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CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

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RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO A LLYWODRAETHU	AUDIT AND GOVERNANCE COMMITTEE
DYDD LLUN, 27 GORFFENNAF am 2 o'r gloch y prynhawn	MONDAY, 27 JULY 2015 at 2.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGEFNI	COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGEFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

Annibynnol / Independent

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

Plaid Cymru / The Party of Wales

John Griffith (Is-Gadeirydd/Vice-Chair), Alun W Mummery and Nicola Roberts

Grwp Chwyldroad/Revolutionist Group

Peter S Rogers

Heb Ymaelodi / Unaffiliated

R Ll Jones (Cadeirydd/Chair)

AELODAU LLEYG / LAY MEMBERS

Mrs Sharon Warnes and Mr Richard Barker

A G E N D A

1 DECLARATION OF INTEREST

To receive any declaration of interest by any Member or Officer in respect of any item of business.

2 MINUTES 23 JUNE, 2015 MEETING (Pages 1 - 6)

To submit the minutes of the previous meeting of the Audit and Governance Committee held on 23 June, 2015.

Arising thereon –

Interim Head of Resources and Section 151 Officer to report verbally on Lay Member involvement in the process of electing the Chair and Vice-Chair of the Committee.

3 ANNUAL TREASURY MANAGEMENT REVIEW 2014/15 (Pages 7 - 20)

To present the Annual Treasury Management Review for 2014/15.

4 EXTERNAL AUDIT - FINANCIAL AUDIT PROGRESS REPORT

To receive a verbal update by External Audit.

5 INTERNAL AUDIT - PROGRESS REPORT (Pages 21 - 24)

To present a progress report on Internal Audit work for Qtr 1 2015/16.

6 STRATEGIC INTERNAL AUDIT PLAN 2015/16 TO 2017/18 (Pages 25 - 42)

To submit the report of the Interim Audit Manager.

7 MARITIME DIESEL SERVICE

Accountancy Services Manager to report verbally with regard to the additional information requested about the Maritime Diesel Service in relation to income and expenditure and debt write-offs.

8 INSURANCE CLAIMS (Pages 43 - 46)

To present the report of the Risk and Insurance Manager.

9 EXCLUSION OF PRESS AND PUBLIC (Pages 47 - 48)

To consider adopting the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test”.

10 **RISK MANAGEMENT** (Pages 49 - 60)

To present the report of the Risk and Insurance Manager.

11 **EXCLUSION OF PRESS AND PUBLIC** (Pages 61 - 62)

To consider adopting the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from the meeting during the discussion on the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the said Act and in the attached Public Interest Test”.

12 **DELIVERY OF THE INTERNAL AUDIT SERVICE** (Pages 63 - 64)

To present the report of the Interim Head of Resources and Section 151 Officer on arrangements for the delivery of the Internal Audit Service.

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AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 23 June, 2015

PRESENT:	Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair) Councillors Jim Evans, Alun Mummery, Peter Rogers Lay Members: Mr Richard Barker and Mrs Sharon Warnes
IN ATTENDANCE:	Interim Head of Resources and Section 151 Officer Accountancy Services Manager & Deputy Section 151 Officer (BHO) Interim Accountant (AK) Programme and Business Planning Manager (GM) Committee Officer (ATH)
APOLOGIES:	Councillors Richard Owain Jones, Dafydd Rhys Thomas
ALSO PRESENT:	Mr Huw Lloyd Jones (Wales Audit Office), Mr Martin George (PwC)

The Chair welcomed all those present to the first Audit and Governance Committee meeting of the 2015/16 municipal year and he extended a particular welcome to Councillor Peter Rogers as a new member of the Committee. The Chair also thanked all the Committee's Members and the Officers who support the Audit and Governance Committee, for their contributions during the previous year.

1. DECLARATION OF INTEREST

With regard to the reference within the Statement of Accounts under item 3 to the Local Government Pension Scheme, Mrs Sharon Warnes noted that she had been appointed to serve on the Gwynedd Pension Fund Committee but had been advised that that did not constitute an interest in terms of precluding her from participating in the discussion thereon.

2. MINUTES 27 APRIL, 2015 MEETING

The minutes of the previous meetings of the Audit Committee held on 27 April, 2015 and 14 May, 2015 were presented and confirmed as correct.

Arising on the minutes of the 27 April, 2015 meeting –

The Committee sought an update on the progress of discussions with Conwy County Borough Council with regard to Conwy managing this Authority's Internal Audit Service. The Interim Head of Resources and Section 151 Officer said that negotiations are ongoing and that he was hopeful an agreement would be reached shortly. The aim had been to report on a definitive proposal for the management of the Internal Audit Service to the Committee's July meeting ahead of the arrangement becoming effective in August. That implementation timeline is still possible and the intention remains to report to the Committee's July meeting.

Arising on the minutes of the 14 May, 2015 meeting –

Mr Richard Barker, Lay Member clarified that both he and his fellow Lay Member, Mrs Sharon Warnes had absented themselves from the process of electing the Chair and Vice-Chair of the Audit and Governance Committee because once again during their tenure as Lay Members, they had felt marginalised and uninvolved in the process and discussions relating thereto despite being full voting members of the Committee. Mr Barker and Mrs Warnes said that they did not believe there was any

forum or medium by which they as Lay Members, could express their views as to who would best serve as Chair and Vice-Chair of the Committee, and as such they did not feel they could participate in the election process in an open and transparent way. They wished to highlight the matter so as to give the Authority the opportunity to rectify the situation and amend the process for the benefit of Lay Member appointees that would succeed them.

The Interim Head of Resources and Section 151 Officer said that he had been unaware of the issue but would with the approval of the Committee, refer the matter to the Chief Executive and the Monitoring Officer to ensure that it is addressed and would report back to the Committee at its next meeting on how the process whereby this Committee's Chair and Vice-Chair are elected can be adjusted so that it provides for input by the Committee's Lay Members. The Committee indicated that it was happy for the Officer to proceed on the lines suggested.

ACTION ARISING: Interim Head of Resources and Section 151 Officer to raise the matter of adapting the process for electing the Committee's Chair/Vice-Chair so that it provides for input by its Lay Members, and to report back thereon to the next meeting.

3. DRAFT STATEMENT OF ACCOUNTS 2014/15 AND THE ANNUAL GOVERNANCE STATEMENT 2014/15

The draft Statement of Accounts for 2014/15 incorporating the Annual Governance Statement for 2014/15 was presented for the Committee's consideration.

The Accountancy Services Manager and Deputy Section 151 Officer reported that the draft accounts for 2014/15 were closed some time ahead of the statutory 30 June deadline and, in accordance with good practice, they are being presented to the Audit Committee for its comments prior to the commencement of the formal audit. Unlike in previous years when the accounts production process was largely undertaken by a team of external staff, the 2014/15 accounts have been produced by internal Finance Service staff. The Officer referred to the Statement as being a complex and lengthy document and drew the Committee's attention to the Statement of Reserves; the Income and Expenditure account and the Balance Sheet and accompanying notes as key areas of interest for the Committee. She confirmed that the Finance Service is comfortable with the Authority's level of reserves and is satisfied with the contents of the financial statements. She referred to additional documentation which was tabled at the meeting, and explained that this reflected certain adjustments made to the draft after the publication of this meeting's agenda which do not fundamentally alter the Council's financial position as set out in the draft Statement.

The Committee considered the draft Statement and noted the following points –

- With regard to revenue expenditure, the Committee noted that the savings and efficiencies target of £6.3m for 2014/15 was successfully implemented in order to set the budget within the available resources. The Committee noted also that the financial challenges in 2015/16 and beyond will be even more acute as budgets continue to reduce and a further tranche of savings will have to be found; the Committee sought reassurance that the Authority is in a position to manage those challenges and the risks inherent in delivering further significant savings. The Interim Head of Resources and Section 151 Officer said that every saving built into the 2015/16 budget has been costed more effectively than in previous years; there are budget plans around the delivery of each savings item; all the savings have been project planned and subjected to an equalities impact assessment so the savings delivery process for 2015/16 should be more straightforward than for 2014/15 when there was some uncertainty around how the savings programme would be delivered.
- The Committee noted that the certification of the accounts by external audit has in some previous years been delayed pending resolution of objections raised by member(s) of the public and it sought assurance that Officers do not foresee such a situation arising in relation to the 2014/15 accounts. The Interim Head of Resources and Section 151 Officer said that the availability of the draft accounts has been advertised and members of the public are entitled to inspect the accounts and to ask questions thereon. He said that he was not aware of any issue arising from outside the Council at this point in time, and in the event that an issue does arise, whether it leads to a delay in certifying the accounts or not depends on the validity of the question and the objection being posed. The Officer confirmed that he did not believe there was any aspect of the

draft Statement that caused him concern to the extent it would force him to recommend that the audit process be slowed down, or would delay the eventual approval of the accounts. Mr Martin George, PwC confirmed from an external audit perspective that there are no matters being investigated currently that would cause a delay in the audit process.

