

# GOVERNANCE AND AUDIT COMMITTEE

## Minutes of the meeting held in the Committee Room and on Zoom on 27 June 2024

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)  
Councillor Ieuan Williams (Deputy Chair for this meeting only)
- Councillors Geraint Bebb, Trefor Lloyd Hughes, MBE,  
Keith Roberts
- Lay Members: Michael Wilson, William Parry, Mrs Sharon Warnes
- IN ATTENDANCE:** Director of Function (Resources) and Section 151 Officer  
Head of Audit and Risk  
Corporate Planning, Performance and Programme Manager  
(for item 9)  
Principal Auditor (NW)  
Committee Officer (ATH)  
Democratic Services Support Assistant (Webcasting) (CH)
- APOLOGIES:** Councillors Euryrn Morris (Deputy Chair), Liz Wood.
- ALSO PRESENT:** Councillor Robin Williams (Deputy Leader and Portfolio Member for Finance), Rachel Freitag (Financial Audit Manager – Audit Wales), Carwyn Rees (Performance Audit Manager – Audit Wales), Lora Williams (Audit Lead - Audit Wales), Andrew Lewis (Senior IOACC Auditor).
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In the absence of Councillor Euryrn Morris the Deputy Chair, Councillor Ieuan Williams was elected to serve as Deputy Chair for this meeting only.

### 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:

- 18 April 2024
- 21 May 2024 (election of Chair/Deputy Chair)

### 3. EXTERNAL AUDIT: DETAILED AUDIT PLAN 2024

The report of Audit Wales setting out the detailed audit plan for the Isle of Anglesey County Council for the 2023/24 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 and the financial statements' audit timetable, along with the planned performance audit work. The report also referred to the audit team and the proposed audit fee for the activities set out.

The financial audit element of the report was presented by Rachel Freitag, Financial Audit Manager, Audit Wales, who referred to the materiality levels and the basis for them as well as the significant financial statements' risks and the planned audit response. Carwyn Rees, Performance Audit Manager, Audit Wales, provided an overview of the proposed performance audit work.

In response to questions by the Committee, Audit Wales confirmed the following –

- That the amended figures with regard to the audit of financial statements work and performance audit work circulated prior to the meeting apply to the estimated fee for 2023 column in the plan.
- That the reference to the Local Government Pension Scheme (LGPS) in relation to the identified risk regarding the valuation of the pension fund net liability means the main Pension Scheme administered by the Gwynedd Pension Fund. It was clarified that the Teachers' Pension Scheme is accounted for differently and separately from the LGPS in the accounts. In response to a further query about the treatment in the accounts – specifically the balance sheet - of a net surplus position on the LGPS pension fund as occurred in 2022/23 and which could possibly reoccur in 2023/24, the Director of Function (Resources)/Section 151 Officer advised that having discussed the matter with the auditors and having regard to the accounting rules, it was decided that the pension fund surplus be shown as nil on the balance sheet in 2022/23. However, the notes to the accounts for 2022/23 explained how the pension fund surplus was calculated by the Actuary.
- That the review of cyber security arrangements is specific to Anglesey for the audit year to which the Plan refers and although it has not been delivered as a thematic review in all 22 councils in Wales in the same year it is a piece of work that has been undertaken in a few councils and has been shown to provide value.

**Having considered the report, it was resolved to accept and note the information presented with regard to the planned audit work and related fees for 2024.**

#### **4. REVIEW OF THE GOVERNANCE AND AUDIT COMMITTEE'S TERMS OF REFERENCE**

The report of the Head of Audit and Risk incorporating the revised Terms of Reference for the Governance and Audit Committee was presented for the Committee's approval.

The report was presented by the Head of Audit and Risk who advised that the Committee's Terms of Reference have been revised and streamlined in accordance with the recommendations of the Committee's self-assessment facilitated by CIPFA. Members of the Committee had been previously provided with a detailed copy of the Terms of Reference with the changes highlighted and the reasons for them explained and had been afforded the opportunity to comment on them if they so wished. No comments had been received.

The revised Terms of Reference were accepted as presented without comment by the Committee. The Head of Audit and Risk advised that as the changes proposed are minor in nature, they can be implemented by the Council's Monitoring Officer without having to be submitted to Full Council.

