

# GOVERNANCE AND AUDIT COMMITTEE

## Minutes of the virtual meeting held on 29 June 2022

- PRESENT:** Mr Dilwyn Evans (Chair) (Lay-Member)  
Councillor Euryrn Morris (Deputy Chair)
- Councillors Geraint Bebb, Neville Evans, Dyfed W Jones, Dafydd Roberts, Keith Roberts, Liz Wood.
- Lay Members – Mr William Parry, Mrs Sharon Warnes, Mr Michael Wilson.
- IN ATTENDANCE:** Director of Function (Resources)/Section 151 Officer,  
Head of Audit & Risk (MP),  
Principal Auditor (NW),  
Committee Officer (MEH).
- APOLOGIES:** Head of Housing Services.
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance, Corporate Business and Customer Experience,  
Bethan Owen (Accountancy Services Manager), Andrew Lewis (Senior Internal Auditor), Nia Rogers (Senior Internal Auditor).
- Mr Alan Hughes (Audit Wales), Ms Yvonne Thomas (Audit Wales),  
Mr Gareth Evans (Audit Wales).

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The Chair welcomed the Members of the Committee to the first meeting of the Governance and Audit Committee following the local government elections held in May. He welcomed the new Lay-Members also to the Committee.

### 1 DECLARATION OF INTEREST

None received.

### 2 MINUTES OF THE PREVIOUS MEETING

The minutes of the following previous meetings were presented and were confirmed as correct:-

- Minutes of the meeting held on 19 April, 2022.
- Minutes of the meeting held on 31 May, 2022.

#### ***Matters arising from the minutes of the meeting held on 19 April, 2022 :-***

- Item 4 – Governance and Audit Committee Self-Assessment of Good Practice

The Chair sought clarification as to reference made as the Governance and Audit Committee would benefit from having a dedicated Democratic Services Officer assigned to it. He noted that the Interim Head of Democratic Services confirmed at the meeting that he would discuss the requirements with the Head of Audit & Risk and would review the existing position and capacity within Democratic Services to be able to provide the service. The Director of Function (Resources)/Section 151 Officer responded that discussions have been undertaken as regards to this matter and as the post of Head of Democratic Services is currently being advertised it

would be appropriate to await the outcome of the recruitment process and thereafter discussions to be undertaken to be able to have a dedicated Democratic Services Officer assigned to this Committee.

### **3 ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE 2020/21 - CHAIR'S REPORT**

The Annual Report on the Governance and Audit Committee 2020/2021 – Chair's report was presented for the Committee's consideration.

The Head of Audit & Risk reported that the Governance and Audit Committee is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong financial management and to provide 'those charged with governance' independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. CIPFA guidance states that audit committees should report regularly on their work to 'those charged with governance', and at least annually report an assessment of their performance. The Annual Report will be submitted to the full Council at its meeting to be held on 13 September, 2022 for information. She noted that the composition of the Committee has been changed with a third of the Committee being Lay-Members and the Chair having to be a Lay-Member. The composition and arrangements section of the report refers to the Committee's Terms of Reference and the items that the Committee have discussed in accordance with the requirements of the Council's Constitution. She referred to Page 8 of the report – Treasury Management and it highlights the reports that the Governance and Audit Committee have received from the Director of Function (Resources)/Section 151 Officer so as to discharge its function as part of the Terms of Reference of the Committee. The Annual Report highlights the subject matter of reports submitted by the Director of Function (Resources)/Section 151 Officer and the questions asked by the Committee and the response thereafter received by the Officer and whether the Committee has resolved to accept the reports.

