experience thus far.** The Head of Audit and Risk advised that because of the need to quickly implement expansive stimulus packages to support individuals and business, Welsh Government’s guidance was that upfront low-friction controls be implemented where possible with the focus being on prompt payment. However, the Finance Service’s grants team which included a member of the Internal Audit staff on secondment did carry out pre-payment checks on all grants, and whilst the NFI’s data matches have not identified any frauds to date further work needs to be done before a definitive conclusion can be reached. The Director of Function (Resources)/ Section 151 Officer advised that as an authority covering a smaller geographical area where many businesses are known, the Council was in a better position to identify business support grant claimants as genuine or not. The bulk of the work in the first tranche of grant distribution involved confirming whether or not businesses occupied premises liable for business rates since many small business are eligible for rate relief or are exempt altogether and then updating the Council’s business rates records accordingly. Having established the details and eligibility subsequent tranches of grant distribution were easier to complete and he was therefore confident that 99% of the grant payments made were correct.

- **That the Strategy is short on reference to bribery and corruption; recognising that these are potentially more difficult to detect, it was asked whether in the Council's experience any indications of bribery and/or corruption have arisen in day to day activities. Likewise, the strategy does not make reference to prosecuting the perpetrators of fraud only to committing the right support and appropriate resources for tackling fraud. It was suggested that declaring a commitment to prosecuting fraudsters would be an effective preventative measure.** The Head of Audit and Risk advised that the audit of procurement arrangements should uncover any vulnerabilities as regards bribery and corruption; as regards using the threat of prosecution as a deterrent one of the five FFCL pillars on which the strategy is based is that of "Pursue" where it is stated that the Council will always seek the strongest possible sanction against any individual or organisation that defrauds or attempt to defraud the Council. The Director of Function (Resources)/ Section 151 Officer highlighted that the Council's Financial Procedure Rules at paragraph 4.8.5.3.6 provide for reporting any breach of criminal law to the police or appropriate prosecuting authority.

It was resolved to note Internal Audit's strategy for countering fraud, bribery and corruption for 2021-24.

5. TREASURY MANAGEMENT MID-YEAR REVIEW 2021/22

The report of the Director of Function (Resources)/Section 151 Officer incorporating the mid-year review of treasury management activities and position was presented for the Committee's consideration.

The Committee was advised that the situation with regard to the economic position as updated in the report had since moved on with inflation continuing on an upward trajectory which in turn creates pressure to increase the Bank Rate. The table at 3.1 of the report provides an interest rate forecast and is accompanied at Appendix 2 by a commentary on the interest rate situation including the significant risks to the forecast from the ongoing pandemic, unresolved Brexit issues and other factors. The Council's strategy on investment remains unchanged and is based on prioritising the security of capital and liquidity ahead of returns. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs but also to seek out value available in periods up to 12 months with high credit rated financial institutions. The Council has made an investment with Flintshire County Council during the first half of the year and has opened accounts with two new approved banks providing better returns. The Council like many other local authorities is holding a large cash balance which is mostly on short term deposit. Committing to longer term investments needs to be weighed against the probability of interest rate rises.

No further borrowing was undertaken during the first half of the year and it is not anticipated that any additional external borrowing will need to be undertaken during the second half of the year. There will be a borrowing requirement to fund part of the 2021/22 capital programme but this will be undertaken internally by drawing down the Council's cash balances thereby delaying capital financing costs while the Council's cash balance can absorb this internal borrowing. It can be confirmed that during the half year ended 20 September, 2021 the Council has operated within the treasury and prudential indicators set out in its Treasury Management Strategy Statement for 2021/22 and no difficulties are envisaged in complying with these indicators for the remainder of the year.

