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CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

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RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO A LLYWODRAETHU	AUDIT AND GOVERNANCE COMMITTEE
DYDD IAU, 26 MAI, 2016 am 2 o'r gloch yp	THURSDAY, 26 MAY, 2016 at 2.00 pm
SIAMBR Y CYNGOR, SWYDDFEYDD Y CYNGOR, LLANGFNI	COUNCIL CHAMBER, COUNCIL OFFICES, LLANGFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

Annibynnol / Independent

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

Plaid Cymru / The Party of Wales

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

Grwp Chwyldroad/Revolutionist Group

Peter Rogers

Heb Ymaelodi / Unaffiliated

R LI Jones (Cadeirydd/Chair)

AELODAU LLEYG / LAY MEMBERS

Mrs Sharon Warnes and Mr Richard Barker

A G E N D A

1 DECLARATION OF INTEREST

To receive any declaration of interest by any member or officer in respect of any item of business.

2 MINUTES OF THE 15 MARCH, 2016 MEETING (Pages 1 - 10)

To present the minutes of the previous meetings of the Audit and Governance Committee held on the following dates:

- 15 March, 2016
- 12 May, 2016 (election of Chair/Vice-Chair)

3 LOGGING RECOMMENDATIONS (Pages 11 - 14)

To present the report of the Head of Resources and Section 151 Officer in respect of the system for logging Internal Audit recommendations and recommendations by other regulators.

4 INTERNAL AUDIT ANNUAL REPORT 2015/16 (Pages 15 - 90)

To present the annual report of the Internal Audit Service for 2015/16.

5 EXTERNAL AUDIT - PERFORMANCE WORK PROGRAMME UPDATE (Pages 91 - 96)

To present the External Audit Performance Work Programme update.

6 EXTERNAL AUDIT - 2016 AUDIT PLAN (Pages 97 - 116)

To present the 2016 Audit Plan.

7 EXTERNAL AUDIT - CERTIFICATION OF GRANTS AND RETURNS (Pages 117 - 142)

- To present the Certification of Grants and Returns report for 2013/14 and 2014/15.

- To present the report of the Head of Resources Section 151 Officer.

8 REVIEW OF LAY MEMBER APPOINTMENTS (Pages 143 - 146)

To present the report of the Head of Resources and Section 151 Officer.

9 EXCLUSION OF PRESS AND PUBLIC (Pages 147 - 148)

To consider adopting the following:

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

10 **CORPORATE RISK REGISTER** (Pages 149 - 160)

To present the Corporate Risk Register.

11 **NEXT SCHEDULED MEETING**

Monday, 27 June, 2016 at 2:00 p.m.

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AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 15 March, 2016

- PRESENT:** Councillor R.Llewelyn Jones (Chair)
Councillor John Griffith (Vice-Chair)
- Councillors Jim Evans, Alun Mummery, Dafydd Rhys Thomas
- Lay Members: Mr Richard Barker and Mrs Sharon Warnes
- IN ATTENDANCE:** Assistant Chief Executive (Partnerships, Community & Service Improvement) (for item 3)
Head of Resources and Section 151 Officer
Head of Council Business/Monitoring Officer (for item 4)
Head of Internal Audit (MH)
Audit Manager (SP)
Health & Social Care Impact Officer (AGD) (for item 3)
ICT Business Continuity and Support Manager (LE) (for item 5)
Committee Officer (ATH)
- APOLOGIES:** Councillors Richard Owain Jones, Councillor H.Eifion Jones (Portfolio Member for Finance)
- ALSO PRESENT:** Councillor Ieuan Williams (Leader), Chief Executive, Risk & Insurance Manager, Messrs. Andy Bruce and Gwilym Bury (Wales Audit Office), Clare Edge (Deloitte)
-

The Chair welcomed all those present to the meeting and extended a particular welcome to her first meeting to Clare Edge of Deloitte as the Council's new financial auditors.

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES

The minutes of the previous meeting of the Audit and Governance Committee held on 8 December, 2015 and the extraordinary meeting held on 18 February, 2016 were submitted and confirmed as correct.

Arising on the minutes of the meeting held on 8 December, 2015 –

With regard to the Food Standards Agency Audit, the Head of Resources and Section 151 Officer confirmed that the Action Plan to address issues arising from the audit is being monitored and that the Audit and Governance Committee will be provided with an update on progress in due course.

3. WORKING IN PARTNERSHIP: ROLE OF THE COMMITTEE IN MONITORING PARTNERSHIPS

The report of the Assistant Chief Executive (Partnerships, Community & Service Improvement) setting out the proposed role of the Audit and Governance Committee in monitoring the Council's significant partnerships with particular reference to reviewing partnership governance arrangements was presented for the Committee's consideration and endorsement.

The Assistant Chief Executive (Partnerships, Community & Service Improvement) reported on the context and said that the Authority's partnership governance arrangements were highlighted in the 2014/15 Annual Governance Statement as a significant governance issue. Working in partnership has

become an integral part of Local Authorities' working practices and is also an essential constituent of how this Council strives to realise its ambitions and its transformation programme. The Officer elaborated on the scope of the Partnership work streams aimed at formalising the arrangements for monitoring, reviewing and governing both current partnerships and those that may be entered into in future as at paragraph 3 of the report, and she made particular reference to the development of a Partnerships Policy document (attached as Appendix 1 to the report) which summarises the Council's vision for partnership working.

The Health & Social Care Impact Officer said that one of the partnership work streams entails establishing a role for the Audit and Governance Committee in reviewing partnership governance arrangements, including having oversight of the risk registers relating to the significant key partnerships. Whilst partnership working can bring significant benefits, it can also carry significant risks unless delivered within a robust governance framework. The Audit and Governance Committee has responsibility for reviewing the Authority's risk management arrangements as defined in paragraph 3.4.8.3.4 of the Council's Constitution. The Constitution specifies that its function is to review the risk profile of the Council and assurances that risk related issues including those pertaining to significant partnerships are being addressed. The role of this Committee therefore is focused on ensuring that key partnerships adequately manage risk and does not cover reviewing the contribution and outcomes of partnerships. The Officer outlined the next steps along with the proposed arrangements for reporting to the Audit and Governance Committee on the risks to the Council of being in partnership as set out in paragraph 5.5 of the report and confirmed that these will be incorporated within the current arrangements for reporting and managing risk.

The Committee considered the report and sought clarification of the following issues relating to its proposed role with regard to partnerships –

- The Committee noted that in order to be able to fulfil the expectations in providing assurance that key partnerships are managing risks, it needs to be provided with high level information and analysis regarding the performance of the principal corporate partnerships so that it can identify the risks they are facing and be satisfied that they are being managed appropriately.

The Committee was informed that consideration will be given to the information that needs to be provided to the Committee to equip and enable it to formulate an opinion and provide assurance that the risks in relation to partnerships are being managed, and information about the performance of the partnerships at a high level is an essential part of that process.

- The Committee noted that as well as monitoring the risk related issues affecting partnerships, it needs to be assured that working in partnership is providing added value to the Council and that partnerships are also delivering value for money to the Island's residents and ratepayers.

The Committee was informed that Added Value and Value for Money are two of a number of criteria considered by the Council when deciding whether or not to work in partnership and in evaluating partnership effectiveness as set out in the Partnerships Policy document. Scrutiny has a clear role in assessing the added value which partnerships bring to the Council and the roles of the Audit and Scrutiny committees need to be clearly defined and a balance struck between their respective responsibilities. Discussions are taking place as to how the outcome of scrutiny work can be fed through to the Audit Committee to ensure it has all the information it requires to come to a view on assurance.

- The Committee sought an explanation of the separation of partnerships into private, public and voluntary and it was suggested that arrangements entered into with the private or independent sector are typically contractual or based on a service level agreement which may or may not involve the concept of a partnership. The Committee highlighted the potential for ambiguity in this respect and it noted, and it was accepted, that the distinction needs to be made in the policy. *(Mr Richard Barker declared a personal interest as a trustee of an independent sector organisation)*
- That with regard to partnerships adhering to Council policies, the Committee noted that the policy document is not clear as to how adherence will be monitored and it suggested that there needs to be a mechanism for ensuring that partnerships have regard to the Council's principal policies as non-compliance by partner organisations could hold a reputational risk for the Council.

The Committee was informed that details of the monitoring of partnerships including having due regard to the Council's principal policies would form part of another partnerships work stream and details would be available over the coming months.

It was resolved that the Committee :

- **Accepts the responsibility in relation to risk associated with the significant key partnerships.**
- **Accepts the process and timeline for reporting to the Committee on the risk associated with the significant key partnerships.**

NO FURTHER ACTION ENSUING

4. INFORMATION GOVERNANCE

The report of the Head of Council Business/Monitoring Officers outlining progress with regard to responding to the Enforcement Notice issued by the Information Commissioner's Office (ICO) in October, 2015 and the issues highlighted therein.