- The Committee sought clarification of the Council's reserves position in terms of their adequacy and the yardstick by which that is measured. The Committee also questioned whether the reserves carried by schools are an issue. The Accountancy Services Manager said that the Finance Service is satisfied with the Authority's general balances which stand at just under 7%. Whilst the reserves held by schools are not a particular issue per se, schools holding high levels of reserves are required to have spending plans and those in deficit, a plan to address the deficit position. The Interim Head of Resources confirmed that the general expectation is that local authorities maintain a reserves balance of around 5% but that is subject to the individual views of Section 151 Officers. Whether a level of 5% is required by every authority depends on their circumstances; the financial challenges they are facing, historical performance and the quality of their financial management all of which factors would inform a decision regarding the adequacy of reserves. He said that it was his professional view that a reserves balance of 6% to 6.5% is reasonable for this Authority.

It was resolved to note the draft Statement of Accounts for 2014/15 prior to external audit.

4. EXTERNAL AUDIT

4.1 The External Audit Plan 2015 was presented for the Committee's consideration.

Mr Martin George, PwC reported on the matters relating to the financial audit as follows –

- The phased approach to be taken in carrying out the formal financial statements audit as per Exhibit 1 of the report.
- The significant audit risks and the proposed audit response to mitigate those risks as per Exhibit 2.
- The risk of fraud and the responsibilities of the Auditors; Management and those charged with governance in relation thereto.
- Certification of grant claims and returns and the more significant and/or recurring issues identified in undertaking grant certification work for 2013/14 as per Exhibit 3.

Mr Huw Lloyd Jones, WAO reported with regard to the performance audit as follows –

- The components of the performance audit work as per Exhibit 4
- The contents of the 2015/16 performance audit work programme split into improvement audit and assessment work and local government studies and the specific projects pertaining thereto.

The Committee considered the report and clarification was sought by Mr Richard Barker, Lay Member who noted a personal interest as a trustee of a third sector organisation which delivers social services to adults, of how the performance element of the proposed North Wales study of benchmarking Social Services costs against performance is to be identified and defined.

Mr Huw Lloyd Jones said that the WAO has unravelled the revenue out-turn statements for councils in Wales and the various lines within them and has attributed those lines to certain national performance indicators for Children and Adults' social services; it will then compare performance across authorities. Some authorities are high performers at low cost whilst others are high performers at high cost. The purpose of the study is to explore why things appear to be as they are.

4.2 A Certificate of Compliance following the audit of the Council's 2015/16 Improvement Plan was presented and noted by the Committee. The Certificate confirms that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements as set out in section 15 of the Local Government (Wales) Measure 2008 and statutory guidance.

4.3 An update on the status of WAO's ongoing and planned improvement and assessment projects was presented for the Committee's information, and was noted.

Mr Huw Lloyd Jones informed the Committee that the Corporate Assessment report on the Isle of Anglesey County Council when issued will contain an appendix of all the recommendations from last year's published national reports, and from now on every council will be expected to decide which of those recommendations are most relevant to them, and form an Action Plan around them. He referred to a discussion point from the Committee's previous meeting about ways in which the Committee might be apprised of national reports and studies which could be of interest to its members but which may not be brought directly to their attention because they are not Anglesey specific, and he said that he would encourage the Council to reflect on how it deals with external reports that are not particular to Anglesey but which may convey messages that are relevant to it.

4.4 The report on the conclusions of the WAO's review of the Anglesey and Gwynedd Local Service Board was presented for the Committee's information.

Mr Huw Lloyd Jones reported that the review found that after a slow start the Anglesey and Gwynedd Local Service Board has clarified its focus and is improving its governance but that the pace of recent progress needs to be maintained. He advised that progress in implementing the proposals for improvement needs to be monitored and perhaps either the Audit and Governance Committee or the Partnerships Scrutiny Committee might wish to keep track of that aspect to ensure that the momentum of improvement is sustained.

The Committee considered the report and raised the following points thereon –

- The Committee sought clarification of the governance arrangements for setting and managing the Board's agenda items (given the diverse interests represented on it) and their congruity with the business of the Council. Mr Huw Lloyd Jones said that the business to be considered by LSB meetings is determined by the Board itself within the Officer framework. What is encouraging is that there is now a better alignment between the aims of the LSB and those of the Council; the Board's agenda will need to address those wider objectives.
- The Committee sought clarification of whether the aims and objectives of the Local Service Board involve eliminating duplication and ensuring value for money and efficiency in the way resources are used. Mr Huw Lloyd Jones said that the LSB is now more clearly focused in terms of what it does and that a key part of that is ensuring that the "public pound" wherever it is spent, is well spent.
- The Committee questioned whether it was appropriate and/or timely for it to be asking the LSB for a report on any savings it has found hitherto. Mr Huw Lloyd Jones said that it is premature to be talking about the LSB in terms of the delivery of savings at this point in time. He confirmed that there are arrangements for joint scrutiny of the LSB which when finalised and in place will, it is expected, interrogate the Board's use of resources more closely. The Committee noted the point and emphasised that there needs to be greater and more transparent reporting on the Board in general.
- The Committee noted the need, if the Authority is to be more efficient in the use of resources, for it to consider encouraging and extending collaborative working.
- That in light of the extension of this Committee's governance responsibilities and specifically its oversight role with regard to the governance arrangements of the significant partnerships to which the Council is party, it was suggested that consideration needs to be given, and a conversation held as to what are the Committee's objectives in that role and what its focus needs to be. The Interim Head of Resources and Section 151 Officer said that further work remains to be done within the Council in relation to how it engages with partners. A logical area of interest for the Audit and Governance Committee is the reporting on the financial performance of partnerships especially as Gwynedd Council is the host for most of the partnerships to which the Council is party, meaning that Anglesey has no involvement in the production of the financial accounts for them. He suggested, and it was agreed by the

Committee, that it would be informative and useful in terms of improving engagement, for the Committee to have sight of partnerships' financial information.

The Programme and Business Planning Manager said that one of the areas to emerge from the work undertaken in relation to the corporate self-assessment as in need of improvement was the Council's arrangements for dealing with partnerships and their governance, and in particular the need to review historical partnerships to establish whether they continue to provide value and whether they still serve the best interests of the residents of Anglesey. That piece of work has been identified and following on from that, policies, protocols and expectations will be created and applied to all new partnerships arrangements entered into. He suggested that there is a role for the Audit and Governance Committee in scrutinising the governance documentation as it is created. The Committee noted the point and highlighted also that it has on previous occasions flagged up shortcomings with regard to partnerships governance.

Mrs Sharon Warnes suggested that to ensure it does not lose sight of what it is should be doing and when, it would be useful for the Committee to be provided for quick reference with a summary sheet of the key issues and areas which it has been tasked with, or has committed to monitor to ensure that it is aware of when they are due for review and is clear as to the expectations. Mr Huw Lloyd Jones said that some authorities make available to their audit committees as a matter of course, information about external reports and the issues they cover, the recommendations therein and their relevance to the individual authority.

It was resolved to note the WAO report on the review of the Anglesey and Gwynedd Local Service Board.

ACTIONS ARISING: Interim Head of Resources and Section 151 Officer to provide the Committee with –

- **Financial information in relation to the key partnerships in which the Council is involved**
- **A summary reference sheet of the key areas and issues for review by the Committee, and by when.**

5. MATTER FOR INFORMATION – MARITIME DIESEL

In accordance with the request made by the Committee at its previous meeting, the balance sheet for the Maritime Diesel Service for the previous five years was presented for the Committee's information.

Having considered the data presented, the Committee requested the following supplementary information for the next meeting in clarification and amplification of the position of the maritime diesel service -

- Information regarding income and expenditure for the maritime diesel service so that the Committee can be clear as to the profit or loss position.
- Information regarding any bad debt write offs.
- The Committee also asked that the Principal Development Officer (Tourism and Maritime) attend the next meeting to respond to any questions that might arise from the submission of the additional information.

It was resolved to note the information presented.

ACTION ARISING: Interim Head of Resources and Section 151 Officer in conjunction with the Head of Economic and Community Regeneration to collate the additional information for submission to the next meeting as per the Committee's request.

6. EXCLUSION OF THE PRESS AND PUBLIC

It was resolved under Section 100 (A) (4) of the Local Government Act 1972, to exclude the press and the public from meeting during the discussion on the following item on the grounds that it involved the

disclosure of exempt information as defined in Schedule 12 of the said Act and in the Public Interest Test presented.

7. ATTEMPTED FRAUD AGAINST THE COUNCIL

Correspondence between the Interim Head of Resources and Section 151 Officer and North Wales Police with regard to an attempt to defraud the Council was presented for the Committee's information.

It was resolved to note the information.

