

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held in the Committee Room and on Zoom on 14 May, 2026

- PRESENT:** Mr Dilwyn Evans (Lay Member) (Chair)
Councillor Euryrn Morris (Deputy Chair)
- Councillors Geraint Bebb, Kenneth Hughes, Gwilym O. Jones, Keith Roberts, Margaret Roberts.
- Lay Members: Dr Geraint Jones, Mr William Parry.
- IN ATTENDANCE:** Director of Function (Resources)/Section 151 Officer
Head of Internal Audit & Risk (MP)
Head of Housing Services (for item 7)
Principal Auditor (NW)
Strategic Performance and Projects Manager (GP) (for items 9 & 10)
Housing Manager (Strategy, Commissioning & Policy (for item 7)
Committee Officer (ATH)
Webcasting Officer (FT)
- APOLOGIES:** Mr William Maund (Lay Member)
- ALSO PRESENT:** Councillor Robin Williams (Deputy Leader & Portfolio Member for Finance, Corporate Business and Customer Experience), Rachel Freitag (Financial Audit Manager - Audit Wales), Lora Williams (Performance Audit Lead – Audit Wales), Cara Owen (Audit Wales), Head of Highways, Waste & Property (HP) (IoACC), Accountancy Services Manager (BHO) (IoACC) Senior Auditor (AM)(IoACC)
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1. ELECTION OF CHAIRPERSON

Mr Dilwyn Evans was elected Chairperson of the Governance and Audit Committee.

2. DEPUTY CHAIRPERSON

Councillor Euryrn Morris was elected Deputy Chairperson of the Governance and Audit Committee.

3. DECLARATION OF INTEREST

No declaration of interest was received.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meetings of the Governance and Audit Committee held on 3 February, 2026 were presented and were confirmed as correct.

5. GOVERNANCE AND AUDIT COMMITTEE ACTION LOG

The report of the Head of Audit and Risk incorporating the committee action log was presented for consideration. The report updated the Committee on the status and progress of the actions and decisions it had agreed upon.

The Head of Audit and Risk confirmed that regarding action 24 on the log relating to AI policy development, the Leadership Team accepted the AI policy on 15 April, 2026 subject to minor amendments. Once final approval is confirmed, the policy will be launched via the Council's policy portal where staff are required to read and accept all mandatory policies. The IT team will launch the policy alongside guidance on using AI.

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.

6. ANNUAL REVIEW OF THE GOVERNANCE AND AUDIT COMMITTEE'S TERMS OF REFERENCE

The report of the Head of Audit and Risk providing the outcome of the annual review of the committee's terms of reference was presented for the committee's consideration. The report highlighted a required amendment to lay member terms of appointment.

The Head of Audit and Risk presented the report and explained that the committee's terms of reference currently state that lay members serve a fixed term aligned to the council term, i.e. five years, and may serve a maximum of two terms. However, neither the Local Government and Elections (Wales) Act 2021 nor the accompanying statutory guidance addresses the position of lay members appointed mid-term. The legislation only requires that a lay member should not be appointed for more than two full terms. She referred to CIPFA guidance, which recommends appointing co-opted members to supplement the knowledge and experience of elected representatives in specific areas and to provide continuity outside the political cycle, particularly where committee membership changes annually or following elections.

To ensure the principle of limiting tenure to two five year terms and to strengthen continuity outside the political cycle, it is recommended that the requirement that lay members' term of appointment coincide with the council term be removed from the committee's terms of reference. This change would mean that lay members are appointed for two consecutive five year terms, regardless of the council's electoral cycle. The advantages of this approach include improved continuity, a reduced recruitment burden and alignment with wider council practice for independent roles. The disadvantages noted were the need to amend the Council's Constitution, the creation of staggered terms not aligned with elected member cycles, and potential misalignment of training and induction arrangements for the committee. The revised terms of reference with tracked changes were provided for information.

It was resolved that the Governance and Audit Committee supports the proposed amendment to its terms of reference to remove the link to the council term for lay member appointments.

7. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk providing an update as at 28 April 2026 on the audits completed since the previous update as at 21 January 2026 was presented for the committee's consideration. The report also set out the current workload of Internal Audit and its priorities for the short to medium term going forward. Members of the committee were provided under separate cover with a copy of the five assurance reports finalised in the period in relation to Financial Systems – Treasury Management (Substantial Assurance),

Financial Systems – Payroll (Reasonable Assurance), Managing Strategic Risk – Safeguarding (YM10) – First Follow-Up (Reasonable Assurance), Disabled Facilities Grants – Second Follow Up (Limited Assurance), and Financial Management (Reasonable Assurance).

