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CYNGOR SIR  
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ISLE OF ANGLESEY  
COUNTY COUNCIL

Mr Richard Parry Jones, MA.  
Prif Weithredwr – Chief Executive  
CYNGOR SIR YNYS MÔN  
ISLE OF ANGLESEY COUNTY COUNCIL  
Swyddfeydd y Cyngor - Council Offices  
LLANGFNI  
Ynys Môn - Anglesey  
LL77 7TW

Ffôn / tel (01248) 752500  
Ffacs / fax (01248) 750839

<b>ERHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>
<b>PWYLLGOR ARCHWILIO</b>	<b>AUDIT COMMITTEE</b>
<b>DYDD LLUN, 27 EBRILL, 2015 am 2 o'r gloch y prynhawn</b>	<b>MONDAY, 27 APRIL 2015 at 2.00 pm</b>
<b>YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI</b>	<b>COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI</b>
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518 Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

### **Annibynnol / Independent**

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

### **Plaid Cymru / The Party of Wales**

T Ll Hughes (Cadeirydd/Chair), John Griffith (Is-Gadeirydd/Vice-Chair) and Alun W Mummery

### **Grwp Chwyldroad/Revolutionist Group**

*Sedd Wag/Vacant Seat*

### **Heb Ymaelodi / Unaffiliated**

R Ll Jones

## **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 FEBRUARY, 2015 MEETING** (Pages 1 - 8)

To submit the minutes of the previous meeting of the Audit Committee held on 23 February, 2015.

**3     INTERNAL AUDIT ANNUAL REPORT 2014-15** (Pages 9 - 16)

To present the Internal Audit Annual Report for 2014/15.

**4     INTERNAL AUDIT CHARTER - REVIEW AND UPDATE** (Pages 17 - 24)

To submit the report of the Acting Internal Audit Manager.

**5     INTERNAL AUDIT PROTOCOL - REVIEW AND UPDATE** (Pages 25 - 38)

To present the report of the Acting Internal Audit Manager.

**6     ANNUAL REPORT OF THE AUDIT COMMITTEE 2014-5** (Pages 39 - 54)

To submit the report of the Chair of the Audit Committee.

**7     EXTERNAL AUDIT - PERFORMANCE WORK PROGRAMME UPDATE** (Pages 55 - 60)

To present an update on the External Audit Performance Work Programme.

**8     EXTERNAL AUDIT - ANNUAL AUDIT PLAN**

To present the Annual Audit Plan.  
*(Report to Follow)*

**9     INTERNAL AUDIT REVIEW - MARITIME DIESEL**

To receive a report by the Head of Service (Economic and Community Regeneration) on progress in responding to the Internal Audit review.  
*(Report to Follow)*

**10    GRANTS AVAILABILITY AND MAXIMISATION** (Pages 61 - 72)

To submit the report of the Interim Head of Resources and Section 151 Officer.

**11    RISK MANAGEMENT** (Pages 73 - 78)

To present the report of the Insurance and Risk Manager.

**12**     **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 79 - 80)

To consider adoption of the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from meeting during 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”.

**13**     **INTERNAL AUDIT MANAGEMENT SERVICE CONTRACT**

To receive an update by the Interim Head of Resources and Section 151 Officer.

**14**     **NEXT SCHEDULED MEETING**

Monday, 27 July, 2015 at 2:00 p.m.

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## AUDIT COMMITTEE

### Minutes of the meeting held on 23 February, 2015

- PRESENT:** Councillor Trefor Lloyd Hughes (Chair)  
Councillor John Griffith (Vice-Chair)
- Councillors Richard Owain Jones, Robert Llewelyn Jones, Alun Mummery, Dafydd Thomas.
- Lay Member: Mr Richard Barker
- IN ATTENDANCE:** Chief Executive (from item 5.2)  
Deputy Chief Executive  
Interim Head of Resources & Section 151 Officer  
Internal Audit Manager (JF)  
Acting Accountancy Services Manager (BHO)  
Senior Accountant (Strategic Planning) (BD)  
Committee Officer (ATH)
- APOLOGIES:** Councillor Jim Evans, Mrs Sharon Warnes (Lay Member)
- ALSO PRESENT:** Councillor H. Eifion Jones (Portfolio Member for Finance), Mr Andy Bruce (Wales Audit Office), Melanie Watson (Wales Audit Office Corporate Assessment Team), Mr Joe Hargreaves (PwC)

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The Chair welcomed all those present to this meeting of the Audit Committee. He updated the Committee with regard to the resignation of Councillor Jeff Evans as a member of the Committee and he also informed the Committee that Councillor Jim Evans was absent due to his having recently suffered a fall. On behalf of the Audit Committee, he wished Councillor Evans a full and speedy recovery.

#### 1 DECLARATION OF INTEREST

Mr John Fidoe, Internal Audit Manager declared an interest in relation to item 9 on the agenda and he withdrew from the meeting during the consideration thereof.

With reference to item 3 on the agenda, it was noted that a number of Members present were affiliated to the Gwynedd Pension Fund as members of the fund.

#### 2 MINUTES

The minutes of the previous meetings of the Audit Committee held on 10<sup>th</sup> December, 2014 and 9<sup>th</sup> February, 2015 were presented and confirmed as correct.

#### 3 GWYNEDD PENSION FUND

In accordance with the request made by the Audit Committee at its 10<sup>th</sup> December, 2014 meeting, the Portfolio Member for Finance provided the Committee with a synopsis of the performance of the Gwynedd Pension Fund for 2013/14.

The Portfolio Member for Finance as the Isle of Anglesey County Council's representative on the Gwynedd Pensions Fund Committee reported as follows based on information contained in the Pension Fund summary report and accounts for 2013/14 –

- That subject to audit, the Pension Fund Accounts summary shows that total income for the period was £83.523m compared to £78.525m in the previous year of which the bulk is made up of a combination of Employer contributions (£50.909m in 2013/14) and Employee contributions (£14.791m in 2013/14).

- For 2013/14, expenditure totalled £55.267m, the greater part of which was made up of pension benefits (£34.424m).
- That there was a surplus of £28.256m on the Fund at the end of 2013/4 which was available for investment. This is significant given there is a general misconception that not enough is being paid into the Fund in the form of annual contributions.
- The Fund's net assets position stood at £1,310m at 31 March, 2014 representing an increase of £117m during the year. The Fund's investment approach is based on reducing risk by investing across a range of different asset classes e.g. equities, property and more recently, infrastructure.
- The overall fund return for 2013/14 was 8.2% against a benchmark of 6.3%. Over three years the Fund return was 6.7% against a benchmark of 6.5%.
- During 2013/14, the Fund's triennial actuarial valuation as at March, 2013 was completed. The funding level increased from 84% to 85% which is ahead of the average of 79% in England and Wales. However, the deficit in the Fund also increased due in part to longevity factors and a low level of gilt yield at the time of valuation.
- Compared with other local authority funds, the Gwynedd Pension Fund ranked 19<sup>th</sup> out of 85 in terms of investment performance which is indicative of a sound performance. It is a solid fund which has a broad mix of investments.

The Committee was given the opportunity to question the Portfolio Member for Finance on the information presented and the following issues were raised –

- The Fund's management charges compared with other similar funds. The Committee was informed that investment management expenses were £7.316m for 2013/14 and administration expenses were £1.268m. A central Government consultation paper has proposed that equity investment should be passive rather than active in order to reduce costs. The Gwynedd Pension Fund takes the view that funds should be given the choice to comply with the proposal or explain a decision to pursue active management.
- Whether the return on the Gwynedd Pension Fund compares favourably with the Isle of Anglesey Charitable Trust Fund. The Committee was informed that the two funds are different as regards investment objectives with the Charitable Trust Fund invested mainly to produce a good yield while the Pension Fund is invested with a view to long term performance.
- Whether the Gwynedd Pension Fund has the capacity to continue as it is in the event of another stock market crash. The Committee was informed that the Gwynedd Pension Fund by its very nature is subject to market fluctuations but that its investment strategy seeks to mitigate risk by allocating assets across a spread of categories. Moreover the Fund does have £26.148m in cash and bank deposits.

The Committee noted the information presented along with the Gwynedd Pension Fund position as at the end of 2013/14 and indicated that it would wish to continue to monitor the Pension Fund performance on an annual basis.

#### **NO FURTHER ACTION ARISING**

#### **4 TREASURY MANAGEMENT QUARTER 3 2014/15**

The report of the Interim Head of Resources and Section 151 Officer with regard to treasury management activities in the third quarter of 2014/15 was presented for the Committee's consideration.

The Senior Accountant (Strategic Planning) referred to the following considerations –

- Forecast interest rates to March 2018 as provided by the Council's Treasury Advisors which predict a slow and steady upward trend, whilst highlighting the continued volatility in the markets and the unpredictability of rates.
- The Council's borrowing position as set out at section 3 and the rationale for continuing to internalise borrowing at this time.
- Borrowing and investments at the beginning and end of the quarter as set out in section 4 of the report and the influencing factors in relation to the investment approach.

- Confirmation that the Council remained within its Prudential and Treasury limits during the quarter.
- Plans for the remainder of the year and beyond with particular reference to the Council's exit from the HRA subsidy system on 2 April via a buyout financed through the PWLB the details of which remain under consultation but which situation is reflected within the budget setting papers and 2015/16 Treasury Management Strategy Statement.

The Committee noted the information without further comment.

**It was resolved to accept the Treasury Management update for Quarter 3 2014/15.**

#### **NO FURTHER ACTION ARISING**

### **5 EXTERNAL AUDIT**

5.1 Mr Andy Bruce, WAO reported verbally on the progress and status of items of work under the Performance Work Programme as follows –

- Fieldwork for the Corporate Assessment of the Authority is currently underway. The Corporate Assessment supersedes the Annual Improvement Report in 2015 and will take into account the Authority's Self-Assessment and the WAO local reviews on the management of financial resources, governance and the effectiveness of Joint Local Service Board arrangements. A draft report is expected to be issued in April with the definitive report to follow in June.
- The national report on the Safeguarding review is being drafted and is expected to be issued in March.
- The draft national report with regard to the Financial position review which will give an all Wales picture of financial resilience is currently going through the internal clearing process. The methodology for the review is being considered for a follow-up review in 2016.
- The public survey with regard to Delivering with Less – Leisure Studies study has closed and the results are being analysed to feed into a national report.
- The fieldwork in relation to the study of joined up working to address health and social care demand in relation to the independence of older people has been completed. The Authority in Anglesey was not directly involved in this study and the output will be in the form of a short national summary of findings to be issued in March 2015.
- Consultation on the seven study options for the 2015/16 Performance Work Plan has closed and the definitive work programme will be selected on the basis of the feedback received and published in April, 2015.

The Committee noted the information without further comment.

5.2 Mr Joe Hargreaves, PwC provided a verbal update on the status of the certification of grants work. Grant claims are certified in accordance with a series of deadlines and all work in relation to claims for 2013/14 is complete and all grants certified apart from the Learning Pathway Grant. For those grants certified the Grants Co-ordinator will have available the certification letters which provide details of the nature of the certification. In relation to the February deadline, work on WEFO grants certification (North Wales Local Investment Fund and Strategic Infrastructure Grant) is ongoing and those grants are expected to be certified by the end of the month. In total 18 grants have been certified of which 6 are unqualified with no amendments, 7 are unqualified with some amendments; 2 required qualification on the audit certification and 3 were qualified and required additional amendments to the final figures.

The Committee considered the information and acknowledged the improvement as regards the number of grants certified without qualification. The Committee raised a general point regarding what appeared to be the proliferation of grants in recent years both from the Welsh Government and other sources. It was suggested and subsequently agreed, that it would be informative for the Audit Committee to receive a schedule of available grants both in terms of gaining an impression of the bigger picture with regard to grant funding and in terms of ensuring that the Authority is making the most of grant funding opportunities that may be open to it.

The Chief Executive said that most of the grant funding offers to the Authority are received via the Chief Executive's Office and are looked at by the Chief Executive before being forwarded to the

relevant service directorate. A Finance Service Officer also oversees the grants for compliance with funding criteria. Not all grant offers received are applied for and consideration is given to whether they identify with the Council's corporate priorities and whether the resources expended in drawing up an application is justified given that the application process for many grants is competitive. There is a wide range of grants available and services in the Authority are sustained by grant funding of over £60m meaning that there are implications if or when that funding ceases. The timing of the confirmation of grant funding can also influence and/or delay service planning.

The Interim Head of Resources said that there is an element of risk attached to the grant funding regime in so much as with the availability of so many grants both Welsh Government and EU, the pursuit of grants can become an objective in itself rather than the delivery of a service to the community. Given that many grants are awarded on a match funding basis, services can spend 50% to match fund a grant without sufficient regard to whether those funds could be better spent elsewhere. Grant funding is also very fluid with new grants emerging as current grants cease so any survey of grants available will only capture the situation at a particular time.

**It was resolved to note the position to date in relation to the certification of grants.**

**ACTION ARISING: The Interim Head of Resources and Section 151 Officer to provide the Committee with a report on the grants available to the Authority and how the Authority maximises the take up of grants.**

## **6 INTERNAL AUDIT PROGRESS REPORT**

The report of the Internal Audit Manager on the work of the Internal Audit Section from 1 April, 2014 to 31 December, 2014 was presented for the Committee's consideration.

The Internal Audit Manager highlighted the following considerations –

- There were no reviews in the period which resulted in a Red Assurance opinion.
- A follow-up review of each of two previously reported red opinion reports – Logical Access Controls and Segregation of Duties and Third Sector Scheme - were undertaken and in the case of the former it concluded that management had demonstrated little progress in implementing actions agreed to address the audit recommendations within the original agreed timescales although it is recognised that a number of the items are linked to the response to the Information Commissioner's report and could take some time to fulfil. In the case of the Third Sector Scheme, the follow up review found that good progress is being made in addressing the issues raised in the original IA report.
- An audit of Homelessness undertaken as part of the approved internal audit periodic plan for 2013/14 resulted in an overall Red/Amber opinion as did an audit of the Teachers' Payroll which also identified control weaknesses unaddressed from previous annual key controls payroll reviews from 2012/13 and 2013/14. Both areas will be subject to follow-up reviews the findings of which will be reported to the Audit Committee.
- An advisory review of the arrangements for the sale, billing and payment of maritime diesel also identified a number of control weaknesses.
- To date, 27 Final reports have been issued from the 2014/15 Internal Operational Plan, 74% have resulted in a positive assurance opinion (Green or Green/Amber) and 26% in a negative opinion (Red or Red/Amber).
- The Committee has previously been made aware of an attempted Creditor related fraud against the Council and others. On 25<sup>th</sup> January, 2015 the Internal Audit Service received an e-mail response from the Police confirming that in line with West Midlands Police Fraud allocation and investigation policy, no further investigation will take place at this time.
- In respect of recommendation tracking, the percentage implementation rate at 14 January, 2015 was 61% of High and Medium recommendations. The performance in relation to recommendations other than those in Education is 79%. An analysis of outstanding audit recommendations was provided at Appendix B to the report.
- In respect of ongoing audit concerns, the current position in relation to the areas identified as such is documented at section 6 of the report. These areas will continue to be of concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place, have been embedded are robust and are effective.

The Committee considered the report and the following matters were noted -



- That an explanation had been given in mitigation of the delay in implementing the IA recommendations subsequent to the review of Logical Access Controls and Segregation of Duties. The Interim Head of Resources and Section 151 Officer further clarified that a lack of resources has been an issue in the I.T. Service meaning that progress in taking matters forward has been slower than it would have been if the service had been fully resourced. The Officer confirmed that a new Head of I.T. Service has by now been appointed and will set about addressing the outstanding audit recommendations. The Committee noted and accepted the Officer's clarification.
- That the report brings to the fore issues relating to internal controls and the need to strengthen those in several areas as well as highlighting a number of generic governance issues around policies and procedures linked to compliance, duplication, disregard and/or lack of awareness thereof which the Committee noted was a recurring theme and which it deemed to be a matter of poor housekeeping which Management might be expected to fulfil as a core function.
- That as part of its brief to monitor Management responsiveness to Internal Audit findings and recommendations, and in light of the areas of ongoing audit concern at section 6 where progress for the most part was noted as slow, and the rate of implementation of internal audit high and medium recommendations which at 61% was judged unsatisfactory, the Committee considered whether it was now time for it to exercise its prerogative in calling managers directly to account for non-compliance and non-implementation.
- The Committee deliberated and agreed, that as a signal of its intent to take a more rigorous approach to implementation and to be assured that internal audit review results are being given appropriate attention, it would in the first instance seek to examine the issues raised by the internal audit review of arrangements for the sale, billing and payment of maritime diesel. To that end it was also agreed that the relevant Head of Service be asked to account for how the situation had arisen and to explain directly to the Committee what remedial measures are being taken to action the internal audit recommendations made.
- That with reference to referrals, the Committee was disappointed by the decision by West Midlands Police not to pursue the attempted creditor related fraud against the Council and others. The Committee took the view that had it succeeded the fraud could have had serious implications as regards potential loss of public money.

The Deputy Chief Executive in response to the Committee's concerns regarding lack of progress on areas of ongoing audit concerns reported that internal audit review reports are now made available to the Senior Leadership Team thus ensuring that Senior Management is made aware of any emerging issues in a timely way. While progress has been made on the areas documented under section 6 of the report further work is required to ensure that the Authority becomes more effective in those areas and that does in part entail a change of culture which can take time to bring about.

