

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	18 April 2024
Subject:	Review of the Governance and Audit Committee
Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author:	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
<p>Nature and Reason for Reporting: This report informs the members of the Committee about the outcome of a piece of work undertaken to fulfil the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022, which recommends that audit committees evaluate their impact and identify areas for improvement.</p> <p>Members are asked to consider the outcome of the report, the recommendations for improvement made by CIPFA and the actions proposed by management and members of the Committee to address the issues raised.</p>	

1. Introduction

- 1.1 CIPFA's [guidance](#) supporting its Position Statement suggests that, to develop the audit committee and provide assurance via its annual report, the audit committee is supported in a self-assessment of its effectiveness. Alternatively, an independent review can be undertaken.
- 1.2 Consequently, the Governance and Audit Committee commissioned CIPFA to undertake a review of the operation of the Committee. The Committee asked CIPFA to provide ideas to increase its focus and take its development forward to deliver an effective support to the administrative operation of the Council.

2. Outcome of Review

- 2.1 CIPFA concluded that the Governance and Audit Committee at the Isle of Anglesey County Council delivers on its terms of reference and generally acts as a helpful sounding board and challenge mechanism.
- 2.2 However, it lacks focus and is more reactive than proactive. Officers do not always spell out clearly the reason for reports being presented to the Committee and members do not always seek to tease these out. As a result, excessive time can be spent on low-risk matters, where the Committee cannot make an impact, restricting the time available for more significant items, where the Committee's input could add value.

2.3 CIPFA made recommendations for improvement and actions proposed by management and members of the Committee to address these issues were included in an Action Plan.

3. Comments Received

3.1 The report and action plan were distributed to the members of the Governance and Committee on 6 February 2024 with a request for amendments to the report for factual accuracy before its formal publication, by 5 March 2024.

3.2 Three members of the Committee responded. The report and the actions proposed to address the issues raised were generally accepted and supported.

3.3 One comment was received regarding the section headed 'Governance and Audit Committee Members' relating to them not being sure of their roles. The report states that pre-Covid lay members had briefing meetings, so they felt more integrated. The member wanted it noted that lay members are invited to the councillor monthly briefings, and this helps them to be more integrated in the work of the Council.

4. Recommendation

4.1 That the Governance and Audit Committee formally considers:

- the outcome of the review and CIPFA's conclusion
- the actions proposed to address CIPFA's recommendations.

Review of the Governance and Audit Committee

Isle of Anglesey County Council

January 2024

Table of contents

Introduction	3
Methodology	3
Summary of findings	3
Governance and Audit Committee terms of reference	4
Agenda and meeting management	4
Governance and Audit Committee members	5
Questioning and purpose.....	5
Keeping things apolitical.....	5
The audit committee's role in relation to risk	6
Working with audit.....	6
Making an impact.....	7
Annex 1: recommendations and action plan.....	8
Annex 2: interviewees.....	10

Introduction

CIPFA has recently completed a review of the operation of the Governance and Audit Committee at Isle of Anglesey County Council. The Committee currently delivers on its terms of reference and it is looking for ideas to increase its focus and take its development forward to deliver an effective support to the administrative operation of the Council. The aims of the review were to:

- Help the committee members and those working with the committee to establish a shared understanding of the role of the committee and where it can have an impact.
- Review the operation of the committee, including how it has fulfilled its terms of reference and demonstrated the impact of its work.
- Identify any areas for improvement and support the Council in its development plan for the committee.
- Identify areas where further training or support to committee members is recommended, particularly in accordance with CIPFA's guidance
- Share CIPFA's guidance and experience of working with other audit committees in local authorities.

Methodology

We undertook the following work:

1. Meeting four elected members and three lay members of the Committee to obtain their views on what works well and what needs to be improved.
2. Meeting the key officers who work with the Committee to understand their role in relation to it and to gain their perspective on what works and what needs improving.
3. Reviewing the terms of reference of the Committee and meetings of the Governance and Audit Committee (July 2022 – September 2023) using published Committee papers. Observing the meetings on 29 June (via webcast) and 21 September (in person) 2023.
4. Using CIPFA's 2022 guidance on audit committees and its experience of working with other audit committees to review how effectively the Audit and Governance Committee has been operating.