Points of discussion by the Committee were as follows –

- **The pace of expenditure on the capital programme with the capital spend needing to be significantly accelerated in the second half of the year if the**

capital programme is to be fulfilled and the expenditure profile realised. The Committee was advised that a number of factors can impact on the delivery of the capital programme in any year with the Covid 19 pandemic and a shortage of labour and materials having affected many of the current year's schemes. A delay in reaching a decision on the reorganisation of the primary education provision in the Llangefni area also affected the progress of the 21st Century Schools Programme leading to a significant underspend. The Council may also be overly optimistic about its capital programme delivery. At the suggestion of the Finance Scrutiny Panel and in order to improve capital planning and delivery, it is intended to bring the capital programme approval process forward to January so that contracts can be finalised sooner allowing work on schemes to be phased over the summer months thereby reducing the likelihood of slippage due to poor weather conditions. With regard to benchmarking capital delivery performance with that of other authorities, whilst differences in scale and capacity make a meaningful comparison difficult the Service could seek out similarly sized authorities to draw a comparison with. As regards having schemes at the ready that can be brought forward quickly to maximise expenditure the capital programme and budget need to be approved by the Executive; additional schemes or amendments to existing schemes would only be incorporated in the capital programme at the approval of the Executive.

It was resolved to accept and to note the TM mid-year review report 2021/22 without further comment.

6. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL: ANNUAL AUDIT SUMMARY

Mr Alan Hughes, Audit Wales Performance Audit Lead advised that a copy of the 2020 Annual Audit Summary had been sent through for publication in error for which he apologised. As there is one authority in which the accounts completion process remains unfinished Audit Wales is not able to provide fully comparative information hence the unavailability at this time of the 2021 Audit Summary. The outstanding set of accounts has now been received and every effort will be made to issue the 2021 Audit Summary at the earliest opportunity.

7. EXTERNAL AUDIT: AUDIT WALES WORK PROGRAMME AND TIMETABLE: IOACC QUARTERLY UPDATE SEPTEMBER, 2021

The report of External Audit incorporating the Audit Wales Work Programme and Timetable updated as at 30 September 2021 was presented for the Committee's information. The programme outlined the publication timetable and current status of financial and performance audit work along with Local Government national studies and Audit Wales national reports both planned and in progress. Reference was also made to other regulatory work to be carried out by Estyn and Care Inspectorate Wales.

It was resolved to note the information and schedule presented.

8. EXTERNAL AUDIT: STUDENT FINANCES (FOR INFORMATION)

The report of External Audit with regard to Student Finances was presented for the Committee's information. The report explained how the system of student finances works for Welsh students and considered how the Welsh Government oversees the system making three recommendations for improvement in connection with performance monitoring, sustainable development and succession planning and resilience.

Points of discussion by the Committee were as follows –

- **Given that Welsh Government pays the Student Loan Company over £20m a year to administer student finances and given also that the evaluation of SLC's performance is mixed, did Audit Wales consider that the work should not be outsourced or alternatively whether it should be delivered by another company?** Mr Alan Hughes, Audit Wales Performance Audit Lead advised that one of the recommendations made in the report by Audit Wales is that Welsh Government should periodically review the value for money offered by the arrangement and consequently should consider whether the model of administration remains sustainable in the long-term and is one that it wishes to continue with.

It was resolved to note the report for information purposes.

9. LOCAL CODE OF GOVERNANCE

The report of the Head of Profession (HR) and Transformation incorporating the Council's Local Code of Governance draft was presented for the Committee's consideration. The Code sets out the Council's approach to delivering good governance and has been prepared in accordance with the core and supporting principles contained within CIPFA/Solace 2016 Framework for Delivering Good Governance in Local Government.

The Programme, Business Planning and Performance Manager referred to the seven principles of good governance as agreed by CIPFA and Solace and on which the draft Code is based. The Code is underpinned by these principles and consists of a framework of policies and procedures, culture and values by which the Council is directed and controlled and which provide a source of assurance and evidence that those principles are being complied with. It is envisaged that the Code will be presented to the Committee annually for review and to provide assurance that the Council's governance arrangements remain robust and fit for purpose and have been implemented and applied effectively to all aspects of the Council's business.

It was resolved –

- **To approve the draft Local Code of Governance.**
- **That the Committee's members if they so wish be invited to offer minor amendments to the Code of Governance draft before it is adopted by the Isle of Anglesey County Council in March, 2022.**

10. NATIONAL REVIEWS AND RELATED RECOMMENDATIONS

The report of the Head of Profession (HR) and Transformation setting out how the Council has responded to national reviews and their related recommendations was presented for the Committee's consideration. The report seeks to provide assurance that the recommendations attached to national reports have been given due consideration by the County Council's services and that those specifically relevant to the Council are being implemented in a meaningful way.