The Head of Audit & Risk further reported that the Governance and Audit Committee is required to meet a minimum of four times per year. The Committee met formally (virtual meetings) on nine occasions which included three special meetings to consider the draft and final Statement of Accounts 2020/2021 and the report of External Audit on the Financial Statements (ISA 260 Report). The membership and attendance at meetings during 2021/2022 are attached within Appendix A of the report. Members of the Committee received training on new legislation, professional guidance and research and the attendance can be seen at Appendix B of the report. The Members of the Governance and Audit Committee will be asked to complete a self-assessment of their knowledge and skills which will assist in developing a training programme for training and development needs of the Members of the Committee. A wide range of courses are available for the Committee with some courses mandatory in accordance with the responsibility of the Members of the Committee i.e. Treasury Management Training, GDPR. She noted that discussion will be undertaken during the summer with the Chair as to the training sessions that he considers mandatory for the Committee.

In response to a question raised by the Committee as to whether this Committee has to assess the efficiency/effectiveness on the impact it has within the Council and it would be good practise to keep evidence over the year when the Committee has made comments, propose suggestions or request that an item be scrutinise so that it can be included in the Annual Report. The Head of Audit & Risk responded that the minutes of the Committee are an excellent source to monitor the actions discussed at the meeting and recommendations taken. The actions taken by the Committee is incorporated within an 'action tracking system' and the self-assessment process will be forwarded across the services of the Council and stakeholders who rely on the work of the Committee (this process will be undertaken during the summer).

In response to a question raised that there is a statutory duty that the Committee is required to meet a minimum of four times per year but due to the workload of the Committee it was considered that meetings would be overloaded and the Committee met a total of 9 times in 2021/22. The Head of Audit & Risk responded that the Forward Work Programme at Item 9 of the Agenda will give an opportunity for the Committee to review the frequency of the meeting if they consider that there are too many items on the Agenda and another meeting can be arranged.

**It was RESOLVED to endorse the Annual Report of the Governance and Audit Committee for 2021/2022 prior to its submission to the meeting of the full County Council on 13 September, 2022.**

#### **4 INTERNAL AUDIT ANNUAL REPORT 2021/22**

Submitted – the report of the Head of Audit & Risk in respect of the above.

The Annual Report of the Internal Audit Service for 2021/22 was presented for the Committee's consideration. The report outlined the Internal Audit work carried out during the year ended 31 March, 2022 based on which the Head of Audit and Risk gave her overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control during the year which also informs the Council's Annual Governance Statement.

The Head of Audit & Risk highlighted the work undertaken by Internal Audit and referred to the audits of the Strategic Risk Register which monitors the comprehensive review of the Council's risks to achieve its corporate priorities. During 2021/2022 13 risks were rated as having a red or amber residual risk rating and were recorded in a strategic risk register. Other Audit work undertaken include concerns raised by the Director of Function (Resources)/Section 151 Officer, Chief Executive and Senior Leadership Team. Overall, the Audit Section were able to provide 'Reasonable' assurance or above for 67% (78% in 2020/2021) of audits undertaken during 2021/2022. Six audits (25%) received 'Limited' assurance during the year, compared to five (25%) in 2020/2021. The 'Limited' assurance reports are submitted to the Governance and Audit Committee together with the Action Plan which highlights the intentions of management to manage the risks that Audit has raised and the Committee will have an opportunity to question the relevant service where 'Limited' assurance has been provided. She further said that no audits received 'No' assurance and no 'Critical' (red) 'issues/risks' were raised during the year. The Head of Audit & Risk referred to the modern approach which is to raise 'Issues/Risks' rather than make recommendations which allows the Services to manage their own risks and resolve issues. She referred to the 'Current and Overdue Actions' at page 10 of the report and noted that the Audit Section monitor all actions and pursues them with management when they become due to ensure that they have effectively been addressed. As can be seen on the chart at page 12 of the report, management has addressed 94% (90% in 2020/21) of 'Issues/Risks' raised. Occasionally target dates are extended for some actions, but only if the service can demonstrate a legitimate reason for the extension. Due to the Covid-19 emergency, several target deadlines were extended for services whose priority over the last two years has clearly been focused on responding to the pandemic.