**It was resolved to accept the report of the Internal Audit Manager and to note its contents.**

**ACTIONS ARISING:**

- **Internal Audit Manager on behalf of the Audit Committee to request the Head of Service (Economic and Community Regeneration) to attend the next meeting of the Audit Committee to account for how the situation with regard to the arrangements for the sale, billing and payment of maritime diesel had arisen and the steps being taken to address Internal Audit recommendations.**
- **Internal Audit Manager on behalf of the Audit Committee to convey in a letter to the North Wales Police and Crime Commissioner, the Committee's disappointment at the decision taken by West Midlands Police not to further investigate the attempted creditor fraud against the Council and others.**

**7 ANNUAL NEEDS ANALYSIS AND INTERNAL AUDIT OPERATIONAL PLAN 2015/16**

The report of the Internal Audit Manager incorporating the Internal Audit Operational Plan for 2015/16 was presented for the Committee's consideration. The report sets out the process whereby the audit needs to fulfil the Operational Plan is assessed.

The Internal Audit Manager reported that at the time of the production of the draft Internal Audit Operational Plan for 2015/16, a review of the provision of the Internal Audit Service within the Council was in progress meaning that it is not possible for the Chief Audit Executive to be able to provide assurance regarding the adequacy of the internal audit resources available to the Internal Audit Service in 2015/16.

**It was resolved –**

- **To approve the Internal Audit Operational Plan for 2015/16 as reflecting areas which the Committee believes should be covered as a priority subject to resources.**
- **To note that the Operational Plan for 2015/16 is based on 850 auditor days.**

**NO FURTHER ACTION ARISING**

## **8 EXCLUSION OF PRESS AND PUBLIC**

It was resolved under Section 100(A) 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 Public Interest Test presented.

## **9 INTERNAL AUDIT MANAGEMENT CONTRACT**

The Interim Head of Resources and Section 151 Officer reported that the management of the in-house Internal Audit service team is currently provided by Baker Tilly whose contract expires at the end of March, 2015. It is not considered that the current hybrid model of provision is the most effective for an internal audit service and that delivery would be better on an entirely in-house basis or if it was entirely out-sourced. It had been agreed that a tender process should be undertaken to test the market for a price for the delivery of the service which could then be compared with the price for in-house delivery and reported to the Committee for its determination. The cost of in-house provision will reflect the cost of a revamped service in order to bring to the Committee a proposal for an in-house team that reflects best practice and is cost-effective.

Discussions have been held with the Procurement Service to look at the ways of undertaking a tendering exercise for the internal audit service as well as taking soundings from the market. However initial indications are that due to certain considerations, effective competition from the market might not be forthcoming. Steps have therefore been taken to explore the feasibility of delivering the service in partnership with another public sector organisation including with the NHS Shared Service Partnership which provides a number of services including internal audit, across the NHS in Wales and/or another local authority, and there have been initial discussions to that end. Further due diligence work is needed before a firm proposal is brought to the Committee.

In the interim, the Senior Internal Auditor will step up to the Internal Audit Manager's post and duties. Consideration will have to be given to whether there may be any impact on the 2015/16 Operational Plan in the short-term.

The Committee considered the information presented and whether exploratory discussions for the provision of an internal audit service should also be opened with other neighbouring authorities. The majority view was that the current lines of enquiry as described by the Officer should continue to be pursued.

**It was resolved to support the continuation of the current lines of enquiry as reported by the Interim Head of Resources and Section 151 Officer.**

**ACTION ARISING: Interim Head of Resources and Section 151 Officer to update the Committee on the progress of discussions at its next meeting.**

**Councillor Trefor Lloyd Hughes  
Chair**

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>27 APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT ANNUAL REPORT 2014/15</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>FORMER AUDIT MANAGER</b>
<b>ACTION:</b>	<b>TO NOTE CONTENTS</b>

## 1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for 2014/2015. The Audit Manager makes regular progress reports in year to the Audit Committee which allows an on-going evaluation of the overall internal control framework as reflected within Audit coverage.
- 1.2 A common set of Public Sector Internal Audit Standards (PSIAS) became effective from 01 April 2013. The PSIAS apply to all public sector internal audit service providers and were adopted by the County Council from that date.
- 1.3 The Chief Audit Executive confirms that, as far as he is aware, the Internal Audit Service has complied with the Public Sector Internal Audit Standards during the year with the exception that there has been no formal internal or external quality assurance and improvement programme undertaken in 2014-15. (PSIAS 1310)

## 2. OUTPUT GENERATED DURING THE YEAR

- 2.1 The following table gives a comparison of the planned number of audits with the actual audits carried out as at 31 March 2015. As in any year, in 2014/15 it was necessary to amend the audit plan to take account of various factors throughout the year. This year, these factors mainly related to additional work being required to meet emerging risks and referrals. In particular this year additional work was required to be undertaken around Information Management and Logical Access Controls as well as work related to the administration of Third Sector Schemes.
- 2.2 In all 46 reports (Final and Draft) resulting from formal reviews were issued during 2014/2015, compared to the 50 in the original Internal Audit Operational Plan 2014-15.
- 2.3 Where reviews have not been carried out in 2014/15 but there is an assessed on-going level of risk that requires review these reviews have been included in the Internal Operational Plan for 2015/16.
- 2.4 All the key financial reviews in the plan were completed in final or draft format by the end of the period in March 2015.
- 2.5 In addition to the work on the 2014/15 Internal Audit Operational Plan the first quarter of 2014/15 was taken up in part with the finalisation of work from the 2013/14 Internal Audit Operational Plan with seven final reports being issued during this period.

## 3. PERFORMANCE INDICATORS

- 3.1 Each year the Council's Internal Audit Service participates in pan Wales benchmarking against indicators relating to cost and output. This benchmarking is carried out in May / June each year and, therefore, the results for 2014/15 were not available in time to be included in this annual report.

- 3.2** When the results are published they will be included in the next Internal Audit progress report thereafter.
- 3.3** The Internal Audit Service also monitors key indicators of performance such as % of Operational Plan completed in period; overall customer satisfaction levels from questionnaires; and % of High & Medium Internal Audit recommendations implemented.
- 3.4 % of Operational Plan Completed:** As in any year a number of reviews included in the Internal Audit Operational Plan have been either postponed to next year or have been removed from the Plan as circumstances change and new systems come on line. Conversely a number of reviews are added to the Plan in year as emerging risks or changes to existing practices come to light during the year. Therefore the calculation of percentage of Operational Plan completed is based on the number of reviews completed to Draft report stage rather than the actual number of Draft reports issued that relate to areas specifically included in the approved Operational Plan at the start of year.

The number of reviews included in the original Operational Plan for 2014-15 as approved in April 2014 was 50. The number of reviews in year completed to Draft and / or Final report stage was 46. Therefore the percentage of the Operational Plan completed has been calculated as 92%.

- 3.5 % of High and Medium Internal Audit Recommendations Implemented:** The percentage of High and Medium recommendations implemented as at 31 March 2015 was 49% overall and 71% excluding recommendations relating to schools which have been again proved difficult to monitor over the year. The Internal Audit Service will work with the Education Service to address this problem in 2015/16.

During 2014/15 the Internal Audit Progress Report format has been amended so that details of the outstanding High category recommendations are highlighted for the Audit Committee's information. Internal Audit Progress reports are presented to the Senior Leadership Team for their information and support in ensuring that identified High level risks are being addressed promptly.

The Internal Audit Service has been working with the Audit Committee to improve implementation rates of High and Medium recommendations and increasing the accountability of Heads of Service who fail to implement agreed recommendations within agreed timescales. The Internal Audit Service will aim to increase the information provided to Heads of Service on recommendation status within their Service to assist them with this task.

- 3.6** Internal Audit will carry out a review of outstanding recommendations in April 2015 and will again in 2015/16 be working with Services to update the 4Action system with the latest implementation data which it is hoped will assist in an improvement against target.

#### **4. OVERALL CONCLUSION ON THE AREAS AUDITED**

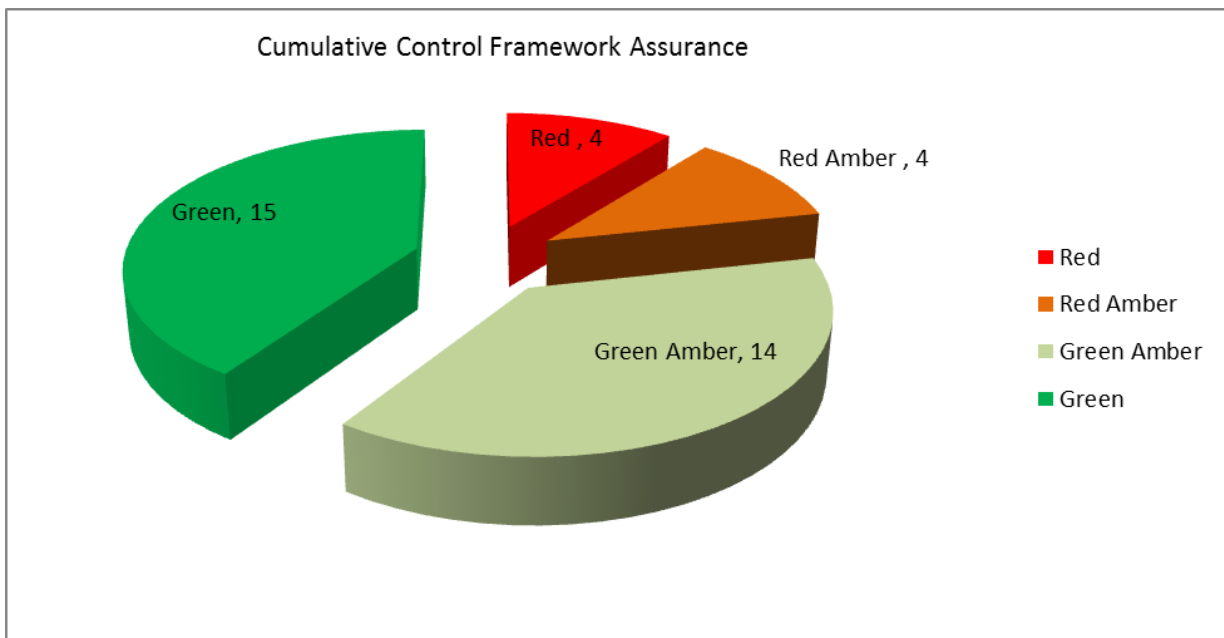
- 4.1** Table 1 shows the number of reviews undertaken in 2014/15 for which an opinion of either Green; Green/Amber; Red/Amber or Red opinion was given and includes the definition for each assurance level.

**Table 1**

<b>RAG Opinion/ Grade</b>	<b>What is meant by the RAG Opinion/Grade</b>	<b>System/ Risk 2014/15</b>
<b>Green</b>	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.	<b>15</b>
<b>Green Amber</b>	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	<b>14</b>

	designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	
<b>Red Amber</b>	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.	<b>4</b>
<b>Red</b>	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.	<b>4</b>
<b>Advisory/Referral</b>	Advisory review designed to provide best practice advice – No formal opinion.	<b>9</b>
<b>Total</b>		<b>46</b>

**Table 2 – Pie Chart of RAG Opinions**



**4.2** The overall results of our Internal Audit work which resulted in a RAG assurance opinion are that 78% of such reviews resulted in 'positive' opinions (Green or Green/Amber) and 22% resulted in 'negative' assurance opinions (Red and Red/Amber). The 22% of reports receiving negative assurance opinions is made up of eight reports (Four Red and Four Red/Amber).

The overall opinion for the systems reviewed is a positive Green/Amber opinion which is in line with previous years.

**4.3** This overall RAG Opinion translates to a minimal to low risk to the Authority, based on the scope of the work carried out, the action recommended to management being implemented and those systems continuing to operate as intended.

**4.4** The Audit Manager is, however, aware of areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of the work of the Internal Audit Service during the year.

A report on progress made on the previously reported areas of Internal Audit concern was presented to the Committee by the Deputy Chief Executive at its

September 2014 meeting. The areas will continue to be a concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place; have been embedded; are robust and are effective. The current position on these areas is provided below.

**Business Continuity** – Recommended actions to strengthen controls in this area have been collated from a number of assurance provider reports, including those of Internal Audit. Progress on arrangements is now being made on a North Wales basis.

**Risk Management** – The Council is in the process of developing its Risk Management Framework and embedding risk management in the organisation. The Corporate Risk Register is still in development and a regular reporting regime has yet to be implemented.

**Information Management** – The Information Commissioner’s Office has undertaken a review in this area and identified similar issues and control weaknesses to those identified by the WAO, PWC and Internal Audit in previous reports. A draft follow up report from the Information Commissioner’s Office is being considered.

**Governance** - Issues relating to non-compliance with key corporate policy and procedure have again been identified in 2014-15, for example in relation to corporate procurement; ICT Security; Third Sector Scheme; etc. The Council has stopped the use of its electronic policy compliance and sign off of policies system which recorded users as having read, understood and agreed to abide by policies. Without such record of sign off it is more difficult to show that the policies have been adequately disseminated to relevant staff. A report concerning these issues was issued in 2011-12, and again in the Logical Access report in October 2014; however a number of key recommendations remained unimplemented.

**Corporate Procurement Framework** – Management has restructured and strengthened the Procurement Team. New Contract Procedures Rules are to be introduced and implemented. A review of Procurement arrangements has been included in the Internal Audit operational Plan for 2015/16 to provide assurance that the changes made have led to increased compliance with procurement regulation, policy and procedure.

**Partnerships Framework** - The Council does not have a formal Partnership Framework in place to provide assurance that all partnerships have adequate governance, management and performance arrangements in place to meet their stated objectives and that they provide value for money in relation to the Council’s financial and other resources invested in them.

A review of corporate compliance with guidance issued in relation to the administration of Third Sector Schemes also received a ‘Red Assurance’ opinion in 2014/15.

A follow up of the Internal Audit review of Partnership Arrangements issued in June 2013 is to take place in quarter 1 of 2015/16.

**Schools Recommendation Implementation** – There is a continuing issue with regards to schools implementing internal audit recommendations. These recommendations relate to financial and governance issues within schools which should be of concern to Head Teachers and to the Education Department.

These are considered important issues for the Council which need on-going work to address them in 2015/16.

- 4.5** It should be noted that any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The audits undertaken and completed did not identify any other areas of concern which are considered significant or business critical for the Council as a whole beyond those stated at 4.4 above.

## **5. COUNTER FRAUD ARRANGEMENTS**

- 5.1** On the 1st November 2014 the Department for Work and Pensions Single Fraud Investigation Service (SFIS) took responsibility for the investigation of all “benefit” fraud investigations being conducted by the Isle of Anglesey County Council. This resulted in one of the authorities investigators transferring to the SFIS team and the other investigator was appointed to the new role of Corporate Counter Fraud Officer (CCFO) within the Internal Audit Service.
- 5.2** In effect this means that the Authority will no longer investigate Housing Benefit (HB) fraud, this function now being carried out by the SFIS. However SFIS will not investigate Council Tax Reduction Scheme (CTRS) fraud offences as this is not classed as a “benefit”, therefore it is envisaged that the Counter Fraud Officer will investigate CTRS offences. At this time it is not clear whether SFIS will partake in joint HB and CTRS fraud investigations in the future.
- 5.3** With the creation of the Corporate Counter Fraud Officer post it is envisaged that the post holder will investigate CTRS offences and other Council Tax offences. It is planned that in consultation with the Housing Service that the CCFO will investigate incidents of tenancy fraud that may be identified by the Housing Service. The CCFO will also become responsible for the investigation of any possible fraud offences that may be referred to the Internal Audit Service or identified by them during their routine auditing duties.
- 5.4** In addition to the traditional reactive measures mentioned above, it is intended that the CCFO will have a more proactive role in Corporate Fraud prevention and create a corporate framework geared towards creating a culture of fraud awareness and prevention within the Authority.
- 5.5** It is intended that an initial priority for the CCFO will be to liaise with all Services within the authority to produce a corporate fraud risk assessment. This risk assessment will be utilised to assist in formulating policies that will reduce losses to the Council and ultimately to the public purse. In addition the CCFO will facilitate fraud awareness training in relation to forged and counterfeit documents that may be produced for identification etc.

## **6. STATEMENT ON INTERNAL CONTROL**

- 6.1** PSIAS 2450 requires the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The standard requires that the audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.
- 6.2** Summaries and outcomes of all completed Internal Audit reports are reported to the Audit Committee via the Audit Manager’s quarterly Internal Audit Progress reports. Any system based review receiving a ‘Red’ assurance opinion, is reported in detail to the Audit Committee and a follow up of management responses to the report reported back to the next Audit Committee.
- 6.3** In total four ‘Red Assurance’ reports were issued in 2014-15. These opinions relating to reviews of; Agency Staff Arrangements; Logical Access Controls and Segregation of Duties; and Third Sector Schemes. A further ‘Red Assurance’ opinion was given for the follow up of recommendation implementation for the Logical Access and Segregation of Duties review.