NO FURTHER ACTION ARISING

**Councillor R.Llewelyn Jones
Chair**

DRAFT

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT COMMITTEE
DATE:	27 JULY 2015
SUBJECT:	ANNUAL TREASURY MANAGEMENT REVIEW FOR 2014/15
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
LEAD OFFICER(S):	RICHARD MICKLEWRIGHT
CONTACT OFFICER(S):	BEN DAVIES / GARETH ROBERTS (EXT. 2610/2675)
Nature and reason for reporting	
<p>To comply with regulations issued under the Local Government Act 2003 and with the Council's Treasury Management Scheme of Delegation for 2014/15 (Appendix 8 of the Treasury Management Strategy Statement 2014/15). In accordance with the Scheme of Delegation, this report is due to be presented to the Executive and then the full Council once it has been scrutinised by this committee.</p>	

Summary

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2014/15. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2014/15 the minimum reporting requirements were that the full Council should receive the following reports:-

- an annual treasury strategy in advance of the year (received on 27 February 2014);
- a mid year (minimum) treasury update report (received on 4 December 2014);
- an annual review following the year describing the activity compared to the strategy (this report).

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the full Council.

In order to support the scrutiny role of the members of the Audit Committee Member training on treasury management issues was undertaken during July 2014.

During 2014/15, the Council complied with its legislative and regulatory requirements. The key data for actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:-

Data for actual prudential and treasury indicators	2013/14 Actual £000	2014/15 Original £000	2014/15 Actual £000
Capital expenditure			
• Non-HRA	20,936	18,100	15,769
• HRA	3,169	5,700	5,518
• Total	24,105	23,800	21,287
Total Capital Financing Requirement:			
• Non-HRA	86,286	92,400	85,932
• HRA	23,903	23,000	22,650
• Total	110,189	115,400	108,582
Gross borrowing	89,590	125,000	89,583
External debt	89,590	127,000	89,583
Investments			
• Longer than 1 year	-		-
• Under 1 year	9,196		10,983
• Total	9,196		10,983

Other prudential and treasury indicators are to be found in the main body of this report. The S151 Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit), was not breached.

The financial year 2014/15 continued the challenging investment environment of previous years, namely low investment returns.

RECOMMENDATIONS

The Committee is recommended to:-

- (i) Note that the outturn figures in this report will remain provisional until the audit of the 2014/15 Statement of Accounts is completed and signed off; any resulting significant adjustments to the figures included in this report will be reported as appropriate;
- (ii) Note the provisional actual 2014/15 prudential and treasury indicators in this report;
- (iii) Consider the annual treasury management report for 2014/15 and pass on to the next meeting of the Executive with any comments.

Appendices:

- Appendix 1 - Summary Portfolio Valuation as at 31 March 2015
- Appendix 2 - Credit ratings of investment counterparties and deposits held with each as at 31 March 2015
- Appendix 3 - Equivalent Credit Ratings
- Appendix 4 - The Economy and Interest Rates – A Commentary by Capita Asset Services

Background papers

- Treasury Management Strategy Statement 2014/15
- Prudential and Treasury Indicators 2014/15
- Treasury Management First Quarter Report 2014/15
- Treasury Management Mid-Year Review Report 2014/15
- Treasury Management Third Quarter Report 2014/15.

1. INTRODUCTION

This report summarises the following functions / activities / outcomes in financial year 2014/15:-

- Capital activity;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2014/15

2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:-

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- Financed from borrowing; this may be through planned borrowing or otherwise. If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m	2013/14 Actual (£m)	2014/15 Estimate (£m)	2014/15 Actual (£m)
Non-HRA capital expenditure	21	18	16
HRA capital expenditure	3	6	5
Total capital expenditure	24	24	21
Non-HRA financed in year	9	8	11
HRA financed in year	3	6	5
Non-HRA unfinanced capital expenditure	12	10	5
HRA unfinanced capital expenditure	0	0	0

3. THE COUNCIL'S OVERALL BORROWING NEED

3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2014/15 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLB) or the money markets), or utilising temporary cash resources within the Council.

3.3 Reducing the CFR

3.3.1 The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

3.3.2 The total CFR can also be reduced by:-

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

3.3.3 The Council's 2014/15 MRP Policy (as required by WG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 on 27 February 2014.

3.3.4 The Council's CFR for the year is shown below, and represents a key prudential indicator. This would include any PFI and leasing schemes on the balance sheet, which would increase the Council's borrowing need, the CFR. There were no such schemes during the year.

CFR: Council Fund	2013/ 14 Actual (£m)	2014/ 15 Budget (£m)	2014/ 15 Actual (£m)
Opening balance	81	86	85
Add unfinanced capital expenditure (as above)	8	10	5
Less MRP/VRP*	(3)	(4)	(4)
Closing balance	86	92	86

CFR: HRA	2013/ 14 Actual (£m)	2014/ 15 Budget (£m)	2014/ 15 Actual (£m)
Opening balance	25	24	24
Add unfinanced capital expenditure (as above)	-	-	-
Less MRP/VRP*	(1)	(1)	(1)
Closing balance	24	23	23

* Includes voluntary application of capital receipts

3.3.5 The borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

3.4 Gross borrowing and the CFR

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2014 Actual (£m)	31 March 2015 Budget (£m)	31 March 2015 Actual (£m)
Gross borrowing position	89.6	115.4	89.6
CFR	110.2	115.4	108.6

3.4.1 As part of the financing of capital expenditure for 2014/15 borrowing was used to finance the gap between available resources (capital receipts, capital grants, capital contributions and revenue contributions) and the capital expenditure. It was decided, in light of current and projected market interest rates and counterparty credit risks, to continue internalising borrowing, in the short term at least. This strategy has now been implemented throughout each of the last four years. As a result of continuing with this strategy, the gap between CFR and external borrowing decreased during 2014/15 to £19.0m. The gross borrowing at 31 March 2015 is less than the forecast CFR for the following 2 years.

3.5 The other debt related indicators are:

3.5.1 The authorised limit - the authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2014/15 the Council maintained gross borrowing within its authorised limit.

3.5.2 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

3.5.3 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2014/15
Authorised limit	£127.0m
Maximum gross borrowing position	£89.6m
Operational boundary	£122.0m
Average gross borrowing position	£89.6m
Financing costs as a proportion of net revenue stream - CF	5.79%
Financing costs as a proportion of net revenue stream - HRA	14.60%

The reason for the Council Fund financing costs being a marginally lower percentage of the net revenue stream than estimated was due to lower than budgeted financing costs, combined with lower than budgeted investment income and higher than expected net revenue stream.

4. TREASURY POSITION AS AT 31 MARCH 2015

- 4.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. The borrowing and investment figures for the Council as at the end of the 2014/15 and 2013/14 financial years are as follows:-

	31 MARCH 2014			31 MARCH 2015		
	£'000	Average Rate (%)	Average Maturity (yrs)	£'000	Average Rate (%)	Average Maturity (yrs)
Debt: All Public Works Loans Board, fixed rate	89,590	5.72	26.2	89,585	5.72	25.4
CFR	110,189			108,582		
Over / (under) borrowed	(20,599)			(18,997)		
Fixed term investments (all < 1 year, managed in house and fixed rate)	5,005	0.80		Nil	-	
No notice investments (all managed in house)	4,191	0.58		10,983	0.36	
Total Investments	9,196	0.70		10,983	0.36	

See a more detailed analysis in Appendix 1. The upper limits for fixed rate and variable rate exposures were not breached during the year.

- 4.2 Borrowing is further broken down by maturity as:-

	31 MARCH 2014		31 MARCH 2015		2013/14 and 2014/15 Limits	
	£m	% of total	£m	% of total	% of total (upper)	% of total (lower)
Total borrowing	89.6	100	89.6	100		
Under 12 months	0.0	0.0	0.0	0.0	20	0
12 months and within 24 months	0.0	0.0	0.0	0.0	20	0
24 months and within 5 years	10.5	11.8	15.5	17.3	50	0
5 years and within 10 years	13.7	15.3	8.8	9.8	75	0
10 years and above	65.4	72.9	65.3	72.9	100	0

- 4.3 There was no debt rescheduling and no new external borrowing. No debt rescheduling took place during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.
- 4.4 Part of the Council's deposits are held in no notice deposit accounts which pay interest at rates near the prevailing base rate (£11.0m at 0.36% (31 March 2014: £4.2m at 0.58%). There were no deposits being held for a period of less than 1 year (31 March 2014: £5m at 0.8%).

5. TREASURY STRATEGY FOR 2014/15

- 5.1** The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter 1 of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 5.2** In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- 5.3** The actual movement in gilt yields meant that PWLB rates saw little overall change during the first four months of the year but there was then a downward trend for the rest of the year with a partial reversal during February.
- 5.4** The economic position and PWLB and investment rates were as shown in Appendix 4.