The Head of Audit & Risk further reported that there were no issues which are of significant high risk that warrant inclusion in the Annual Governance Statement and during 2021/2022 it was found that senior management were supportive and responsive to the issues raised. She further referred to a self-assessment review of good practice of the Governance and Audit Committee, which was undertaken in March 2020 by a Panel consisting of the Chair and Vice-Chair of the Committee, a Lay Member and the Principal Auditor. It provided a high level review that incorporated the key principles set out in the CIPFA's Position Statement and the associated guidance. The self-assessment concluded that the Governance and Audit Committee had a high degree of performance against the good practice principles. She further referred that there were 3 improvement areas identified i.e. Self-assessment with wider stakeholders, self-assessment of the Members training needs and the added support by Democratic Services to the Governance and Audit Committee.

A quality assurance and improvement programme has been put in place to ensure continuous improvement to the internal audit service. In April 2021, the Governance and Audit Committee agreed a number of performance targets within the Strategy for 2021/2022 which could be seen at page 15 of the report. Normally the Internal Audit would benchmark its performance against 22 members of the Welsh Chief Auditors Group, but due to the pandemic, benchmarking was cancelled for a second year. All current members of the Internal Audit team are professionally qualified, which includes CIPFA, CIIA, IRRV and ACFTech and the service has invested to ensure staff continue their professional development. She further said that the Public Sector Internal Audit Standards require internal audit services to have an external quality assessment every five years. The next assessment will be undertaken during the summer and arrangements are being progressed with the Welsh Chief Auditors Group for a peer review by Flintshire County Council. The Head of Audit and

Risk further highlighted the challenges and opportunities within Internal Audit and considered that achieving required trained internal auditors supported by a modern approach and professional standards is key. Staff turnover has created a challenge to ensuring there are sufficiently experienced auditors to complete more complex work, as well as to provide coaching and support to new staff members.

In response to a question raised as to the ability of Internal Audit being able to move a target date with regards to statutory target audit dates, the Head of Audit & Risk responded that it has been fortunate that no statutory target audit dates have been overdue and have been resolved within the target dates.

In response to a question as regards to the recruitment and retention of staff and remote working. The Head of Audit & Risk responded that there is a UK recruitment crisis at present, however, remote working can be an advantage to enable to recruit staff. She noted that 5 risks have been raised for management to address, including workforce development planning and the Senior Leadership Team reviewing the recruitment data to form a view as to the problem with posts having to be re-advertised on numerous occasions. The Human Resources Department has recently recruited a Marketing and Recruitment Officer to work on the recruitment of staff to the Council.

### **Internal Audit Limited Assurance Reports**

- **The Administration of Teachers' Pensions**

The Head of Audit & Risk reported that following complaints of gaps in some retired teachers' pensionable service records, the Director of Function (Resources)/Section 151 Officer requested Internal Audit to review the process of submitting pension contribution and service information to the Teachers' Pensions Scheme (TPS). The view of Internal Audit was that in the majority of instances, the Council pays the correct pension contribution deducted from member's salaries to the TPS. The issue is not isolated to the Isle of Anglesey County Council, a number of press articles highlight advice given by teachers' unions for their members to check their service information with the TPS. A review of the report submitted to TPS containing pensionable service information concluded that it does not consistently extract data from the payroll system. The UK Government's Department of Education is the scheme manager of the TPS and administers the Scheme on behalf of England and Wales. The TPS is replacing the MDC process with the Monthly Contributions Reconciliation (MCR) data collection process and will be the new method of submitting service, salary and contribution information to the TPS. A report on the new system will be hopefully submitted to the September meeting of this Committee. An Action Plan was included within the report.

The Director of Function (Resources)/Section 151 Officer reported that he requested the Internal Audit to review the Teacher's Pensions records system as some of the pensions records were incorrect and it was evident that problems seemed to occur with software as regards to their service records. The Internal Audit has confirmed that there are inconsistencies within the Authority's payroll system with data produced each month. The Council has been trialling the TPS's new Monthly Contributions Reconciliation process since October 2021 but it seems there are still irregularities within the system. The software provider is currently investigating the problems at present. He further said that teachers have been advised to regularly check their pension records on a regular basis and to report any irregularities to the Council.

