

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the hybrid meeting held on 29 June, 2023

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)
Councillor Euryrn Morris (Deputy Chair) (present for part of the meeting)
- Councillors Geraint Bebb, Trefor Lloyd Hughes, MBE, Keith Roberts, Margaret M. Roberts,
- Lay Members: Sharon Warnes, Michael Wilson
- IN ATTENDANCE:** Director of Function (Resources) and Section 151 Officer
Head of Audit and Risk
Head of Profession (HR) and Transformation
Principal Auditor (NW)
Risk and Insurance Manager (JJ)
Programme, Business Planning and Performance Manager (for items 3 and 4)
Climate Change Manager (for item 3)
Committee Officer (ATH)
Webcasting Officer (FT)
- APOLOGIES:** Councillors Dyfed Wyn Jones, Ieuan Williams
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance),
Councillor Neville Evans (Portfolio Member for Leisure, Tourism and Maritime), Yvonne Thomas (Financial Audit Manager – Audit Wales), Bethan H. Owen (Accountancy Services Manager), Andrew Lewis (Senior Auditor), Bryn Owen (Senior Auditor)

The Chair welcomed Councillor Trefor Lloyd Hughes, MBE to the meeting as a new member of the Governance and Audit Committee and he extended the welcome also to Councillor Ieuan Williams as another new member who was unable to be present due to a prior personal commitment.

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 confirmed as correct –

- 18 April, 2023
- 23 May, 2023

Arising on the minutes of the 23 May, 2023 meeting – Mr Mike Wilson clarified that he had attended the meeting remotely but had problems with maintaining the Zoom connection.

3. CLIMATE CHANGE UPDATE

The Climate Change Manager and Programme, Business Planning and Performance Manager provided an update on the Council's progress towards achieving its net zero target following the submission of documentation by Audit Wales and Zurich Municipal on the climate change response to the Governance and Audit Committee's December, 2022 meeting. It was reported at that time that one of the Council's priorities was to create a carbon emissions baseline to understand the Council's current position together with a dashboard to provide a visual representation of progress being made which can be updated and monitored accordingly.

The Committee was shown a visual copy of the carbon emissions dashboard which is based on data the Council submits to Welsh Government annually as part of the public sector reporting requirements. The report was divided into three scopes with Scope 1 covering emissions that the reporting organisation makes directly, Scope 2 the emissions that are made indirectly and Scope 3 all indirect emissions not included in Scope 2. For the first part of the project the Council has looked at Scope 1 and 2. A dashboard was created which links directly to the data, the data is then processed by Power BI to give a summary based on the reporting criteria set out by Welsh Government. This provides a visual picture of the current internal situation for the purpose of further analysis, enquiry and to ensure meaningful implementation. The dashboard focuses on the carbon emissions generated by the fuel combusted in the Council's facilities from the perspective of electricity, gas, LPG and oil usage for the three years from 2019/20 through to 2021/22. The data shows that the Council's primary schools are the biggest energy users, followed by the secondary schools, leisure centres and the main Council offices. It has also been possible to evidence a reduction in carbon emissions as a result of travelling over those years with the pandemic having an impact. Additionally, the emissions data can be analysed to look at the breakdown of emissions from energy use in individual establishments. This process needs to be developed further to update the dataset on a regular basis the aim being to produce quarterly updates for the Leadership Team and to undertake case studies. It is also the intention in the next year to integrate Scope 3 into the dashboard which covers indirect emission sources including supply chains, employee commuting and business travel as well as examining data sources with a view to automating the data collection process thereby making it a less onerous task.

The Committee thanked the Officers for the update and raised the following points with regard to the information presented –

- How the carbon emissions data can be used meaningfully in relation to individual buildings. Reference was made to the existing stock of school buildings which comprises new schools which are energy efficient, as well as schools constructed in the last century which have poor energy efficiency and are expensive to run which makes comparison difficult.