- 6.4** A total of four reviews undertaken in 2014-15 resulted in a 'Red Amber' assurance opinion. These opinions relating to reviews of Follow Up of implementation of recommendations made in the 2013/14 Creditors report; Homelessness Arrangements; Teacher's Payroll; and Sundry Debtors review 2014/15.
- 6.5** On the basis of Internal Audit work completed during 2014/15, and taking into account the outstanding areas of concern detailed at section 4.4 of this report and the number of 'Red' and 'Red Amber' reports issued as detailed in sections 6.3 and 6.4 of this report, the Council has adequate arrangements of control to manage risks. Action however, needs to be taken to address the areas of outstanding concern, especially in relation to risk management and governance, and to strengthen control in those other areas of review where weaknesses have been identified in 2014/15 and in previous years.

**AUDIT MANAGER**

**27 April 2014**



## Reports Issued In Period with RAG Opinion

## Appendix A

Creditors Follow Up	Red Amber
Effeciencies	ADVISORY
Benefits	Green Amber
Payroll	Green Amber
Treasury Management	GREEN
VAT	ADVISORY
Complaints	GREEN
Agency	RED
Home Carers Hours	Green Amber
Charitable Trust	ADVISORY
Penalty Charge Notices	GREEN
Porth Amlwch	ADVISORY
Housing Rents	Green Amber
Logical Access Controls	RED
Information Governance – Follow Up	GREEN
Ysgol Henblas	GREEN
Ysgol Cylch y Garn	GREEN
School Financial Management – Budgets	ADVISORY
Third Sector Schemes	RED
School Clothing Grants	GREEN
Schools Follow Up	Green Amber
Plas Arthur – Leisure Centre	GREEN
NFI 2014	ADVISORY
Gaerwen Depot - Diesel	ADVISORY
Closure of Accounts	GREEN
Amlwch Leisure Centre	GREEN
Logical Access Controls – Follow Up	RED
Third Sector Scheme – Follow Up	Green Amber
TalNet	Green Amber
Maritime Fuel	ADVISORY
Homelessness	Red Amber
Sports Development	GREEN
Teachers’ Payroll	Red Amber
Ysgol Pentraeth	Green Amber
Ysgol Llangoed	GREEN
Council Tax	Green Amber
NNDR	Green Amber
Cashiers	GREEN
Sundry Debtors	Red Amber
Creditors	Green Amber
Main Accounting System	Green Amber
Payroll	Green Amber
Treasury Management	GREEN
Housing Benefits	Green Amber
Housing Rents	GREEN
Bryn Trewarn	ADVISORY

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>27 APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT CHARTER –</b>
<b>PURPOSE OF REPORT:</b>	<b>REVIEW AND APPROVAL OF REVISED CHARTER</b>
<b>REPORT BY:</b>	<b>AUDIT MANAGER</b>
<b>ACTION:</b>	<b>FOR COMMITTEE APPROVAL</b>

**1. INTRODUCTION**

- 1.1 The Internal Audit Service is required under the Public Sector Internal Audit Standards to produce and have approved by the Audit and Governance Committee an Internal Audit Charter.
- 1.2 The purpose of the Charter is to define the Internal Audit Services activities, purpose, authority and responsibility. The Internal Audit Charter establishes the Internal Audit Services position within the organisation, including the nature of the Audit Manager’s functional reporting relationship with the Audit and Governance Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.
- 1.3 The Audit Manager is required to periodically review the Internal Audit Charter and present it to senior management and the Audit and Governance Committee for approval. The PSIAS require that final approval of the Internal Audit Charter resides with the ‘board’ (Audit and Governance Committee).

**2. ACTION REQUIRED**

- 2.1 Attached to this report is a reviewed and updated draft Internal Audit Charter for the Committee’s consideration and formal approval.

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<b>Title:</b>	<b>ISLE OF ANGLEEY COUNTY COUNCIL INTERNAL AUDIT CHARTER</b>
<b>Last Reviewed:</b>	<b>AUDIT COMMITTEE – 27 APRIL 2015</b>
<b>Next Review Due:</b>	<b>AUDIT COMMITTEE – APRIL 2018</b>
<b>Author:</b>	<b>AUDIT MANAGER</b>

## 1 Introduction

- 1.1 Internal Audit is a statutory independent review function, covered by the Accounts and Audit Regulations (Wales) 2014. It is set up within **the Deputy Chief Executive's Department** as a service to the Council and all levels of management. The role of Internal Audit includes providing support to the Head of Function (Resources), the “responsible officer” (Section 151 officer under the Local Government Act 1972), in meeting their statutory responsibilities for the proper administration of financial affairs. Its role also includes providing assurance on risk management, governance and control to the senior management and Members of the Council.
- 1.2 The Account and Audit Regulations (Wales) 2014 require that a local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.
- 1.3 The Council has adopted the Public Sector Internal Audit Standards (PSIAS) which include the need for an Internal Audit Charter and details the necessary contents of such a Charter for a Local Government Body. This Internal Audit Charter document is designed to meet that requirement.
- 1.4 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 1.5 The Standards assign responsibility for and ownership of the Internal Audit Charter with the organisation. PSIAS 1000 requires the Chief Audit Executive (in the case of Anglesey County Council – The Audit Manager) to review the charter periodically but final approval resides with the ‘board’ (in the case of the Anglesey County Council – the Audit Committee).

## 2 Purpose of the Internal Audit Charter

- 2.1 The Public Sector Internal Audit Standards set out the purpose of the Internal Audit Charter as:

*“a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the chief audit*

*executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board."*

### **3 Definition of Internal Audit**

3.1 The Public Sector Internal Audit Standards define Internal Audit as follows:

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

3.2 The PSIAS state that to provide optimum benefit to the organisation, internal audit should work in partnership with management to improve the control environment and assist the organisation in achieving its objectives. The Standards suggest that this partnership must operate in such a way as to ensure that legal requirements and those of the PSIAS are met.

3.3 The PSIAS also state that Internal Audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

### **4 Roles and Responsibilities**

4.1 The Standards include reference to various responsible officers and bodies with reference to roles and responsibility for Internal Audit. The main officers and bodies are detailed below along with the role and responsibilities assigned to them within the Standards and the corresponding officer or body assigned these responsibilities within Anglesey County Council.

4.2 **'Board' and 'Audit Committee'** – the board is defined as: *'The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. The term 'Board' may refer to an audit committee to which the governing body has delegated certain functions.'*

The Anglesey County Council has delegated to its Audit and Governance Committee in its terms of reference contained with the Council's Constitution responsibility for;

*"ensuring; that the authority has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management." (IoACC Constitution – Audit and Governance Committee Terms of Reference)*

4.3 **'Chief Audit Executive'** – The officer responsible for implementing overseeing and managing the Internal Audit function. The PSIAS (Standard 1210 Proficiency) require that the Chief Audit Executive must hold a professional qualification (CMIIA, CCAB or

equivalent) and be suitably experienced. Within the Anglesey County Council this role is undertaken by the Audit Manager.

4.4 **'Senior Management'** – the Standards require that 'senior management' must be interpreted in the context of the governance arrangements within each individual organisation. Within the Anglesey County Council senior management is considered to be the members of the **Senior Leadership Team and the Heads of Service**. In terms of direct reporting of the results of internal audit work these will be reported to the relevant operational line manager and Head of Service where appropriate. Copies of all Internal Audit reports are copied to the Section 151 Officer. The Chief Audit Executive also **meets regularly with the Deputy Chief Executive** to discuss risk, governance and control issues. The Chief Audit Executive is also free to report directly to any member of the Senior Leadership Team or Heads of Service including the Chief Executive and the Monitoring Officer.

4.5 **Internal Audit Plans** - The production of the Internal Audit Operational and Strategic Plans is the responsibility of the Chief Audit Executive but is in practice undertaken in liaison with, and with the invited input from senior management.

The Internal Audit Operational Plan and Strategic Plan are presented annually to the Audit Committee to be adopted. Updates against the Operational Plan are provided to each meeting of the Audit Committee as part of the Internal Audit Progress Report written and presented by the Audit Manager.

## 5 Purpose of Internal Audit

5.1 The role of Internal Audit is to understand and to provide assurances that the key risks of Council are being adequately mitigated and to examine and evaluate the adequacy and effectiveness of the system of internal control, governance and risk management as operated in all areas of the Council. The Internal Audit Service reviews, appraises and reports on:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;
- The extent of compliance with and relevance of, policies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, clarify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with the Council's strategic goals;

- The follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;
- The operation of the Council's corporate governance arrangements;
- The potential within the Council for fraud and other violations through the analysis of systems of control in high-risk operations.

The department also investigates fraud and irregularity in terms of:

- The undertaking of investigations into reports of violations of the Council's regulations or criminal activities i.e. fraud against the Council;
- The undertaking of investigations of reports from staff, other persons engaged in activities on behalf of the Council and members of the public, reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, or fraudulent abuse of authority.

5.2 Where it is thought necessary, External Audit may conduct investigations, either in liaison with Internal Audit or independently.

## **6 Independence**

6.1 The Standards require that Reporting and management arrangements must be put in place that preserve the Chief Audit Executive's independence and objectivity, in particular with regard to the principle that the Chief Audit Executive must be independent of the audited activities. The Standards also require that organisations must ensure that the Chief Audit Executive's independence is protected so that conflicts of interest, real or perceived, are avoided.

6.2 Therefore within the Anglesey County Council Internal Audit is independent of the activities that it audits to ensure the unbiased judgements essential to its proper conduct and the provision of impartial advice to senior management.

6.3 To ensure independence, Internal Audit operates within a framework that allows:

- unrestricted access to all activities undertaken in the Council.
- unrestricted access to all functions, records, assets, personnel, and premises with authority to obtain such information and explanations as it considers necessary to fulfil its role. (In very exceptional circumstances if the "responsible officer" (Section 151 Officer) and Monitoring Officer believe this would constitute a breach of the laws of confidentiality, or the provisions of the Human Rights Act or the Data Protection Act the matter will be referred to the Audit and Governance Committee for consideration.)
- full and free access to the Audit and Governance Committee via the Audit Manager;
- unrestricted access to senior management, Members and all employees;
- the issue of audit reports in its own name;

- segregation from line operations.

6.4 Every effort is made to preserve objectivity by ensuring that all members of the Internal Audit Service are free from any conflicts of interest and do not undertake any non-audit duties. All Internal Audit activity is carried out in accordance with the PSIAS and the Council's Financial Regulations.

## **7 Counter Fraud Role**

- 7.1 The Audit Manager is required to manage the provision of a complete audit service to the Council that includes risk based, systems, regularity, computer and contract audit in addition to the investigation of fraud and irregularity:
- 7.2 Counter fraud work involves in the first instance ensuring that whilst reviewing systems adequate controls are present to prevent, detect and report fraud at a Service level.
- 7.3 When allegations of irregularity and / or fraud are reported Internal Audit is responsible for investigating those irregularities and frauds alleged to have been perpetrated by employees of the Council or by others against the Council.
- 7.4 The Audit Manager ensures that adequate arrangements are in place to investigate allegations received and that the knowledge and expertise within the section specifically for the investigation of fraud and irregularity is maintained.
- 7.5 Summaries of the results of investigations are presented to the Audit and Governance Committee in the form of quarterly progress reports. An Annual Counter Fraud Report is also presented to the Audit and Governance Committee setting out the counter fraud activity undertaken in each financial year.

## **8 Relationship with the External Auditor**

- 8.1 The PSIAS recognise that whilst the appointed external auditors have different statutory obligations, there are clear benefits to the Authority in ensuring that a good working relationship is maintained between Internal and External Audit. The most obvious benefit is reducing duplication of work and to this end, regular meetings are held between Audit Manager, and the External Auditors.

## **9. Audit Resources**

- 9.1 The staffing structure of the section will comprise a mix of qualified and non qualified staff and aim for a mix of professional specialisms to reflect the varied functions of the Internal Audit Service.
- 9.2 The resources of the Internal Audit Service are reviewed annually by the Audit and Governance Committee through acceptance of the Audit Manager's update to the Internal Audit Strategic and Operational Plans.
- 9.3 Where particular specialisms are not present in the Internal Audit Service the Audit Manager will, where resources are available to do so, source these from outside the Council as necessary.



- 9.4 Internal Audit will not participate in the day-to-day operation of any systems of internal financial control.

## 10. Audit Training

- 10.1 The Audit Manager carries out a regular review of the development and training needs of all audit personnel through annual appraisals and will arrange, within budget provision, in-service training covering both internal and external courses.
- 10.2 The PSIAS (1230 - Continuing Professional Development) require that Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

## 11. Audit Reporting

- 11.1 The Standards require that the Chief Audit Executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities and reporting to the board is the generally accepted method of helping to ensure that organisational independence is attained.
- 11.2 All audit assignments are the subject of formal reports. Debrief meetings are held with the managers responsible for the area under review for agreement to the factual accuracy of findings. After agreement, draft reports are issued to the relevant manager and / or Head of Service of the function under review. Draft reports include for management response in terms of confirming acceptance of the recommendations made, the action to be taken to implement the recommendations and the officers assigned responsibility to implement along with timescales for implementation to be achieved. Once the action plan has been fully completed and returned to the Internal Audit team a final report will be produced and issued.
- 11.3 Copies of all Internal Audit reports are forwarded to the Section 151 Officer for information. A summary of all operational Internal Audit reports is presented to the Audit and Governance Committee in quarterly progress reports.
- 11.4 Any Internal Audit reports receiving a 'Red' assurance opinion via Internal Audit's RAG system for assurance are reported to the Audit and Governance Committee in quarterly progress reports.
- 11.5 **Recommendation Tracking** – Under the PSIAS (2500.A1 – Monitoring Progress) the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
- 11.6 The Internal Audit Service maintains an electronic recommendation tracking system for all Internal Audit recommendations made. Management performance in implementing these recommendations is reported regularly to the Audit and Governance Committee through the Progress reports presented by the Audit Manager.

## **12. Annual Report of the Audit Manager**

12.1 The Audit Manager produces an annual report of Internal Audit activity in the year just ended and such report is presented to the next Audit and Governance Committee after period end. The report includes an annual audit opinion based on the results of the audit work undertaken in the relevant period.

## **13. Welsh Language**

13.1 The Internal Audit Service is fully committed to the Authority's Welsh Language Policy. Reporting is bilingual wherever possible and the Internal Audit Service includes a majority of bilingual staff who can undertake reviews in the language of choice of those assisting with reviews.

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>27 APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT PROTOCOL –</b>
<b>PURPOSE OF REPORT:</b>	<b>REVIEW OF REVISED AND UPDATED PROTOCOL</b>
<b>REPORT BY:</b>	<b>AUDIT MANAGER</b>
<b>ACTION:</b>	<b>FOR COMMITTEE INFORMATION AND COMMENT</b>

**1. INTRODUCTION**

- 1.1 The Internal Audit Service has in place an Internal Audit Protocol agreed with senior management which sets out the various stages of Internal Audit engagements and the timescales for undertaking these. The Protocol has been reviewed and updated in line with current regulation and practices.
  
- 1.2 This Internal Audit Protocol document sets out an agreed methodology and timescales for the planning, performance and communication of results from Internal Audit reviews in line with the Public Sector Internal Audit Standards. The Protocol sets out what is required from both the Internal Audit Service and its clients in order to best achieve the set audit objectives.

**2. REQUIRED ACTION**

- 2.1 The Internal Audit Protocol is presented here for the information and comment of the Audit Committee.



**CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL**

<b>Title:</b>	<b>INTERNAL AUDIT PROTOCOL</b>
<b>Last Reviewed:</b>	<b>AUDIT COMMITTEE – 27 April 2015</b>
<b>Next Review Due:</b>	<b>AUDIT COMMITTEE – April 2017</b>
<b>Author:</b>	<b>AUDIT MANAGER</b>

## **PROTOCOL FOR INTERNAL AUDIT**

### **Introduction**

The Relevant Internal Audit Standard Setters (RIASS) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The Relevant Internal Audit Standard Setters for local government in the United Kingdom is the Chartered Institute of Public Finance and Accountancy (CIPFA). (PSIAS – Framework Overview)

### **Purpose of the Protocol**

The Council has adopted the Public Sector Internal Audit Standards (PSIAS) and all Internal Audit activities must comply with these standards. The Public Sector Internal Audit Standards include, among many others, standards relating to the following;

- Engagement Planning (PSIAS 2200) which covers the areas of Engagement Objectives, Scope, Resources and Work Programmes (PSIAS 2210; 2220; 2230 & 2240).
- Performing the Engagement (PSIAS 2300) which covers Engagement Supervision (2340).
- Communicating Results (PSIAS 2400) which includes the Criteria for Communicating (2410) and the Dissemination of Results (2440).

This Internal Audit Protocol document sets out an agreed methodology and timescales for the planning, performance and communication of results from Internal Audit reviews in line with the PSIAS. The Protocol sets out what is required from both the Internal Audit Service and its clients in order to best achieve the set audit objectives.

### **Definition of Internal Audit**

Internal Audit is defined within the Public Sector Internal Audit Standards as follows:

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (PSIAS – section 3)*

### **Audit Objectives**

The objective of all audits is to assist and support management in identifying strengths and weaknesses in systems and to improve the systems for governance, risk management and of internal control. In order to achieve this common goal there needs to be communication and co-operation between both parties throughout the process in order to ensure that the audit meets the needs of the client department and the organisation as a whole. The purpose of this protocol is to provide a model system for both Auditors and Clients to follow and to ensure input into the process by the Client Department. It is possible that circumstances may justify a departure from this model system.

This protocol only relates to planned audits identified in the audit programme and not to any special investigation, or audits which require the auditor to visit unannounced.