Members of the Committee raised the following:-

- The UK Government is intending to introduce a Pensions Dash Board for people to be able to view their pension details. Questions were raised whether the Council is putting in place a procedure where the Pensions Dash Board can be monitored. The Director of Function (Resources)/Section 151 Officer reported that the Council's employees are within the Local Government Pensions Scheme (LGPS) which is administered by Gwynedd Council and the Teachers Pensions Scheme administered by the Teachers Pensions Agency. Employees in both schemes can access their pension records through the pension portals for their relevant schemes whether they are employed or since left the employment of the Council. The

LGPS scheme is working well but since access to the employees has been afforded to the Teachers Pensions it has become apparent that some issues have arisen.

- **The Council's arrangements for the provision of suitable housing**

The Head of Audit & Risk reported that the review of the Council's arrangements for the provision of suitable housing provide reasonable assurance that an effective framework is in place to manage the risk of a lack of suitable housing that local residents can afford in their communities. However, there are opportunities for strengthening this framework by reviewing the take up of Discretionary Housing Payments and developing a strategy for acquiring land.

The Director of Function (Resources)/Section 151 Officer referred to an amendment to the Table referring to the Discretionary Housing Payments for 2021/2022 which should read £192,793 (80% of the allocation spent).

- **Recruitment and Retention**

The Head of Audit & Risk reported that there is reasonable assurance that the Council, within the scope of its control, has adequate arrangements in place to be able to recruit and develop staff with appropriate skills to deliver efficient and effective services. However, the effects of a UK-wide recruitment crisis are inevitably having an impact on the Council's ability to recruit staff. Internal Audit has identified some areas for improvement in respect of regular analysis and reporting to the Senior Leadership of recruitment data, workforce development planning and job advertising, which is considered would help to strengthen current arrangements.

## **5 INTERNAL AUDIT STRATEGY 2022/2023**

Submitted - the Internal Audit Strategy 2022/2023.

The Head of Audit & Risk reported that the Public Sector Internal Audit Standards (PSIAS) requires the Head of Internal Audit & Risk to establish a risk-based strategy to determine the priorities of the internal audit activity, consistent with the Council's goals. In prioritising the finite resource, sufficient work needs to be undertaken to enable the Head of Audit & Risk to deliver an annual internal audit opinion for the Council to inform its Annual Governance Statement. The Strategic Risk Register is used to determine the priorities for internal audit activity and in addition, discussions are undertaken with the Senior Leadership Team and Heads of Service to discuss their views on the proposed areas for review and their areas of concerns. In keeping the priorities under review, as necessary, adjusting them in response to changes in the Council's business, risks, operations and programmes to ensure that they remain relevant. To ensure that the Internal Audit is concentrating on what matters most to the Council, the majority of the work focuses on reviewing the red and amber residual risks on the strategic risk register. Currently, the strategic risk register includes five risks where the Council has assessed both the inherent and residual risk as red as can be seen within the report. Having exhausted the technical capabilities in IT, the IT Auditors of Salford City Council have been commissioned to undertake a programme of work to provide the Council with the assurance that its IT vulnerabilities are being effectively managed. During 2021/22, apart from supporting the Welsh Government with its National Fraud Initiative, undertaking reactive investigations and conducting a review of fraud and corruption in procurement, the counter fraud programme was reduced due to capacity issues. Plans had included delivering training and an eLearning package to raise awareness and to proactively identify fraud in the organisation. The Head of Internal Audit & Risk further referred to the Administration of Teachers' Pensions review which followed complaints of gaps in some teachers' pensionable service records which was discussed, in detail, within the previous item. She noted that it has been decided to audit the administration of the Local Government Pensions Scheme as well.