The Head of Council Business reported that the nine recommendations set out in the ICO's Enforcement Notice are set out in Appendix 1 to the report. These are now the subject of a third Action Plan (the previous two having been formulated in response to the ICO's audit of the Council's arrangements for data protection in 2012 and the subsequent re-audit in 2014) devised by the Corporate Information Governance Board (CIGB) and are being implemented by a sub-group of the CIGB. Of the nine actions specified, actions 1, 2, 3, 5, 6 and 9 have been completed. The Officer updated the Committee on the status of those actions that remain partially completed as follows –

- Action No 4 (Policies including the Records Management Policy are being read, understood and completed with by all). In order to secure this level of assessment, the Council has tendered, procured and signed up to a new policy system with RSM which is currently undergoing a design phase. The timetable for the system's implementation is being devised and is expected to be agreed by the end of March, 2016.
- Action No 7 (Physical access rights are revoked promptly when staff leave and periodically reviewed to ensure appropriate controls remain in place). The Council's Transformation Team is engaged in various pieces of business processes re-engineering as part of its remit and is currently undertaking a piece of work for the CIGB that will produce an outcome on this matter. Negotiations are being held with Northgate, the HR ICT system with a view to implementing a new process by September that will provide the necessary level of assurance.
- Action No 8 (The lack of adequate storage solutions for manual records is addressed). The Council has almost fully addressed this issue with the Finance and Housing Services being the only two services now holding a significant volume of manual records outside the Council's Headquarters but not yet in archive storage. Both services are reporting back to the CIGB in April on their individual plans for fully addressing the issue.

The Committee noted the update and was satisfied that progress in addressing the issues arising has, and is being made. The Committee sought clarification of the ICO's response to the Action Plan formulated and the progress as evidenced. The Head of Council Business said that although the Council has provided the ICO with a copy of the Action Plan showing the status of each action and the current position, it has not responded formally to that document but has indicated that the Council's level of compliance will be assessed in the light of any future data security incidents.

It was resolved to note the update and the progress made.

NO FURTHER ACTION ENSUING

5. ICT DISASTER RECOVERY AND BUSINESS CONTINUITY

- **Business Continuity**

The Internal Audit Manager reported that an audit of Business Continuity was undertaken earlier in the financial year and a report issued in August which resulted in an overall Limited

Assurance opinion with five High Category and two Medium category recommendations being issued. She referred to the audit's main findings and the weaknesses identified. The Officer confirmed that a follow up audit had confirmed that the two High Level recommendations have been implemented and the remaining five are in the process of being actioned. The findings of the follow-up work and a re-assessment of the controls now support a Reasonable Assurance Opinion.

The Head of Democratic Services elaborated on the specific actions that have been taken to rectify the weaknesses highlighted by the audit review as well as those actions in progress.

The Committee welcomed the progress made and the momentum now generated and it sought confirmation of a timeline for completing and bringing to fruition all the work streams reported upon. Given that this is recognised as a high priority area, the Committee also requested a further update report later in the year to show the extent of progress on the programme of actions.

The Head of Democratic Services said that it is intended to report back to the Senior Leadership Team in June; Business Continuity Plans are not static and are reviewed at service level in order to ensure they remain relevant and up to date in the context of the environment in which they operate.

It was resolved to note the position and the information presented.

ACTION ENSUING: The Committee to be provided with a further update report on Business Continuity later in the year to provide assurance of progress on the issues identified and completion of actions being taken.

- **ICT Disaster Recovery**

The Internal Audit Manager reported that an audit review of ICT Disaster Recovery resulted in a Minimal Assurance opinion along with 13 recommendations of which 8 were High category recommendations and 3 Medium Category recommendations. The Officer referred to the audit's main findings and the weaknesses identified. The follow up work assessed that 5 of the High Category recommendations had been implemented; 3 partially implemented and 5 not implemented. The findings of the follow-up work and a re-assessment of the controls now support a Reasonable Assurance Opinion.

The ICT Business Continuity and Support Manager confirmed that most of the outstanding actions were addressed with the procurement of a back-up system. This will be set up within the Council's Headquarters pending the identification and availability of a suitable off-site location at which point the back-up hardware will be re-located off-site thereby allowing the Council to run key services from an off-site location in the event that the Headquarters cannot be occupied. The Officer confirmed that as an identified corporate priority, this will be treated as such and resources prioritised to its implementation.

It was resolved to note the position and the information presented.

NO FURTHER ACTION ENSUING

6. EXTERNAL AUDIT

- A report on the status of projects under the External Audit Performance Work Programme encompassing Local Government Studies, National Value for Money Studies and regulatory work activity was presented and **was noted by the Committee**. Mr Andy Bruce, WAO updated the Committee on movement on individual pieces of work since last reported and confirmed that he would continue to endeavour to draw out areas of relevance and/or interest to local government within the national studies.

With reference to the follow up on national recommendations as part of the evaluation of progress on recommendations at each council, the Committee noted in this context that it would be helpful for assurance purposes if it was in possession of a schedule of all internal audit recommendations

and/or matters raised by the Committee so they can be monitored periodically to ensure they do not fall by the wayside. The Head of Resources and Section 151 Officer confirmed that there is a system for logging Internal Audit recommendations which provides management with reminders of the need to implement them, and consideration is also being given to extending that system to include other non-internal audit recommendations. The Officer said that he would provide the Committee with a formal report at its next meeting.

ACTION ENSUING: Head of Resources and Section 151 Officer to report to the next meeting on the system for logging Internal Audit recommendations and its proposed development to include other recommendations.

- The report of the Head of Resources and Section 151 Officer incorporating the Wales Audit Office Financial Resilience Assessment of the Isle of Anglesey County Council encompassing the three elements of financial planning, financial control and financial governance was presented for the Committee's consideration. **The report was accepted and was noted by the Committee.**

Mr Andy Bruce said that the report found that whilst the Council faces some significant financial challenges, its current arrangements for achieving financial resilience are appropriate and continuing to improve. Additionally the risk to the Council's delivery of its financial plan for each of the three elements assessed (as noted above) is rated as low.

NO FURTHER ACTION ENSUING

- **It was resolved that consideration of grant certification and returns be deferred to the next meeting.**

7. AUDIT OF GRANTS

The report of the Head of Resources and Section 151 Officer setting out the grants which require Internal Audit certification and External Audit review along with the details of the work which Internal Audit is required to undertake for the grant to be certified was presented for the Committee's information and **was accepted and noted by the Committee.**

NO FURTHER ACTION ENSUING

8. INTERNAL AUDIT PROGRESS REPORT

The report of the Head of Internal Audit on the work of the Internal Audit service during the period from 1 April, 2015 to 31 December, 2015 was presented for the Committee's consideration. The report provided information about the nature of the work undertaken during the period and the results thereof including the audit opinion and recommendations pertaining to each area reviewed; audits resulting in Limited Assurance opinion; audit follow-ups and recommendation tracking along with a schedule of outstanding High and Medium recommendations.

The Audit Manager reported that an analysis of the Internal Audit Service's performance for the period from 1 April to 31 December, 2015 demonstrates that performance levels are more or less on target. However, the ability of the service to achieve the 2015/16 Operational Plan will be dependent on the level of demand for audit resources in respect of referrals, unplanned work prior to the year end and sickness absence levels. The Officer updated the Committee with regard to the staffing position and said that up to December, 2015, 101 days had been lost to sickness absence and, because of a vacancy within the team there were 135 unfilled audit days making a total of 236 days or 20% of the resources available for the 2015/16 audit plan. However, the Officer confirmed that she remained confident that the service would be able to deliver 60% of the Audit Plan by the end of the month.

The Head of Resources and Section 151 Officer said that the delivery of the audit service is dependent on the availability of staff and that the Audit Manager is endeavouring to manage the team to improve the situation. A trainee accountant has been assigned to the service on a temporary basis to provide an additional resource. The Finance Service has received confirmation by the Audit Manager that the Internal Audit Service is able to provide the necessary level of coverage to provide assurance with regard to the audit of the Authority's key financial systems; what is being lost at present is the added value the Internal Audit service is able to bring to other areas of the Council with

the service being restricted instead to concentrating on the core deliverables. Looking forward over the next 3 years the Internal Audit Service in line with many other services, will be reviewed to determine how the service is to be delivered in future.

The Head of Internal Audit said that a number of factors had made it a challenging year for the service. There are increasing pressures on the service which management need to recognise as regards their impact on staff. The primary task at present is to ensure that Internal Audit can provide the necessary assurance based on the work undertaken; the Officer said he was confident that that would be the case.

The Committee considered the report and highlighted the following issues –

- The Committee noted the Internal Audit staff position in the context of the delivery of the audit plan along with the professional views expressed, and reiterated its concern that the Internal Audit Service may not be sufficiently resourced to be able to discharge its duties to the best effect and in a way that adds value to the Council. The Committee emphasised the importance of the Internal Audit function both to the Committee and to the Council in providing assurance in relation to the robustness of the Council's system of internal controls, its risk management arrangements and corporate governance processes, and the need therefore to ensure that it has the resources to carry out those responsibilities. The Committee sought clarification whether the audit plan is too ambitious as regards the staff resource available to execute the plan or whether the service is fundamentally under-resourced.

The Committee was informed that the plan is based on the number of staff available and staff absences are factored into it; sickness levels are unfortunate and are not controllable.

The Assistant Chief Executive (Partnerships, Community and Service Improvement) noted the point made and said that she would convey the Committee's concern about the resourcing of the Internal Audit Service to the Senior Leadership Team; however that concern is articulated in a context where every service is being asked to formulate a three year savings plan.