## **1. Audit Planning**

- 1.1 The Public Sector Internal Audit Standards make the chief audit executive responsible for developing a risk-based plan. The chief audit executive takes into account the organisation’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the Audit and Governance Committee. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation’s business, risks, operations, programs, systems, and controls. (PSIAS 2010 – Planning)
- 1.2 The audit planning process is carried out annually in January and February and is produced by carrying out a risk assessment of all the organisational areas. The relevant extract of the audit plan is agreed with each individual Service prior to each the start of each financial year. This process results in each senior manager being informed of each area, under their control, that the Internal Auditor intends to audit during the forthcoming year.

This planning process is a chance for discussion between Internal Audit and the Services to identify any areas of particular change or concern in the areas to be reviewed. The issues discussed will be fed into the assignment planning stage

for these reviews. The active involvement of the Council's senior management in this process is vital to ensure that reviews are designed to add the most value to each area.

The planning stage will also involve discussion on broad indications of dates for the undertaking of reviews in order to avoid peak times for the Services and to cause the least disruption to their work. Where possible Internal Audit will design the Audit Schedule around these broad dates. However, in order to fit in with the requirements of the External Auditor, or to ensure that any specific skills necessary to complete some reviews are available, agreed timings may require amendment following discussion with Services.

In order for any review to fully support management and to add value it is imperative that management and Internal Audit work together and that the Internal Auditor on site has access to the right people and the right information at the right time.

1.3 When the Auditor is in a position to commence a particular audit identified in the Audit Plan, the relevant senior manager will be notified by memorandum **at least 7 days prior to the proposed date of the scoping meeting**. The memorandum should give a brief description of the proposed terms of reference, although instances may arise where it is not possible for the Auditor to draw up a proposed terms of reference at this stage (e.g. a new system which has not been audited previously). If possible a proposed date for commencement should also be given.

1.4 As a first stage in carrying out the audit a scoping meeting will take place between the Auditor and the Head(s) of Service (or designated key audit contact) **at least 7 days prior to the issuing of the Audit Planning Sheet**. The purpose of this meeting is to discuss the areas which the Auditor has assessed as being of sufficient risk to require inclusion in the audit and also to consider the concerns and priorities of the client and to feed these areas into the planning process in order to agree a final terms of reference for the audit.

However it should be noted that in drawing up the terms of reference, the Auditor must maintain his / her independence and clients cannot insist that areas are removed from the terms of reference if the Auditor's assessment of risk identifies that the particular area should be included. In this respect Internal Audit will need to include areas that are required for External Audit and other stakeholders to take assurance from their work.

1.5 The scoping meeting will also identify the person who will act as the main contact during the audit. The nominated Contact Officer can be the senior manager or a manager within the Service responsible for the area under review.

1.6 This scoping meeting will also allow the Auditor and the client to identify useful sources of information that the Auditor can use during the review.

1.7 The final point to be agreed at the scoping meeting will be the timescale for the audit, i.e. when it will start, how long it is expected to take and when the closure meeting will take place. The timescale will depend on the type and complexity of the audit to be undertaken and it must be emphasised that the days specified will not be consecutive working days as the work will be undertaken in conjunction with other audit projects and work.

- 1.8 For audits of a corporate nature, which address authority wide issues, the initial memorandum will be e-mailed to the Chief Executive and it is for them to decide which senior manager will act as the lead on behalf of the Council. The Assignment Planning Sheet will be agreed with this lead senior manager.
- 1.9 The results of the scoping meeting will be entered into the Internal Audit working papers and will be issued to the client as an Audit Planning Sheet (Audit Brief) **within 7 days of the scoping meeting**. This document sets out the objectives of the review and the limitations to its scope. The start and anticipated end days of audit field work are also included. This document must be agreed with, and signed off by, the senior manager or nominated Contact Officer prior to the start of the field work.
- 1.10 The Audit Planning Sheet will contain details of the key information and data that will be required by the Auditor at the start of the review. This may include copies of relevant procedure notes, organisation charts, various system reports, copies of minutes of meetings etc. Adequate time should be allowed from the issue of the Audit Planning Sheet and the start of the Audit field work to allow management to produce and collate this information for the day of commencement of the field work.
- 1.11 Information provided by management should be provided electronically where possible as the Internal Audit Service will produce electronic audit files and working papers wherever possible.

## **2. Undertaking the Audit**

- 2.1 The audit will then be undertaken with any queries and general feedback being directed through the Contact Officer.
- 2.2 If the initial findings of the audit identify significant areas of risk, problems or unexpected factors, then these will be referred back to the relevant senior manager and any additional work necessary will be discussed. If significant control weaknesses are identified which require immediate action then an **interim report** detailing these weaknesses and a course of action to mitigate or eliminate them will be issued by the Audit Manager.
- 2.3 The Auditor will complete audit tests and the work will be reviewed by the Audit Manager or a Senior Internal Auditor to ensure that all the work identified in the Assignment Planning Sheet has been carried out satisfactorily and that the standard of the audit is in accordance with the requirements of the Audit Manual and the Public Sector Internal Audit Standards.
- 2.4 The Auditor will keep the Contact Officer informed on the general progress of the review and in particular whether the Auditor is experiencing delays or is expecting the audit to be significantly delayed for any reason. Agreement can then be reached on a new date for the closure meeting.

## **3. Debrief Meetings**

- 3.1 Unless indicated by the relevant senior manager, at the initial meeting, a debrief meeting will be held between the Auditor, the senior manager and any other officer nominated by the senior manager (normally the Contact Officer) **within 7 days of the completion of the Audit field work** to discuss the findings,

conclusions and recommendations. The senior manager need not attend the meeting if he / she wishes and can delegate the debrief process to the Contact Officer.

- 3.2 Debrief meetings are designed to provide feedback on the results of the audit and for management to review the work undertaken and to discuss with the Auditor any identified factual errors or misunderstandings in the work undertaken. Debrief meetings are also used to review the recommendations and to ensure that they are suited to the way in which individual Services and sections operate. The Auditor should ensure that they have the audit file with them including evidence to support their findings as appropriate. Debriefs should ensure that there are no surprises for management in the draft report and make it easier for management to respond when the draft is issued. An indication of the final RAG opinion for the report will also be provided at the debrief meeting.
- 3.3 If management believes that they can provide further information relating to issues raised at the debrief meeting then this information will be taken into account by Internal Audit before the production of the draft report. However, the additional information must be relevant to the issues raised and made available to Internal Audit to allow compliance with the timeframe set for the issuing of the draft report (i.e. within 14 days from the date of the debrief meeting).
- 3.4 At the end of the debrief meeting the management representatives senior manager and / or Contact Officer) present will be asked to sign the debrief sheet prepared by Internal Audit to the effect that the issues contained therein have been discussed at this meeting. The management representative is signing to confirm the issues discussed and no agreement to their accuracy and content is required at this point.
- 3.5 It may become apparent at the closure meeting that further field work is required by the Auditor in order to verify the points raised or to refer to further information identified by management. In such instances the Auditor will undertake the additional testing required and amend the review findings as necessary. The client will be given the opportunity to decide whether they wish to receive feedback on these extra points through a second debrief meeting or by means of the formal draft report.

#### **4. Draft Reports**

- 4.1 The Internal Audit Section will issue a draft report of the findings, conclusions and recommendations, to the individuals identified in the Assignment Planning Sheet **within 14 days of the initial debrief meeting**.
- 4.2 For those audits, identified as corporate audits, the debrief meeting will be between the Auditor and the lead senior manager. It is noted that this Officer may not be in a position to provide a response on all the points raised and may require consulting with other Services. This consultation process will be reflected in a longer timescale for responding to the draft report.

#### **5. Providing Responses**

- 5.1 It is expected that management responses including timescales and the nominated responsible employee for implementation be returned to the Audit



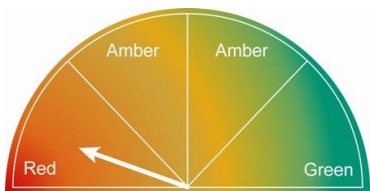
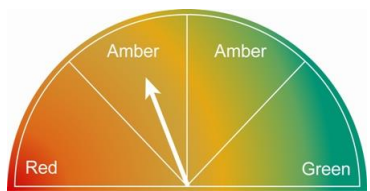
Section **within 14 days of the issue date on the draft report**. If it is not possible to achieve the deadline set, the relevant senior manager, or agreed Contact Officer should contact the Audit Manager to discuss the matter and to agree a revised deadline.

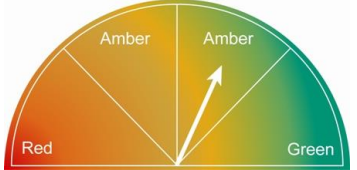
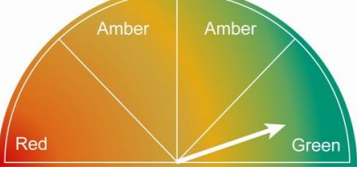
- 5.2 It is the intention of the Audit Manager to agree all reports issued and clients will be given every opportunity and support in order that a response is provided. In order for this process to work, it is important that those who will be responding to the draft report are present at the debrief meeting.
- 5.3 As the Auditor also has a responsibility to inform and provide assurance to the Council's S.151 Officer on the standard of internal controls operating within systems, a **copy of draft reports** of any audit given a 'Red Assurance' audit opinion under **Internal Audit's RAG methodology** will be sent to the S.151 Officer. If the findings of the audit indicate unlawful activities, or activities which may equate to maladministration, a copy of the report will also be sent to the Council's Monitoring Officer. In some cases it may be necessary to refer reports to other officers with specific responsibility for areas covered in the report.
- 5.4 Audit Reports should be treated as documents confidential to the service and whilst the report is in draft stage the Auditor will not release it to any other person apart from those identified as recipients of the draft report, unless access to another officer is agreed between the Auditor and the appropriate senior manager. However the S. 151 Officer or Monitoring Officer do have the right to receive copies of draft reports. In such cases they will also be provided with copies of any responses already received from Services.
- 5.5 Where a specific finding and / or recommendation relates to issues concerning the systems or internal controls operated by another Service/s then the background to, and a copy of, the specific finding and / or recommendation will be sent to that Service for a response. Such responses will then be included in the Final report. The confidentiality of audit reports must be respected by these Services.
- 5.6 Clients should also ensure that access to the report is limited to the recipients identified and to other officers whose input is required in order for the Service to provide a response. Draft reports are work in progress at this point and should not be circulated widely by management.
- 5.7 The client will be given every opportunity and assistance to provide a response to draft reports but if no response is forthcoming a final reminder copied to the relevant senior manager will be issued and non-responses will be reported to the Chief Executive and to the Audit and Governance Committee.
- 5.8 The Audit and Governance Committee has requested that a report be included in the Audit Manager's Progress Report of all draft reports that have not been responded to within three months of the issue of a draft report.

## **6. Issuing Final Reports**

- 6.1 A **Final report will be issued within 7 days following receipt of all management responses** to draft reports. The Final report will be issued only to those identified on the Assignment Planning Sheet.

- 6.2 Although it is the intention of the Audit Manager to agree the contents of the final report with the client Service there may be instances where this is not possible. Where cases arise where the report cannot be agreed, the reasons why the client Service does not agree with the findings, conclusion or recommendations made will be shown in the report. Any disagreements will also be noted in the Management Action Plan where the Audit Manager will detail why he believes a significant and / or material risk remains if no management action is taken to mitigate or eliminate the weakness identified.
- 6.3 Final Reports are issued to the relevant senior management and / or the appropriate manager(s) identified at the outset of the audit within the Assignment Planning Sheet, and to the S.151 Officer. In addition a summary of all reports is included in the Audit Manager’s progress report to the Audit Committee. The Executive Summary of all reports given a ‘Red Assurance’ opinion will also be included in progress reports. The progress report is a public document and therefore the Executive Summary may eventually come into the public domain.
- 6.4 Copies of all Internal Audit system reviews and Establishment reports (not referrals) are available to Audit and Governance Committee members on request to the Audit Manager. Internal Audit reports are provided for the sole use of the Member and not for further publication or re-issue.
- 6.5 Copies of Final Internal Audit reports may also be requested by the External Auditor in order that they can review the standard of work carried out. This evaluation will determine if the External Auditor takes assurance from the work of Internal Audit.
- 6.6 **Audit Opinions** – Internal Audit includes a RAG based audit opinion for risk based and system reviews within its final reports. The methodology behind the RAG opinions is provided below:

RAG Graphic	Opinion (RISK BASED)	Opinion (SYSTEMS BASED)
	<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure risks in this area are managed.</p>
	<p>Taking account of the issues identified, whilst the Board 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.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective, action needs to be taken to ensure risks in this area are managed.</p>

	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of risk materialising in this area.</p>
	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.</p>

## 7. Quality Control

- 7.1 The Public Sector Internal Audit Standards require the Audit Manager to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must be designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. **(PSIAS standard 1300)**
- 7.2 In order to allow the standard of the service to be monitored and to identify improvements which can be made a quality questionnaire will be issued to the relevant senior manager with each Final report. The completion and return of this questionnaire should be **within 7 days of the issue of the Final report.**

## 8. Complaints

- 8.1 A complaints procedure is offered to clients in those circumstances where the client is of the view that the level of service provided in a specific case is below that which would be expected.
- 8.2 The complainant is initially expected to discuss the complaint informally with the Audit Manager to see if any issues of concern can be satisfactorily resolved without the need for formal steps.
- 8.3 Where it is not possible to resolve the matter informally, the complainant (or their line manager) should make a written complaint to the Audit Manager explaining the nature of the complaint and the client's expectation. Where the complaint is about the work of the Audit Manager the complaint shall be made to the Chief Executive.
- 8.4 Within a reasonable time, as communicated to the complainant, Audit Manager (or the Chief Executive) will consider the complaint and, as needs be, discuss the matter with the complainant, members of staff of the Service, or any other appropriate officer.

- 8.5 Within the appointed time the Audit Manager (or the Chief Executive) will respond to the complaint in writing. This response will explain any steps to be taken in response to the complaint or explain why no specific steps will be taken.
- 8.6 Where the complainant, or their line manager, is unhappy with the result of the complaint following step 8.5 above, the complainant, or their line manager, may make an appeal against that decision. The appeal shall be made in writing to the Chief Executive, setting out the reasons for appeal and steps 8.4 and 8.5 shall be followed by the Chief Executive in dealing with the appeal. The Chief Executive's decision on the appeal shall be final.

## **9. Audit and Governance Committee**

- 9.1 The Audit and Governance Committee receives an Internal Audit Progress report at each of its meetings and an Annual report of the Audit Manager. This allows the Audit and Governance Committee to monitor the performance of Internal Audit against the Operational Plan during the year.
- 9.2 The Audit and Governance Committee has requested that all draft reports that do not receive management responses within three months of the issue of the latest draft be reported to them.
- 9.3 The Audit and Governance Committee also receives details of all Final Internal Audit reports issued that have received a 'Red Assurance' audit opinion.

## **10. Recommendation Tracking Process**

- 10.1 The Internal Audit process needs to go beyond the issue of a Final Report and to provide assurance that the agreed recommendations are implemented within the timescales set out in the Final Report Action Plan. No enhancement of the internal control framework can be made or reductions in associated risks until recommendations are implemented in full.
- 10.2 In order to track agreed recommendations from previous Internal Audit reports Internal Audit will maintain a record of all agreed recommendations with implementation dates by Service. Each quarter relevant senior managers will be requested to provide a self assessment of the progress on implementation of agreed recommendations that have past their implementation date in the previous quarter.
- 10.3 The self assessed status of each agreed recommendation will be one of the following:
- 1 = Implemented
  - 2 = Being Implemented
  - 3 = Not Implemented – new implementation date stated;
  - 4 = Superseded
- 10.4 The results of the self assessment will be used by Internal Audit to determine an opinion on the progress made to date in implementing agreed recommendations corporately. Graphical data on implementation rates for individual Services will also be presented to senior management and to the Audit and Governance

Committee on a regular basis within the Audit Manager’s Internal Audit Progress Reports. This opinion will be based on the following methodology:

Progress in implementing recommendations	Overall number of recommendations implemented	Consideration of fundamental recommendations	Consideration of significant recommendations	Consideration of merits attention recommendations
<b>Good</b>	80% +	None outstanding	Those significant recommendations outstanding are in the process of being implemented	Those merits attention recommendations outstanding are in the process of being implemented
<b>Reasonable</b>	50 – 80%	Those fundamental recommendations outstanding are in the process of being implemented	Those significant recommendations outstanding are in the process of being implemented	Those merits attention recommendations are in the process of being implemented
<b>Little</b>	< 50%	Unsatisfactory progress has been made	Unsatisfactory progress has been made	Unsatisfactory progress has been made

10.5 On an annual basis Internal Audit will carry out a formal review of the Recommendation Tracking process. This review will be based on a representative corporate sample of recommendations that have been self assessed as implemented, being implemented or superseded during the period.

For each of the recommendations in this sample Internal Audit will visit the relevant department and seek suitable evidence to confirm the self assessed status. The result of this review will be reported to the Audit and Governance Committee with an overall opinion as to whether the Committee can, or cannot, take assurance from the self assessed reports presented during the preceding year.

## ESTABLISHMENT REVIEWS

Establishment Audits involve the auditing of individual Council establishments (Schools, Elderly and Children’s Homes, Day Care Centres, Leisure Centres, Libraries, Museums etc.) These audits follow a standard audit programme developed for each establishment.