The Head of Audit & Risk referred to the 'Unofficial School Funds' which are funds outside the delegated budget of the schools and the Internal Audit continue to support the Director of Education, Skills and Young People to provide assurance that income and expenditure within unofficial school funds are properly accounted for and the governance arrangements are appropriate. This will involve further feedback and training to Head Teachers, and the quality assurance of school fund

audit certificates. Discussions have been undertaken with the Director of Education, Skills and Young People that financial management in Schools would benefit from closer review. Continued monitoring of the creditors system to analyse data in respect of duplicate payments and fraud. She further said that Outstanding Work from 2021/2022 will be undertaken as regards to : Council Tax and Non-domestic Rates Refunds; Gas Safety Inspection; Adult Social Care Finance and Grant Funding. She emphasised that the Strategic Risk Register is the priority of Internal Audit & Risk and she referred to Appendix A of the report which highlight the Red and Amber Residual Risks.

She further referred to the Performance Measures which are more difficult to monitor when applying risk-based internal audit which involves monitoring progress against a plan that is constantly changing. A Quality Assurance and Improvement Programme has been put in place to ensure continuous improvement of the internal audit service. A reduced and streamlined suite of performance measures have been adopted to determine the effectiveness of the work which was shown at Table on Page 15 of the report.

In response to a question raised as to the meaning of Financial Resilience in the Council and especially due to rising energy prices and materials the Head of Audit & Risk said that in 2019/2020 Internal Audit carried out work to benchmark the CIPFA Financial Code of Practice which has six principles with which the Council must comply. She noted that the key question for the audit in respect of Financial Resilience in the Council will be 'whether the Council has adequate arrangements in place to manage the implications in real term funding reductions to ensure that the Council continue to ensures that it continues to achieve its priorities and delivers quality services' and this will be the focus of the work with the Finance Department. The Director of Function (Resources)/Section 151 Officer said the focus of the work for Internal Audit will be how the Council will plan ahead for the future. He said that assessing the needs of the services afforded by the Council is unpredictable and especially with the increase in inflation.

**It was RESOLVED that the Governance and Audit Committee considers that the Internal Audit Strategy for 2022/2023 fulfils the Council's assurance needs.**

## **6 EXTERNAL AUDIT: 2022 AUDIT PLAN – ISLE OF ANGLESEY COUNTY COUNCIL**

The External Audit report incorporating the proposed Audit Plan for the 2022 audit year was presented for the Committee's consideration. The Plan set out the work proposed to be undertaken in relation to the financial audit, the performance audit programme for the year along with the programme of grant certification work and audit reporting timetable.

Ms Yvonne Thomas, Audit Wales Financial Audit Manager reported that the impact of Covid-19 pandemic still has an unprecedented impact on the work of public sector organisations and timescale of work may need to be reviewed. External Audit will issue a certificate and report on the Audit of financial statements. She referred to the risks as can be seen in Table at Page 6 of the report. She further noted that the fee as set out in the Fee Scheme is estimated to increase by 3.6%.

Mr Alan Hughes, Performance Audit Lead for Audit Wales referred to the table at Page 10 of the report in respect of performance audit programme for 2022/2023. He referred to the Assurance and Risk Assessment and noted that the 4 project areas that focus will be undertaken on Anglesey will be: Financial position; Capital Programme Management; Use of performance information – with a focus on service user feedback and outcomes and Setting of well-being objectives. Thematic review – unscheduled care and noted that it is intended to undertake a cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Isle of Anglesey County Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions. Mr Alan Hughes further said that a Local Review will be undertaken into the planning service.