**It was resolved to formally approve the revised Terms of Reference.**

#### **5. INTERNAL AUDIT ANNUAL REPORT 2023/24**

The Annual Report of the Internal Audit Service for 2023/24 was presented for the Committee's consideration. The report summarised the work and performance of Internal

Audit during 2023/24 and provided the Head of Audit and Risk's opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework for the year along with a statement on conformance with the Public Sector Internal Audit Standards (PSIAS)

The report was presented by the Head of Audit and Risk who highlighted the main points including the Head of Audit and Risk's opinion that for the 12 months ended 31 March, 2024 the Council had an adequate and effective framework for risk management, governance, and internal control; the work supporting the opinion; the performance of Internal Audit against agreed indicators and conformance with the PSIAS. The Head of Audit and Risk referred also to Appendix B of the report which detailed the audit coverage of red and amber residual risks in the strategic risk register over the past six years.

The following were points of discussion by the Committee –

- Whether the responsibility for strategic risk YM9 (the risk of a lack of suitable housing that local residents can afford in their local communities) should lie with the Council and whether in being rated "Yellow" in the June 2022 audit it is being underrated given the increase in the number of people on the Council housing waiting list.
- The approach to measuring new risk YM16 (the risk that the Council is unable to manage change effectively which limits its ability to modernise and deliver sustainable, effective, and efficient services)
- Whether given the addition of strategic risk YM16 to the Corporate Risk Register, the Internal Audit Service is adequately resourced with 3.3 actual FTE in 2023/24 against a target of 4.0 FTE in 2023/24 and a target which was 5.0 FTE in 2022/23.
- Whether paragraph 35 of the report indicates that management's understanding and awareness of risks has evolved and matured.

The Committee was advised as follows –

- That strategic risk YM9 remains Red on the Strategic Risk Register and that the Yellow rating refers to the outcome of the audit work undertaken with regard to the control environment and the effectiveness of the control measures in relation to YM9 which have been assessed as providing reasonable assurance. Internal Audit is also in the process of scoping a piece of work to examine the Council's housebuilding programme and strategy which is scheduled to be undertaken over the summer.
- That with regard to risk YM16, the approach will entail examining the controls currently in place to evaluate their effectiveness and whether they are fit for purpose. An audit opinion will be issued based on the outcome of the evaluation.
- That the funding from the vacancy in Internal Audit is being used to commission specialist expertise both for IT audits as well as for other audits that may be especially complex meaning the service is thereby obtaining high quality and high value subject expertise that may not be available through having a person in post. Additionally it would be difficult to make a case for additional staff at a time when Internal Audit is able to provide an annual audit opinion based on the scope of the work executed which is the service's objective. The Head of Audit and Risk confirmed that with continued flexibility to use the savings from vacancies to commission external support as and when required, she was confident the Internal Audit can continue to deliver with the resources available to it.
- That the risks/issues identified and presented to management by Internal Audit are evaluated according to the Council's strategic risk assessment matrix. Management is expected to prioritise risks/issues rated "Amber" ahead of those rated "Yellow"/Moderate which is the approach management is taking.

**Having considered the Internal Audit Annual Report for 2023/24, it was resolved to note the summary of the work carried out during the year and the assurances provided, together with the overall opinion and the performance of the Internal Audit function in particular the level of conformance with the Public Sector Internal Auditing Standards.**

## **6. ANNUAL REPORT OF THE GOVERNANCE AND AUDIT COMMITTEE 2023/24**

The report of the Chair of the Committee setting out the Governance and Audit Committee's activities during 2023/24 against its terms of reference was presented for formal endorsement ahead of its submission to Full Council on 26 September 2024. The report meets the requirements of the Committee's Terms of Reference that it report annually to the Full Council on its findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks, financial reporting arrangements, complaints handling and internal and external audit functions. It also complies with CIPFA's Position Statement and accompanying guidance regarding audit committees in local authorities and police which states that the committee should provide assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact.

The annual report for 2023/24 was introduced by the Chair and was accepted by the Committee as presented subject to the inclusion in Appendix B of Councillor Geraint Bebb as an attendee at the Effective Chaining Skills training session on 11 October, 2023.

**It was resolved to endorse the Annual Report of the Governance and Audit Committee for 2023/24 prior to its submission to the meeting of the County Council on 26 September 2024 with the amendment as outlined.**

**Additional Action – Head of Audit and Risk to amend the report accordingly**

## **7. GOVERNANCE AND AUDIT COMMITTEE EFFECTIVENESS REVIEW ACTION PLAN UPDATE**

The report of the Head of Audit and Risk incorporating the Committee's Effectiveness Review Action Plan was presented for the Committee's consideration and information. The report provided an update on the progress being made with implementing the recommendations made by CIPFA following its review of the Committee's effectiveness.