The Head of Audit and Risk presented the report and summarised the outcome of the audit reviews completed in the period. She highlighted the substantial assurance received for Treasury Management, noting that this level of assurance is uncommon and that only one moderate action had been identified.

She reported that the second follow up review of Disabled Facilities Grants (DFGs) had resulted in a Limited Assurance opinion. Some progress had been made in improving DFG arrangements; however, administrative weaknesses remained, particularly in relation to the central database which was incomplete and not reconciled with financial data. This had led to errors in information provided to Legal Services, creating risks of incorrect or unenforceable land charges. A further follow up review is planned for September, 2026.

The Head of Audit and Risk outlined the audits currently in progress and confirmed that work continues to support services in addressing outstanding issues and risks. A separate comprehensive report was submitted to the meeting on this matter. She also set out the short and medium term priorities, including finalising delivery of the 2025/26 Internal Audit Strategy, preparing the annual audit opinion for June 2026, consulting on the 2026/27 strategy and progressing the Counter Fraud, Bribery and Corruption Strategy. Longer term priorities include completing the full conformance assessment to ensure compliance with the new Global Internal Audit Standards during 2026/27.

The committee considered the Limited Assurance second follow up review of Disabled Facilities Grants and questioned the pace of progress in addressing the issues raised by Internal Audit. Members sought assurance that a plan is in place to ensure that the remaining outstanding issues are fully addressed and that improvements are implemented.

The Head of Housing Services acknowledged that progress had been slower than anticipated. Improvements had been made, including strengthening payment controls to prevent duplicate payments. However, administrative progress had been limited, with only one officer undertaking work that had previously been carried out by a team. He confirmed that administrative and supervisory support for the officer have now been strengthened. Although progress fell short of the level required, he emphasised that the focus is on ensuring that the administrative improvements take effect. He expressed hope that the follow up review scheduled for September would confirm this.

In response to further queries by the committee, the Head of Audit and Risk clarified that the Chief Internal Auditor for Denbighshire County Council had been consulted on the follow-up review of Safeguarding, as one of the issues raised was the lack of assurance regarding the effective operation of the North Wales Safeguarding Board. As Denbighshire County Council is the host authority for the Board the protocol for regional arrangements requires the host authority to audit regional matters. The Chief Internal Auditor for Denbighshire County Council has confirmed that they expect to provide this assurance in the next few months. The Head of Audit and Risk also confirmed that the IT Asset Management audit, which had been postponed at the request of the Chief Digital Officer, is expected to commence in June or July 2026. She advised that an update would be provided to the committee at the July 2026 meeting.

It was resolved to note the outcome of Internal Audit's engagements, the assurance provided and its priorities going forward.

8. OUTSTANDING INTERNAL AUDIT ISSUES, RISKS AND OPPORTUNITIES

The report of the Head of Audit and Risk providing an update on the status of outstanding issues, risks and opportunities raised by Internal Audit was presented for the committee's consideration. A detailed status update of major rated issues, risks and opportunities was included at Appendix 1.

The Principal Auditor presented the report, noting that as of 31 March 2026, a total of 78 actions remained open. Of these, 6 are rated "major" (amber) and 72, "moderate" (yellow). None are rated "critical." Overall, management has completed 77% of their agreed actions and Internal Audit has verified 76%. The remaining 1% yet to be formally verified relates to action from two audits – IT Supplier Management and Secondary Schools ICT Security. Follow up audits of these areas will be undertaken in the first quarter of 2026/27.

Three actions relating to the audit of Disabled Facilities Grants are overdue and are covered in greater detail within the Internal Audit Update report. Actions from several recently completed audits, as detailed in paragraph 16 of the report, have not yet reached their implementation date. There are no major rated issues, risks, opportunities dating back earlier than 2024/25, demonstrating that management is prioritising the resolution of higher risk issues.

The Principal Auditor referred to Appendix 1 which summarises progress on the six major outstanding issues and risks and noted that follow up reviews for several of these are currently in progress and are expected to be reported to the committee at its July 2026 meeting.