Summary of findings

The Governance and Audit Committee at the Isle of Anglesey County Council delivers on its terms of reference and generally acts as a helpful sounding board and challenge mechanism. However, it lacks focus and is more reactive than proactive. Officers do not always spell out clearly the reason for reports being presented to the Committee and members do not always seek to tease these out. As a result, excessive time can be spent on low-risk matters, where the Committee cannot make an impact, restricting the time available for more significant items, where the Committee's input could add value.

Further details are given below and we would like to thank all those who contributed to this review (see Annex 2 for a list of interviewees). We look forward to working with the Committee and officers to develop an action plan, based on the recommendations in Annex 1, to take the Governance and Audit Committee forward.

Governance and Audit Committee terms of reference

We compared Anglesey's Governance and Audit Committee terms of reference to the sample terms of reference in the 2022 CIPFA audit committee guidance and noted the following:

- There are explicit references to the majority of the expected areas and implied references to most of the remaining areas. A few details were missing (in relation to the accounts) and in a few other cases extra details around risk activities may restrict the scope of the committee's work if applied literally. Some clauses overlap each other, which could result in confusion.
- We noted six annual reports that came to the committee that are not explicitly included on the terms of reference.

We have provided the details of our review against the terms of reference separately.

(Recommendation 1 in Annex 1)

Agenda and meeting management

In common with many audit committees, the agenda for Anglesey's Governance and Audit Committee contains many items and it is difficult to do each item justice while keeping the meeting to a reasonable length. On average, each meeting lasts about two hours, with some items given considerable time but others not given enough time. Some committee members mentioned that they were unsure of their role in relation to some items and that there was a lack of focus on material matters. The agenda could be re-prioritised by:

- Changing the focus of reports to concentrate on problems, developments, solutions and the future rather than providing information to note. While some of these reports provided important assurance to the Committee, further consideration should be given to its role in relation to such items and the desired outcome. Approximately 80% of the reports included on agendas for the year of our review were items to note or simply accepted by the Committee and only a very few had a positive outcome noted in the minutes.
- Encouraging officers to focus on key risks and adding extra information when presenting reports rather than summarising the report that members have already read so that time can be used for questions and discussions.
- Placing items that must come to the Governance and Audit Committee, for example to provide assurance, but there is little that the Committee can add towards the end of the agenda to note. Formally discuss these items only if members have matters that they would like to raise.
- Holding pre-meeting briefings to discuss and agree an agenda that delivers on the Committee's terms of reference and to identify appropriate areas for consideration coming from both members and officers. Typically such a meeting would occur as the agenda is being developed and would help ensure that the right officers were present so that questions can be answered effectively.

(Recommendations 2 and 3)

The Head of Audit and Risk takes on the vast majority of work in managing the Governance and Audit Committee. Although it is not unusual for this officer to take on many of the more specialist tasks (for example, developing the agenda, maintaining the work programme, arranging training), Democratic Services would normally take on some of the more

organisational arrangements (for example, chasing up officer reports, arranging for officers to attend, supporting lay members, arranging induction and assessing training needs for new members). As a result of this reliance on the Head of Audit and Risk, some important activities to support the effective running of the Committee are not occurring.

(Recommendation 4)

Interpretation worked well at the meeting that I attended in person but there were some periods of silence in the webcast that I watched when the interpretation channel wasn't broadcasting.

The meeting minutes were some of the most detailed that I have seen and appeared to include large chunks of text that had been copied from reports. It was not always easy to distinguish discussion from background. Report recommendations were always quoted but it was not always obvious what the committee had determined. In two cases, no decision was recorded; other items were noted or accepted; and others were agreed, resolved or approved.

(Recommendation 5)

Governance and Audit Committee members

Committee meetings were well attended, both by members and officers although, with better agenda planning, it would be possible to ensure that all relevant officers are in attendance.

(Recommendation 2)

As required in Wales, the Committee has one-third lay members. Three of the four lay members were recruited a year ago and their meeting with me was the first time that they had met together as a group. They also commented that they were not always sure what their role is in relation to the Committee and Council, although this is set out in their role descriptions. We were told that the first lay members were given a detailed induction but this does not seem to have been as effective for the more recent recruits, with some attending only a few of the sessions that were provided. We were also told that, pre-Covid, officers met lay members regularly to brief them on Council matters, which might help them to feel more integrated.