The Committee was advised that emissions from all buildings be they schools, homes or offices are dependent on how much energy is used and members were provided with a brief outline of the methodology used for emissions calculations based on energy usage. The aim is to be able to evidence the difference which energy efficient buildings such as the new extension to Ysgol y Graig (making it the first operationally net zero carbon school on Anglesey), make in terms of reducing and/or eliminating carbon emissions. The availability of good data means that questions can be posed and comparisons made in a

way that was not previously possible and is an essential tool in enabling progress to be measured in reducing carbon emissions.

- The impact of energy efficient measures such as the installation of solar panels on energy consumption and subsequently on the emissions data.

The Committee was advised that energy produced by solar panels will be reflected in the data but that the system needs refining to be able to show the exact amount generated by this source so as to evidence the impact of solar panels on a building's energy use. As quarterly reporting becomes routine it is anticipated that it will be possible to obtain the evidence to demonstrate the benefits of solar energy and other such measures in terms of reducing energy usage and carbon emissions.

- Whether new Council buildings are net zero and if so, how are their effectiveness measured.

The Committee was advised that the Ysgol y Graig new extension will be an operational net zero building and as such will not produce any carbon emissions when in use. This will be evidenced by measuring energy use and the amount of carbon emissions removed from the atmosphere as a result of the building. Technology embedded within the building ensures the lowest possible energy use from the grid. New housing developments by the Housing Service are constructed to EPCA and/or Passive House standards and their effectiveness is assessed by meter readings from the use of the buildings.

- It was confirmed that the Committee would be provided with annual updates on the progress towards net zero so that the Members can be shown the positive effects of the investments made and the developments that have taken place in that time.

It was resolved to note the information presented.

4. ISLE OF ANGLESEY COUNTY COUNCIL ANNUAL SELF-ASSESSMENT

The report of the Head of Profession (HR) and Transformation incorporating the Corporate Self-Assessment 2022/23 was presented for the Committee's consideration.

The Head of Profession (HR) and Transformation presented the report as the second self-assessment undertaken by the Council following the adoption of its first in September, 2022 in accordance with the requirements of the Local Government and Elections (Wales) Act 2021. The report evidences the output of the Council's corporate planning and performance management framework and is the end of a process that brings together several different aspects. During its discussion of the progression of the self-assessment improvement actions for 2022 the Corporate Scrutiny Committee supported the proposal that certain improvement actions that had not been completed during the year should be continued into the 2022/23 draft report. The Full Council at its meeting held on 23 May, 2023 adopted the report as presented as a working draft.

The Programme, Business Planning and Performance Manager advised that the report provides an evidential basis of how the Council has performed in 2022/23 using its available resources whilst managing and mitigating associated risks. Based on the evidence provided by service performance reviews, performance reports, external reviews, stakeholder engagement and the Annual Governance Statement, the Council assesses its overall performance, use of resources and risk management as Good. Also provided is the Council's Service Position Statement 2023 which reflects the response of each service against the categories of evidence for 2022/23 as noted.

Despite the evaluation of the Council's performance as good, it recognises that there are areas in which it can do better and those have been identified and are as listed within the document. All improvement actions are expected to be completed by the end of March, 2024.

In considering the self-assessment report, the Committee made the following comments and suggestions –

- Including comparative information about the previous year's performance e.g. where a service in the position statement has assessed its performance as Adequate against a particular category does that represent a decline in performance on that of the previous year? Comparing this year's performance with that of the previous year would help highlight any issues and/or trend in performance.
- Providing examples to support and illustrate assertions about performance e.g. where it is stated that the Council is able to evidence that the customer experience is improving across a range of services an example or comment/quote to demonstrate the improvement in practice would be useful.
- Putting dates to Regulators' reports.
- Providing an explanation of all acronyms
- Including more quantitative data where that would help understanding e.g. where it says that staff attendance levels have been benchmarked to be amongst the best for local authorities a figure/percentage would show how good the attendance level is compared to other authorities.
- The Committee also sought assurance that the elements of the service position statement which had been self-assessed as "Adequate" are covered by the list of improvement actions to be implemented in 2023/24

In a separate query, the Committee sought clarification of the arrangements the Council has put in place to support staff recruitment.