### 1. Preparation for the Audit

- 1.1 Prior to the start of each financial year, a copy of the relevant audit programme will be sent to the relevant senior manager in the Service. The senior manager should contact the Audit Manager to discuss any additions or amendments to the programme.
- 1.2 Prior to the commencement of each audit the senior Service manager and individual establishment manager will be contacted and informed that the audit is planned. Arrangements for carrying out the visit will be made with the individual establishment manager.

## **2. Carrying Out the Audit**

- 2.1 Audit work will be carried out in the normal manner with the intention of minimising the time spent at the establishment.
- 2.2 At the end of the visit a debrief meeting will be held with the individual establishment manager to discuss the findings of the audit.

## **3. Agreeing Draft Reports and Providing a Response**

- 3.1 Given the need for audit reports to follow the internal checking process within the Audit Section it is not possible for "draft" audit reports to be provided to the individual establishment manager during the visit, nor is it normally practical for Auditors to return to establishments to discuss the "draft" report (it would be costly, time consuming and increase the disruption for establishments.). Only in exceptional cases, where any additional work carried out following the visit or the review by the Audit Manager has resulted in the findings of the draft report being significantly different from those discussed at the closure meeting, will the Auditor return to the establishment to discuss the draft report. Therefore in the majority of cases establishment audits will follow the current process whereby a draft report is issued to the relevant senior Service manager or individual establishment manager.
- 3.2 The senior Service manager or individual establishment manager will be given 14 days in which to provide a response to the issues raised in the draft report.
- 3.3 The process for amending and agreeing reports is as for all audit reports.
- 3.4 Failures to respond will be dealt with in the same manner as all other reports i.e. the client will be given every opportunity and assistance to provide a response but if no response is forthcoming a final reminder copied to the relevant senior manager will be issued and non-responses will be reported to the Audit and Governance Committee.

## **4. Issuing Final Reports**

- 4.1 The process for issuing final reports will be the same as for all other reports.

## **5. Quality Control**

- 5.1 The procedures for quality control are the same as for all other reports.
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## SUMMARY OF INTERNAL AUDIT PROCESSES AND TIMESCALES

Ref	Process Description	When	Responsible Person	Reference in Protocol
1	Annual Audit Planning	February / March	Audit Manager / Relevant senior managers	1.1 to 1.2
2	Initial Notification Memorandum	At least 7 days prior to the proposed date of the scoping meeting.	Audit Manager / Senior Internal Auditors	1.3
3	Scoping Meeting	At least 7 days prior to the issuing of the Audit Planning Sheet.	Audit Manager / Relevant senior managers	1.4
4	Issue of Audit Planning Sheet	Within 7 days of the scoping meeting	Audit Manager / Senior Internal Auditors	1.9
5	Production and collation of information and data required by Auditor and specified in the Audit planning Sheet	Prior to start date for field work stated in Audit Planning Sheet.	Heads of Service / Nominated Contact Officer	1.10
6	Undertake audit and results reviewed within Internal Audit.	Within number of days specified in Audit Planning Sheet	Internal Auditor / Audit Manager / Senior Internal Auditor	2.3
7	Debrief Meeting	Within 7 days of the completion of the Audit field work	Audit Manager / Senior Internal Auditor / Auditor/ Relevant senior managers / Nominated Contact Officer	3.1 to 3.5
8	Issue of Draft Report	Within 14 days of the initial debrief meeting	Audit Manager / Senior Internal Auditors	4.1 to 4.2
9	Management Responses	Section within 14 days of the issue date on the draft report.	Heads of Service / Nominated Contact Officer	5.1
10	Issue of the Final Report	Within 7 days following receipt of all management responses.	Audit Manager / Senior Internal Auditor	6.1
11	Completion and return of Internal Audit Quality questionnaire	Within 7 days of the issue of the Final report.	Heads of Service / Nominated Contact Officer	7.2

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>COUNTY COUNCIL</b>
<b>DATE:</b>	<b>APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE MUNICIPAL YEAR 2014/15</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>AUDIT COMMITTEE CHAIR</b>
<b>ACTION:</b>	<b>TO RECEIVE REPORT</b>

## **Introduction**

The Audit Committee is a statutory Committee of the Council and has eight elected Members and two Lay Members. The role of the Audit Committee is to provide independent assurance of the adequacy of the Council's governance arrangements, the associated control environment and the adequacy of the risk management framework. The Committee is also responsible for independent scrutiny of the Authority's financial and non financial performance (to the extent that it affects the Authority's exposure to risks and weakens the control environment), and to oversee the financial reporting process and annual accounts review and approval to Council.

The Chair of the Audit Committee is Councillor Trefor Lloyd Hughes and the Vice Chair is Councillor John Griffiths.

The Committee is required under its terms of reference to prepare a report for the annual meeting of the Council on its activities for the year. This report provides the necessary report to meet this requirement.

## **Meetings**

During the municipal year, the Committee has met fully eight times with attendance figures for meetings being provided for information at Appendix A.

The regular meetings followed the Audit Committee calendar and considered among the regular Committee business: progress reports from the internal and external auditors, the statement of accounts and the external auditor's report on the statement. The Committee also received reports on Treasury Management progress and the Treasury Management Annual Report, the corporate risk management framework and risk register, progress with the National Fraud Initiative, the Annual Governance Statement, and the Annual Report on the Prevention of Fraud and Corruption. The Committee also received specific reports concerning a review of the Building Maintenance Unit, arrangements for the Corporate Assessment, results of the Procurement Fitness Check, WAO Annual Improvement Letter, Agency Worker arrangements, progress on corporate debt collection, the Information Commissioner's report of data management, Mon Communities annual report, Counter Fraud arrangements, and the Gwynedd Pension Fund. Further details of the issues considered by the Committee are provided in the table at Appendix B.

The completion of the audited Statement of Accounts for 2013/14 was completed by the 30 September 2014 deadline and recommended by the Committee for approval by the Council. The

Committee has continued to support management in measures to strengthen the Finance function further and to ensure current progress in this area is sustainable going forward.

### **Annual Governance Statement**

The Committee adopted an Annual Governance Statement for 2013/14 as statutorily required. The Annual Governance Statement was produced as a result of widespread consultation and review of governance processes in year. As with the 2012/13 Statement, the 2013/14 Statement was consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Annual Governance Statement continued to report some weaknesses in governance arrangements. An Action Plan has been produced in order that these weaknesses can be addressed.

### **The Audit Committee**

The Audit Committee has worked within its terms of reference which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit Committee in monitoring Risk Management, Governance and Internal Control within the Council.

The Committee has again this year undertaken a self-assessment of its effectiveness using a checklist derived from CIPFA's 'Audit Committees: Practical Guidance for Local Authorities,' and the outcome of this self assessment has guided the training programme and actions for the Committee. A report on the outcome of this self assessment was presented to the Audit Committee held on 09 February 2015 along with an Action Plan for continuous improvement. This action plan will be updated and progress reported back to the Committee on a regular basis during 2015-16.

### **Training**

Members of the Audit Committee attended a series of Finance and Audit sessions in the year including sessions relating to the Statement of Accounts, Counter Fraud Arrangements, Treasury Management, Risk Management and a seminar and a workshop on the effectiveness of the Audit Committee.

### **Effectiveness**

Audit Committee Members take their role in respect of governance and stewardship extremely seriously. They acknowledge that this is a non-political Committee and, as such, the Committee's role is to hold regulators and officers to account and to discharge the duty of regulating the risk management, governance and assurance framework within the Council.

The Committee takes reports regularly to gain assurance over key areas of activity and also completes a self-assessment on its own effectiveness. A self-assessment of the Committee's effectiveness, as described earlier, was undertaken in January 2015 to review progress in 2014/15 against the checklist based upon CIPFA best practice for Audit Committees.

Discussion at the workshop has highlighted a number of areas where further improvement can be made and an improvement action plan has been produced for consideration and ongoing monitoring by the Audit Committee in 2015/16. One area identified for improvement in 2015/16 was the need to raise the profile of the Audit Committee and to make stakeholders more aware of the important work that it undertakes.

### **Audit Committee Seminar**

In addition to the annual Workshop self-assessment an Audit Committee Seminar was also held in December 2014 as part of the Council's improvement programme. The seminar was held to assess the effectiveness of the Audit Committee and to identify any adjustments that are worthy of consideration in respect of the Committee's Terms of Reference or activities. As a result of this

Seminar the Committee agreed to review and update its terms of reference and to recommend to Council that the name of the Committee be changed to the Audit and Governance Committee in order to highlight governance issues more, and to develop the Committee's role in engaging with external regulators other than Auditors (there being an effective level of engagement with Auditors already).

### **External Audit**

The Council is audited externally by the Wales Audit Office (WAO) although part of the work, covering the financial aspects of the audit and some performance work is covered by PwC working to the Appointed auditor in the WAO. Regular reports from PwC have been considered by the Audit Committee and an update is considered at each meeting.

The Audit Committee has been taking regular updates from the WAO on the Performance Work Programme. The Committee has also received updates from the WAO on the Improvement Assessment Programme including Improvement Assessment Letters 1 and 2 during the year. This is an important aspect of the Committee's business to ensure that external reports are being considered, either by the Audit Committee or one of the Scrutiny Committees, and that appropriate action is being taken.

As well as updates on the Performance Work Programme, the Committee also receives updates from PwC on the financial audit work being undertaken. Updates this year have included both the workplan and timetabling of work.

### **Internal Audit**

The Council has an in-house Internal Audit Team until 31 March 2015 managed under a contract with Baker Tilly Ltd. The Committee approved the Internal Operational Plan 2014/15 at its meeting held in April 2014. Internal Audit Operational Plan outcomes are reported by the Audit Manager to each of the Committee's regular meetings as part of the Internal Audit Progress report. Progress reports also include progress of services in implementing Internal Audit recommendations.

Reports of completed Internal Audit reviews, along with the assurance levels given, is also provided in Progress reports and builds over the year into a picture of the assessed strength of the Council's internal control framework . During this year, the Internal Audit Progress reports have contained additional information on each review undertaken, including details of the key findings arising from the work undertaken.

An overall statement on internal control is provided in the Audit Manager's annual report and in the Council's Annual Governance Statement.

### **Risk Management**

The Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the Authority. The Audit Committee in its Terms of Reference is charged with fulfilling these requirements.

The Committee has continued to support the development of the Risk Management framework within the Council during the year, and consideration of Risk Management and the receiving of the Corporate Risk Register is to be a standing agenda item from 2015/16 onwards.

The Committee sees its key role in the Risk Management process as satisfying itself as to the adequacy of the structures, processes and responsibilities for identifying and managing the key risks facing the organisation.

### **Counter Fraud**

The Audit Committee received the annual Policy for the Prevention of Fraud and Corruption: Report for 2013/14 in December 2014. The report included an update on the Council's participation in the National Fraud Initiative (NFI) however no results were published in 2013/14. The Internal Audit progress reports have also included reference to a number of referrals resulting in formal reports during the year.

The Committee also received a report detailing changes to the Council's Counter Fraud arrangements from November 2014 following the Department for Work and Pensions Single Fraud Investigation Service (SFIS) taking over responsibility for the investigation of all "benefit" fraud investigations relating to the Isle of Anglesey County Council. This resulted in one of the authority's benefit investigators transferring to the SFIS team and the other investigator being appointed to the new role of Corporate Counter Fraud Officer (CCFO) within the Internal Audit Service.

The Committee received a report from the Corporate Counter Fraud Officer in February 2015 setting out his role and initial work programme. The initial work programme presented included the first formal corporate Counter Fraud risk assessment undertaken by the Council. The Corporate Counter Fraud Officer will be presenting regular reports on the results of his work during 2015/16.

### **Plans for the Future**

As well as its regular business, the Committee will continue its development programme, informed by the self-assessment of effectiveness and the outcome of the changes to the Council's counter fraud arrangements. This will, again, include relevant training events geared to its activities in 2015/16.

The Committee will continue to develop its role in relation to Risk Management during 2015/16 and will look to adopt a method of being able to assess the adequacy of the Council's anti-fraud and corruption arrangements on an on-going basis.

The Audit Committee's proposed future work programme is provided at Appendix C.

### **Chair's Remarks**

The Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year and also to those Council employees who have attended and contributed so much. The chair takes this opportunity to thank all the staff within the Finance and Internal Audit Services whose staff I have found most helpful at all times.

The Chair would take the opportunity to remind the Council of the importance of the work of the Committee which is even more relevant in the current economic situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.

The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2015/16.

**COUNCILLOR TREFOR LLOYDD HUGHES**  
**CHAIR of AUDIT COMMITTEE**

**Draft 31 MARCH 2015**

## AUDIT COMMITTEE - MEETING ATTENDANCE - 2014-15

Members	% Eligible Attendance - Scheduled Meetings	Meeting Held on 10-04-2014	Meeting Held on 30-04-2015	Meeting Held on 22-07-2014	Meeting Held on 23-09-2014	Meeting Held on 07-11-2014	Meeting Held on 10-12-2014	Meeting Held on 09-02-2015	Meeting Held on 23-02-2015	Number of Meetings Attended
Cllr. Trefor Lloyd Hughes (Chair)	88%	YES	Apologies	YES	YES	YES	YES	YES	YES	7
Cllr. John Griffiths (Vice Chair)	100%	YES	YES	YES	YES	YES	YES	YES	YES	8
Cllr. Robert Llewelyn Jones	100%	YES	YES	YES	YES	YES	YES	YES	YES	8
Cllr. Jim Evans	50%	Apologies	YES	Apologies	YES	YES	YES	Apologies	Apologies	4
Cllr. Dafydd Rhys Thomas	38%	Apologies	Apologies	Apologies	YES	Apologies	Apologies	YES	YES	3
Cllr. Vaughen Hughes	25%	Apologies	Did not attend	Did not attend	Apologies					1
Cllr. Richard Owain Hughes	50%	Apologies	YES	Apologies	YES	Apologies	Apologies	YES	YES	4
Mrs Sharon Warnes	63%	YES	YES	YES	YES	Apologies	YES	Did not attend	Apologies	5
Mr Richard Barker	75%	YES	YES	YES	YES	Apologies	YES	Did not attend	YES	6
Cllr. Alun Mummery	100%					YES	YES	YES	YES	4
Cllr. Jeff Evans	50%	Did not attend	Did not attend	YES	YES	YES	Apologies			3
<b>Total for Committee</b>	<b>66%</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>7</b>	<b>53</b>

**AUDIT COMMITTEE - PROGRESS ON MATTERS RAISED 2014-15**

**LAST UPDATED: 04 March 2015**

Ref	Meeting Date Raised	Minute Ref	Matter Raised	Action Required	Responsibility for Action	Date Action Required By	Current Status	RAG Status
1	10/04/2014	Item 3	<b>Housing BMU</b> - A review of the BMU arrangements from the HofS. The report was accepted by the Committee.	Head of Housing Services to include in the Tenants' Newsletter/Bulletin information regarding the costs incurred by the Council in having to repair council houses that have not been properly maintained.	Head of Service - Housing	30/04/2014	Completed	GREEN
2	10/04/2014	Item 4	<b>Corporate Assessment</b> - The Committee received from the DCE a visual presentation in relation to the Corporate Assessment of the Isle of Anglesey County Council to be undertaken in February 2015 as part of the Welsh Audit Office's 4 year cyclical programme of local authority corporate assessments	Deputy Chief Executive to keep the Chair and Vice-chair of the Audit Committee briefed on progress on project managing the preparations for the Corporate Assessment.	DCE		See 22/09/14 Item 12	GREEN
3	10/04/2014	Item 5	<b>Procurement Fitness Check</b> - A summary report on the KPMG fitness review of procurement arrangements at the Isle of Anglesey County Council was presented for the Committee's information. Members commented to the effect that they would have liked to have seen more of the detail of the KPMG report in terms of the aspects examined and the findings thereon, given that procurement is an area of interest for the Committee and is one that has been identified as in need of strengthening.	The Committee reconvene before the end of April to consider further the recommendations of the KPMG review of procurement arrangements and the response to them.	Committee	30/04/2014	Extraordinary meeting held 30/04/14 to have detailed report on Procurement Fitness Check.	GREEN
4	30/04/2014	Item 1	<b>Extraordinary Meeting - Procurement Fitness Check</b> - Meeting held as resolved by the meeting held on 10/04/14 to go through the Fitness Check in detail and to be presented with actions being taken to address the weaknesses identified in the report.	Head of Function (Resources) to update the Audit Committee regularly on progress on realising savings linked to developing and improving corporate procurement arrangements.	Head of Resources	Regular report to Committee	These reports have not been made to date (as at 20/01/15).	RED