6. INVESTMENT OUTTURN FOR 2014/15

- 6.1** Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme
- 6.2** The expected investment strategy was to keep to shorter term deposits (up to 364 days) although the ability to invest out to longer periods was retained (although not used). Available cash balances were expected to be up to £30m, ranging between £15m and £35m. The budget was set at 0.75% or £225k after adjusting for the higher rates on existing investments. As it turned out, average balances of £20.4m returned £83k (0.40%). The lower than budgeted average cash balance was partly the result of continuing to internalise borrowing. The lower than budgeted return was due to worse than anticipated rates of return on investments, with rates continuing to fall throughout the year.

7. INVESTMENT SECURITY AND CREDIT QUALITY

- 7.1** No institutions in which we had made investments had any difficulty in repaying investments and interest on time and in full during the year.
- 7.2** During 2014/15, credit ratings remained poor across the range of our usual counterparties. Since late 2008 it has been challenging to place deposits with appropriate counterparties. In December 2008, the Council's approval was obtained to extend flexibility with counterparties to deal with market changes; this included the ability to invest all our surplus funds with central government if necessary. The list was further widened in April 2010 to include nationalised and partly nationalised institutions and this list was clarified in March 2013 in relation to nationalised and part nationalised UK banks for the 2014/15 criteria. Previous decisions had extended flexibility for investing with local authorities.
- 7.3** The practical effect of these policies was as follows: during the year we continued to use no notice accounts with major high street institutions (Santander, HSBC, RBS and Bank of Scotland) for day to day cash flow.

- 7.4 There was one fixed term investment with the Royal Bank of Scotland (RBS) for £5.0m at the start of the year that matured during in May 2014. The rate was 0.80% and upon maturity was transferred into the RBS call account.

8. ACTIVITY SINCE 2014/15

- 8.1 It has previously been reported that this Authority was preparing to exit the HRA subsidy system on 2nd April 2015. At the time of reporting for Quarter 3 treasury activity it was known that the buyout was to be financed through the PWLB, but the settlement amount and rate of interest on the borrowing were under consultation. The potential effect of the buy-out was reflected in the budget setting papers presented to Members for 2015/16 (including the 2015/16 Treasury Management Strategy Statement presented to this Committee for scrutiny on 9th February 2015). It can be confirmed that that buy-out took place and the HRA is now self financed. The exact structure of loans arranged by the Council to fund its self-financing of the HRA, reflected the requirements of the HRA business plan, the overall requirements of the Council and certain limitations, (e.g. the minimum average duration of any borrowing), put in place by the Welsh Government. The loans were, therefore, arranged at a set of bespoke, higher PWLB interest rates that applied only to Welsh HRA self-financing authorities and may make these loans less flexible, from a restructuring perspective, than would normally be the case.

**Summary Portfolio Valuation
As at 31 March 2015**

FINANCIAL ASSETS	Nominal / Principal (£)	Fair Value (£)
Cash (interest bearing accounts) (1)	10,982,986	11,008,287
 FINANCIAL LIABILITIES		
PWLB loan – Maturity	89,315,764	129,480,161
PWLB loan – Annuity	267,124	435,780
 Counterparties		
(1) Cash (interest bearing accounts)		
Santander	7,499,331	
Bank of Scotland	480,732	
HSBC	2,945,930	
RBS	<u>56,993</u>	
	10,982,986	

Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 31 Marwth 2015 *
Credit ratings of investment counterparties and deposits held with each as at 31 March 2015*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuron / Deposit £'000	Hyd (Galw tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O/I)/ Period (From - To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating ***	Graddfa Tymor Byr Fitch Short Term Rating ***	Graddfa Tymor Hir Moody's Long Term Rating ***	Graddfa Tymor Byr Moody's Short Term Rating ***	Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating ***	Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating ***	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	481	Galw/ Call	n/a	0.40	A+	F1	A1	P-1	A	A-1	Coch – 6 mis/ Red - 6 months
HSBC Holdings plc	HSBC Bank plc	2,946	Galw/ Call	n/a	0.25	AA-	F1+	Aa2	P-1	AA-	A-1+	Oren – 12 mis / Orange – 12months
Santander Group plc	Santander UK plc	7,499	Galw/ Call	n/a	0.40	A	F1	A1	P-1	A	A-1	Coch - 6 mis / Red – 6 months
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc	57	Galw/ Call	n/a	0.25	BBB+	F2	A3	P-2	BBB+	A-2	Glas - 12 mis / Blue - 12 months

* Ceir y Rhestr Meini Prawf Gwrthbartion yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2014/15 / The Counterpart Criteria can be found at Appendix 6 of the 2014/15 Treasury Management Strategy Statement.

** Sef tymor ar pwynt y buddsoddi/Being term at the point of investment.

*** Yn Atodiad 3 ceir y graddfeydd credyd cyfatebol ar gyfer y 3 asiantaeth graddio y cyfeirir atynt uchod./The equivalent credit ratings for the 3 rating agencies referred to above can be found at Appendix 3.

Graddfeydd Credyd Cyfatebol/

Equivalent Credit Ratings (Fitch, Moodys, S&P)

Tymor Hir Fitch Long Term	Tymor Hir Moodys Long Term	Tymor Hir S&P Long Term
AAA	Aaa	AAA
AA+	Aa1	AA+
AA	Aa2	AA
AA-	Aa3	AA-
A+	A1	A+
A	A2	A
A-	A3	A-
BBB+	Baa1	BBB+
BBB	Baa2	BBB
BBB-	Baa3	BBB-
Tymor Byr Fitch Short Term	Tymor Byr Moodys Short Term	Tymor Byr S&P Short Term
F1+	d/b / n/a	A-1+
F1	P-1	A-1
F2	P-2	A-2
F3	P-3	A-3

THE ECONOMY AND INTEREST RATES

The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the ECB was going to do too little too late to ward off the threat of deflation and recession in the Eurozone. In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 3 of 2016.

Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

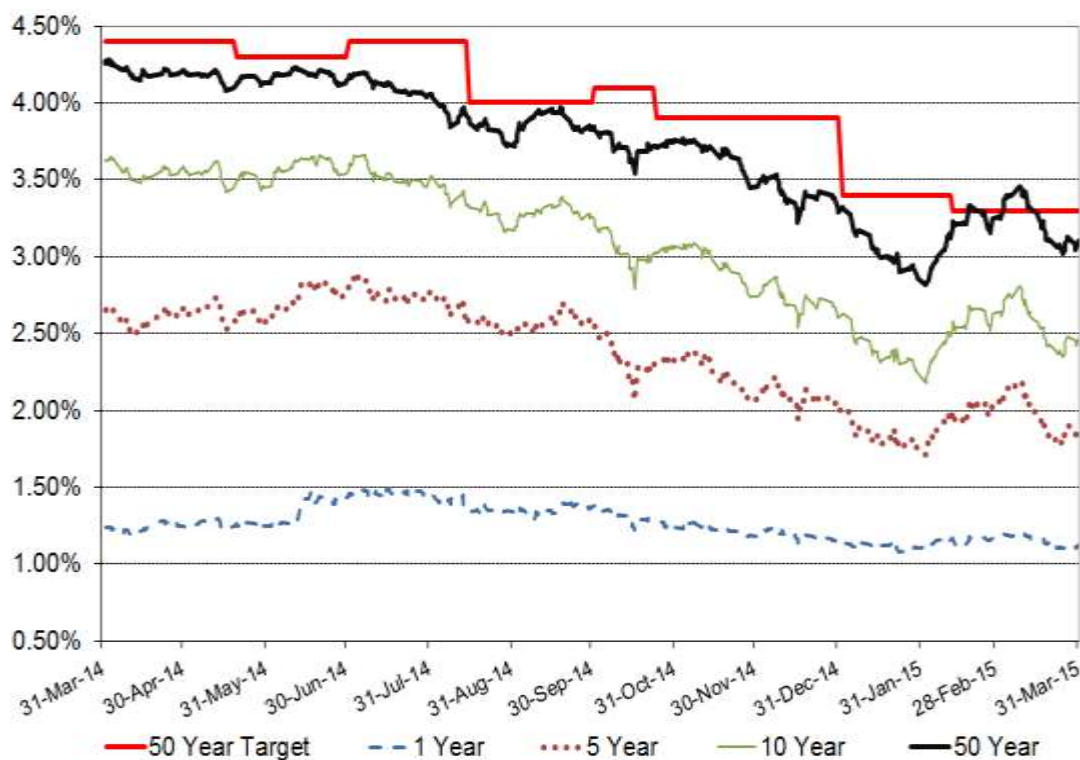
The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing throughout 2014/15.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.