The Head of Profession (HR) and Transformation confirmed that of the 18 authorities that have so far reported the Council remains at the fore for staff attendance. She further advised with regard to recruitment that additional capacity had been established to focus on recruitment. The employee benefits which the Council is able to offer have also been looked at to see whether they are marketed clearly enough. It is considered that the work put in is beginning to yield results, the retention rate stands at 8% compared with 10% the previous year and 14% as the average rate for local government. Significant investment has also been made in traineeships over the past year across a range of Council services and the Council continues to market the "Denu Talent" programme which is scheduled to run again next year and provides school-leavers with twelve weeks work experience within the Council and is an initiative which has attracted interest from further afield. The Council will continue to keep alert to challenges to recruitment and will seek to ensure that it remains as good an employer as it can be within the limitations of local government resources.

The Programme, Business Planning and Performance Manager confirmed that the Committee's comments would be presented with the draft Self-Assessment report to Full Council for approval in September, 2023 and if so approved would be incorporated within the finalised document.

Having reviewed the draft Self-Assessment, it was resolved that the Governance and Audit Committee agrees with the contents of the self-assessment report for 2022/23 subject to consideration being given to the comments and suggestions made as outlined.

5. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL OUTLINE AUDIT PLAN 2023

The report of Audit Wales incorporating the Outline Audit Plan 2023 for the Isle of Anglesey County Council was presented for the Committee's consideration.

Yvonne Thomas, Financial Audit Manager for Audit Wales provided an overview of the Outline Plan and advised that normally a detailed audit plan would be presented to the Committee at this time but because of changes to operations as a result of revisions to ISA 315 which have become effective for audits of financial statements from 2022/23 onwards, that has not been possible for this meeting. The changes to ISA315 mean that auditors are required to carry out significantly more work with regard to risk assessment in relation to the audit before reporting to the Committee. This year therefore Audit Wales will be issuing an outline audit plan which explains the Auditors' statutory responsibilities, details of the audit team and the audit timeline as well as a summary of the key changes to ISA315 and potential impact on the Council, which is the report presented to this meeting. A detailed plan confirming the audit fees and setting out the areas of risk identified and the audit approach to them as well as any other matters arising from the audit planning work will be issued to the Committee in July following completion of the planning work. The aim is to complete the audit of the financial statements from August onwards and to report the audit opinion to the Committee at the end of November, 2023. The timeline is challenging and the Committee will be kept informed of any changes should they arise.

The Performance Audit work involves four work streams in relation to the annual assurance and risk assessment, two thematic reviews, the one on commissioning and contract management and the other on financial sustainability in local government and a local project following up on WHQS 2018. The project briefings for the thematic reviews and WHQS follow up will be created this year with further details to follow. Outstanding work from the 2022/23 Performance Audit Programme will be completed before work on the four audit projects noted commences in September, 2023.

The Committee referred to the implications of the changes to ISA315 and noted that in assessing the risk of material misstatements auditors are likely to encounter a significant amount of immaterial misstatements which will add to the workload. The Committee queried how this would be managed in terms of time and staff resources.

Yvonne Thomas in reply advised that the focus remains on material misstatements. The effects of the changes mean that significantly more work will be undertaken in relation to risk assessment procedures but in order to identify the risk of material misstatements auditors will have to go through the process of identifying what is immaterial and to document why it has been assessed as such. While matters reported in the 2021/22 audit will also have to be assessed to establish whether they affect the 2022/23 accounts, consideration will be given to the mitigations the Council has put in place to address those matters for the 2022/23 accounts. The assessment of risk whether it be high, medium, or low must be supported by documentation. The changes to ISA315 therefore require more input by the auditors to document the assessment of risk and any consequent impact on the accounts. The Council may therefore be affected in terms of the number of enquiries made by the auditors at the planning stage. Should the risks be assessed as low then that might require less testing than previously. If the risks are assessed as high then more extensive testing will be necessary. The level of testing for the accounts work will only become apparent after the risk assessment has been completed. A new staff plan has been created to meet the need and is fully resourced and a recruitment process has also taken place and additional staff recruited for the North Wales cluster. Additionally, resources will be rebalanced between the clusters to ensure the completion of audits in a timely manner.