5	22/07/2014	Item 3	<b>Review of Statement of Accounts 2013-14</b> - The Committee reviewed the draft statement of Accounts and the draft Annual Governance Statement.	S151 Officer to provide – • A progress report on the project tasked with addressing the Council's debtor position and balance. • A report on the range and extent of the Council's reserve funds and balances and the rationale for them.	S151 Officer	30/09/2014	See 23/09/14 Items 7 & 8 below	GREEN
6	22/07/2014	Item 7	<b>Risk Management</b> - the Committee reviewed the current Corporate Risk Register. Concern and disappointment were expressed that no demonstrable progress has been made since previous updates in terms of progressing risk management practice across the authority and questions were asked as to what are the expectations as regards entrenching risk management within the Council? There was particular concern that risk YM31 in relation to Data Protection continues to be categorised as a high risk despite being highlighted by this Committee as an area requiring immediate remedial action. It was suggested that responsibility for ensuring that this matter is addressed and resolved is assumed at corporate level	Deputy Chief Executive to provide the Audit Committee at its next meeting with a report on progress on the Information Governance Project.	DCE	30/09/2014	See 22/09/14 Item 11 below	GREEN
7	22/07/2014	Item 8	<b>Annual Improvement Report</b> - incorporating the External Audit evaluation of how well the Isle of Anglesey County Council delivered on its plans for improvement during 2012/13 was presented for the Committee's consideration. Mr Andy Bruce confirmed that overall the report was positive in its conclusions and bore testament to the Authority's continuing progress in most of its priority areas with the caveat regarding the challenges to be met in relation to ensuring capacity and stability in the corporate finance service and addressing weaknesses in the management of the financial ledger system.	No further action required	N/A	N/A	N/A	GREEN

8	22/07/2014	Item 9	<b>Internal Audit Concerns</b> - attention was drawn to the current audit concerns around risk management, information management, governance and the corporate procurement framework (section 6 of the report) as signifying a fundamental senior management weakness across several service categories to appreciate and apply policies, controls, processes and protocols as necessary or as prompted by current and/or previous audit recommendations and to disseminate that appreciation more widely to departmental staff. It was suggested that this shortcoming be brought to the attention of Senior Leadership/Management and that the Committee be provided with an update on all those areas	Deputy Chief Executive to provide the Audit Committee at its next meeting with a report in line with the resolution above along with information about senior managerial responsibilities.	DCE	30/09/2014	See 22/09/14 Item 13	GREEN
9	22/07/2014	Item 10	<b>Agency Workers - review of Arrangements</b> - Internal Audit presented a report which documented the conclusions of the audit review undertaken with regard to policy awareness in engaging agency/consultancy staff and the adequacy of and compliance with internal controls around their deployment.	Internal Audit Manager to provide the Committee with a further analysis of contractors and self-employed staff engaged by the Council	Audit Manager	30/09/2014	Audit Manager explained at the next meeting that the way that such staff expenditure was coded on the ledger no further breakdown was possible and that this deficiency had been highlighted in the original report.	GREEN
10	22/07/2014	Item 3	<b>Statement of Accounts</b> - The report of the Interim Head of Function (Resources) and Section 151 Officer incorporating the final accounts for the 2013/14 financial year was presented for the Committee's consideration. A number of matters were discussed including the position of the Gwynedd Pension Fund.	Interim Head of Function (Resources) and Section 151 Officer to arrange for the Gwynedd Pension Fund Annual Report 2013/14 to be made available to the Audit Committee's members.	S151 Officer	23/02/2015	Gwynedd pension fund manager was approached but declined to attend - Committee agreed that Portfolio Holder would provide an update at the February 2015 meeting	AMBER
11	23/09/2014	Item 7	<b>Progress on the Collection of Debts</b> - The report set out the key areas wherein efforts have been focussed on reducing the debtor balance and outcomes to date, the additional resources deployed where that was deemed necessary and proposed future action. Appendices A, B, and C to the report set out the overall collection rate per year for each debt type targeted.	No further action required	N/A	N/A	N/A	GREEN
12	22/09/2014	Item 8	<b>Council Reserves and Balances</b> - The report of the Interim Head of Function (Resources) and Section 151 Officer regarding the current position on both Revenue Reserves and Capital Reserves was presented for the Committee's consideration.	No further action required	N/A	N/A	N/A	GREEN



13	22/09/2014	Item 9	<b>Corporate Annual Health Safety Report 2013-14</b> - The report provided an analysis of accidents and incidents reported during the year along with a Corporate Health and Safety Strategy and Corporate Health and Safety Responsibilities Document as at Appendix 1 of the report	Director of Sustainable Development to take steps to reinstate the register of potentially dangerous individuals.	Director of Sustainable Development	31/12/2014	Require Update from Service.	AMBER
14	22/09/2014	Item 10	<b>Public Service Ombudsman for Wales Summary of Performance</b> - The report of the Head of Council Business/Monitoring Officer in respect of the conclusions of the work undertaken by the Office of the Public Services Ombudsman for Wales (PSOW) during 2013/14 was presented for the Committee's consideration. The PSOW's summary report of performance was presented under Appendix 1 to the report.	No further action required	N/A	N/A	N/A	GREEN
15	22/09/2014	Item 11	<b>Data Protection and Information Governance</b> - The work of the Information Governance Project Board established to deliver the Action Plan formulated in response to the recommendations made by the Information Commissioner following his Office's audit of the Council in 2013 ended on 4th September, 2014. An attached Highlight Report detailed all the activities achieved during the project's lifetime. A new group – the Information Governance Board will now take over responsibility for any loose ends remaining from the Project Board and will ensure that the Council continues to monitor and improve the standard of its information governance.	No further action required	N/A	N/A	N/A	GREEN
16	22/09/2014	Item 12	<b>Corporate Assessment</b> - the main field work in relation to the Corporate Assessment of the Council will be undertaken in February 2015. The Authority is being supported in its preparations in targeted areas by the WLGA specifically in undertaking briefing sessions. Four sessions have been arranged for this week one of which is with the Scrutiny Committees to consider value added scrutiny. A briefing session for the Audit Committee specifically is planned with regard to the corporate assessment. Work has also been commissioned on risk management and a session is to be arranged with the Audit Committee and Scrutiny Committees jointly to clarify responsibilities with regard to risk management.	Deputy Chief Executive to provide a further update on preparations for the Corporate Assessment to the Committee's next meeting.	DCE	31/12/2014		
17	22/09/2014	Item 13	<b>Internal Audit Concerns</b> - The report of the Deputy Chief Executive outlining the management actions taken and progress made with regard to each area of outstanding Internal Audit concern as documented in the Internal Audit progress report to the Committee's previous meeting was presented for the Committee's consideration	No further action required	N/A	N/A	N/A	GREEN

18	10/12/2014	Item 3	<b>Mon Communities First Progress Report and Accounts</b> - A report by the Grants Co-Ordinator incorporating the Mön Communities First Ltd. accounts for 2013/14 along with a breakdown of the body's grant funding for 2013/14 and its budget for 2014/15 was presented for the Committee's consideration.	No further action required	N/A	N/A	N/A	GREEN
19	10/12/2014	Item 4	<b>Risk Management</b> - The report detailed the outcome and findings of a review of risk management policies, procedures and practice within the Authority undertaken by Caerus Consulting. The review conclusions which have been made available to the SLT, Penaethiad and the Executive were attached in full under Appendix 1 to the report. It was asked at what point does management consider it will be able to report back to the Committee that it is satisfied with the status and implementation of risk management within the Authority. In response to the Officer reply that the aim is to have a substantial corporate risk register compiled and in place by March, 2015, the Committee asked for an update for that time	Risk and Insurance Manager/Deputy Chief Executive to report back to the Audit Committee in April, 2015 on the status and implementation of the revised corporate risk register/matrix and associated risk guidance documentation.	DCE	30/04/2015	Report due April 2015 Audit Committee	AMBER
20	10/12/2014	Item 8	<b>Revised Counter Fraud Arrangements</b> - The report of the Internal Audit Manager outlining the revisions to counter fraud arrangements which have been put in place in response to national changes in how Housing Benefit fraud is identified, investigated and prosecuted through the establishment of a Single Fraud Investigation Service was presented for the Committee's information.	No further action required	N/A	N/A	N/A	GREEN
21	10/12/2014	Item 9	<b>Audit Committee Seminar</b> - the outcome of a seminar to assess the effectiveness of the Audit Committee and to identify any adjustments that are worthy of consideration in respect of the Committee's terms of reference and activities was presented for the Committee's consideration. Reference was made to practice within the Audit Committee in Gwynedd Council with regard to the establishment of work groups which meet in the interim between formal meetings of the Audit Committee and which focus on specific areas in greater detail and depth than a committee setting will allow.	Resolved to: <ul style="list-style-type: none"> <li>Recommend to the Executive / Council the Committee name be changed to the Audit and Governance Committee.</li> <li>Request that the Internal Audit Manager reviews the effectiveness of the Council's arrangements for dealing with partnership working</li> <li>To continue to carry out the annual self-assessment of its effectiveness.</li> </ul>	Audit Manager	23/02/2015	Audit Committee workshop and review of Effectiveness held on 19-01-15 and attended by six members of the Committee.	GREEN
22	09/02/2015	Item 3	<b>Audit Committee Effectiveness Review 2014/15</b> - a report was received summarising the outcome of the workshop held. An Action Plan was presented to the Committee and approved.	To accept the report, to note its contents and to endorse the development of the Action Plan at Appendix C in 2015/16 to address weaknesses identified.	S151 Officer	01/06/2015	Update Audit Committee with progress against action plan quarterly during 2015/16.	AMBER

23	09/02/2015	Item 4	<b>Review of Audit Committee Terms of Reference</b> - the Committee received a report containing the proposed draft Terms of Reference based on CIPFA guidance for Audit Committees.	To endorse the revised terms of reference as presented	Executive	01/03/2015	Terms of reference - to be approved by Executive	AMBER
24	09/02/2015	Item 5	<b>Counter Fraud</b> - The Committee received a report from the Counter Fraud Officer on his initial work since starting his post and his proposed schedule of work going forward.	No further action required	N/A	N/A	N/A	GREEN
25	23/02/2015	Item 3	<b>Gwynedd Pension Fund</b> - The Committee had requested that a report be made by the Portfolio Holder on the performance of the Gwynedd Pension Fund and on inherent liability risks for the Council.	No further action required	N/A	N/A	N/A	GREEN
26	23/02/2015	Item 5	<b>Grants Take Up Position</b> - the Committee discussed the number of grants available and the Council's take up of such grants. Discussion also took place on the number of grants that received a qualification from the External Auditor.	The Interim Head of Resources and Section 151 Officer to provide the Committee with a report on the grants available to the Authority and how the Authority maximises the take up of grants.	Interim Head of Resources and Section 151 Officer	01/04/2015	To provide the Committee with a report on the grants available to the Authority and how the Authority maximises the take up of grants.	AMBER
27	23/02/2015	Item 6	<b>IA Recommendation implementation dates</b> - the Committee expressed concern over the implementation rates reported and discussed how the Committee could best influence an improvement. The Committee agreed to signal its intent to take a more rigorous approach to implementation and to be assured that Internal Audit review results are given appropriate attention.	The Audit Committee to request the Head of Service (Economic and Community Regeneration) to attend the next meeting of the Audit Committee to account for how the situation with regard to the arrangements for the sale, billing and payment of maritime diesel had arisen and the steps being taken to address Internal Audit recommendations.	Audit Manager - contacted HofS after meeting to inform of request	01/04/2015	Hof Economic to provide report as requested.	AMBER

**AUDIT COMMITTEE CALENDAR FOR MUNICIPAL YEAR 2015/16**

**Appendix C**

	ACCOUNTS	INTERNAL AUDIT	EXTERNAL AUDIT	TREASURY MANAGEMENT	RISK MANAGEMENT	GOVERNANCE	OTHER
FEBRUARY 2016		Consider and adopt internal audit plan for year starting	Progress Report	Consideration and recommendation for approval of TM Strategy 20164/17		Audit Committee – Terms of Reference	Annual review of Audit Committee Effectiveness and Counter Fraud Arrangements  Annual Report – Gwynedd Local Gov't Pension Scheme
Mid/Late APRIL 2015		IA Annual report for financial year just ended  Review of Internal Audit Charter and Protocol	Consider and adopt plan for year starting  Progress Report	Qtr 4 Treasury Management Report	Annual Review of Risk Management Strategy		Annual Members' Training Plan  Approve Annual report of the Committee for Annual Council meeting.
MAY /JUNE 2015	Draft Statement of Accounts and Annual Governance Statement	Qtr 1 Progress Report					
JUNE/JULY 2015	Review Statement of Accounts	Progress Report	Progress Report	Treasury Management Annual Report  Qtr 1 Treasury Management Report	Corporate Risk Register	Consider Governance Statement  Review Code of Governance  Annual Health & Safety report	
SEPTEMBER 2015	Recommend for Approval of Council the Statement of Accounts (30 Sept deadline)	Progress Report	Receive report on accounts to those charged with Governance  Progress Report		Corporate Risk Register	Governance and Assurance Update  Adopt Governance Statement	Annual Report on Fraud and Corruption
DECEMBER 2015		Progress Report	Receive annual letter on audit year just ended  Progress Report	Qtr 2 Treasury Management Report  Scrutiny of mid-year report and preparation for following year	Corporate Risk Register		



## Performance work programme update for Audit Committee 27 April 2015 **Isle of Anglesey County Council**

### Improvement audit and assessment 2015-16

#### **Improvement plan audit**

Audit of discharge of duty to publish an improvement plan.

Timing – Report due in June 2015.

#### **Assessment of performance audit**

Audit of discharge of duty to publish an assessment of performance.

Timing – Report due in November 2015.

#### **Financial management review**

Further work on financial management arrangements following up our 2014-15 review, and looking forward to 2016-17 budget setting and savings proposals. There will also be a focus on reserves position, policy and use of reserves.

Timing – June to September 2015

#### **Governance review**

This work will focus on areas identified as being in need of improvement in the Corporate Assessment report.

Timing – July 2015 to March 2016

#### **Performance management review**

Study across North Wales on benchmarking social services costs against performance. This will include CSSIW involvement.

Timing – April to October 2015

#### **Locally determined review(s)**

Follow-up of aspects identified as being in need of improvement in the Corporate Assessment report.

Timing – July 2015 to March 2016

#### **Annual Improvement Report**

Annual summary and assessment by the Auditor General and other regulators.

Timing – December 2015 to March 2016

## Local Government studies 2015-16

### **The strategic approach of councils to income generation and charging**

Under theme of 'delivering with less', this study will involve an audit of councils' strategic approach to charging, the approval process for setting and reviewing charging and the impact of charging on services and on service users.

### **Council funding of third-sector services**

Also under the theme of 'delivering with less', this study will:

- examine the level of investment in voluntary sector services to benchmark findings against earlier assessments;
- review the measures used to judge the effectiveness of funding in a 'tracer' area; and
- review decision-making processes to determine whether the principles of good governance in funding third sector services are being followed.

### **The effectiveness of local community safety partnerships**

This study examines the effectiveness of community safety partnerships and the impact of the work of partnerships in delivering improvement within their communities.

Timing for all to be confirmed.

## Improvement audit and assessment for 2014-15

### **Corporate Assessment 2014-15**

The assessment is complete and report being drafted with a view to publishing the report in June 2015. Feedback has been provided to SLT, Cabinet and Shadow Cabinet members.

### **Review of Anglesey and Gwynedd Joint Local Service Board**

The review is complete and report is in draft awaiting approval. The LSB received feedback on 31 March. The report will be issued following the end of the election embargo on 8 May 2015.

### **Housing Benefit Assessment**

The review looks at the management, customer focus, decision-making and oversight of Discretionary Housing Payment (DHP) monies and is primarily a desktop analysis of key documentation. The outputs will be a short national summary updating our position statement on DHP in 2013-14 and a short summary for inclusion in the Annual Improvement Report on current performance for each council.

### Local Government studies 2014-15

#### Impact of Welfare Reform on social housing

Published 8 January 2015. The report is available at <https://www.wao.gov.uk/publication/managing-impact-welfare-reform-changes-social-housing-tenants-wales>

#### Safeguarding arrangements

Report to be published May 2015

#### Financial resilience of councils in Wales

Published 2 April 2015. The report is available at <https://www.wao.gov.uk/publication/financial-resilience-councils-wales>

#### Independence of Older People

The fieldwork is due to be completed by March 31 2015 dependent upon outstanding information being provided by councils. The provisional date for publication is July/August 2015.

#### Delivering with less leisure services

The fieldwork is due to be completed by March 31 2015 dependent upon outstanding information being provided by councils. The provisional date for publication is August/September 2015.

### Good practice

In line with the Auditor General's commitment to identify and share good practice, he will continue to host shared learning seminars, identify relevant case studies and focus work on identifying and promoting effective practice. Public bodies receive notification and invites in advance of the events. Forthcoming events can be accessed at WAO's website -

<https://www.wao.gov.uk/forthcoming-events/Shared-Learning-Seminar>

### Other regulators

Joint work with CSSIW across North Wales on benchmarking social services costs against performance.

Estyn has no plans to review Anglesey. However, Estyn is completing a thematic review of the regional school improvement service (GwE) across North Wales.

### Other reports

The Auditor General's recent report on [Managing Early Departures across Welsh Public Bodies](#) identified the extensive use of early departures to support workforce cost reduction across 58 of the public bodies that we audit. The report concluded that, overall, the governance of early departures has been satisfactory, although not all schemes complied fully with good practice principles. The report was primarily based on our survey and additional data collection rather than detailed review of any individual organisation's arrangements.

Six of the seven recommendations in the report relate specifically to public bodies' own early departure arrangements and are applicable across all sectors. The reports are available at <https://www.wao.gov.uk/publication/managing-early-departures-across-welsh-public-bodies>  
All reports are bilingual.

## Recommendations from Early departures Report

We found that not all public bodies were using business cases for all individual early departures and that where public bodies are using business cases, some are applying more rigorous criteria than others ([paragraphs 2.18-2.20](#)).