- The Committee noted that a Debt Summary Report from 14 January, 2015 showed that the total amount of sundry debt outstanding to be £3.192m. The Committee sought clarification whether there is an underlying problem with debt collection or whether the position has improved.

The Head of Resources and Section 151 Officer said that this was a historical problem. A Scrutiny Outcome Panel is reviewing the Council's debt management arrangements and is due to report on its findings shortly. The volume of historical debt on the system has made it more difficult to manage new debt. The Finance Service has instigated a process of writing off longstanding debts which are deemed to be uncollectable and a significant amount has been deleted through that process which will continue with the closure of the 2015/16 accounts. A review of the structure of the Revenue and Benefits team responsible for income collection and sundry debtors has been carried out and additional resources will be put into the team. Recording procedures have also been reviewed to ensure the Council has the necessary supporting documentation to facilitate debt recovery through the courts where necessary.

- The Committee noted that an audit review of Ysgol Cemaes produced a Limited Assurance opinion and it sought clarification of the steps taken to improve financial controls within schools.

The Audit Manager said that follow up audits of schools have begun and will be referred to the attention of the Lifelong Learning Service. The Audit Service has also carried out a thematic review of five schools regarding the collection of school meals income and this will also be referred to the attention of the Lifelong Learning Service.

It was resolved to accept the report and the assurance provided to the Committee regarding the internal control, risk management and corporate governance processes in place to manage the achievement of the Authority's objectives, subject to noting the Committee's concern about the resourcing of the Internal Audit Service.

ACTION ENSUING: Assistant Chief Executive to raise the Committee's concern about the resourcing of the Internal Audit Service with the Senior Leadership Team.

9. INTERNAL AUDIT STRATEGIC PLAN 2016/17 – 2018/19 AND PERIODIC PLAN 2016/17

The report of the Head of Internal Audit incorporating the Internal Audit Strategy 2016/17 to 2018/19 and Annual Plan for 2016/17 was presented for the Committee's consideration and endorsement.

The Audit Manager reported on the Internal Audit Strategy and Annual Plan as set out under Appendix A to the report and referred to supporting Appendices B to E detailing the Annual Plan for 2016/17, a Strategic Plan for the period 2016 to 2019, an analysis of Internal Audit resources and the performance targets in respect of 2016/17.

The Head of Resources and Section 151 Officer confirmed that he was satisfied that the Plan meets with the Finance Service's needs with regard to providing assurance about the key financial systems and in targeting high risk areas.

The Committee sought clarification whether the performance target of 85% for the implementation of High and Medium category recommendations at follow up audit for 2016/17 is achievable given that actual performance has been well below that level in the past two years. The Audit Manager said that as of 22 February this year the implementation rate had risen to 76% and that she was confident that the target will be met.

It was resolved –

- **To approve the Internal Audit Strategy and Annual Plan for 2016/17.**
- **To approve the Internal Audit Service's performance targets for 2016/17.**

NO FURTHER ACTION ENSUING

10. TREASURY MANAGEMENT MID-YEAR REVIEW 2015/16

The report of the Head of Resources and Section 151 Officer incorporating the treasury management mid-year review report for 2015/16 was presented and **was accepted and was noted by the Committee.**

NO FURTHER ACTION ENSUING

11. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE FOR 2015/16

The Annual Report of the Audit and Governance Committee for the 2015/16 municipal year was presented for the Committee's endorsement prior to its submission to the Full Council in May, 2016.

The Committee noted the report and suggested that it presented a not to be missed opportunity to highlight performance across Council services with regard to implementing or not implementing Internal Audit recommendations. It was proposed and accepted that a provision to that effect be made within the report.

It was resolved to accept the Annual Report for 2015/16 for submission to the Full Council in May, 2016, subject to the inclusion of a provision to highlight performance across Council services with regard to implementing or not implementing Internal Audit recommendations.

**Councillor R.Llewelyn Jones
Chair**

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AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 12 May 2016

PRESENT: Councillors Jim Evans, John Griffith, R. Ll. Jones, Richard Owain Jones, Alun W Mummery, Nicola Roberts, D.R. Thomas

IN ATTENDANCE: Chief Executive,
Head of Function (Council Business)/Monitoring Officer,
Head of Democratic Services,
Committee Officer (MEH).

APOLOGIES: Mr. Richard Barker and Mrs. Sharon Warnes (Lay Members)

ALSO PRESENT: Councillor Bob Parry OBE FRAGs – Chair of the County Council

1 DECLARATION OF INTEREST

None received.

2 ELECTION OF CHAIRPERSON

Councillor R. Ll. Jones was elected Chairperson for the Audit and Governance Committee.

3 ELECTION OF VICE-CHAIRPERSON

Councillor John Griffith was elected Vice-Chairperson for the Audit and Governance Committee.

**COUNCILLOR BOB PARRY OBE FRAGs
AS CHAIR OF THE COUNTY COUNCIL**

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ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	26 MAY 2016
TITLE OF REPORT:	LOGGING INTERNAL AUDIT RECOMMENDATIONS AND RECOMMENDATIONS MADE BY OTHER REGULATORS
PURPOSE OF REPORT:	TO INFORM THE COMMITTEE ON THE CURRENT PROCESS AND ANY PROPOSED DEVELOPMENTS
REPORT BY:	MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
ACTION:	FOR DECISION

1. INTRODUCTION

- 1.1 At its meeting on 15 March 2016, the members of the Committee requested the Head of Function (Resources) and Section 151 Officer to report to the next meeting on the system for logging Internal Audit recommendations and its proposed development to include other recommendations. The following report provides an update to members.

2. INTERNAL AUDIT RECOMMENDATIONS

- 2.1 At the conclusion of each Internal Audit report, the Internal Auditor will agree a set of recommendations with the responsible Head of Service / Manager. The final report action plan sets out the timescales and the officer responsible for the implementation of each agreed recommendation.
- 2.2 The Council currently operates a recommendation tracking system “4 Action”. This system was provided to the Council under the previous Internal Audit management contract.
- 2.3 All agreed recommendations are input into the system and it is then the responsibility of the Officer responsible for the implementation of the recommendation to update the system with details of the progress made in implementing the recommendation.
- 2.4 Routinely, the Internal Audit Team will remind officers of the need to update the system with progress and to close recommendations that have been fully implemented. This is the main weakness with the system as it is reliant on officers remembering to update the information and even though recommendations may have been fully implemented it is not always the case that the 4 Action system reflects the current situation.
- 2.5 Each quarter, the Internal Audit Team produces a report of all high and medium risk recommendations which are shown on 4 Action as being not fully implemented. This report is reviewed by the SLT and is reported to the Audit and Governance Committee.
- 2.6 As part of the Internal Audit plan, time is allocated to follow up the implementation of the recommendations and to retest recommendations which have been noted as having been implemented. In addition, the next audit review of a specific area will test the implementation of recommendations.

3. EXTERNAL RECOMMENDATIONS

- 3.1** The Council can receive recommendations from a number of different external sources:-
- External Auditors – Deloitte;
 - Wales Audit Office;
 - Regulators – Estyn, CSIW;
 - Arising from National Studies undertaken by the Wales Audit Office.
- 3.2** These recommendations are logged by the Corporate Performance Management Team on a spreadsheet. On a quarterly basis, the Performance Team request the relevant officers to provide an update on the progress made in implementing the recommendations.
- 3.3** A report on the progress to implement external audit recommendations is currently reported to the SLT on a quarterly basis via spreadsheet.
- 3.4** This ensures that the SLT are informed and are aware of implementation against external audit recommendations. However, it is acknowledged that this process is in its infancy and current external practise outlines that reports are communicated sometimes to the services only, without copy to the corporate centre.
- 3.5** The WAO have agreed to co-operate with the Council in improving this practise and assisting the Council in identifying external audit work across the organisation.

4. FUTURE DEVELOPMENTS

- 4.1** The 4 Action system (referred to above in 2), although functional, is not user friendly and does not automatically prompt / remind officers that the system needs to be updated. Using spreadsheets to monitor the implementation of external audit recommendations is far from ideal as a spreadsheet is not designed to maintain such a large amount of text data.
- 4.2** The licence for the 4 Action system ends on 31 May 2016 and the Council are currently in discussions with the software supplier on the options and costs of extending the licence for a further 12 month period pending a decision on a wider corporate business management system.
- 4.3** The ideal solution proposed would be to acquire and implement an integrated business management system. This would allow the Council to monitor and report on:-
- 4.3.1** business planning;
 - 4.3.2** performance, project & risk management; and
 - 4.3.3** the implementation of recommendations.

Further work is required to determine the cost of such a system and how the cost could be funded by the Council.

5. RECOMMENDATION

- 5.1** That the Audit and Governance Committee request of Officers the further exploration of a corporate business management system with a view of acquiring and implementing during 2016/17 (dependant on a viable business case agreed by the SLT).