It was resolved to note the Outline Audit Plan and to thank the Financial Audit Manager for the report.

6. EXTERNAL AUDIT: AUDIT WALES WORK PROGRAMME AND TIMETABLE QUARTERLY UPDATE

The report of Audit Wales incorporating the quarterly update as at 31 March, 2023 on the progress of Audit Wales's work programme and timetable was presented for the Committee's consideration. Also included in the report was an update on the status of work by Estyn and Care Inspectorate Wales.

Yvonne Thomas, Financial Audit Manager referred specifically to the certification of the Housing Benefit Subsidy grant claim for 2020/21 which has been the focus of recent work. The Council is in the process of completing the work required by the Auditors with the aim being that the audit be completed by the end of July and the return then certified. With regard to the 2021/22 Housing Benefit Subsidy claim, two thirds of the initial testing work have been completed after which detailed testing of errors identified from the 2020/21 claim will be undertaken and will commence once the 2020/21 claim has been concluded and certified. There may be some delay in progressing the grant certification work as the focus turns to the audit of the 2022/23 financial statements but if the work runs to plan the 2020/21 HB subsidy grant claim audit should be completed at the end of July. She referred to the performance audit work and provided an update on the status of projects in relation to assurance and risk assessment, a review of development control and planning enforcement as well as thematic reviews regarding unscheduled care and councils' approach to digital.

In response to a query by the Committee regarding the backlog in certifying HB subsidy grant claims the Director of Function (Resources)/Section 151 Officer provided an overview of the position and said that subject to the availability of resources the aim is to complete the 2021/22 HB subsidy grant claim by the end of the year which would then bring the Council closer to the stipulated timescale. The 2022/23 HB subsidy grant claim should normally be completed by November according to the schedule but that timescale is unlikely to be achieved in practice. The Finance Service is looking to restructure and put additional resources into the HB subsidy team and work, the aim being to strengthen the team and also to facilitate self-auditing where the Service will run checks on the subsidy claim throughout the year to reduce the number of errors arising thereby reducing the level of testing required the following year which will help make the audit a less time-consuming process.

It was resolved to note Audit Wales's Work Programme and Timetable update.

7. INTERNAL AUDIT ANNUAL REPORT 2022/23

The report of the Head of Audit and Risk incorporating the Annual Report of the Internal Audit Service for 2022/23 was presented for the Committee's consideration. The report provided the Head of Audit and Risk's overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control during the year.

The Head of Audit and Risk reported that the Annual Report is presented under the Public Sector Internal Audit Standards (PSIAS) which require the "chief audit executive" i.e. the Head of Audit and Risk in the Council's case to deliver an annual internal audit opinion that the organisation can use to inform its Annual Governance Statement. The annual opinion must include an opinion on the overall adequacy and effectiveness of the organisation's risk management, control, and governance processes; any qualifications to that opinion and the reasons for the qualification; a summary of the audit work from which the opinion is derived, including reliance placed on other assurance bodies; any issues which the chief audit executive judges relevant to the preparation of the Annual Governance Statement; a

summary of the performance of the internal audit function against its performance measures, commentary on compliance with the PSIAS and the results of the Internal Audit quality assurance programme along with a Statement of Independence.

The Head of Audit and Risk confirmed that it was her opinion as the “Chief Audit Executive” for the Isle of Anglesey County Council that for the 12 months ended 31 March, 2023, the organisation had an adequate and effective framework for risk management, governance, and internal control. While the Head of Audit and Risk does not consider there to be any areas of significant concern, some areas require the introduction or improvement of internal controls to ensure the achievement of objectives, and these are the subject of monitoring. There are no qualifications to this opinion.