(Recommendation 6)

Questioning and purpose

The purpose of an audit committee is to obtain assurance that the organisation is operating effectively (in other words, looking at the engine of the organisation) and to identify ways in which this can be improved. We observed some effective questioning and other members mentioned that all of their questions were addressed in the report or the report presentation. The Chair ensured that the focus was on report recommendations but the purpose of bringing some reports to the committee and what value they could add was missing at times.

(Recommendation 3)

Keeping things apolitical

Because the focus of an audit committee is on the organisation of the council, politics should not feature. Audit committees should consider how policies are implemented, not the policy or the decision itself. We observed no inappropriate political behaviour and this was not raised as an issue in discussions.

The audit committee's role in relation to risk

CIPFA has expanded its advice on the audit committee's role in relation to risk in the most recent edition of its guidance. Previously it focussed on the role of the audit committee in relation to the risk framework and arrangements but it now also considers the risk committee role that audit committees may take on where there is no other body to do so. At the time of our review, all risk register discussions were held in private session and only general minutes were available. It was not, therefore, possible to judge the effectiveness of the Committee's work in relation to risk management, although we noted consideration of the risk management framework. We understand that risk will be discussed in the public part of the meeting in future and we welcome this development. To add value to the Council's risk management arrangements the Committee should:

- Be clear when it is acting as a risk committee and when it is taking on the overview audit committee role.
- Check for and avoid overlaps with the risk roles of other committees, for example any scrutiny examination of service risk registers.
- Distinguish between these roles in the terms of reference and set out clearly what it does and does not do in relation to risk and where it draws assurance from the work of another committee or body.
- Be purposeful in its risk work, focusing on the material outcome of risk management rather than the nuts and bolts of the process.
- If acting as a risk committee, invite risk owners to discuss their risks rather than relying on the officers who are routinely attend Governance and Audit Committee meetings to answer questions.

(Recommendation 7)

Working with audit

External audit attends almost every Governance and Audit Committee meeting. We have no observations to make in relation to external audit other than to suggest that they consider how their reports are presented to focus on the value that the Committee can add. This could be achieved by the Corporate Transformation Team attaching a brief covering report to the auditor's report, setting out, in discussion with external audit, the role of the Committee in examining the report.

Internal audit attends every meeting of the Committee and the Chair and Deputy Chair meet the Head of Audit and Risk and the s151 officer before each meeting. There is also ad hoc contact between internal audit and the Committee outside the meeting cycle. Each is reliant on the other to do a good job and we suggest that the Chair, Deputy Chair and Head of Audit and Risk meet informally after each meeting to share ideas, to identify matters to take forward and to plan for the next meeting.

(Recommendation 8)

The CIPFA Position Statement recommends that the audit committee meet both internal and external audit separately, privately and formally at least once a year. This sends the important message that the audit committee takes both of these services seriously and listens to what they have to say. We understand that external audit has met the Chair in private but we suggest expanding this to meet the whole committee. These meetings could

take the form of a short session before the open part of the meeting starts, with only internal or external audit and the committee members present so that they can formally raise any matters of concern.

(Recommendation 9)

Making an impact

The audit committee is there to make a difference and to help the engine of the council function better. One of the key ways in which it can do this is to consider governance matters and the Annual Governance Statement (AGS), all of which are undertaken by the Committee. However, discussions seemed more focused on how reporting to the Committee could be improved and making editorial adjustments to the AGS rather than considering the broader implications (the 'so what' issues) of items being reported.

(Recommendation 3)

Two of the newly elected members of the Council had been placed on the Governance and Audit Committee to help them understand how the Council functions. An effective audit committee is an excellent training ground for members, especially those who aspire to higher office and we were delighted to find that this is recognised by the political leadership of the Council.

The Committee produces an annual report to the Council, as recommended by CIPFA. The focus of the report is on what was covered in the agenda for each meeting rather than on the outcome of those meetings¹. We suggest that the Committee chair could also produce a short briefing note at the end of each meeting, summarising the key points raised, to be shared with all councillors, thus demonstrating the Committee's impact. These summaries could form the basis of the annual report.