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO	AUDIT AND GOVERNANCE COMMITTEE
DATE	26 MAY 2016
SUBJECT	INTERNAL AUDIT REPORT FOR 2015/16
LEAD OFFICER	HEAD OF INTERNAL AUDIT – MIKE HALSTEAD
CONTACT OFFICER	AUDIT MANAGER - SIONED PARRY
<p>Nature and reason for reporting - To comply with the requirements of the UK Public Sector Internal Audit Standards and the CIPFA UK Standards which came into force on 1st April 2013, whereby the Head of Internal Audit is required to provide the Audit and Governance Committee with assurance on the whole system of internal control.</p>	

1. INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit (Wales) Regulations 2005, the Council is required annually to conduct a review of the effectiveness of its system of internal control. Internal Audit is an integral part of that system, and is a significant contributor to the preparation of the Annual Governance Statement (AGS), which sits alongside the Annual Statement of Accounts.
- 1.2 The CIPFA Public Sector Internal Audit Standards 2013 require the Head of Internal Audit to provide the Audit and Governance Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements. It should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in the whole system of internal control.
- 1.3 During the year the Audit Committee has maintained an overview of the Council's assurance framework by considering the audit opinions on individual pieces of internal audit work, reviewing progress in implementing improvement actions emanating from the AGS and considering the Corporate Risk Register. It has also received assurance from the reports issued by the Authority's external regulators.
- 1.4 The report analyses the performance of the Internal Audit Service for the period 1 April 2015 to 31 March 2016 and contains an assurance statement based on the work of Internal Audit during the year ended March 2016. The report is supported by **Appendices A to H** detailing progress against performance targets for 2015/16 and the planned work (slippage) which has not been achieved during the year.

2. RECOMMENDATION

- 2.1 That the Audit and Governance Committee be assured that for the 12 months ended 31 March 2016, Anglesey County Council had satisfactory internal control, risk management and corporate governance processes in place to manage and support the achievement of the Authority's objectives.

3. BACKGROUND INFORMATION

3.1 The Role of Internal Audit

3.1.1 The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the organisation's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Audit and Governance Committee and senior management are aware of the extent to which they can rely on the whole system; and
- Managers are aware of the degree of reliability that can be placed on the systems and controls for which they are responsible.

3.1.2 The internal control system comprises the whole network of systems and controls established to manage the Authority, to ensure that its objectives are met. It includes financial and other controls and arrangements for ensuring that the Authority is achieving value for money from its activities.

3.2 Internal Audit Performance 1/4/15 to 31/3/16

3.2.1 Each year the Council's Internal Audit Service participates in the pan Wales benchmarking against indicators relating to cost and output. The results of the benchmarking exercise for 2015/16 were not available to be included in the Annual Report, but will be reported to the Audit and Governance Committee when they are published.

3.2.2 A schedule of the Service's performance against established targets for the year is attached in **Appendix A** and demonstrates that the Service achieved **60.32%** of the Annual Plan against a target of **80%** and an all Wales average performance indicator of **83%**. However, there are 4 audits which constitute work in progress at the year end and will demonstrate on completion that **67%** of the Annual Plan has been achieved. Progress in delivering the Annual Plan has been reported to the Audit and Governance Committee on a quarterly basis throughout 2015/16 with the shortfall due in main to the following reasons:

- The Annual Plan was based on a staffing level of 5 posts and an audit manager, which equated to 5.5 staff (FTE) and **1,150 days** in the plan. However, during the year the staffing levels equated to 4.58 (FTE). A Senior Auditor commenced on 1 November 2015 and maternity leave which commenced on 8 February 2016 has reduced the audit resource by **192 days**. This has naturally impacted on the ability of the Service to achieve the Annual Plan;
- 10 projects commenced in 2014/15 had not been completed as at 31 March 2015 and the work was carried forward into 2015/16 as work in progress; this accounted for **5.5 days**;
- 6 unplanned audit projects were performed which accounts for a further **37.88 days**;
- 5 audit projects exceeded planned targets for various valid reasons accounting for an additional **34.21 days**;
- Sickness accounted for **117 days** absence during 2015/16 against an annual target of **45 days**. This was primarily due to the long term sickness absence of 2 officers in the first quarter and 1 officer in the third quarter which accounted for **86.22 days** absence.

- 3.2.3 The Service completed **44 audits** during the year, 6 of which were unplanned against a planned target of **63 audits**
- 3.2.4 Internal Audit aims to offer an efficient and effective service to all its clients and uses a client satisfaction questionnaire at the conclusion of each audit to seek the views of management regarding the quality of the audit service provided. The Service received a **100%** satisfactory response rate from clients during 2015/16 which compares favourably with the Wales average indicator of **98%**.
- 3.2.5 The Service completed **78.95%** of audits within the planned time against a very challenging performance indicator of **90%**. Achievement of this indicator was affected by the 5 projects which exceeded planned targets. However, when compared to the all Wales average figure of **69%** for this indicator, the Service demonstrates its efficiency in achieving a significant percentage of audits within planned timescales.
- 3.2.6 The performance indicator in respect of the number of recommendations accepted by management is **98%**. This represents the failure to agree in respect of **4** recommendations out of a total of **207** recommendations made. The recommendations were assessed as being of low impact and did not give cause for concern.
- 3.2.7 The Service performs efficiently in respect of the time taken to issue draft audit reports, with a performance of **6.61 days** against a performance target of **6 days** and an all Wales average of **7.6 days**. The Service took on average **2.41 days** to issue final reports from receiving management responses compared to a target of **2 days** and an all Wales average of **1.8 days**.
- 3.2.8 The Service commenced 2015/16 with **4.5 (FTE)** officers in post compared to a staffing structure of **5.5 FTE**. A Senior Auditor was appointed and commenced in post on the 1 November 2015. A Trainee Accountant has been seconded for a period of 6 months to cover maternity leave from January to June 2016. Management is currently outsourced from Conwy County Borough Council as from 1 August 2015.
- 3.2.9 Finally the performance indicator in respect of staffing costs demonstrates the average cost per directly chargeable audit day is **£318** against an all Wales average of **£249**. The cost of the Service per directly chargeable day is adversely affected by the number of chargeable days being reduced by staff vacancy and Service overheads, e.g. higher than anticipated sickness absence experienced during the year.

3.5 Factors Affecting the Extent of Internal Audit Work

- 3.5.1 Slippage of **316 days** occurred in the year that resulted in **22** planned projects not being performed for the reasons stated in paragraph 3.2.2 above. Audit assurance cannot be provided in respect of the audits removed from the 2015/16 Annual Plan. Internal Audit will prioritise those areas for review during 2016/17. A schedule of the actual slippage that occurred during the year is attached at **Appendix B**.

4. ASSURANCES

4.1 It is my opinion that Anglesey County Council had in place adequate and effective control processes to manage its achievement of the Authority's objectives for the 12 month period to 31 March 2016. However, the assurance is qualified in respect of the **22** audit projects removed from the Annual Plan during 2015/16 for the reasons stated in paragraph 3.2.2. In reaching this opinion various factors were taken into consideration as indicated below.

4.2 Planned Audits Completed During the Year

4.2.1 The Service performed numerous risk based reviews on a broad range of activities during the year. A schedule giving an audit opinion of the adequacy and effectiveness of control processes in respect of all the audit assignments undertaken during 2015/16 is attached in **Appendix C**. The schedule summarises the audit opinions and the number of recommendations made in respect of each area reviewed and briefly indicates the key messages emerging from the audits which form the basis of the assurance given to the Audit and Governance Committee of the overall adequacy and effectiveness of the Authority's governance, risk management and internal control framework for 2015/16.

4.2.2 All of the audits performed during the year have resulted in positive levels of assurance with the exception of ICT Disaster Recovery which was assessed as providing Minimal Assurance and the following audits which were assessed as providing Limited Assurance and are summarised in **Appendix C**:

- Business Continuity;
- Ysgol Cemaes;
- Affordable Housing, Houses into Homes & Bridging Loan Schemes;
- Partnerships, and
- Human Resources Policies & Practices for Managing the Workforce,

4.2.3 Follow up audits were undertaken of ICT Disaster Recovery and Business Continuity during March and February 2016, respectively. Of the 13 recommendations made in the original ICT Disaster Recovery Audit, 5 of the High Level recommendations had been implemented, a further 5 recommendations were assessed as being work in progress and 3 recommendations remained outstanding. The Assurance Level was re-assessed as Reasonable. A second Follow up audit is scheduled for September 2016. The Follow up audit of Business Continuity confirmed that of the 7 recommendations made, 2 had been implemented and the other 5 were partially implemented and reiterated. The level of assurance was reassessed as Reasonable.

4.2.4 Ysgol Cemaes, Affordable Housing, Houses into Homes & Bridging Loan Schemes, Partnerships and Human Resources Policies & Practices for Managing the Workforce will be followed up during 2016/17.

4.2.5 A further review of the Risk Management Framework was undertaken during 2015/16 which demonstrated significant progress in embedding risk management in the Authority.

- 4.2.6 Internal Audit continued to focus resources into grant related areas during 2015/16 to ensure that the risks presented by the type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed.
- 4.2.7 The overall results of the Internal Audit work identified **73%** of reviews resulted in 'positive' opinions (Substantial or Reasonable) and **27%** resulted in 'negative' assurance opinions. The **27%** of reports receiving negative assurance opinions is made up of **6** reports (1 Minimal and 5 Limited).
- 4.2.8 The overall opinion for the systems reviewed is a Reasonable Level of assurance which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended.

4.3 Additional Unplanned Work

- 4.3.1 The Service has performed 6 additional unplanned audits during the year for the reasons stated in **Appendix D**. This accounted for an additional **37.88 days'** work.