In response to a question with regards to an update on the 'Audit Risk' with regard to the Council having advised that they will streamline the 2020/21 Statement of Accounts, Mr Gareth Evans, Audit Lead (Financial Audit) responded that it is up to the individual Council's as to what they include in their Financial Statements. He noted that streamlining the accounts can lead to high quality and can be easier to understand. The Council has advised that they have implemented measures to improve the quality of the draft statement of accounts and supporting papers. The impact of the

effectiveness of these measures will not be known until the information is submitted for audit later in the year and regular meetings will be undertaken with the Senior Manager within the Finance Department. Mr Evans further said that an Update Report on the Draft Accounts will be submitted to next meeting of this Committee. The Director of Function (Resources)/Section 151 Officer reported that the recommendations submitted by Audit Wales were considered and measures have been undertaken to improve the Statement of Accounts. He noted during the training sessions arranged for the Committee as regards to the Statement of Accounts he will highlight the reasons why some notes are included within the Accounts.

**It was resolved to accept the 2022 External Audit Plan and to note its contents.**

**7 EXTERNAL AUDIT : AUDIT WALES PROGRAMME AND TIMETABLE - ISLE OF ANGLESEY COUNTY COUNCIL**

The report of External Audit incorporating the Audit Wales Work Programme and Timetable updated as at 31 March, 2022 was presented for the Committee for 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.

It was **RESOLVED to note the quarterly update on the Audit Wales Programme and Timetable as at 31 March, 2022.**

**8 ISLE OF ANGLESEY COUNTY COUNCIL - HOUSING BENEFIT SUBSIDY**

The report of the External Audit incorporating the Audit Wales recommendations with regards to the Housing Benefit Subsidy was presented to the Committee for consideration.

The Director of Function (Resources)/Section 151 Officer reported that four elements of the Housing Benefit Subsidy need to be addressed as was outlined in the correspondence submitted to the Committee. He noted that recruiting issues have been faced by the Benefits Section and difficulties brought about by staff having to work from home. In addition, it has been extremely difficult to identify additional agency staff, with the necessary experience, and who are familiar with the Northgate system, to undertake the work for Anglesey in the short term. The Director of Function (Resources)/Section 151 Officer further said that the Council will concentrate on reviewing errors and putting in place a training programme for staff and targeted training to address the specific errors identified and the restructuring of the Benefits Team is currently being undertaken. He further noted that discussions have been undertaken with Audit Wales that the outstanding work on the year 2019/2020 is to be completed by the Summer 2022; 2020/21 outstanding work to be completed by November/December 2022 and 2021/22 outstanding work to be completed by early 2023. It is hoped that once the current backlog has been cleared, the process of dealing with the Housing Benefit Subsidy will be dealt with in a timely way with a reduction in the level of audit testing required.

The Chair said that an update report should be provided to the Committee on a quarterly basis in respect of the Housing Benefit Subsidy. Mr Alan Hughes, Performance Audit Lead for Audit Wales said that the Wales Audit Quarterly Update Report to the Committee will list the individual claims that are outstanding which will inform the Committee of the progress during the year.

It was **RESOLVED to accept the recommendations of the Wales Audit.**

**9 REVIEW OF FORWARD WORK PROGRAMME**

The report of the Head of Audit and Risk incorporating the review of the Forward Work Programme for 2022-23 was presented for the Committee's consideration.

The Head of Audit and Risk reported that the programme has been developed having had regard of the Committee's new responsibilities as a result of the Local Government and Elections (Wales) Act 2021 and the consequent amendments to the Committee's Terms of Reference. Members of the Committee considered that the workload of the September 2022 meeting is extensive and it was suggested that an additional meeting be convened between

October/November, 2022. It was also considered that the Training Sessions arranged to discuss specific items needs to be incorporated into the Forward Work Programme.

**It was RESOLVED :-**

- **to accept the Indicative Forward Work Programme proposed for 2022/23 as meeting the Committee's new responsibilities in accordance with the Committee's amended Terms of Reference;**
- **that an additional meeting be incorporated into the Forward Work Programme for October/November, 2022.**
- **that the Training Sessions arranged be incorporated into the Forward Work Programme.**

**MR DILWYN EVANS  
CHAIR**