(Recommendation 10)

¹ CIPFA's Position Statement (2022) says that the committee should report annually on how it 'has complied with the position statement, discharged its responsibilities, and include an assessment of its performance The committee should evaluate its impact and identify areas for improvement'


Annex 1: recommendations and action plan

	Recommendation	Response	Responsible person and date
1	Revise and streamline the Governance and Audit Committee's terms of reference to include all aspects of its work and remove any duplication.	Agreed, will be undertaken during the review of the Constitution.	Head of Audit & Risk 31 March 2024
2	Plan committee agendas to prioritise the items where the Committee can make an impact and to support it to do so. Ensure that reports to the Committee clearly set out why the report is being presented and the role of committee members in receiving and considering these reports.	H&AR will review the draft agenda to ensure the ordering of items is appropriate, and items to be noted will be moved to the end. The reason for the report being presented is included in the cover report. However, the H&AR will review each to ensure they are fully and sufficiently completed. The Forward Work Programme also references the Committee's ToR against each item, so reports are prioritised and spaced out throughout the year.	Head of Audit & Risk Immediate
3	Encourage officers to give brief introductions to their reports to add extra context. Consider setting a time limit for officer presentations.	As above, the HA&R will review the Governance and Audit Committee cover report to ensure adequate and is fully completed. Will discuss with Chair about referring to these cover reports. The HA&R will discuss with HR Training and Development Manager the provision of training for officers on reporting to Committee.	Head of Audit & Risk Chair G&AC HR Training & Development Manager
4	Reconsider the balance of committee administration roles to support the more effective working of the Committee.	Current resources within Democratic Services mean there is no capacity to support further. This is unlikely to change due to the current financial constraints.	Chief Executive and Monitoring Officer
5	Move to action-focussed minutes that record the key elements of the discussion and conclusions reached only. Use consistent terms around decisions.	Agreed. We will move to produce minutes that focus on actions and matters that were resolved by the Committee.	Democratic Services

	Recommendation	Response	Responsible person and date
6	Support the current lay members to be more integrated into the Committee.	Chair to consider an appraisal process for members of the Committee.	Chair
7	Work with the Council's risk advisors to ensure that the Committee is clear about and fulfils its risk roles.	Issue will be reviewed as part of the Health check of the Council's Risk Management arrangements currently being undertaken by Zurich.	Head of Audit & Risk Immediate
8	Identify ways for internal audit to work more closely with the Committee, including informal meetings with the Chair both before and after meetings, to identify ways to develop the Committee.	Agreed. HA&R currently meets with the chair on an ad-hoc basis. However, going forward will meet more formally with the Chair and Deputy Chair following each meeting.	Head of Audit & Risk / Chair and Deputy Chair Immediate
9	Meet internal and external audit separately, formally and in private at least once a year and meet internal audit informally between meetings.	Agreed. Will schedule a private meeting separately between Internal Audit and External Audit and the Committee, without other officers being present. This meeting will not be minuted or webcast. First private meeting has been scheduled for 18 April 2024, to be held following the formal meeting.	Head of Audit & Risk Audit Wales Chair Once a year, commencing April 2024
10	Consider producing a short briefing note from the Chair after each meeting, summarising the key points to be shared with all members.	Action-focussed minutes will assist the Chair in preparing a briefing note, if he feels one is required.	Chair

Annex 2: interviewees

Name	Role
Lynn Ball	Monitoring Officer
Dilwyn Evans	Governance and Audit Committee Chair
Geraint ap Ifan Bebb	Governance and Audit Committee member
Marc Jones	Director of Function (Resources) / S151 officer
Euryn Morris	Governance and Audit Committee Deputy Chair
William Parry	Governance and Audit Committee lay member
Marion Pryor	Head of Audit and Risk
Keith Roberts	Governance and Audit Committee member
Dyfan Sion	Head of Democratic Services
Dylan Williams	Chief Executive
Mike Wilson	Governance and Audit Committee lay member
Dyfed Wyn Jones	Governance and Audit Committee member



77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

cipfa.org

The Chartered Institute of Public Finance and Accountancy. Registered with the Charity Commissioners of England and Wales No 231060. Registered with the Office of the Scottish Charity Regulator No SCO37963.