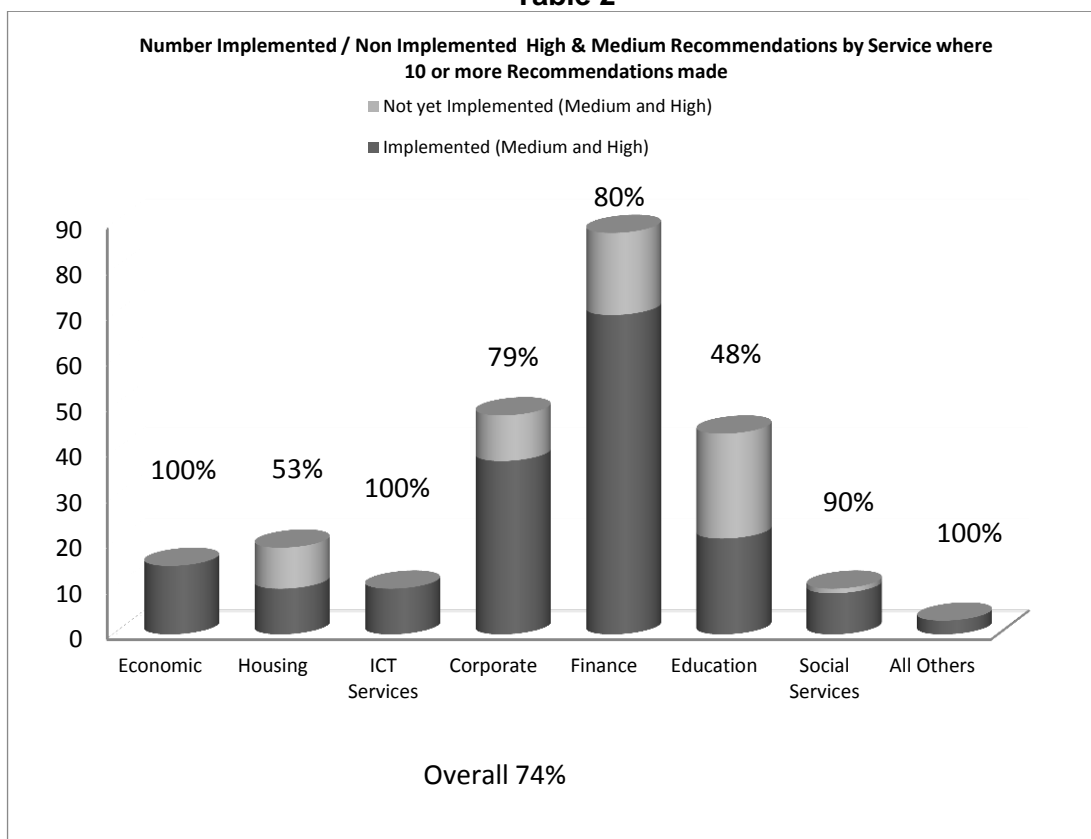
4.4 Audit Follow-ups and Recommendation Tracking

- 4.4.1 The UK Internal Audit Standards require Internal Audit to follow up management actions arising from its assignments. The Follow Up and Monitoring Process outlined in a report to the Audit and Governance Committee on 8 December 2015 has been introduced to improve the monitoring and reporting of progress in implementing agreed recommendations.
- 4.4.2 A schedule of the 3 follow up audits conducted since 8 December 2015 is attached at **Appendix E**. It demonstrates the number of recommendations accepted and subsequently implemented by management in each area, together with a revised audit opinion regarding the adequacy of the internal control environment. Further follow up work will be performed in those areas where a significant number of recommendations remain outstanding.
- 4.4.3 Prior to December 2015 the data was compiled solely from a self-assessment by the relevant services and not subject to confirmation by Internal Audit until a subsequent audit review was undertaken in the same area. **Table 1** below summarises the implementation as at 31 March 2016.

Table 1 - Status of agreed recommendation as at 31-3-2016				
Status	High	Medium	Total	%
Complete	35	141	176	74
Outstanding	6	55	61	26
Total	41	196	237	100

- 4.4.4 Recommendations are currently ranked as high, medium or low according to the perceived risk as outlined in **Appendix F**. Those rated as low are not subject to formal follow up by Internal Audit and are not included in this analysis. The percentage implementation rate as at 31 March 2016 is **74%** of 'high' and 'medium' recommendations having being recorded as implemented.
- 4.4.5 A graph showing the breakdown of recommendation implementation by service is provided in **Table 2** below:

Table 2



4.4.6 A copy of all outstanding High and Medium recommendations is included in **Appendix G**.

4.5 Referrals

4.5.1 The Service has undertaken 11 investigations, some of which were brought forward from 2014/15. This has accounted for **72.34 days'** work compared to an annual target of 205 days counter fraud work. Where management issues are identified during the course of referrals, a separate report is issued to management detailing the improvement actions required. An analysis of the types of investigation undertaken during the year and their current status and related outcomes is attached at **Appendix H**.

4.5.2 The Corporate Fraud Officer has also investigated **17** Council Tax Reduction Scheme (CTRS) fraud offences, resulting in **£3,196.89** being recovered from one caution. **470** National Fraud Initiative (NFI) data matches have been processed during 2015/16 resulting in savings of **£4,513.83**.

4.6 Performance and Risk Management

4.6.1 The Authority has a Performance Management Framework (PMF) which details the actions to deliver the priorities and performance targets and how they are cascaded to Service Plans and individual appraisals and training needs analysis. Progress against actions and performance measures is monitored twice yearly through Service Delivery Reviews attended by the senior managers, members of the Executive and scrutiny representatives.

4.6.2 The WAO Corporate Assessment concluded that there had been significant improvements in the way the Council manages its performance and controls the risk it faces but identified inconsistencies and aspects of performance management that need to be strengthened. For example, the weak performance management of the ICT service, inconsistent application of the staff appraisal system and progress in implementing internal audit recommendations. Internal Audit has placed reliance on this assessment for the purpose of the annual report.

4.6.3 An Internal Audit review of the Risk Management Framework undertaken during 2015/16 confirmed significant process in embedding risk management in the Authority and provided a Reasonable level of assurance. The audit opinion is based on the above findings and the results of the WAO Corporate Assessment performed in 2014/15 which concluded that the Council had improved its previously complex and inconsistent risk management processes but it was too soon to judge the effectiveness of the new arrangements.

4.7 Scrutiny Arrangements

4.7.1 The Corporate Assessment by the WAO concluded that the work programmes of the two scrutiny committees are necessarily wide-ranging, but chairs and scrutiny support officers work well together to prioritise, drawing effectively on the Executive's forward work programme. The scrutiny function adds value to the Council's work and provides assurance that the decision-making is robust and adequately informed. Internal Audit has placed reliance on this assessment for the purpose of the annual report.

4.8 Significant Events During the Year

4.8.1 Following the retirement of the former Chief Executive in May 2015, the Council followed appropriate processes to appoint a successor, resulting in the appointment of the former Director of Lifelong Learning to the post in May 2015. Two Assistant Chief Executives were appointed in September 2015, who are both members of the Authority's Senior Leadership Team along with the Monitoring Officer and the Section 151 Officer who commenced in post in October 2015.

4.8.2 The above changes at the corporate level have not resulted in any additional work being required of Internal Audit during 2015/16.

4.8.3 Deloitte replaced the Authority's external auditors PwC during 2015/16.

5. DEFINITION OF AUDIT RECOMMENDATIONS AND OPINIONS

5.1 The Head of Audit is required to provide the Audit and Governance Committee with an opinion on the overall adequacy and effectiveness of the Authority's governance, risk management systems and internal control environment, in compliance with the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The overall opinion is one of the assurances used by the Authority in preparing the Annual Governance Statement required under the Accounts and Audit Regulations.

5.2 The audit opinions on the assignments performed during the year to date have been categorised as follows:

- Substantial Assurance
- Reasonable Assurance
- Limited Assurance
- Minimal Assurance

5.3. In support of the audit opinions, the recommendations made during the year have been categorised as High, Medium and Low priority, as was approved by the Audit and Governance Committee on the 27 July 2015. Definitions of the risk ratings of recommendations and the audit opinions are attached in **Appendix F**.

6. OTHER MATTERS

6.1 Qualifications to the Audit Opinion

6.1.1 In giving an audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Audit and Governance Committee is a reasonable assurance based upon the work undertaken during the year, that there are no major weaknesses other than those identified.

6.1.2 Qualifications to the Audit Opinion are set out in paragraph **3.5.1** above and in arriving at our opinion, we have taken into account:

- The results of all audits undertaken during the year ended 31 March 2016;
- The results of follow-up action taken in respect of audits performed since 8 December 2015 and the monitoring of recommendation implementation during previous years;
- Whether any High or Medium category of recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit and Governance Committee;
- Whether or not any limitations have been placed on the scope of Internal Audit;
- The resource constraints of the Service and what proportion of the organisation's Internal Audit needs have been covered to date;
- The work performed by WAO, PwC and other external regulators.

6.2 Meeting Internal Audit Needs

6.2.1 Although the audit needs of the Authority have not been fully met during 2015/16, I am satisfied that Internal Audit has undertaken sufficient work in respect of the control environment to enable the formulation of an overall opinion, although this does not extend to the control environment in respect of the **22** planned audits removed from the Annual Plan during 2015/16.