The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

Chart 1: Borrowing Rates 2014-15

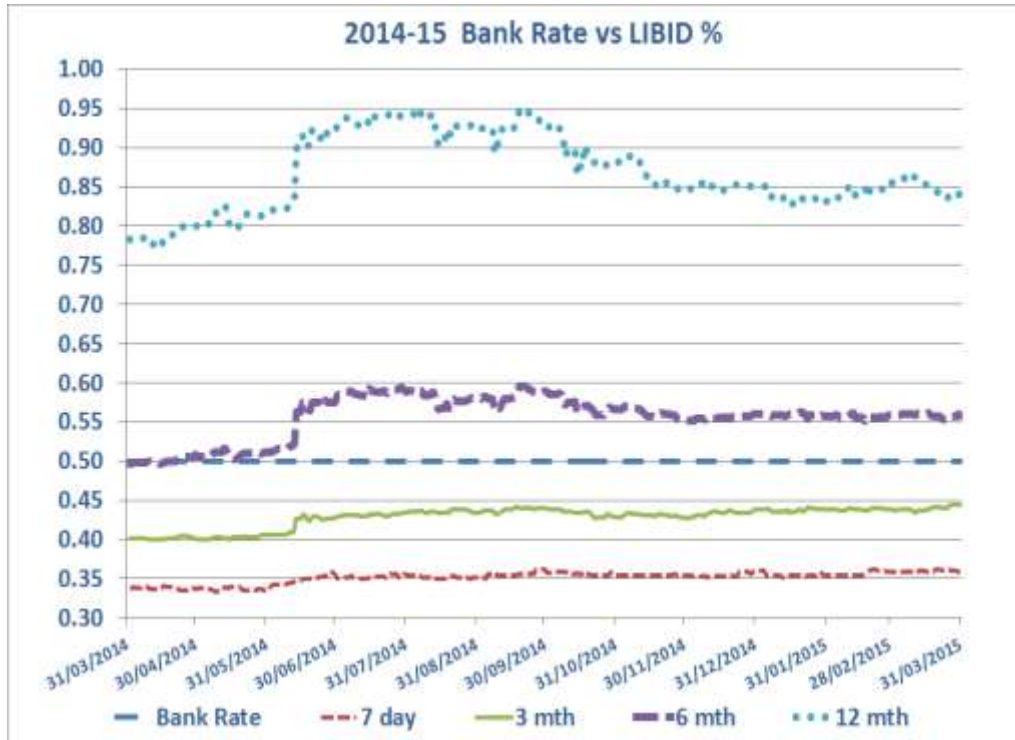
PWLB certainty maturity borrowing rates - the graphs and table for PWLB rates below, show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
1/4/14	1.240%	1.420%	1.990%	2.340%	2.650%	3.630%	4.290%	4.270%	1.250%
31/3/15	1.110%	1.190%	1.480%	1.680%	1.860%	2.450%	3.110%	3.080%	1.320%
High	1.490%	1.700%	2.280%	2.600%	2.870%	3.660%	4.300%	4.280%	1.340%
Low	1.080%	1.110%	1.380%	1.570%	1.710%	2.180%	2.850%	2.820%	1.250%
Average	1.266%	1.417%	1.863%	2.130%	2.362%	3.083%	3.737%	3.719%	1.290%
Spread	0.410%	0.590%	0.900%	1.030%	1.160%	1.480%	1.450%	1.460%	0.090%
High date	16/07/2014	03/07/2014	03/07/2014	03/07/2014	03/07/2014	20/06/2014	03/04/2014	02/04/2014	17/09/2014
Low date	23/01/2015	06/01/2015	07/01/2015	07/01/2015	02/02/2015	02/02/2015	02/02/2015	02/02/2015	01/04/2014

Chart 2: Investment Rates 2014-15

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for six years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2015 but then moved back to around quarter 3 2016 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme.



ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	27 JULY 2015
TITLE OF REPORT:	PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL TO 30 JUNE 2015
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	INTERIM AUDIT MANAGER
ACTION:	N/A

1. INTRODUCTION

1.1. This committee’s terms of reference, approved in May 2015, requires them to “review progress in delivering the Internal Audit Plan and Internal Audit Strategy through the receipt and consideration of quarterly progress reports from the Chief Audit Executive” (in this context the Interim Audit Manager).

1.2. I have prepared this report is in response to that requirement.

2. PROGRESS MADE IN DELIVERING THE AGREED PLAN

2.1. The Operational Audit Plan for 2015-16 was presented to and accepted by the Audit Committee at its meeting held on 23 February 2015.

2.2. The table below shows the progress we have made in delivering that work.

Area for review	Status
ICT disaster recovery	Draft report issued
Business continuity	Draft report issued
Information governance	Work in progress
Risk management framework	Fieldwork complete
Partnerships – governance and performance	Work in progress
Market administration and rents income	Fieldwork complete
Fleet management	Work in progress

2.3. Progress has been hampered to a degree by a higher than expected level of sickness within the audit team and the fact that the team is carrying 2 vacancies. The audit resource issue looking forward is addressed elsewhere on your agenda under the strategic audit plan item.

3. FINAL REPORTS ISSUED SINCE 1 APRIL 2015

3.1. The table below records the final reports which we have issued since 1 April 2015.

Area reviewed	Audit plan year	Date report issued	RAG assurance rating
Cash receipting system	2014 - 15	01/04/15	Green
Sundry debtors	2014 - 15	01/04/15	Red/amber
Council Tax	2014 - 15	01/04/15	Green/amber
NNDR	2014 - 15	01/04/15	Green/amber
Housing benefit	2014 - 15	01/04/15	Green/amber
Housing rents	2014 - 15	07/04/15	Green
Bryn Trewan	2014 - 15	06/05/15	None – work was advisory
ESF Grant Certification	2015 - 16	12/05/15	None - certification work only
Treasury management	2014 - 15	18/05/15	Green
Payroll	2014 - 15	21/05/15	Green/amber
Main accounting system	2014 - 15	16/06/15	Green/amber

3.2. RAG assurance ratings used during 2014-15 are defined as:

Rating	Definition
Green	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.
Green Amber	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
Red Amber	Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.
Red	Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

3.3. For your information we have introduced new assurance level definitions for 2015/16 that are clearer and more precise and bring into play the priority of recommendations made. They are:

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL ASSURANCE	<p>Arrangements for governance, risk management and internal control are good.</p> <p>No or only low impact management action is required.</p> <p>No high and a maximum of 2 medium priority recommendations are made.</p>
REASONABLE ASSURANCE	<p>Arrangements for governance, risk management and/or internal control are reasonable.</p> <p>Management action of moderate to low impact is required</p> <p>No high priority recommendations are made.</p>
LIMITED ASSURANCE	<p>Arrangements for governance, risk management and internal control are limited.</p> <p>Management action of high to moderate impact is required.</p> <p>A number of high and/or medium priority recommendations are made.</p>
MINIMAL ASSURANCE	<p>Arrangements for governance, risk management and internal control are significantly flawed.</p> <p>High impact management action is required in a number of areas.</p> <p>A significant number of high priority recommendations are made.</p>

3.4. At the same time we have introduced, for the first time, definitions of the priorities used for recommendations made. They will assist in improving consistency within the audit team and help the level of understanding by the report recipient. They are:

RECOMMENDATION PRIORITY	DEFINITION
HIGH	<p>Significant action required relating to the absence of or non-compliance with fundamental control processes creating the potential for significant governance issues, malpractice, risk or error to go undetected.</p>
MEDIUM	<p>Important action required to bring the internal control system up to an acceptable standard or eliminate an unacceptable level of non-compliance with an existing control process.</p>
LOW	<p>Action which would improve the internal control in general but which is not vital to the overall control system.</p>

3.5. I am required to report to this committee the outcomes of any audit review resulting in a red assurance rating (which will now become a minimal assurance rating). I can confirm that for the period under review no red/minimal assurances were issued.

3.6. I can provide, in confidence, any individual final report to members of this committee on request.

4. IMPLEMENTATION OF AGREED AUDIT RECOMMENDATIONS

4.1. It has been past practice to include in this report data regarding the implementation status of high and medium priority recommendations and it had been my intention to continue that practice.

4.2. However, having explored the basis upon which that information has been compiled, I am not confident that I can produce data which is a true reflection of the state of play.

4.3. I am of the opinion that work needs to be done to improve the process for collecting the data concerning agreed recommendations raised and how progress in implementation is monitored, in order to be able to report accurately to the Senior Leadership Team and this committee in the future.

4.4. However, I want to emphasise the fact that the implementation of agreed audit recommendations is the responsibility of management not internal audit. Our responsibility is just to report the status position.

5. SIGNIFICANT CHANGES TO THE APPROVED PLAN

5.1. A report elsewhere on your agenda seeks approval to a strategic audit plan for the next 3 years. This will bring significant changes to the existing Operational Audit Plan for 2015 – 16 and beyond. The reasons for this changed approach are explained in that report.