The opinion above was reached based on the work and activities conducted by Internal Audit during the year as outlined in the report and is substantially derived from the setting of a risk-based plan of work which management have fed into and the new Governance and Audit Committee approved in June, 2022. It should provide a reasonable level of assurance, subject to the inherent limitations as set out in the report. Key to being able to obtain sufficient assurance to inform the opinion was to take into account the internal audit reviews of the strategic risks and other audit work and the assurance ratings provided details of which are provided in the report.

There are no issues which are of a significantly high risk or impact that warrant inclusion in the Annual Governance Statement. During 2022/23 Internal Audit found senior management at the Council to be supportive and responsive to the issues raised. When delivering the risk-based audit strategy the Head of Audit and Risk supported by the Leadership Team has made every effort to make best use of available internal audit resources during the year and the service has striven to add value wherever possible. Internal Audit has in place a quality assurance and improvement programme to ensure continuous improvement of the service. The Service has performed well during the year against the targets agreed with the Governance and Audit Committee as part of the Strategy for 2022/23 with 3 out of the 4 indicators meeting their targets. Crucially, the target of reviewing 80% of the red and amber residual risks in the Strategic Risk Register has been comfortably achieved thereby providing sufficient assurance to allow the Head of Audit and Risk to provide the Annual Audit Opinion. The one missed target relates to retaining five full time equivalent members of staff during the year. A senior auditor was appointed and joined the team in April, 2023 and external expertise is being utilised to fill any gaps while a secondment continues. This arrangement has proved so successful that it has been decided to keep the secondment vacancy unfilled to continue to provide the funding for the specialist expertise. All current members of the Internal Audit team are professionally qualified and the service has invested significantly to ensure they continue their professional development and stay up to date with emerging risks and developments within the sector. Under the Public Sector Internal Audit Standards internal audit services are required to have an external quality assessment conducted by a qualified independent assessor or assessment team from outside the organisation once every five years. An external assessment of the Isle of Anglesey Internal Audit Service was conducted by Flintshire County Council in September 2022 and concluded in May 2023. The outcome of the assessment is the subject of a separate report to this meeting.

In response to questions by the Committee about the outstanding action pertaining to the Leisure Service booking system dating back to 2018/19 and about providing assurance about the corporate health of the Council as an entity in terms of trends and direction of travel, the Head of Audit and Risk confirmed that the outstanding action in the Leisure Service is rated moderate (yellow) and is not a cause for particular concern with work to address it forming part of the implementation of the new Leisure Hub system. Technical issues with the software supplier have caused a delay in agreeing a go live date for the

system and the IT team is liaising with the supplier to agree a resolution. As for evaluating the Council as an organisation, from an Internal Audit perspective the information contained in Appendix B shows the reviews of red and amber residual risks in the strategic risk register over the course of several audit years and could be expanded upon to show any decline or improvement in performance in managing those risks. Additionally, the corporate self-assessment fulfils this function to a large part in terms of reviewing the Council's performance and how well it is exercising its functions, using its resources, and implementing governance arrangements that are effective for achieving those two objectives and it provides a systematic review of the Council's progress in meeting its duties over the year. With regard to financial health specifically, the Internal Audit review of financial resilience presented to the Committee in December 2022 suggested that CIPFA'S five indicators of public sector financial resilience could be applied to facilitate assessment of the Council's long-term financial resilience and whether that is improving or deteriorating.

It was resolved to note the Internal Audit Annual Report for 2022/23 along with the Head of Audit and Risk's opinion that for the 12 months ended 31 March, 2023, the Council had an adequate and effective framework for risk management, governance, and internal control subject to introducing and/or improving internal controls in some areas.