6.3 Acceptance of Recommendations

6.3.1. The number of recommendations accepted by management is **98%**. This represents the failure to agree in respect of **4** recommendations out of a total of **207** recommendations made. The recommendations were assessed as being of low impact and did not give cause for concern.

6.4 Reliance Placed Upon Work by Other Assurance Bodies

6.4.1 Internal Audit has taken account of the work undertaken by the WAO in their Corporate Assessment 2015 in drafting the Annual Report and forming our annual opinion of the period.

6.5 Issues Judged Relevant to the Annual Governance Statement

- 6.5.1 The Audit Manager is aware of areas where significant weaknesses in control would prevent the Council placing reasonable reliance on systems of internal control in respect of the work of the Internal Audit service during the year.
- 6.5.2 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 effective. The current position on these is provided below:
- 6.5.3 **Information Management** – It was reported in the 2014/15 Annual Governance Statement that there had been ‘some progress on information governance over the last 20 months’. The final ICO’s follow up report received in January 2015 recorded a Limited level of assurance. The Council received an Enforcement Notice by the ICO dated 1st of October 2015, as the ICO had limited confidence in the Council’s commitment to implement the required steps on an ongoing basis.
- 6.5.4 An Internal Audit undertaken during 2015/16 did not give consideration to the ICO’s Enforcement Notice undertaken in 2015/16 as the scope of the audit was limited to ensuring ongoing compliance with the Council’s Information Governance established policies and practices and resulted in a Reasonable level of assurance.
- 6.5.5 **Partnerships – Governance Arrangements** – The Council does not have a partnership policy to provide a framework for the effective management of new and existing partnership arrangements and a central register is not maintained to record the partnerships the Council is involved in. The Assistant Chief Executive updated the Audit and Governance Committee on 15 March 2016 with the scope of the Partnership work streams aimed at formalising the arrangements for monitoring, reviewing and governing both current partnerships and those that may be entered into in future. Reference was made to the development of a Partnerships Policy document which summarises the Council’s vision for partnership working.
- 6.5.6 **Governance - Compliance with Council Polices** – The Corporate Assessment 2014/15 identified the requirement to embed a culture of consistent corporate working among staff at all levels and to be held to account for complying with Council Polices. Issues relating to non-compliance with key corporate policies and procedures have been identified in internal audits performed during 2015/16, e.g. Information Governance – Annual Review of Compliance, HR Policies & Practices for Managing the Workforce and ICT Disaster Recovery.
- 6.5.7 **Corporate Procurement Framework** – Following the introduction of the new Contract Procurement Rules a review of the Procurement arrangement has been included in the Internal Audit Operational Plan for 2016/17 to provide assurance that the changes will lead to increased compliance with procurement regulation, policy and procedure.
- 6.5.8 **Recommendation Implementation** – There is a continuing issue with regards to the implementation of internal audit recommendations particularly with schools. The Corporate Assessment 2014/15 included a proposal for improvement that the Council should address systematically the recommendations included in reports produced by Internal Audit.
- 6.5.9 **ICT Disaster Recovery** - The important issues previously identified in respect of ICT are being addressed, although ongoing work will be needed in 2016/17 to ensure that the internal controls implemented by management are appropriately embedded across the Authority.

6.6 Compliance with Internal Audit Standards

6.6.1 Internal Audit employs a risk based approach to determine the audit needs of the Authority at the start of each year and uses a risk based methodology in planning and conducting audit assignments. The work of the Internal Audit Service has been performed in compliance with the CIPFA Public Sector Internal Audit Standards 2013.

6.6.2 Internal Audit is subject to annual review by PwC to determine compliance with the auditing standards.

6.6.3 The Head of Internal Audit has made provision for internal quality reviews to be undertaken periodically by experienced members of the Internal Audit service to appraise:

- Compliance with the organisational and operational standards referred to above,
- The quality of audit work,
- The quality of supervision,
- Compliance with the local audit manual,
- The achievement of performance targets.

6.6.4 The review conducted in respect of the work performed during 2015/16 has demonstrated compliance with both internal and external standards

6.7 Internal Quality Assurance Programmes

6.7.1 In order to ensure the quality of the work performed by Internal Audit, a range of quality measures are in place which include:

- Supervision & direction of staff conducting audit work;
- The use of client satisfaction questionnaires;
- Documented review of all files of working papers and reports by managers;
- An annual appraisal of audit staff resulting in personal development and training action plans;
- The maintenance of the service's Internal Audit Manual;
- Annual self-assessment

7. THE STATEMENT OF ASSURANCE

7.1 Overall Assurance

7.1.1 The work of the Internal Audit Service has been conducted in compliance with professional internal auditing standards contained in the CIPFA Public Sector Internal Audit Standards 2013.

7.1.2 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. The work of Internal Audit is linked to many of the Council's corporate aims and objectives and meets statutory requirements and contributes to the achievement of the Council's agreed priorities and objectives.

7.1.3 The Head of Internal Audit is required to provide the Audit and Governance Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements. It should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Audit and Governance Committee is a reasonable assurance that there are no major weaknesses in

the whole system of internal control. The matters raised in this report are only those that came to our attention during our internal audit work and are not a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

7.2 Audit Opinion

- 7.2.1 I am satisfied that the internal audit work undertaken during the year allows me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control processes for those areas reviewed. I am satisfied that the work of the external regulators together with the Authority's service performance reviews allows me to draw a reasonable conclusion that for the 12 months ended 31 March 2016, Anglesey County Council has satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.

The overall audit opinion may be used in the preparation of the Annual Governance Statement.

INTERNAL AUDIT PERFORMANCE TARGETS 2015-16

APPENDIX A

Description	IOAC Actual 2013/14	IOAC Actual at 31/3/15	IOAC 2015/16 Target	IOAC Actual at 31/03/16	Wales Average 2014/15
1. % Planned Audits Completed	81%	92%	80%	60.32%	83%
2. Number of Audits	51	46	60	38	106
3. % Clients responses 'Satisfied'	100%	100%	100%	100%	98%
4. % Recommendations accepted	100%	100%	100%	98%	99%
5. % Implementation of High & Medium Recommendations at Follow up audits	46%	49%	85%	74%	N/A
6. % Audits completed within planned time	N/A	N/A	90%	78.95%	69%
7. % Directly chargeable time against total available	N/A	N/A	70%	59.74%	65%
8. Average days from closing meeting to issue of draft report	N/A	N/A	6 days	6.61 days	7.6 days
9. Average days between response to draft and final report issue	N/A	N/A	2 days	2.41 days	1.8 days
10. Average actual cost per directly chargeable audit day	£245	£238	£250	£318	£249
11. No. Audit Staff	5.5	5.6	5.68	5.68	8.2
12. % staff leaving	0	0	0	0	12%

APPENDIX B

**ANGLESEY COUNTY COUNCIL
INTERNAL AUDIT
SLIPPAGE 1-4-15 TO 31-03-16**

ASSIGNMENTS	REASON	DAYS	RISK RATING
PLANNING & PUBLIC PROTECTION Building Control Services	It was agreed with management to carry forward into the 2016/17 annual plan due to staffing issues in Building Control.	10	Not known - Area audited prior to 2012/13.
ENVIRONMENT & TECHNICAL SERVICES Estate & Property Management	It was agreed with management to carry forward into the 2016/17 annual plan due to the recent approval of the Corporate Asset Management Plan 2015 – 20 at the Executive 14 December 2015.	15	Not known – Area not reviewed for a significant time
LIFELONG LEARNING Administration of Family Grant & Flying Start	There were no WG Flying Start Capital grants during 2014/15.	10	New Review
CORPORATE Contract Audit – Capital Expenditure	Lack of Audit Resources	20	N/A
Corporate Governance	Corporate Assessment undertaken during 2014/15	8	Not known
Corporate Procurement Framework	Lack of Audit Resources	10	Not known - New Guidance
Holyhead Vibrant & Viable Places	Lack of Audit Resources	15	1 – off Review
Standby Arrangements	Lack of Audit Resources	10	1 – off Review
Whistleblowing	Lack of Audit Resources	8	Not known
RESOURCES High Level Controls Key Financial Systems	Lack of Audit Resources	10	N/A
TRANSFORMATION IT Audit	Lack of Audit Resources	40	N/A
ECONOMIC & COMMUNITY REGENERATION Environmental Health Studies	Lack of Audit Resources	15	Not known
Trading Standards Services	Lack of Audit Resources	10	Not

APPENDIX B

			known
Economic Development Function	Lack of Audit Resources	15	Not known
Framework Agreements	Lack of Audit Resources	10	N/A
Project Management Office	Lack of Audit Resources	10	N/A
Strategy & Support Team	Lack of Audit Resources	10	Not known
ENVIRONMENT & TECHNICAL SERVICES Building Design & Maintenance Services	Lack of Audit Resources	10	Not known
HOUSING Business Unit & HRA Governance	Lack of Audit Resources	10	N/A
Homelessness Prevention, Allocations etc.	Lack of Audit Resources	10	Limited
Housing Rents – High Level Controls	Lack of Audit Resources	5	N/A
ADULTS SERVICES Extra Care Housing Schemes	Lack of Audit Resources	15	N/A
Provider Unit	Lack of Audit Resources	20	N/A
Services for the Elderly	Lack of Audit Resources	20	N/A
TOTAL SLIPPAGE		316	

The above areas of planned audit work will not audited during 2015/16 for the reasons stated. Where relevant the audits not performed during 2015/16 will be prioritised for review in 2016/17.