In considering the report, the committee noted the importance of management taking full ownership of risks identified by Internal Audit. In this context, reference was made to the second follow up review of Disabled Facilities Grants (DFGs) discussed under the previous item which had received a limited assurance opinion due to slow progress in addressing the issues raised. Members asked whether Internal Audit considered that the Housing Service had sufficiently taken ownership of the actions arising from the audit, noting that it should not fall to Internal Audit to undertake a third follow-up. Members also queried what further steps the committee could take should progress remain insufficient at that stage.

The Head of Audit and Risk advised that the Head of Housing Service had acknowledged that progress had been slower than desired. She confirmed that, under the GIAS, Internal Audit is required to follow up and formally verify the completion of agreed actions. As the second follow up review resulted in a limited assurance opinion, the Head of Housing Services was required under the committee's terms of reference to provide assurance to the committee in person. Should the outcome of the planned further follow up review in September require the Head of Service to provide additional assurance at the committee's December meeting, it would be for the committee to determine any escalation it considers appropriate at that time.

Members also queried whether a lack of resources, particularly administrative support, was a wider or recurring issue and what tools were available to management to reprioritise workloads.

The Head of Audit and Risk confirmed that efficiency savings over many years had reduced administrative capacity, and that resources and services across the Council were required to do more with less. It is for each Head of Service to determine how their service budget is prioritised. While she did not consider this an increasing trend, she noted that as a smaller authority, the Council has several single point of failure posts where the absence of one officer can impact performance and outcomes.

Given that the prospective third follow up of DFGs in September would not likely report to the committee until December 2026, members requested an update on progress at the committee's September meeting. The committee was advised that the Internal Audit report on outstanding issues and risk is scheduled for September and could incorporate an update on DFG related actions if the formal follow up review has not concluded.

In light of the circumstances, members felt that a verbal update from the Head of Housing Service at the committee's June and July meetings would also be helpful to establish progress in addressing the remaining actions. They requested that the Head of Service be invited to attend for this purpose.

It was resolved that the Governance and Audit Committee accepts the overall progress made in addressing outstanding Internal Audit issues, risks and opportunities as satisfactory, while noting its concern regarding the Disabled Facilities Grants second follow up review. The committee wishes to avoid a third follow up review and notes that the Head of Housing Services has been asked to provide progress updates on the completion of the remaining actions.

Action – Head of Internal Audit to ask the Head of Housing Services to update the committee's June and July meetings on progress in completing the remaining DFG related actions.

9. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL – AUDIT PLAN 2026

The report of Audit Wales which outlined its proposed programme of financial and performance audit work for the Council for the 2026/27 audit year was presented for the committee's consideration.

Rached Freitag, Audit Wales Financial Audit Lead presented an overview of the planned audit of the Council's financial statements for 2025/26. She confirmed the materiality level for the audit and outlined the key areas of audit risk along with the planned audit response. The financial audit will also cover the certification of grant claims and review of Whole of Government accounts return. She noted that work on the 2024/25 housing benefit subsidy claim is still ongoing due to the clearance of a historic backlog. As a result, the estimated £67,000 grants certification fee for 2025 is lower than previously forecasted in last year's audit plan and reflects a revised assessment of the cost of completing the work.

Details of the estimated audit fee for 2026 were presented, showing a total of £440k - a 4.7% increase on the previous year which is below the 5.3% average increase in the published Fee Scheme due to a revised skill mix for the financial statements audit. Members were also informed of the audit timetable which aims to certify the accounts by the end of September 2026, one month earlier than the previous year and returning the audit cycle to its pre-pandemic schedule. She confirmed that, working with the Council's Finance Team, more interim audit work had been completed this year to reduce the workload at the final audit stage.

Lora Williams, Audit Wales Performance Audit Lead outlined the performance audit programme for 2026/27 which includes three planned reviews – the Council's risk management arrangements, the effectiveness of project outcomes linked to the Council Plan, and the management and development of the Council's investment properties. The work will assess whether the Council is securing economy, efficiency and effectiveness in its use of resources and is expected to be substantially complete by June 2027.

It was resolved to note the planned audit work and related fees for 2026.

10. EXTERNAL AUDIT: ISLE OF ANGLESEY COUNTY COUNCIL – RECYCLING PERFORMANCE MANAGEMENT

The report of Audit Wales on the outcome of its review of how the Council manages the performance of its recycling service was presented for the committee's consideration.