**RICHARD SADLER
INTERIM AUDIT MANAGER
14 JULY 2015**

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	27 JULY 2015
TITLE OF REPORT:	STRATEGIC INTERNAL AUDIT PLAN 2015/16 TO 2017/18
PURPOSE OF REPORT:	FOR CONSIDERATION AND APPROVAL
REPORT BY:	INTERIM AUDIT MANAGER
ACTION:	COMMITTEE APPROVAL REQUIRED

1. INTRODUCTION

- 1.1. The existing Operational Audit Plan for 2015-16 was presented to and accepted by the Audit Committee at its meeting on 23 February 2015.
- 1.2. Enquiries since then have identified the need to re-examine the planned internal audit coverage, resulting in a strategic audit plan being presented to this committee for consideration and approval (see Appendix A attached).
- 1.3. In compiling this plan, Heads of Service have been consulted and various sources of information such as risk registers, service development plans and corporate action plans have been considered.
- 1.4. The plan has been agreed by SLT and the external auditors have raised no concerns.
- 1.5. The current year (2015/16) is the one that should command your attention, as both 2016/17 & 2017/18 are subject to review when the plan is rolled forward year on year.

2. REASONS FOR CHANGE

- 2.1. Compared with the existing plan, this plan is more balanced, spreads audit coverage more widely and covers a period of three years rather than one. It demonstrates that all areas considered relevant for review by internal audit can be covered within that time span, subject to addressing the resources issue (paragraph 3.3 below).
- 2.2. The emphasis given to key financial systems in the past has been to the detriment of other significant areas of activity. This plan seeks to re-balance the audit resource to enable the examination of a number of areas which have not been subject to audit review in recent years.
- 2.3. Due to the need to build in the potential for flexibility, the plan provides a contingency item of approx. 10% of resource.
- 2.4. Auditing of schools is now targeted at the larger schools, rather than sticking to a routine cycle which has been past practice. It also provides for thematic reviews.

2.5. In totality this plan should enable the Audit Manager to be better placed to give an annual opinion on the framework of governance, risk management and control across the Council, which is a requirement of the Public Sector Internal Audit Standards which this Council has adopted.

3. RESOURCES REQUIRED TO DELIVER THE PLAN

3.1. The preparation of a three year plan helps to identify the ongoing level of internal audit resources required to provide effective audit coverage of the Council's activities

3.2. Days allocated as programmed coverage, other than financial systems, are tentative and will need to be "firmed up" when the precise scope of the work is determined in consultation with the relevant officers. It is not thought, however, that this process will significantly influence the overall resource requirement.

3.3. The plan indicates that the audit service is in need of one more full time person to deliver the planned work. I and the section 151 officer, in consultation with Human Resources, are discussing how that shortfall can be best addressed.

4. DECISION REQUIRED

4.1. The Committee is invited to approve the strategic audit plan attached at Appendix A.

RICHARD SADLER
INTERIM AUDIT MANAGER
14 JULY 2015

Attachments

Appendix A – Strategic Internal Audit Plan 2015/16 – 2017/18

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
AUTHORITY WIDE REVIEWS (CORPORATE)								
Business continuity	Policies and practices for dealing with a major incident	Issue of continuing audit concern reported to committee in Sept 2014 by Deputy Chief Executive (DCEO) Corporate risk (CR) YM10 "Key services can't be provided following a major event"	Every year	2012/13	Red	15	15	15
Contract audit - capital expenditure	Policies and practices for awarding and managing capital contracts - specific projects to be selected each year as appropriate	No recent audit coverage Significant expenditure	Every year	Not known	N/A	20	20	20
Corporate governance	Policies and practices re accountability and ownership of decisions	Issue of continuing audit concern reported to committee in Sept 2014 by DCEO	Every year	Prior to 2012/13	Not known	8	8	8
Corporate procurement framework	Policies and practices for procuring goods and services	Issue of continuing audit concern reported to committee in Sept 2014 by DCEO	Every year	2012/13	Advisory meaning no RAG awarded	10	10	10

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
Data protection and information governance	Policies and practices to ensure compliance with external regulation and legislation	Issue of continuing audit concern reported to committee in Sept 2014 by DCEO Head of Function request CR YM3 "Critical, confidential or personal information is lost or wrongly disclosed" Information Commissioner's report	Every year	2014/15 - information governance only	Green	10	10	10
Holyhead vibrant and viable places programme	Governance and grants to third parties	Annual delivery document 2014/15	One off review	New review	N/A	15		
IT disaster recovery	Policies and practices for dealing with a major incident	CR YM10 "Key services can't be provided following a major event"	Every year	Prior to 2012/13	Not known	10	10	10
Partnerships	Governance and performance	Issue of continuing audit concern reported to committee in Sept 2014 by DCEO Audit Committee request CR YM1 "Accountability arrangements around the Council's collaborative working arrangements aren't clear or not followed"	Every year	2013/14 (in part)	Advisory meaning no RAG awarded	15	15	15
Risk management framework	Identification and management of significant risks at corporate and service level	Issue of continuing audit concern reported to committee in Sept 2014 by DCEO	Every year	Prior to 2012/13	Not known	10	10	10

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
Safeguarding	Policies and practices for protecting children and vulnerable adults	SLT request CR YM12 "A serious safeguarding error results in, or contributes towards, serious harm"	Every year	Prior to 2012/13	Not known	15	15	15
Standby arrangements	The cost effectiveness of the Council's arrangements	Value for money study	One off review	New review	N/A	10		
Whistleblowing	Policies and procedures for staff and stakeholders to raise concerns	Monitoring Officer request	Every 2nd year	Prior to 2012/13	Not known	8		8
TOTAL DAYS FOR AUTHORITY WIDE (CORPORATE) REVIEWS						146	113	121

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
HEAD OF FUNCTION - RESOURCES AND SECTION 151 OFFICER								
Council Tax and NNDR	Raising and recovery of charges, awarding of allowances and reliefs and appropriate reconciliations	Key financial systems External auditor assurance	Every 2nd year	2014/15	Green/ Amber	20		20
Creditor payments	Ordering and payment for goods and services and controls over standing data	Key financial system External auditor assurance	Every 2nd year	2014/15	Green/ Amber		10	
Fixed asset register and capital accounting	Recording, acquisition and disposal of fixed assets and reconciliation with the accounting system	Key financial system External auditor assurance	Every 3rd year	2012/13 - verification work only	N/A		8	
High level controls for key financial systems	High level controls for those systems not subject to full audit review during the year	Key financial systems External auditor assurance	Every year	2014/15	N/A	10	10	10
Housing Benefit and Council Tax Reduction Scheme	Assessment and payment of associated benefits/allowances and appropriate reconciliations	Key financial system External auditor assurance	Every year	2014/15	Green/ Amber	15	15	15
Insurance	Placing and adequacy of insurance cover and administration of claims	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known		8	
Isle of Anglesey charitable trust	Governance, accountability and internal control arrangements	Significant funds involved and Council's reputation at stake	Every 2nd year	2014/15	Advisory meaning no RAG awarded		10	

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
Main accounting system	Maintaining and controlling the main accounting system and appropriate reconciliations	Key financial system External auditor assurance	Every year	2014/15	Green/ Amber	10	10	10
Payroll	Management of starters, leavers, changes to pay rates, allowances and standing data and appropriate reconciliations	Key financial system External auditor assurance	Every 2nd year	2014/15	Green/ Amber		12	
Receipting and banking of income	Receipt of income, banking and appropriate reconciliations	Key financial system External auditor assurance	Every 2nd year	2014/15	Green		10	
Sundry debtors	Raising sundry debtor income, its recovery and appropriate reconciliations	Key financial system External auditor assurance	Every year	2014/15	Red/ Amber	10	10	10
Treasury management	Management of borrowing and investments and appropriate reconciliations	Key financial system External auditor assurance	Every 3rd year	2014/15	Green		5	
TOTAL DAYS FOR HEAD OF FUNCTION - RESOURCES AND SECTION 151 OFFICER						65	108	65

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18

HEAD OF FUNCTION - COUNCIL BUSINESS AND MONITORING OFFICER

Democratic and member services	Controls over member services, translation, electoral services & emergency planning	Service area has not been subjected to audit review for a significant time	Every 3rd year	2012/13 - members allowances follow up only	N/A		8		
Legal services	Controls over provision of the service	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known			6	
TOTAL DAYS FOR HEAD OF FUNCTION - COUNCIL BUSINESS AND MONITORING OFFICER							0	8	6

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HEAD OF FUNCTION - TRANSFORMATION

Human resources	Policies and practices for managing the workforce	Of crucial importance to the successful operation of the Council	Every 2nd year	2013/14 (in part)	Green/ Amber	20		20	
IT audit	Needs assessment by an IT specialist required to determine priority areas for examination	Effective IT systems and control are fundamental to the Council's operations	Every year	2014/15	N/A	40	40	40	
TOTAL DAYS FOR HEAD OF FUNCTION - TRANSFORMATION							60	40	60