Summary of Recommendations and Assurance Levels 1-4-15 to 31-03-16

APPENDIX C

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
1	Cash Receipting System WIP 2014/15	April 15	Resources	4	<p>An audit of Cash Receipting System was undertaken as part of the approved internal audit periodic plan for 2014/15.</p> <p>The receipting of cash amounts is currently undertaken via manual input to the Cash Receipting system from bank statements.</p> <p>A recommendation included in the 2013/14 Cash Receipting report related to the implementation of an auto feeder bank statement should be progressed in 2015/16 to assist in ensuring that bank reconciliation can be carried out promptly from period end. This and the three further recommendations in the 2013/14 Cashiers Final Report have not been implemented.</p> <p>Opinion: Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed and consistently applied.</p>	Substantial
2	Debtors WIP 2014/15	April 15	Resources	22	<p>An audit of Sundry Debtors was undertaken as part of the approved internal audit periodic plan for 2014/15.</p> <p>In 2013/14 the number of invoices raised was 20,287 with a value of £16.3M. The value of cancelled invoices plus credit notes raised in the period was £462k. An Aged Debt Summary Report dated 14 January 2015 reported a total amount of</p>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>sundry debt outstanding to be £3,192,488.54.</p> <p>The Council introduced a new CIVICA financials system in April 2013 including the Sundry Debtors module which is used as the Council's main record of debtors.</p> <p>The Sundry Debtor review for 2013/14 included six Medium and eleven Low category recommendations. The 2014/15 audit showed that the six Medium category recommendations made have not been implemented. These relate to the prompt and effective recovery of outstanding debt, regular review of aged invoice, regular review of write offs, suppressions, reconciliation of the financial ledger to the Sundry Debtor system and responsibilities relating to the nomination of officers for the entering and authorising invoices and debtor details within the system.</p> <p>Two of the Low category recommendations have been implemented. The remaining nine Low category recommendations are re-iterated. These relate to the review of system access rights, supporting documentation for debtor invoices, review of fees and charges, duplicate debtor detail, cancelled debts, debit of cost codes when evident that debts cannot be recovered, debtor performance indicator reports and the reporting of performance in relation to targets.</p> <p>Opinion: Taking account of the issues identified, whilst the Council can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, and consistently applied, action needs to be taken to ensure this area is managed.</p>	
3	Council Tax	April	Resources	8	An audit of Council Tax was undertaken as part of the	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
	WIP 2014/15	2015			<p>approved internal audit periodic plan for 2014/15. Council Tax is administered by the Revenue and Benefits Service. There were 34,553 properties (excluding unbanded properties) as at March 2013.</p> <p>The total debit raised for Council Tax in 2013/14 (net of exemptions, reliefs and council tax benefits) was £30.8m of which the in year collection rate was 97.1% of this total.</p> <p>The Council Tax report for 2013/14 included one Medium and six Low categorised recommendations. The 2014/15 audit found that the Medium recommendations relating to reconciliation to the Postal Docket has not been implemented.</p> <p>Four Low recommendations have been assessed as not implemented and one Low recommendation was seen to be part-implemented. The recommendations relate to single person's discount, debt recovery procedures, accounts on pending write-off status, review of suppressed accounts and void visits.</p> <p>Opinion: Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage these risks are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risks materialising.</p>	
4	NNDR WIP 2014/15	April 2015	Resources	8	<p>An audit of NNDR was undertaken as part of the approved internal audit periodic plan for 2014/15.</p> <p>The total number of properties (excluding unbanded</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>properties) as at 31 March 2014 was 2,707.</p> <p>The total debit raised for NNDR in 2013/14 (net of refunds) was £13.6m of which the in year collection rate was 97.9% of this total. The average reported tax collection rate for all Unitary Authorities in Wales was 97.1%.</p> <p>The NNDR report for 2013/14 included two Medium and eight Low categorised recommendations. Our follow up work in 2014/15 has found that the Medium recommendations relating to reconciliation of total value of bills to the number of rateable hereditaments and clearing write offs that have been on the system for more than twelve months have not been implemented.</p> <p>One Low category recommendation has been actioned and two superseded; the remaining five Low category recommendations have been assessed as not implemented. These recommendations relate to prompt processing of write-offs on the system, carrying out exempt property visits, consistent application of recovery procedures, prompt referral of debts to Enforcement Agents and review of suppressed accounts.</p> <p>Opinion: Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage these risks are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risks materialising.</p>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
5	Housing Benefits WIP 2014/15	April 2015	Resources	11	<p>An audit of Housing Benefit - Key Controls was undertaken as part of the approved internal audit periodic plan for 2014/15. The total amount of Housing Benefit paid in 2014/15 for the period 01-04-2014 to 11-02-2015 in respect of private tenants was approximately £8.5m and for LA tenants £7m. The total amount awarded under the Council Tax Reduction scheme was approximately £5m.</p> <p>The total case load recorded up to January 2015 for Housing Benefit Claims was 49,230 and for Council Tax Reduction were 65,638.</p> <p>The Benefits Service is within target for time taken to process change in circumstances, on receiving all information required for decision within 14 days of new claim and on accuracy checks undertaken in the period. However, the Service has not reached set targets in relation to the processing of new claims and for the identification of cases for which the calculation of the amount of benefit due is correct.</p> <p>The most significant area in which the Service has been ineffective in the period is in the recovery of benefit overpayments which have increased during the period.</p> <p>The Housing Benefit 2013/14 Internal Audit report included 5 Medium and 6 Low categorised recommendations. Follow up work in 2014/15 found that at the time of review the 4 Medium and 5 Low priority recommendations were implemented.</p> <p>The 2 recommendations assessed as not implemented relate to the non-recoverable write offs and reconciliations and the segregations of duties between the roles of allocations and recovery.</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Opinion: Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>	
6	Housing Rents WIP 2014/15	April 2015	Resources	4	<p>An audit of Housing Rents was undertaken as part of the approved internal audit periodic plan for 2014/15. At the time of reporting the Council's Housing Service managed 3798 dwellings, 767 garages and 12 leased properties across the County. The estimated rental income for 2014/15 was reported to be £13.8M.</p> <p>Opinion: Taking account of the issues identified during the course of the audit, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>	Substantial
7	Stock Check DLO WIP 2014/15	May 2015	Housing	N/A	<p>An annual stock check undertaken by the Authority's Internal Audit Service at the BMU Depot on 28th of March 2015. The total closing stock value identified in April 2015 was £157,493.13.</p> <p>Opinion: The stock records maintained at the depot are sufficiently accurate and provide a reliable record of the stock levels at the year end.</p>	Substantial
8	Treasury Management WIP 2014/15	May 2015	Resources	2	<p>An audit of Treasury Management was undertaken as part of the approved internal audit periodic plan for 2014/15. The Treasury Management function operates within the approved</p>	Substantial

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Treasury Management Strategy and the Annual Investment Strategy which is approved by the full Council each year. The Current Treasury Management position (for quarter 3) was reported to the Audit Committee in February 2015.</p> <p>The review of Treasury Management in 2013/14 resulted in a Green audit opinion and three medium category recommendations being made. Follow up work as part of this year's review found that the previous recommendations have yet to be fully implemented. The previous recommendations relate to:</p> <ul style="list-style-type: none"> • Access rights within the HSBC net system and deletion of any users that no longer need access; • Ensuring two authorising signatories (segregation of duties) are obtained in order to carry out fund transfers within the Authority; • To maintain an audit trail and to provide assurance over segregation of duties signatures evidencing checking, authorising or approving should be in the name of the individual carrying out relevant action and not 'pp'd' in the name of an absent officer. Treasury Management processes and procedures should be fully, clearly documented and dated in order to set out who can approve, documentation required and segregation of duties. <p>Opinion: Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
9	Payroll Key Controls WIP 2014/15	May 2015	Resources	6	<p>An audit of Payroll - Key Controls was undertaken as part of the approved internal audit periodic plan for 2014/15.</p> <p>The Payroll system currently in use is 'Resourcelink' provided by Northgate and is an integrated Human Resources and Payroll system.</p> <p>There were 3,850 live payroll records at the end of March 2015 and 2,333 paid records in the month. There were 415 new starters on the payroll and 444 leavers processed during the 2014/15 financial year.</p> <p>Key findings from the review highlighted a lack of formally documented procedures, issues in relation to secure storage of payroll records and system access controls do not enforce segregation of duties between HR establishment functions and payroll functions. The lack of segregation of controls has been highlighted in a previous payroll audit report and in a separate review of Logical Access & Segregation of Duties.</p> <p>Opinion: Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage these risks are suitably designed, consistently applied and effective.</p> <p>However, issues have been identified that, if not addressed, increase the likelihood of the risks materialising.</p>	Reasonable
10	Main Accounting System WIP 2014/15	June 2015	Resources	6	<p>An audit of the Main Accounting System - CIVICA was undertaken as part of the approved internal audit periodic plan for 2014/15.</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>At the time the audit was undertaken the CIVICA team was in the process of conducting a re-launch of the system. The re-launch was initiated due to a number of perceived weaknesses in the way the system had been introduced and subsequently used by the services. Administration of the system was also lacking mainly as a result of poor procedural documentation.</p> <p>It is envisaged that the re-launch of CIVICA will be substantially complete by the end of the current calendar year and all issues raised within the audit dealt with as part of that action.</p> <p>Opinion: Arrangements for governance, risk management and/or internal control are reasonable. An overall Reasonable Assurance audit opinion resulted from the review with four Medium category and two Low category recommendations being agreed with management.</p>	
11	ICT Disaster Recovery	July 2015	Resources	13	<p>This audit was undertaken as part of the approved Internal Audit plan for 2015/16.</p> <p>Internal Audit carried out a review in 2012/13 of the management arrangements for Business Continuity and ICT Disaster Recovery.</p> <p>Internal Audit's opinion at that time was that the Council could not take assurance that the controls upon which it relies to manage these areas were suitably designed, consistently applied or effective (a MINIMAL assurance level). Recommended actions were agreed but Internal Audit was informed that little action has been taken since. The 2015/16 audit report only deals with ICT Disaster Recovery plans. A separate report has been produced covering Business</p>	Minimal