Cara Owen, Audit Wales presented the report noting that the audit focused on the Council's arrangements for understanding recycling performance, strategic and operational planning and communication, and value for money. The review concluded that the Council currently has clear and robust arrangements in place to manage its recycling performance effectively. These include up to date strategic and operational plans to respond to recycling targets, periodic and detailed reports aiding the Council's understanding of its recycling service performance and benchmarking; involving island residents in its efforts to drive zero waste, and routine oversight of contract outcomes and spend.

She confirmed that the audit made no recommendations as the Council provided sufficient evidence that its arrangements are effective. However, the report notes that achieving value for money will depend on how effective future interventions are in improving recycling rates and reducing the risk of financial penalties for missing national targets.

It was resolved to confirm that the Governance and Audit Committee takes assurance from the findings of the audit examination of how the Council manages the performance of its recycling service.

11. ANNUAL INSURANCE REPORT 2025/26

The report of the Head of Audit and Risk incorporating the Annual Insurance Report for 2025/26 was presented for the committee's consideration. The annual report outlined the Council's current insurance arrangements, claims activity and key trends and challenges.

The Head of Audit and Risk presented the report noting that the Council uses a combination of self-insurance and external cover to address the financial consequences of risk. To meet the self-insured element of any claims, the Council maintains an Insurance Fund within an earmarked reserve and an Insurance Provision account. The fund is reviewed annually to ensure it is sufficient to meet the liabilities without being over resourced. Working with insurance broker, Marsh, a comprehensive tender exercise was undertaken in 2024 and a 3 year contract was awarded to Zurich Municipal, the incumbent provider. The tender process highlighted that elements of the sums insured were out of date, which led to a comprehensive revaluation of building sums insured during the first year of the policy to ensure accurate cover. Following policy renewal in October 2025, external premiums increased due to sector wide rate rises and claims performance, particularly in relation to property.

The Head of Audit and Risk confirmed that overall, claims volumes remain stable with strong repudiation rates, though pressures persist in specific areas. Public liability claims remain consistent with high repudiation rates and modest settlements, although 71% of 2025/26 claims have yet to be concluded. Motor claims have stabilised, with 53% of claims in 2025/26 attributable to errors by the Council's own drivers; these are being addressed through continued monitoring and driver assessment. Property claim numbers and costs have been highly volatile, representing the Council's largest financial exposure with storm damage and house fires a factor. Although the number of property claims in 2025/26 reduced significantly compared to the previous year, the damage suffered and therefore the total claims cost were significant.

She highlighted increasing risks and challenges, including climate change impacts, new WHQS 2023 requirements, inflation and the Council's past claims history, all of which are

expected to increase premiums in the coming years. Demonstrating that the Council has acted on lessons from significant claims and has controls in place to mitigate risk will be essential in minimising future premium rises.

The committee questioned how potential insurance claim excesses are accounted for when setting the annual budget. The Director of Function (Resources)/Section 151 Officer explained that the Council holds a budget to cover both insurance premiums and potential excesses which is supported by a provision on the balance sheet that is reviewed regularly. The provision increases or decreases depending on the value of outstanding claims and whether an adjustment to premiums is required. He noted that premiums form the main cost while movements in the provision fluctuate each year according to claims activity.

The committee was also informed that, as Anglesey is the only authority in the region that publishes a publicly available annual insurance report, no comparative benchmarking data is available.

It was resolved to note the trends identified and mitigations set out in the Annual Insurance Report for 2025/26.

12. REVIEW OF FORWARD WORK PROGRAMME 2026/27

The report of the Head of Audit and Risk incorporating the committee's Forward Work Programme for 2026/27 updated to reflect the most recent changes, was presented for the committee's consideration. A members' development programme was included at Appendix B.

The Head of Audit and Risk reminded members to contact her should they have any specific requests for training.

It was resolved to confirm the Forward Work Programme for 2026/27 as meeting the committee's responsibilities in accordance with its terms of reference.

**Mr Dilwyn Evans
(Chair)**

As this was Mr Dilwyn Evans's final meeting as Chair and lay member of the Governance and Audit Committee, he thanked members and officers for their support and assistance during his tenure, noting that it had been a rewarding experience. He wished the committee well for the future.

The formal committee meeting was followed by a private meeting between the committee's members and the auditors.