The report was presented by the Head of Audit and Risk who updated the Committee on the latest status of the 10 actions in the action plan. With reference to recommendation 8 on the action plan (identify ways for internal audit to work more closely with the committee including informal meetings with the Chair before and after meetings to identify ways to develop the Committee), the Head of Audit and Risk advised that having discussed the matter with the Chair the intention is to conduct a deep dive/in-depth examination of specific risk areas which would be facilitated by briefings for the Committee's members outside the formal committee setting. One such area previously highlighted by the Committee as an emerging risk deserving of closer examination is that of Artificial Intelligence and whether it has a role in Council operations.

The Chair suggested that it would be helpful for the Committee to learn more about the risk mitigation process as part of risk management and that training and/or instruction to that end would be welcome as well as on Artificial Intelligence as a subject area including its influence, risks, and benefits. The Chair also requested that a further update on the implementation of the Committee's effectiveness review action plan be provided in six months' time.

**It was resolved to note the actions detailed in the action plan and to confirm that the Committee is content that the recommendations have been implemented to its satisfaction.**

#### **Additional Actions –**

- **Head of Audit and Risk to schedule a session on risk mitigation and an introduction to Artificial Intelligence within the Committee’s training programme for 2024/25.**
- **A further update on the Committee’s Effectiveness Review Action Plan be presented at the end of six months.**

### **8. GOVERNANCE AND AUDIT COMMITTEE ACTION LOG**

The report of the Head of Audit and Risk incorporating a committee action log was presented for consideration. The report provided the Committee with information on the status of the actions/decisions it had agreed upon at its meeting on 18 April 2024 when it was decided that an action log be introduced after each meeting in order to facilitate action/task tracking.

The Head of Audit and Risk updated the Committee on the progress of each action in the log table and the information was noted by the Committee.

**It was resolved to note the actions detailed in the action log table and to confirm that the Committee is content that the actions have been implemented to its satisfaction.**

### **9. EXTERNAL AUDIT: SETTING OF WELLBEING OBJECTIVES – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of Audit Wales on the outcome of its examination of how the Isle of Anglesey County Council applied the sustainable development principle throughout in the process of setting its wellbeing objectives was presented for the Committee’s consideration. The report sought to provide assurance on the extent that the Council applied the sustainable development principle when setting its well-being objectives and to identify opportunities for the Council to further embed the sustainable development principle when setting well-being objectives in future. Also presented was the organisational response to the Audit Wales report and the two recommendations it contained.

Lora Williams, Audit Wales provided an overview of the report’s detailed findings and recommendations.

In response to a request for clarification of the distinction between people who are unemployed and on benefits and people who are economically inactive in relation to the organisation’s development of a dashboard to provide data on trends related to poverty as part of its response to Recommendation 2 of the Audit Wales report, the Committee was advised that people on benefits/unemployed are seeking and are available to work whereas people who are economically inactive are not actively seeking employment through choice or due to other reasons be that early retirement or long-term sickness. If the number of economically inactive people within an area becomes too high it can present an issue over time contributing to recruitment challenges and labour shortages which can affect local businesses as well as the Council. It is an important measure and is a distinction that needs to be made.

The Chair suggested that the number of people in economic inactivity is a trend that is therefore worth monitoring.

**It was resolved to note the Audit Wales report and recommendations and to confirm that the Committee takes assurance from the organisation response form of the steps taken by the Council to address the recommendations.**

**Additional Action – that monitoring the number of people in economic inactivity be included as part of the Council’s population trends dataset.**

#### **10. EXTERNAL AUDIT: WORK PROGRAMME AND TIMETABLE Q4 UPDATE**

The report of Audit Wales which provided an update on progress against its financial and performance audit work programmes as at 31 March 2024 including the work being undertaken by Estyn and the Care Inspectorate Wales across Wales, was presented for the Committee’s information.

Mr Carwyn Rees, Audit Wales Performance Audit Manager confirmed 9 October 2024 as the planned date for a North Wales good practice exchange event on “Audit Committees: effective practices and positive impact” (the same event being scheduled for 22 May 2024 in Cardiff in South Wales). The Head of Audit and Risk advised that she would circulate details of the North Wales event to the Committee’s members when they become available.

**It was resolved to note the assurance provided by the Audit Wales Q4 update report.**

#### **11. REVIEW OF FORWARD WORK PROGRAMME 2024/25**

The report of the Head of Audit and Risk incorporating a proposed Forward Work Programme and Training Programme for 2024/25 was presented for the Committee’s consideration.

**It was resolved to accept the Forward Work Programme proposed for 2024/25 as meeting the Committee’s responsibilities in accordance with its terms of reference.**

**Mr Dilwyn Evans  
Chair**