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18

CORPORATE DIRECTOR - SUSTAINABLE DEVELOPMENT

HEAD OF PLANNING AND PUBLIC PROTECTION

Building control services	Controls over fee income and inspection and enforcement regimes	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10
Civil registration	Controls over fee income	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known		10	
Environmental health services	Controls over fee income and inspection and enforcement regimes	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	15		15
Licensing services	Controls over fee income and inspection and enforcement regimes.	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known		10	
Market administration	Controls over fee income	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10
Planning services	Controls over fee income and inspection and enforcement regimes.	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known		10	
Trading standards services	Controls over fee income and inspection and enforcement regimes.	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10
TOTAL DAYS FOR PLANNING AND PUBLIC PROTECTION						45	30	45

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
HEAD OF ECONOMIC AND COMMUNITY REGENERATION								
Economic development function	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	Prior to 2012/13	Not known	15		15
Energy Island	Review current status and controls Governance arrangements	Annual delivery document 2014/15	Every 2nd year	New review	N/A		10	
Framework agreements	Review current status and controls	Head of Service request	One off review	New review	N/A	10		
Leisure function and performance	Review current status and controls Transformation proposals Controls over income	Annual delivery document 2014/15 CR YM13 "Planned transformation of leisure services failing and results in a significant reduction in the availability and quality of leisure facilities"	Every 2nd year	2014/15 - leisure centres only	Green		10	
Maritime and tourism functions	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	2014/15 maritime diesel only	Advisory meaning no RAG awarded		10	
Project management office	Review current status and controls	Head of Service request	Every 2nd year	New review	N/A	10		10
Strategy and support team	Review current status and controls	Head of Service request	Every 2nd year	New review	N/A	10		10
TOTAL DAYS FOR ECONOMIC AND COMMUNITY REGENERATION						45	30	35

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
HEAD OF ENVIRONMENT AND TECHNICAL SERVICES								
Building design and maintenance services	Review of controls	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10
Car park services	Review of controls	Needs review from time to time	Every 3rd year	2013/14	Green		10	
Engineering and design services	Review of controls	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known		10	
Estate and property management	Review of controls	CR YM2 "Unable to achieve the expected value of surplus land and buildings to invest in capital programme" Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	15		15
Fleet management	Review of controls	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10
Flood control	Review of controls	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known		10	
Highways and civil engineering	Review of controls	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known		10	
Right to buy	Review of controls	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known			10

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
Waste management	Review of controls	Significant area of activity	Every 3rd year	2013/14	Green		15	
TOTAL DAYS FOR ENVIRONMENT AND TECHNICAL SERVICES						35	55	45

CORPORATE DIRECTOR - COMMUNITY

HEAD OF HOUSING								
BMU stock check	Sample check of stock checking	Work already completed	Not required in future	2014/15	N/A	6		
Business unit and HRA Governance	Policies and procedures for addressing these areas	New initiative	Every 2nd year	New review	N/A	10		10
Homelessness prevention, allocations, housing options and accommodation support	Policies and procedures for addressing these areas	Annual delivery document 2014/15	Every 2nd year	2014/15 - homelessness only	Red/ Amber	10		10
Housing rents - high level controls	High level controls when full audit not conducted during the year	External auditor assurance	Every 2nd year	2014/15	N/A	5		5
Housing rents and associated charges	Raising rents and charges, recovery thereof, managing voids and appropriate reconciliations	Key financial system External auditor assurance Rechargeable works - Head of Service request	Every 2nd year	2014/15	Green		20	
Housing strategy, affordable housing and empty homes	Policies and procedures for addressing these areas	Corporate business plan Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known	10		10

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage			
				Date	RAG	2015/16	2016/17	2017/18	
Repairs and maintenance	Policies and procedures for addressing these areas	Service area has not been subjected to audit review for a significant time	Every 2nd year	Prior to 2012/13	Not known		15		
Supporting people programme	Policies and procedures for addressing these areas	Service area has not been subjected to audit review for a significant time	Every 3rd year	Prior to 2012/13	Not known		10		
TOTAL DAYS FOR HOUSING							41	45	35

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
HEAD OF ADULT SERVICES								
Deprivation of liberty	Safeguards and authorisation arrangements	Annual Director's report 2013 - 15	Every 2nd year	New approach	N/A		10	
Extra care housing schemes	Review current status and controls	Monitoring Officer request Annual delivery document 2014/15	Every 2nd year	New approach	N/A	15		12
Joint service delivery and management with the Health Board	Review current status and controls Governance and performance	Annual delivery document 2014/15	Every 2nd year	New approach	N/A		15	
Learning disabilities	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	New approach	N/A		15	
Mental health needs	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	New approach	N/A		15	
Physical and sensory impairment	Review current status and controls	Annual Director's report 2013 - 15	Every 2nd year	New approach	N/A		15	
Provider unit	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	New approach	N/A	20		17
Services for the elderly	Review current status and controls	Annual delivery document 2014/15	Every 2nd year	New approach	N/A	20		17
TOTAL DAYS FOR ADULT SERVICES						55	70	46

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
HEAD OF CHILDREN'S SERVICES								
Service manager - fieldwork	Specific areas for review to be identified at the time of scoping the work	Discussions with Head of Service	Every 2nd year	New approach	N/A	20		20
Service manager - corporate parenting and partnerships	Specific areas for review to be identified at the time of scoping the work	Discussions with Head of Service	Every 2nd year	New approach	N/A		20	
Service manager - integrated services	Specific areas for review to be identified at the time of scoping the work	Discussions with Head of Service	Every 2nd year	New approach	N/A		20	
TOTAL DAYS FOR CHILDREN'S SERVICES						20	40	20

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ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18

CORPORATE DIRECTOR - LIFELONG LEARNING

HEAD OF LEARNING

Administration of family grant and flying start	Review current status and controls	Head of Service request	Every 2nd year	New review	N/A	10		10
Library and cultural heritage management	Review current status and controls	Annual delivery document 2014/15 CR YM14 "The Council does not successfully transform the culture and heritage provision"	Every 3rd year	Prior to 2012/13	Not known		10	
Primary schools - budget ≤£1m - 4 schools	Establishment review	To establish whether internal controls are sufficient	2 yr cycle 2 schools per annum	N/A	Various	20	20	20
Primary schools - budget >£0.5m < £1m - 14 schools	Establishment review	To establish whether internal controls are sufficient	3 yr cycle 4/5 schools per annum	N/A	Various	40	50	50
Secondary schools and special school - 6 schools	Establishment review	To establish whether internal controls are sufficient	2 yr cycle 3 schools per annum	N/A	Various	30	30	30
Remaining primary schools - 39 schools - thematic reviews	Selected theme for each year on a cyclical basis to be carried out at a sample of schools	To establish whether internal controls are sufficient for the theme reviewed and to disseminate results to all relevant schools	Every year	N/A	N/A	10	10	10
TOTAL DAYS FOR LEARNING						110	120	120

TOTAL CHARGEABLE PROGRAMMED DAYS

622 659 598

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
CHARGEABLE NON PROGRAMMED DAYS								
Counter fraud work						205	205	205
Closure of previous year's work	Slippage in delivery					15	20	20
Grant certification	Review of grants receivable where external assurance is not provided or where concerns exist regarding the operation of internal controls					7	7	7
Implementation of agreed recommendations	Monitoring progress of implementation and reporting to Audit and Governance Committee					8	10	10
Liaison with SLT, Directors, Heads of Function and Heads of Service	Providing advice and support as appropriate					17	19	19
National Fraud Initiative	Preparation for and submission of data, etc.					3		3
Contingency - approx. 10% of available days	Provision for additional work not foreseen at the time of planning					85	85	85
TOTAL CHARGEABLE NON PROGRAMMED DAYS						340	346	349

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18

ASSESSMENT OF RESOURCES
TOTAL CHARGEABLE DAYS PER THE PLAN
962 1005 947
NON CHARGEABLE DAYS

Annual leave						106	106	106
Audit and Governance Committee	Supporting the work of the Committee, preparing reports and attendance as appropriate					15	15	15
Page 12 Audit Plan preparation	Rolling forward the plan taking into account developments within the Council					9	9	9
General administration						45	45	45
Liaison with external audit						6	6	6
Monitoring and quality control						40	40	40
Sick leave						45	25	25
Special leave						4	4	4
Statutory leave						48	48	48
Training for staff						8	8	8
Training for members						2	2	2
TOTAL NON CHARGEABLE DAYS						328	308	308

RESOURCES REQUIRED
1290 1313 1255
RESOURCES AVAILABLE
1150 1150 1150

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2015/16 - 2017/18

Area for review	Nature of the work	Reason for inclusion	Frequency of audit	Last audited		Programmed coverage		
				Date	RAG	2015/16	2016/17	2017/18
SHORTFALL						-140	-163	-105

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ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	27 JULY 2015
TITLE OF REPORT:	INSURANCE CLAIMS
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	HEAD OF FUNCTION (RESOURCES)
ACTION:	FOR INFORMATION

1 INTRODUCTION

- 1.1** The Council has in place a variety of insurance policies of which the main ones are public and employers' liability, property and motor. The public and employers' liability policies indemnify the Council against costs and damages which it is liable to pay when claims are presented against the Council by members of the public, businesses or employees for damage, injury or illness arising from the Council's negligence. The property policies compensate the Council for damage to its buildings and contents following damage caused by certain perils. Motor insurance combines an element of both in that it indemnifies the Council against damage or injury caused to a third party by its vehicles and also compensates for damage to its vehicles.
- 1.2** Each of these policies has an excess which the Council is responsible for paying. The excess varies from policy to policy the lowest currently being £250 for Smallholdings properties and the highest £100,000 for motor own damage claims. In most cases the excess is paid from the insurance provision account.
- 1.3** This report provides a summary of claims made under or against these policies for the period 1st April 2010 to 31st March 2015 and is based on the date the incident occurred not when the claim was presented or made. The cost of the claims is the total cost to the Council and its insurer inclusive of damages and costs.