**R1 Public bodies should use business cases to support all individual early departures. Business cases should identify the cost and service delivery implications of the individual leaving and take account of relevant wider workforce planning.**

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For voluntary exits and voluntary redundancies, local authorities have discretion to set their own early departure arrangements and, in practice, have applied a range of different terms and conditions ([paragraph 1.13](#)). Given the Welsh Government's desired reduction in the number of local authorities in Wales, early departures are likely to be a feature of any future merger agreements.

**R2 Working with local government, the Welsh Government should seek agreement on some common principles to underpin any early departure arrangements arising from local government mergers.**

---

Scrutiny of early departures is important in ensuring that proposals for both schemes and individual early departures represent value for money. We found that more than three quarters of public bodies had councillors or board members involved in some way in ensuring value for money for their early departures ([paragraphs 2.25-2.26](#)).

**R3 We recommend that public bodies:**

- Ensure that councillors or board members have the opportunity to examine the value for money of early departure schemes through established scrutiny/governance arrangements.
  - Ensure that councillors and/or board members approve higher value packages, such as those for senior management.
  - Consider using internal audit to provide assurance on overall management of early departure schemes.
- 

We found that around one in five early departures have involved some form of settlement agreement, with seven per cent of these cases including an enhancement payment. However, not all public bodies could tell us whether their early departures involved a settlement agreement or an enhancement payment ([paragraphs 2.29-2.32](#)).

**R4 Public bodies should ensure where settlement agreements are used, their records clearly identify whether a package includes an enhancement payment and if so, its value and the reason for the enhancement payment.**



We found that not all public bodies that ran an early departure scheme undertook some form of equality impact assessment. Equality impact assessments should ensure that those with protected characteristics are not subjected to unfair disadvantage or exclusion (paragraphs 2.27-2.28).

**R5 Public bodies should give due consideration to the equality impact of all early departure arrangements, in particular where a public body is running a specific scheme covering multiple possible departures.**

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We found that, assuming staff were not directly or indirectly replaced, public bodies would, on average, start to have made cost savings from early departures after 10 months. We found that once this payback period elapsed, public bodies stood to save around £305 million per year. However, public bodies might not realise any of these savings in full for a variety of reasons (paragraphs 1.18-1.23).

**R6 Public bodies should monitor and report as part of their internal governance arrangements on expected and achieved savings as a result of early departures. This will help inform future cost reduction plans.**

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We found the quality of data held by public bodies on early departures was inconsistent. Several public bodies were not able to provide us with some key information we requested (paragraph 2.37).

**R7 Public bodies should review their record keeping for early departure arrangements, so that they can more readily identify key information including the number and costs of early departures in a given period, payback period information based on salary and employers' National Insurance and pension costs, and settlement agreements.**

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>27 APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>GRANTS AVAILABILITY AND MAXIMISATION</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>SECTION 151 OFFICER</b>
<b>ACTION:</b>	<b>FOR INFORMATION</b>

**1. INTRODUCTION**

- 1.1 The report sets out the main sources of funding which have been available to the Authority during 14/15 and the ways that funding can be maximised over coming years.

**2. BACKGROUND**

- 2.1 There are over 80 individual grants coming into the Authority each year from a number of different funding bodies, but with the vast majority coming from the Welsh Government. The funding falls into 3 broad categories:

- **Recurring annual allocations of funding**  
Most of these grants come from the Welsh Government and provide funding on an annual basis to aid service delivery. Some funding streams require annual expenditure plans to be submitted but the funding award is not dependent upon a bidding process. Examples of these types of grants include the Welsh in Education Grant, Social Care Workforce Development Programme and Maes Awyr Môn.
- **Annual one off projects**  
Funding is provided for specific activity and will more than likely involve some form of bidding process where an application has to be submitted for a specific time limited project. The funding can also be awarded as a result of a specific event or opportunity which has resulted in an increased need for funding. Examples of these types of grant would include Flood Alleviation and Coastal Restoration.
- **Programmes**  
Programmes are larger scale and last over a number of years and can often involve funding from multiple sources. There is usually a competitive bidding process involved with funding only being awarded to the best projects. Many of the programmes that the Authority currently operates are funded through the Wales European Funding Office (WEFO) and Welsh Government. Examples of these types of grants include Anglesey's Strategic Infrastructure, Llwyddo'n Lleol and Ymweld a Mon. Most programme funding requires some level of match funding from the Authority.

- 2.2 Annex 1 lists the grant funding which the Authority has been awarded in 2014/15, a total of £28M

- 2.3 In 2013/14 which is the latest data available the Welsh Government administered around 400 individual grant programmes and awarded £13.6 billion to organisations across Wales.

### **3. MAXIMISATION OF GRANT INCOME**

- 3.1 The IACC has an excellent track record of utilising EU funding to deliver projects such as strategic infrastructure; business support; skills development; and the targeting of economic inactivity. In a period of increasing fiscal austerity, the IACC is experiencing significant annual reductions to its core budget, which places increased emphasis on accessing external funding to progress and deliver the Council's Corporate Objectives, in particular that 'Anglesey has a thriving and prosperous rural economy'.
- 3.2 The IACC Efficiency Strategy 2014-20 makes reference for the need to maximise the amount of EU funding secured. With the 2014-2020 Programme period representing the final tranche of the highest level of EU Structural Funding Support (a total of £2 billion in total for Wales), this represents the last chance for Anglesey to utilise significant public sector resources.
- 3.3 The North Wales Economic Ambition Board (NWEAB) is now the primary forum for co-ordinating regeneration activity and intervention planning in the region. The Board is a cross-sector body, with representation from the Public, Private, and Voluntary sector. It is recognised by Welsh Government as having a role to endorse, develop and monitor EU investments over the coming years. Clarity is also being sought on the role of the Board in prioritising activities within the region. It is vital that the Authority plays a role in influencing the regional discussion to ensure the NWEAB key intervention proposals are aligned with Anglesey's needs.
- 3.5 The availability of match funding for European schemes is vital as projects which lever in match funding are more likely to be approved. In instances when the IACC is a strategic partner in projects, influence on design and implementation is much greater if match funding is contributed.
- 3.4 Funded through WEFO Technical Assistance, The Specialist European Team (SET), based within Economic Development, was set up to offer technical support to ensure that community and voluntary groups, businesses and public bodies on Anglesey benefitted fully from the European Funding opportunities available from the 2007 – 2013 Programme. The Team is currently working to support project development for the 2014 – 2020 European Programme to ensure that funding is maximised. A summary is shown at Annex 2. However as WEFO moves towards more larger and more strategic programmes there is no intention to continue the funding for SET's beyond September 2016 at Local Authority level. Negotiations are being progressed with WEFO through the regional EU Advisors for a North Wales Regional Engagement Model with Conwy County Borough Council leading the technical assistance element. Whilst the new Regional Team will be tasked to work with all Local Authorities the focus will be more on strategic direction rather than technical support so this is an issue that the Authority will need to address.
- 3.5 Some Authorities also have the benefit of a dedicated Funding Officer who actively searches out sources of funding for specific projects. Generally they also subscribe to funding databases such as 'Grantfinder' which hold a wide range of grant information which can be searched using a project profile. Anglesey County Council does not have access to these resources and searching for funding is reliant on the individual Services and the relationship that Officers develop with funding bodies.
- 3.6 Grants which have Management and Administration budgets can be utilised to subsidise core funded staff who are working on the delivery of grants. They should ensure that their time is allocated against the Management and Administration budget so that savings can be made on core staffing budgets.
- 3.7 Project Managers monitor actual expenditure against profiled expenditure carefully to ensure that where possible full expenditure is achieved, underspends are minimised

and overspends are avoided. Improved monthly budget monitoring through CIVICA will facilitate this process.

- 3.8 The take up of Free School Meals is an important trigger in releasing grant funding to the schools. The Schools Efficiency Grant, Pupil Deprivation Grant and Communities First Pupil Deprivation Grant are all linked to the numbers of children who are claiming free schools meals. The schools need to ensure that where possible all eligible children are registered as this has a significant impact on the funding. The Pupil Deprivation Grant has risen from £918 per eligible child in 14/15 to £1,050 for 15/16. For some schools this represents a significant increase in their budgets and schools need to ensure that best use is made of this funding.
- 3.9 Funding can quite often become available towards the end of the financial year as underspends are declared to funding bodies. In order to take advantage of this Services need developed projects which are ready to incur expenditure at very short notice. This is often very difficult to achieve without already having invested some development funding at risk.
- 3.10 The level of grant funding available to the Authority is not always known at the start of the financial year as grants will continue to be awarded during the course of the year. The latest offer for 14/15 was made on 19th March 2015, with expenditure to be achieved by 31st March. This last minute approach to funding makes it very difficult to make best use of the resources available.
- 3.11 Any bids for funding should be accurately costed and provide sufficient resources for the Authority in terms of staff time, accommodation and overheads. Services should involve their Accountants in the costing of any bids.

<b>Programme</b>	<b>14/15 Allocation</b>	<b>Total Allocation All Years</b>	<b>End Date</b>
14-19 Learning Pathways	£362,213.71	£362,213.71	31.1.2015
Anglesey Coastal	£843,188.00	£6,932,456.00	30.06.15
Anti Human Trafficking Co-ordinator	£72,896.00	£223,000.00	31.3.2016
NRW - Area of Outstanding Natural Beauty	£63,600.00	£63,600.00	31.3.2015
NRW - Coed Cymru	£4,961.00	£4,961.00	31.3.2015
NRW - Biodiversity	£13,482.00	£13,482.00	31.3.2015
Mawndir Môn	£70,872.00	£77,897.00	23.2.2015
Basic Skills - Language and Play/Number and Play	£44,015.00	£44,015.00	31.3.2015
Basic Skills - Family Learning	£59,990.00	£59,990.00	31.3.2015
Basic Skills - National Reading and Numeracy Tests	£29,149.00	£29,149.00	31.8.2014
Beaumaris Flood Alleviation - Design and Development	£163,746.00	£163,746.00	31.3.2017
Beaumaris Flood Alleviations - Construction Phase WG	£564,258.00	£562,258.00	31.3.2016
Beaumaris Flood Alleviations - Construction Phase ERDF	£551,167.00	£551,167.00	31.3.2016
Bus Service Support Grant (replaces Local Transport Consortia Grant)	£490,512.00	£490,512.00	31.3.2015
Communities First	£820,893.91	£1,657,796.17	31.3.2015
Communities First Pupil Deprivation Grant	£60,000.00	£60,000.00	31.3.2015
Community Cohesion Co-ordinator	£45,000.00	£125,000.00	31.3.2015
Disability sport wales	£20,670.00	£20,670.00	31.3.2015
Families First	£840,235.00	£840,235.00	31.3.2015
Flood Risk Regulations & Flood & Water Management Act	£100,000.00	£100,000.00	31.3.2015
Flying Start Capital	£415,000.00	£1,391,329.00	31.3.2016
Flying Start Revenue	£1,396,429.00	£1,396,429.00	31.3.2015
Foundation Phase	£2,368,609.00	£2,368,609.00	31.3.2015
Free Concessionary Travel	n/a	n/a	31.3.2015
Grant y Gymraeg	£201,890.00	£301,328.00	31.3.2015
Health Challenge Wales	£10,200.00	£10,200.00	31.3.2015

Healthy Schools & Healthy Start	£68,042.00	£68,042.00	31.3.2015
Holyhead THI	TBC	£1,002,000.00	30.09.2015
Ang 3 Towns Regeneration	TBC	£7,609,377.50	28.02.2015
Housing Benefit - Mitigation/Prevention	£23,391.85	£23,391.85	31.3.2015
Housing Hub	£33,864.00	£151,775.00	31.3.2016
Increasing Play Opportunities	£36,026.00	£36,026.00	31.3.2015
Intermediate Care Funding Capital	£377,000.00	£377,000.00	31.3.2015
Intermediate Care Funding Revenue	£753,000.00	£753,000.00	31.3.2015
Language Centres	£138,723.00	£138,723.00	31.3.2015
Llangefni Link Road Enterprise Zone Funding	£30,000.00	£30,000.00	31.3.2015
Llangefni Town Centre Partnership	£50,000.00	£62,500.00	31.3.2017
Llwyddo'n Leol	£290,555.00	£1,016,424.65	31/03/2015
Local Investment Fund	£765,062.00	£9,443,520.00	30.06.2015
Local Service Board Development Officer	£41,419.00	£115,175.00	31.3.2015
Local Transport Fund (Llangefni Link Road)	£455,000.00	£525,000.00	31.3.2015
LSB Development Fund	£68,950.00	£169,801.00	31.12.2014
Maes Awyr Môn	£301,800.00	£301,800.00	31.3.2015
Minority Ethnic Achievement Grant	£39,913.00	£39,913.00	31.3.2015
National Exercise Referral Scheme	£147,000.00	£147,000.00	31.3.2015
Out of School Childcare	£61,017.00	£61,017.00	31.3.2015
Partnership Agreement	£305,558.00	£305,558.00	31.3.2015
Post 16 Funding	£2,723,166.00	£2,723,166.00	31.2.2015
Potential	£109,755.00	£1,666,707.81	31.8.2014
Pupil Deprivation Grant	£1,461,456.00	£1,461,456.00	7.11.14
Reading & Numeracy Test Support Grants	£29,149.00	£29,149.00	31.8.2014
Regional Tourism Engagement Fund	£20,000.00	£20,000.00	31.3.2015
Remand Funding	£25,792.00	£25,792.00	31.3.2015
Rights of Way Improvement Plans	£33,585.00	£33,585.00	20.2.2015

Road Safety Capital	£90,000.00	£90,000.00	31.3.2015
Road Safety Revenue	£53,000.00	£53,000.00	31.3.2015
Rural Development Plan	£150,351.83	£713,459.12	30.05.2015
Rural Development Plan	£169,666.64	£677,349.80	31.12.2014
Rural Development Plan	£73,992.80	£272,000.00	31.12.2014
Rural Development Plan	£60,675.25	£591,418.00	30.06.2014
Rural Housing Enabler	£15,325.78	£15,325.78	31.3.2015
Safe Routes in Communities - Valley & Llandegfan	£185,071.00	£185,071.00	31.3.2015
School Uniform Grant	£18,719.00	£18,719.00	31.3.2015
Schools Challenge Wales Capital	£199,786.00	£199,786.00	31.3.2015
School Challenge Wales Revenue	£149,298.00	£149,298.00	31.3.2015
Schools Efficiency Grant	£586,349.00	£805,115.00	31.3.2015
Social Care Workforce Development Programme	£212,197.00	£303,139.00	31.3.2015
Strategic Sites and Premises	£400,309.61	£3,410,000.00	30.06.2015
Supporting People	£2,899,598.75	£2,899,598.75	31.3.2015
Sustainable Development Fund	£88,815.00	£88,815.00	31/03/2015
Sustainable Waste Management Grant	£1,712,884.00	£1,712,884.00	31.3.2015
Taith	£181,000.00	£186,672.28	31/12/2014
Tidy Towns - Main	£35,000.00	£35,000.00	31.3.2015
Tidy Towns - Projects	£65,340.50	£65,340.50	31.3.2015
Unaccompanied Asylum Seeking Children	£37,133.00	£37,133.00	31.3.2015
Viable & Vibrant Places	£2,050,000.00	£7,490,000.00	31.3.2017
Youth Work Strategy Support Grant	£67,979.00	£67,979.00	31.3.2018
Strategic European Team Grant	£55,532.00	£483,330.00	30/09/2016
Coastal Path Development Programme	£128,335.00	£257,032.00	31/03/2015
Age Friendly Communities	£2,594.44	£324,645.00	31.8.2014
Integrated Family Support Services	£212,291.93	£424,583.86	31.3.2015
Single Point of Access	£84,533.00	£84,533.00	31.3.2015
Autistic Spectrum Disorder	£40,000.00	£40,000.00	31.3.2015



Delivering Transformation Fund	£9,500.00	£9,500.00	31.3.2015
Health Technology Fund	£23,000.00	£23,000.00	31.3.2015
Teachers Induction	£6,473.43	£6,473.43	31.8.2015
<b>Total</b>	<b>£28,066,952.43</b>	<b>£67,907,143.21</b>	

<b>IACC EU PROJECTS IN DEVELOPMENT 2014-2020</b>					
<b>PROJECT TITLE</b>	<b>PROJECT DESCRIPTION</b>	<b>KEY OUTPUTS</b>	<b>LINK TO CORPORATE PRIORITIES</b>	<b>COST/ MATCH</b>	<b>LEAD SERVICE</b>
Strategic Sites and Premises	Develop high quality sites and premises at key employment sites linked to the Energy Island Programme and Enterprise Zone.	<ul style="list-style-type: none"> <li>• Land developed</li> <li>• Premises created</li> <li>• Jobs accommodated</li> <li>• Jobs created</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of Island economy by improving infrastructure.</li> <li>• Increase employment opportunities</li> </ul>	£5.8M  £200K match	Economic & Community Regeneration Service
Strategic Infrastructure Programme	Upgrading utilities infrastructure to increase capacity and load of critical utility infrastructure	<ul style="list-style-type: none"> <li>• Utilities upgraded</li> <li>• Jobs created</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of Island economy by improving infrastructure.</li> <li>• Increase employment opportunities</li> </ul>	£25M  Match TBC	Economic & Community Regeneration Service
Llangefni Link Road	Construction of new 4km link road in Llangefni to facilitate improved access to the Enterprise Zone sites and supporting the growth and expansion of the Coleg Menai training facility	<ul style="list-style-type: none"> <li>• Roads upgraded</li> <li>• Access to employment sites</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of Island economy by improving infrastructure.</li> <li>• Improve road network / access to employment</li> </ul>	£10M  £200K match	Highways & Transportation
Llangefni Walking & Cycling Scheme	Infrastructure improvements to create a modal shift from cars by improving walking and cycling paths between Llangefni town centre, Enterprise Zone and Coleg Menai site	<ul style="list-style-type: none"> <li>• Upgraded cycle/ footpaths</li> <li>• Improved signage</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of Island economy by improving infrastructure</li> </ul>	£600K  £50K match	Economic & Community Regeneration Service
Tourism Infrastructure Holyhead	Transform Holy Island into an iconic international Visitor	<ul style="list-style-type: none"> <li>• Land developed</li> <li>• Premises created</li> </ul>	<ul style="list-style-type: none"> <li>• Support the visitor economy, utilising the DMP</li> <li>• Strengthen competitiveness of</li> </ul>	£6M  £2.5M ERDF	Economic & Community Regeneration Service