8. ANNUAL INSURANCE REPORT

The report of the Head of Audit and Risk incorporating the Annual Insurance Report for 2022/23 was presented for the Committee's consideration. The report detailed the insurance arrangements and recent loss histories for the principal areas of insured risk.

The Risk and Insurance Manager provided an overview of the report which included an outline of the insurance policies which the Council has in place, a summary of claims covering the period from April, 2017 to 31 March, 2023 and associated costs, the trends for each category of claims and the challenges going forward. She confirmed that while the Council's experiences show that claims are increasing in number, complexity and cost it is a pattern that is repeated nationally. The contract with Zurich Municipal, the Council's insurer was extended for two years in 2022 and will now end on 30 September, 2024. External premiums paid in 2022/23 were approximately £784k including premium tax which represents an increase in the region of 9.1% since 2021/22 and are likely to increase further. This provides an incentive to the Council to deal with risks more effectively and to review its insurance arrangements which will be done in 2024.

It was resolved to note the contents of the Annual Insurance Report 2022/23.

9. ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE 2022/23

The report of the Head of Audit and Risk incorporating the report of the Chair of the Governance and Audit Committee for 2022/23 was presented for the Committee's consideration. The annual report documents how the Committee has discharged its responsibilities in 2022/23 for the purpose of reporting to those charged with governance i.e. the County Council.

Members of the Committee commented on the following –

- A discrepancy between the Welsh and English versions of the report in relation to their description of the Committee's composition, with the Welsh version reflecting the previous composition before the changes brought about by the Local Government and Elections (Wales) Act 2021 which took effect in May, 2022 instead of the current composition with those changes. It was agreed that the Welsh version be amended accordingly.
- The arrangements for the Committee to conduct a self-assessment of its performance.

The Head of Audit and Risk advised that CIPFA has been commissioned to assist with the Committee's self-assessment of its effectiveness and this will commence shortly with a view to it being concluded by September, 2023. She confirmed that the self-assessment would be undertaken by the Committee with CIPFA taking on the role of independent facilitator.

It was resolved to endorse the Annual Report of the Governance and Audit Committee for 2022/23 subject to updating the Welsh version as agreed prior to its submission to the meeting of the County Council on 12 September, 2023.

10. EXTERNAL QUALITY ASSESSMENT OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The report of the Head of Audit and Risk on the outcome of the five-year external quality assessment of the Council's Internal Audit service's conformance with the Public Sector Internal Audit Standards (PSIAS) undertaken by Flintshire County Council was presented for the Committee's information.

The Head of Audit and Risk reported that PSIAS require that an external assessment of all internal audit services be conducted at least once every five years by a qualified, independent reviewer from outside the organisation. The two possible approaches to external assessments outlined in the PSIAS include either a full external assessment or an internal self-assessment which is then validated by an external reviewer. Members of the Welsh Chief Auditors Group have elected to take the self-assessment approach with another member of the Group undertaking the validation. The PSIAS self-assessment includes 304 best practice questions. A team from Flintshire County Council consisting of the Chief Audit Executive and supported by the Principal Auditor undertook the validation which determined that the Isle of Anglesey County Council internal audit service "Generally Conforms" with the requirements. This reflects the highest level of conformance following an external assessment.

One recommendation for improvement was made along with four best practice suggestions as outlined in the report and the Head of Audit and Risk provided further details of how those are being addressed.

It was resolved to note the assurance provided by the outcome of the external quality assessment of the Council's conformance with the Public Sector Internal Audit Standards undertaken by Flintshire County Council.

11. FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the Committee's Forward Work Programme and training programme for 2023/24 was presented for consideration and review.

It was noted that a date for the Committee's November, 2023 meeting to consider the final Statement of Accounts and Annual Governance Statement 2022/23 is to be confirmed and that a training session on counter-fraud is planned for later in the year as part of the Committee members' training programme.

It was resolved to accept the Forward Work Programme as presented as meeting the Committee's responsibilities in accordance with its terms of reference.

**Mr Dilwyn Evans
Chair**

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