The Programme, Business Planning and Performance Manager reported that in order to demonstrate good governance and in response to the letter to the Chair of the Committee by the Director General of Audit Wales which was presented to the Committee at its September, 2021 meeting, the report above shows the Council's position against the various related areas of work. The report recognises 15 national reports and associated recommendations which will be updated annually for the Committee's attention. These recommendations affect wide range of Council services as listed in the report. It is envisaged that subject to the Committee's agreement the update will be presented annually to the Committee at its Quarter 3 meeting.

Point of discussion by the Committee –

- **With regard to the National Fraud Initiative in Wales 2018-20 given the last exercise did not identify any frauds, whether that still remains the case.** The Head of Audit and Risk advised that although the work undertaken to date on the first tranche of the NFI 2020/21 matches which were released in January 2021 has not identified any frauds as previously confirmed, some weaknesses in process have been highlighted specifically with regard to procurement which is why a review of the Council's vulnerability to procurement fraud is being carried out which will report early in 2022. A full update on the findings of the NFI data matching exercise will be included in the 2021/22 Annual Fraud Report.

It was resolved –

- **To accept the update as a record of the County Council's annual update against the related recommendations.**
- **To agree that in future updates of this kind be scheduled annually for the attention of the Committee in Quarter 3 of the financial year.**

11. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk which updated the Committee on the work of the Internal Audit section as at 1 December, 2021 was presented for consideration. The report outlined the audits completed since the previous update in September, 2021, the current workload of Internal Audit and its priorities for the short to medium term.

The Head of Audit and Risk highlighted the four audit reports finalised in the period, two of which – Investment in Assets and Gypsies and Travellers Accommodation resulted in a Reasonable Assurance opinion with no issues being raised. The review of Council Sundry Debts recovery and the Impact of Covid-19 produced a Limited Assurance opinion and eight issues/risks requiring management action of high to moderate impact were raised. An action plan to address those issues has been agreed with management and a timeline of 20 June, 2022 has been set. In addition, the Director of Function (Resources)/ Section 151 Officer has commissioned a consultant to address the issues and risks raised in the Action Plan and a project with milestones has been developed and agreed with the consultant. The fourth audit report completed relates to an investigation in relation to procurement activity within Property Services details of which are provided in paragraph 12 to 15 of the report. The three audits noted in the table at paragraph 16 of the report are in progress and work is also ongoing on investigating the matches set out in paragraph 18 of the report in connection with the National Fraud Initiative. As at 1 December, 2021 there were 14 overdue actions (6 major and 8 moderate) which relate to issues/risks raised in the six audits listed at paragraph 22 of the report. Internal Audit is working with the services to provide support with implementing the actions. Internal Audit's short to medium term priorities along with its longer term priorities are set out in paragraphs 25 to 28 of the report.

Points raised in discussion by the Committee were as follows –

- **Clarification of the technical issues noted as having affected monitoring of service performance and collection rates with regard to recovering sundry debts.** The Committee was advised that a lack of alignment between systems and reporting processes was identified which makes monitoring performance more difficult. Additionally, the resources in terms of time and personnel to develop business process systems in a way that meets the needs of the business are not available because staff are fully committed in keeping the business running on a day

to day basis. Hence the engagement of a consultant who will undertake the systems review and work with staff to implement any recommended changes. *It was requested and agreed that the Committee should be updated on the project's progress at its April, 2022 meeting.*

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

12. INTERNAL AUDIT CHARTER

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

The Head of Audit and Risk confirmed that she had reviewed the Internal Audit Charter to ensure continued appropriateness and had not identified any significant changes.

It was resolved to note the review and to approve the continued appropriateness of the Internal Audit Charter.

13. UPDATED FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the Committee's updated Forward Work Programme was presented for consideration and endorsement. The Committee was advised that the FWP had been further amended to reflect management requests due to workload and other factors and the inclusion of the extraordinary meeting held to consider the finalised Statement of Accounts and Annual Governance Statement.

It was resolved to note the minor amendments to the approved Forward Work Programme for 2021/22.

**Mr Dilwyn Evans
(Chair)**