	Gateway to Wales with particular emphasis on developing the cruise sector. Improve visitor welcome facilities and promote Anglesey and North Wales	<ul style="list-style-type: none"> <li>• Jobs accommodated</li> <li>• Jobs created</li> </ul>	Island economy by improving infrastructure	£100K match	
Anglesey Outdoor Tourism	A package of capital and revenue activities to promote Anglesey as a high energy Island and a playground for outdoor participative activities	<ul style="list-style-type: none"> <li>• Jobs created</li> <li>• Infrastructure improvements</li> <li>• Skills attainment</li> </ul>	<ul style="list-style-type: none"> <li>• Support the visitor economy, utilising the DMP</li> <li>• Strengthen competitiveness of Island economy by improving infrastructure</li> </ul>	£1M £40K match	Economic & Community Regeneration Service
Anglesey Heritage Tourism	Development and interpretation of the heritage assets of Anglesey to strengthen the tourism offer and maximise their economic potential	<ul style="list-style-type: none"> <li>• Jobs created</li> <li>• Infrastructure improvements</li> <li>• Skills attainment</li> </ul>	<ul style="list-style-type: none"> <li>• Support the visitor economy, utilising the DMP</li> <li>• Strengthen competitiveness of Island economy by improving infrastructure</li> </ul>	£500K £20K match	Economic & Community Regeneration Service
Regional Supply Chain Programme	Business engagement and support programme to maximise local business involvement in regional supply chains associated with the Energy Island investment.	<ul style="list-style-type: none"> <li>• Enterprises supported</li> <li>• Individuals supported to set up new enterprises</li> <li>• New jobs created</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of the Island economy by supporting local companies</li> <li>• Increase employment opportunities</li> </ul>	TBC TBC	Economic & Community Regeneration Service
North Wales Marine Energy Programme	Development of a Marine Energy Programme in Anglesey & North Wales to maximise business opportunities provided by the sector	<ul style="list-style-type: none"> <li>• New jobs created</li> <li>• New technology testing</li> <li>• Electricity generation</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of Island by improving infrastructure skills availability and supporting local companies</li> <li>• Increase employment opportunities</li> </ul>	£450K £25K	Economic & Community Regeneration Service
Local	Small scale	• Enterprises	• Strengthen		Economic &

Investment Fund Business Support Scheme	capital grants to new and existing small businesses	supported <ul style="list-style-type: none"> <li>• Individuals supported to set up new enterprises</li> <li>• New jobs created</li> <li>• Jobs safeguarded</li> <li>• Increase in new goods and services</li> </ul>	competitiveness of the Island economy by supporting local companies <ul style="list-style-type: none"> <li>• Increase employment opportunities</li> </ul>	£2M £50K match	Community Regeneration Service
Cyfenter, Social Enterprise Support Scheme	Support for the growth of the social enterprise sector in North Wales through targeted financial support	<ul style="list-style-type: none"> <li>• Social enterprises supported</li> <li>• Job creation</li> <li>• Increase in new goods and services</li> <li>• Increase in people accessing goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen competitiveness of the Island economy by supporting local companies</li> <li>• Increase employment opportunities</li> </ul>	TBC TBC	Economic & Community Regeneration Service
TRAC – NEETs Programme (11-24)	Targeted interventions to support 11-24 year olds who are disengaged with education and at risk of becoming NEET. Provision of a supportive learning environment to improve attainment and skill levels and provision of an alternative curriculum	<ul style="list-style-type: none"> <li>• Participants gaining qualifications</li> <li>• Participants entering further learning</li> </ul>	<ul style="list-style-type: none"> <li>• Raise standards in educational attainment rates and attendance</li> <li>• Strengthen competitiveness of Island economy by improving skills availability</li> <li>• Increase employment opportunities.</li> </ul>	TBC TBC	Lifelong Learning as part of a wider Regional Project
STEM – Careers Pathways	Development of a progressive STEM Learning/ Career Pathway which will facilitate clear	<ul style="list-style-type: none"> <li>• Participants gaining STEM related qualifications</li> <li>• Participants entering further learning</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver a skills strategy which enables Anglesey to up skill its workforce and align itself with future opportunities.</li> </ul>	TBC TBC	IofACC Lead yet to be decided. Part of a wider Regional Project lead by NWEAB

	progression aligned with future career opportunities.				
OPUS Economic Inactivity Programme	Targeted interventions to increase confidence and employability skills and to ease the transition back to into work	<ul style="list-style-type: none"> <li>• Participants gaining qualifications</li> <li>• Participants entering further learning</li> <li>•</li> <li>• Participants entering employment</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver a skills strategy which enables Anglesey to up skill its workforce and align itself with future opportunities.</li> </ul>	TBC TBC	IofACC Lead yet to be decided. Part of a wider Regional Project lead by NWEAB

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>27 APRIL 2015</b>
<b>TITLE OF REPORT:</b>	<b>RISK MANAGEMENT</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>RISK &amp; INSURANCE MANAGER</b>
<b>ACTION:</b>	<b>FOR INFORMATION</b>

## **1. BACKGROUND**

- 1.1** A review of the Council's risk management arrangements was undertaken in September and October 2014. The findings of the review, together with progress to date, were reported to the Audit Committee in December 2014.
- 1.2** It was acknowledged that there had been longstanding weaknesses in terms of managing risks successfully throughout the Council, which is a long-standing issue for this Committee and is fundamental to the effective conduct of the Council's business in so much as every decision needs to be referenced to risk. It was suggested that the profile of risk management within the Council is not sufficiently elevated.
- 1.3** The Audit Committee requested that the Risk and Insurance Manager/Deputy Chief Executive report back in April, 2015 on the status and implementation of the revised corporate risk register/matrix and associated risk guidance documentation.

## **2. RISK MANAGEMENT PROCESSES**

- 2.1** A new Risk Management Policy has been developed and consulted upon. The policy will be presented to the Executive for approval at the earliest possible opportunity. A copy of the draft policy is enclosed for your perusal.
- 2.2** New Risk Assessment Criteria have also been developed and consulted upon. The Risk Assessment Criteria provides a consistent method to measure the likelihood and impact of risks. The combination of likelihood and impact gives a risk exposure and it is this that is the basis for escalating risks. The Risk Assessment Criteria will be presented to the Executive for approval at the earliest possible opportunity but a copy is enclosed for your perusal.
- 2.3** The risk registers' format has been amended and adopted for use for the Corporate Risk Register, Service Risk Registers and Project Risk Registers. Where practicable, it is expected that Partnership Risk Registers follow the same format. A copy of the new Risk Register format is enclosed for your perusal.
- 2.4** Risk Management training was delivered to SLT, Heads of Services and their direct reports, and some project managers during November 2014 and was presented on the basis of the draft Risk Management Policy, draft Risk Assessment Criteria and new risk register format.

### **3. RISK REPORTING**

- 3.1** The monitoring of risk is a continuous process and an integrated part of line management responsibility at all levels. In addition, Corporate and Service risks will be formally reviewed as part of the existing Corporate Planning and Performance Management Framework arrangements.
- 3.2** The Executive will receive regular reports on the effectiveness and progress of risk mitigation actions and will undertake, in conjunction with SLT, a formal review of the Corporate Risk Register at least annually.
- 3.3** It is proposed that the Audit Committee will receive an annual report on the risk management process, and two reports a year on the Corporate Risk Register.

### **4. RISK REGISTERS**

- 4.1** Each Service has submitted a revised Service Risk Register as part of their Service Delivery Plan. It is appreciated that many of these service risk registers need further refinement and that services will require additional support to do this.
- 4.2** A facilitated workshop was held with SLT and the Executive, the outcome of which provided the basis of the revised Corporate Risk Register. Each risk has since been allocated a risk owner, and the existing control measures and any additional mitigating action plans agreed. This Corporate Risk Register has been consulted upon and will be presented to the Executive for approval at the earliest possible opportunity.

### **5. RECOMMENDATIONS**

- 5.1** The Committee is requested to note the progress made to date and confirm that the proposed reporting arrangements to the Committee are satisfactory.

**JULIE JONES**  
**RISK & INSURANCE MANAGER**

**20 APRIL 2015**



# Risk Management Policy

## Context

The Isle of Anglesey County Council is a diverse organisation committed to providing quality, sustainable and value for money services to the community. By providing strong community leadership and working in partnership, the Council is committed to realising the vision of our community strategy and Corporate Plan.

Risk is defined as *“an event that, should it occur, would impact our ability to successfully achieve our objectives”*. The Council recognises that there are risks involved in all our activities and that we have a duty to manage these risks in a balanced, structured and cost effective way. The process for identifying, assessing, managing and monitoring risk is therefore considered an integral part of the management process. As a result, we will be in a stronger position to enhance our service delivery capabilities, achieve our objectives and value for money.

## Vision

The vision for risk management is that it provides a framework to manage risk within agreed limits in order that the desired outcomes are achieved at a corporate, service and project level.

Failing to identify, assess and manage risks may result in considerable unbudgeted expenditure, damage to the Council’s reputation and community confidence.

It is recognised that some risk must be accepted in order that objectives can be achieved. The Council’s policy is therefore to ensure a culture of knowledgeable risk taking where it is explicit which risks the Council has chosen to accept, and those we have chosen not accept.

## Objectives

The objectives of the Council’s risk management policy are to:

1. Develop a consistent approach to risk management across the Council.
2. Embed risk management as an integral part of the management process within the Council, and ensure clear links with Service Plans.
3. Ensure a proactive risk aware culture across all parts of the Council, where risk is taken (and not taken) knowledgeably in all major decisions and actions.
4. Maintain and improve customer confidence in our ability to deliver on our commitments.
5. Reduce the possibility of unplanned activity or financial costs, and the impact of such surprises on the Council’s reputation and ability to deliver our objectives.
6. Manage risk in accordance with best practice, statutory obligations and the Wales Programme for Improvement.
7. Work with our partners and providers to develop a common approach to achieving these risk management objectives.

## Principles

The following key principles set out how the Council will achieve our risk management objectives:

1. Risk management is a continuous process and not an event. The process for managing risk ensures that key risks are identified, evaluated, continuously monitored, and mitigated where necessary to an acceptable level.
2. The identification, assessment, management and reporting of risk information is timely, accurate, relevant and gives adequate coverage of the key risks in order to support management decision making.
3. The process for managing risk is an integral part of management and the successful completion of any activity, project or process.
4. Risk management is all encompassing but not burdensome or bureaucratic, nor adds unreasonably to the cost of running the Council.

## Roles and Responsibilities

The key roles and responsibilities are:

- *Chief Executive & SLT*  
The Chief Executive is responsible for effective management of risk across the Council, supported by the Senior Leadership Team and those officers charged with statutory responsibility for particular services. The Chief Executive and SLT are responsible for ensuring that the Corporate Risk Register is accurate and that risks are being well managed.
- *Heads of Service & Pennaethiaid*  
Each Head of Service is responsible for implementing the Risk Management Policy and ensuring that service risks are well managed within their area of responsibility, and collectively the Pennaethiaid are responsible for supporting the Chief Executive and SLT to manage Corporate Risks.
- *Elected Members*  
Responsible for good governance in the delivery of services to the community and overseeing that Council Officers have effective risk management arrangements in place.
- *Executive Committee*  
Responsible for approving the Council's Risk Management Policy, Risk Appetite and for overseeing the Corporate Risk Register.
- *Audit Committee*  
Responsible for reviewing the appropriateness of the risk management and assurance processes.
- *Corporate Scrutiny Committee*  
Scrutinise major critical risks.
- *All Employees*  
All employees have a duty to manage risk.

## Risk Management Procedures

Further guidance to support how this policy is implemented is provided in the Council's Risk Management Guidance.









**Risg  
Gweddilliol /  
Residual  
Risk**



TEBYGOLRWYDD / LIKELIHOOD	Digwyddiad bron yn sicr o ddigwydd yn y rhan fwyaf o amgylchiadau / Event is almost certain to occur in most circumstances	>70%	Bron Yn Sicr / Almost Certain	A					
	Digwyddiad debygol o ddigwydd yn y rhan fwyaf o amgylchiadau / Event likely to occur in most circumstances	30-70%	Tebygol / Likely	B					
	Bydd y digwyddiad o bosib yn digwydd ar ryw adeg / Event will possibly occur at some time	10-30%	Posib / Moderate	C					
	Digwyddiad annhebygol a all ddigwydd rhyw bryd / Event unlikely and may occur at some time	1-10%	Anhebygol / Unlikely	D					
	Digwyddiad prin fydd ond yn digwydd mewn amgylchiadau eithriadol / Event rare and may occur only in exceptional circumstances	<1%	Prin / Rare	E					
						5	4	3	2
					Dinod / Insignificant	Bychan / Minor	Cymedrol / Moderate	Sylweddol / Major	Trychinebus / Catastrophic
Gwasanaeth / Service					Dim effaith ar ansawdd y gwasanaeth, tarfu gyfyngedig i weithrediadau / No impact to service quality, limited disruption to operations	Mân effaith ar ansawdd y gwasanaeth, nid yw safonau gwasanaeth mân yn cael eu bodloni, amhariad tymor byr i weithrediadau / Minor impact on service quality, minor service standards are not met, short term disruption to operations	Gostyngiad sylweddol yn ansawdd y gwasanaeth, amhariad difrifol i safonau gwasanaeth / Significant fall in service quality, serious disruption to service standards	Effaith sylweddol ar ansawdd gwasanaethau, safonau gwasanaeth lluosog heb eu bodloni, amhariad tymor hir i weithrediadau / Significant impact on service quality, multiple service standards not met, long term disruption to operations	Gostyngiad trychinebus yn ansawdd y gwasanaeth a safonau gwasanaeth allweddol ddim yn cael eu bodloni, ymyriad trychinebus hirdymor i weithrediadau / Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations
Enw Da / Reputation					Pryder cyhoeddus wedi ei gyfyngu i gwynion lleol / Public concern restricted to local complaints	Mân sylw anffafriol lleol / cyhoeddus / cyfryngau a chwynion / Minor adverse local / public / media attention and complaints	Sylw andwyol lleol difrifol neu sylw andwyol mân yn y wasg rhanbarthol neu chenedlaethol / Serious adverse local or minor adverse regional or national media attention	Beirniadaeth rhanbarthol difrifol neu genedlaethol negyddol / Serious negative regional or national criticism	Condemniad rhanbarthol a chenedlaethol hir / Prolonged regional & national condemnation
Côt Ariannol / Financial Cost (£)					< £50k	£50k - £250k	£250k - £750k	£750k - £3m	>£3m
EFFAITH / IMPACT									

**Allwedd Difrifoldeb Risg Corfforaethol / Corporate Risk Severity Key**

	Dinod / Minor	Risg a reolir yn hawdd yn lleol - dim angen i gynnwys rheolaeth / Risk easily managed locally – no need to involve management
	Cymedrol / Moderate	Risg gallu cael eu rheoli ar lefel gwasanaeth - effallai bydd angen rhoi gwybod i uwch reolwyr a'r UDA / Risk containable at service level - senior management and SLT may need to be informed
	Sylweddol / Major	Ymyrraeth gan yr UDA a / neu gyfranogiad Pwyllgor Gwaith / Intervention by SLT and / or Executive Committee involvement
	Allweddol / Critical	Ymyrraeth sylweddol gan yr UDA a Pwyllgor Gwaith / Significant SLT and Executive Committee intervention

# PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

(Teitl yr Adroddiad/Teitle of Report)

## Contract Rheoli Archwilio Mewnol / Internal Audit Management Contract

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]
<b>Y PRAWF – THE TEST</b>		
<p>Mae yna fudd i'r cyhoedd wrth ddatgelu oherwydd / There is a public interest in disclosure as:-</p> <p>Mae'r mater yn ymwneud â gwariant cyhoeddus. The matter concerns public expenditure.</p>	<p>Y budd i'r cyhoedd with beidio datgelu yw / The public interest in not disclosing is:-</p> <p>Mae'r mater yn ymwneud â thelerau dyfarnu contract a allai fod yn niweidiol i fuddiannau masnachol yr awdurdod neu gontractwr 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>	
<p><b>Argymhelliad</b> - Mae budd i'r cyhoedd wrth gadw'r eithriad o bwys mwy na/llai na* budd y cyhoedd wrth ddatgelu'r wybodaeth. [* - dilëwch y geiriau amherthnasol]</p> <p><b>Recommendation</b> - 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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