2. CLAIMS SUMMARY

- 2.1** The summary of claims included in Appendix A of this report provides a breakdown per policy, per financial year for the Council as a whole of the number of claims which have been paid, where the claim has been settled without any costs or payment being made, or where the claim has not yet been settled. The amount paid in respect of those claims which have been settled and the amount reserved against those claims not yet settled is also provided.

- 2.2** It should be emphasised that not all claims not yet settled and which have a reserve against them will be paid or settled for the amount reserved against them. This is particularly true for liability claims where claims with large reserves are often settled for much lower sums or settled at no cost.
- 2.3** It should also be noted that the number of claims can increase over time as in certain cases claims are not presented until several years after the event. For example, a child who suffers an injury as a young child currently has a period of 3 years after turning 18 years to present their claim. Hence, both the number of claims and the amount reserved and paid will change over time.

3. CLAIM TRENDS

- 3.1** There has been a significant increase in public liability claims presented since 2012. This increase is mostly due to an increase in highway related claims, such as damage to vehicles on potholes. Despite the increase in the number of claims and amounts paid and reserved against this policy the percentage of claims which the Council is able to successfully defend remains high.
- 3.2** There has been an increase in claims for injury and illness presented by employees in 2013/2014. At least two of these claims and one of the claims presented in 2014/2015 have been presented by employees who had been or were facing redundancy.
- 3.3** Motor claims increased in terms of numbers and costs in 2012/2013 but otherwise remains fairly consistent. The increase in costs can be attributable to two individual accidents where the third parties claimed for personal injuries.
- 3.4** The storms of 2013/2014 resulted in a marked increase in property claims in terms of numbers and costs of claims. Significant damage was caused to Council properties in the Holyhead area during those storms, and one of the outstanding claims carries a large reserve of over £250,000.
- 3.5** "Other" includes claims against all the minor policies which the Council holds. The significant reserve for 2014/2015 relates to the claim submitted to our insurer following the theft of civic regalia.

4. FUTURE CHALLENGES

- 4.2** 2013 saw a significant change in the way that certain claims were administrated by the Courts with the expansion of claims portals and the introduction of one way cost shifting. This was an attempt by the Ministry of Justice to speed up the system and reduce overall costs. Within the portal system solicitors costs are fixed at significantly lower rates than previously claimed by claimant solicitors, however to compensate for this the defendant solicitor is now responsible for meeting those costs regardless of whether the claim is successful. Thus, although the Council may successfully defend a claim it will still be responsible for meeting costs. At this moment in time it remains too early to advise what impact this has on claims against this Council.

4.3 Insurers have warned that as public finances continue to be squeezed there will inevitably be an impact on the number of claims presented and the ability of local authorities to successfully defend them. An example frequently cited by insurers is that as the expenditure on highway maintenance reduces in real terms the condition of the roads will deteriorate and the claims arising from damage to vehicles as a result of potholes will increase. Thus, this Council may see an increase in claims, and may indeed have to pay more of these claims in the future.

5. RECOMMENDATIONS

5.1 The Committee is requested to note the content of this report.

JULIE JONES
RISK & INSURANCE MANAGER

15 JULY 2015

APPENDIX A

SUMMARY OF INSURANCE CLAIMS

SERVICE		Total				
POLICY	PERIOD	Number			Cost	
		Paid	Settled at No Cost	Not Settled	Amount Paid	Amount Reserved
Public Liability	2010/2011	28	66	1	155483	15615
	2011/2012	25	82	4	71704	149000
	2012/2013	38	117	12	24237	48070
	2013/2014	28	126	17	13238	228814
	2014/2015	9	73	32	1195	149073
Employers' Liability	2010/2011	0	0	0	0	0
	2011/2012	0	1	1	0	18237
	2012/2013	0	1	0	0	0
	2013/2014	1	2	3	16966	48878
	2014/2015	0	2	1	0	15025
Motor	2010/2011	21	6	0	24061	0
	2011/2012	15	4	0	16909	0
	2012/2013	26	17	0	56952	0
	2013/2014	19	5	1	11572	7036
	2014/2015	14	2	7	15643	4275
Property	2010/2011	11	31	4	174963	9503
	2011/2012	7	9	1	4749	68057
	2012/2013	14	5	2	16591	76000
	2013/2014	41	8	10	167159	338250
	2014/2015	8	3	3	8246	12433
Other	2010/2011	0	2	0	0	0
	2011/2012	1	0	0	681	0
	2012/2013	0	0	0	0	0
	2013/2014	1	0	0	5164	0
	2014/2015	4	1	1	7721	45000

DDIM I'W GYHOEDDI NOT FOR PUBLICATION

Teitl yr Adroddiad : Rheoli Risg / Title of Report: Risk Management

PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

<p>Paragraff(au) 14, 15 Paragraph(s)</p> <p>[un neu fwy o /one or more of 12,13,14,15,16,17,18,18A,18B,18C]</p>	<p style="text-align: center;">Atodlen 12A Deddf Llywodraeth Leol 1972 Schedule 12A Local Government Act 1972</p>
<p>Y PRAWF – THE TEST</p>	
<p>Mae yna fudd y cyhoedd wrth ddatgan oherwydd / There is a public interest in disclosure as:-</p> <p>Mae'r mater yn ymwneud â materion busnes y Cyngor.</p> <p>The matter concerns the business affairs of the Council.</p>	<p>Y budd y cyhoedd with beidio datgelu yw / The public interest in not disclosing is:-</p> <p>Mae'r mater yn cyfeirio at materion busnes y Cyngor a gwybodaeth sy'n ymwneud â ymgynghoriadau a chysylltiadau llafur sy'n codi rhwng y Cyngor a'i weithwyr, a all niweidio buddiannau'r Cyngor yn fasnachol, ariannol ac yn gyfreithlon.</p> <p>The matter refers to the business affairs of the Council and information relating to consultations in connection with labour relations arising between the Council and its employees, which could prejudice the interests of the Council commercially, financially and legally.</p>
<p>Argymhelliad: *Mae budd y cyhoedd wrth gadw'r eithriad yn fwy o bwys/Hai o bwys na budd y cyhoedd wrth ddatgelu'r wybodaeth [* dilewch y geiriau nad ydynt yn berthnasol]</p> <p>Recommendation: *The public interest in maintaining the exemption outweighs/does not outweigh the public interest in disclosing the information. [*delete as appropriate]</p>	

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PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

(Teitl yr Adroddiad/Title of Report)

Darparu'r Gwasanaeth Archwilio Mewnol / Delivery of Internal Audit Service

Paragraff(au) 14 Atodlen 12A Deddf Llywodraeth Leol 1972 Paragraph(s) 14 Schedule 12A Local Government Act 1972 [un neu fwy o/one or more of 12,13,14,15,16,17,18,18A,18B,18C]	
Y PRAWF – THE TEST	
Mae yna fudd i'r cyhoedd wrth ddatgelu oherwydd / There is a public interest in disclosure as:- Mae'r mater yn ymwneud â gwariant cyhoeddus. The matter concerns public expenditure.	Y budd i'r cyhoedd with beidio datgelu yw / The public interest in not disclosing is:- Mae'r mater yn ymwneud â thelerau dyfarnu contract a gallai fod yn niweidiol i fuddiannau masnachol yr awdurdod neu contractwr arfaethedig petai'r telerau'n dod yn hysbys i gwmnïau a fedrai gystadlu. The matter covers the terms on which a contract may be awarded and may harm the commercial interests of the authority or a proposed contractor if the terms were to be made known to potential competitors.
<p>Argymhelliad - Mae'r budd i'r cyhoedd wrth gadw'r eithriad yn gorbwyso'r / Nid yw'r budd i'r cyhoedd wrth gadw'r eithriad yn gorbwyso'r budd i'r cyhoedd wrth ddatgelu'r wybodaeth. [* - dilëwch y geiriau amherthnasol]</p> <p>Recommendation - The public interest in maintaining the exemption outweighs/does not outweigh* the public interest in disclosing the information. [* - delete as appropriate]</p>	

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