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Continuity.</p> <p>The main key findings in the 2015/16 report identified that:</p> <ul style="list-style-type: none"> • The Council does not have a formal approved ICT Disaster Recovery Plan in place • The Council does not have a dedicated disaster recovery facility located away from the ICT Suite • Services need to complete up to date business plans to feed into future ICT Disaster Recovery Plans • There is no regular restores of system and data backups • Scheduled restores are not carried out in live and test environments to ensure backups can be used to restore promptly and reliably in a disaster scenario • Responsibility of maintenance of the environmental control and fire suppression systems are not formally documented and monitored by ICT • The current UPS is not fit for purpose and the Council does not therefore have an operating UPS in the event of an electrical failure. <p>Opinion: An overall Minimal Assurance audit opinion resulted from the reviews with eight High category and five Medium category recommendations being agreed with management.</p>	
12	Markets Administration & Rents Income	July 2015	Public Protection & Planning	4	An audit of Market Administration and Rents Income was undertaken as part of the revised internal audit plan for 2015/16. The service area has not been subject to audit	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>review since 2006.</p> <p>The key findings from the audit identified that operational procedures had not been reviewed and updated to reflect recent changes in market operations and banking arrangements.</p> <p>It was also evident there is no systematic monitoring to ensure that all market traders maintain and produce evidence of adequate public liability insurance cover.</p> <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with three Medium category and one Low category recommendations being agreed with management.</p>	
13	Business Continuity	July 2015	Corporate	7	<p>An audit of Business Continuity was undertaken as part of the approved internal audit periodic plan for 2015/16.</p> <p>BCM is a statutory duty for local authorities as well as being a key part of governance processes. It is a requirement of the Civil Contingencies Act 2004 that plans are prepared and put in place to ensure that services, particularly those that are statutory services, can continue.</p> <p>The main findings of the review identified the Interim Business Continuity Plan is, in its current draft form, not sufficiently complete to ensure proper efficient and effective recovery of the Council's data and processes should a disaster event occur.</p>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Responsibilities of the Senior Leadership Team and Heads of Services in relation to Business Continuity are not clearly stated within the Business Continuity Plan and Business Continuity is currently not reported and managed at the highest level.</p> <p>The work to establish a Business Continuity Management and Emergency Planning Working Group should continue and the comprehensive Corporate Business Continuity Plan should incorporate Building Recovery Management arrangements.</p> <p>Opinion: Arrangements for governance, risk management and internal control are limited. An overall Limited Assurance audit opinion resulted from the reviews with five High category and two Medium category recommendations being agreed with management.</p>	
14	Risk Management Framework & Top 5 Risks	Sept 2015	Corporate	3	<p>This audit was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>A review of the application of the Risk Management Framework was commissioned by the SLT in the summer of 2014 and found the following:</p> <ul style="list-style-type: none"> • The application of risk across the Council was inconsistent • It is not clear how the service and corporate risk registers relate • A lack of clarity regarding process for escalation or 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>feedback; and</p> <ul style="list-style-type: none"> • Risk is not well aligned with the planning and performance management processes. • The Policy and processes have been revised and training delivered to senior officers and staff. Service Risk Registers are being reviewed and incorporated into the Business Planning Process and Revised Corporate Risk register in place by the end of the first Quarter 2015. • The main findings of the review identified that Service Delivery Plans are not always submitted promptly and within deadlines with all sections having been completed including links to the Risk Registers. • Evidence of existing controls relating to the Corporate Risk Register were not always available. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with two Medium category and one Low category recommendations being agreed with management.</p>	
15	Information Governance – Annual Review of Compliance	Oct 2015	Corporate	7	<p>An audit of Information Governance – Annual Review of Compliance was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>Key findings from the review are:</p> <ul style="list-style-type: none"> • Third party contractors processing personal data on behalf of the Council have not been identified to ensure that an appropriate Data Processing 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Agreement has been implemented and Data Processing Agreements re not available for every 'Category 1' Contracts.</p> <ul style="list-style-type: none"> • No new systems, projects or processes had been implemented during the audit review and therefore no evidence of Privacy Impact Assessments undertaken were available for review by the auditor. • Not all Information Asset Owners (IAOs) were able to give assurance that appropriate measures are in place for the secure storage, movement, retention and disposal of records within remote establishments (those outside of the HQ) • The Council lacks procedures for managing electronic records containing confidential data • No assurance can be given as to whether random information sharing of personal data had been assessed as a lack of data was available for testing. • Not all staff comply with the Clear Desk Policy implemented by management • The Council's privacy notices issued by each service are not clear, consistent and available for the gathering , processing and sharing of data • No central log exists of all privacy notices and no evidence was seen of privacy notices transferred to the corporate privacy notice template • No formal written report has been presented to the SLT of data security incidents, its cause and effectiveness of response as per the Data Security Incident Policy. It was acknowledged that incidents 	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>have been verbally reported to SLT to date.</p> <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with five Medium category and two Low category recommendations being agreed with management.</p>	
16	Ysgol Brynsiencyn	Dec 2015	Lifelong Learning	7	<p>An audit of Ysgol Brynsiencyn was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>Key findings from the review are:</p> <ul style="list-style-type: none"> • The school meals record was maintained to a high standard at the school. • The Governing Body has appropriate arrangements in place to define head teacher rights for authorising expenditure and transferring monies between financial headings. • Appropriate documentation to monitor teacher performance (annual) and the performance objectives of the head teacher are used within the school. • The school fund accounts are maintained to an appropriate standard and are audited independently on an annual basis. The "School Fund Audit Record" document should be presented to the Governing Body on an annual basis. • The Governing Body constitution complies with the statutory requirements. • The school has appropriate statutory policies. • The school complies with the Authority's Fleet and 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Driver Policy.</p> <ul style="list-style-type: none"> Some weaknesses were found in the ordering of works, goods and services. All expenditure was properly authorised and correctly accounted for. <p>KEY ACTIONS AGREED</p> <ul style="list-style-type: none"> Purchasing orders should be completed in advance. A complete register of the business interests of the Governors, the Head teacher and their immediate family should be maintained in accordance with the Education Service's Fair funding Scheme. Each supply teacher used by the school should be noted within the electronic diary by the Head Teacher. The "School Fund Audit Record" should be presented to the Board of Governors annually. Physical check should be conducted on the school's asset as well as marking the assets with a permanent ink or ultra violet pen. There should be consistency between the free breakfast register and the "Breakfast Scheme" (Annex C) form. The school should adopt a CCTV policy. <p>Opinion: Arrangements for governance, risk management and/or internal control are reasonable. Management action of moderate to low impact is required.</p>	
17	Ysgol Cemaes	Dec 2015	Lifelong Learning	14	<p>An audit of Ysgol Cemaes was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>Key findings from the review are:</p> <ul style="list-style-type: none"> Appropriate arrangements have been placed by the 	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Governing Body in order to define head teacher rights for authorising expenditure and transferring monies between financial headings.</p> <ul style="list-style-type: none"> • School income is collected, recorded and banked in accordance with the Education's Department directions. • Appropriate documentation to monitor the performance of the Head Teacher was completed for 2014/15. • The number of pupils within the "Statistical Census" corresponds to the school records. • The school fund account was satisfactory and an activity summary is produced for parents on an annual basis. • The Governing Body constitution complies with the statutory requirements. • The school have some statutory policies. • Some weaknesses were found with the ordering of works, goods and services. All tested expenditure was properly authorised and correctly accounted for. <p>KEY ACTIONS AGREED</p> <ul style="list-style-type: none"> • School meals income should be correctly recorded and the PY7, CT182a and CT183a forms should reconcile • Order requisitions should be completed before receiving goods. • School lettings should be administered in accordance with the Authority's guidelines. • The school fund should be audited annually. • School's assets should be marked with a permanent ink or an ultra violet pen. 	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> The free breakfast register should reconcile to the "Breakfast Scheme" (Annex C). <p>Opinion: An overall Limited Assurance audit opinion resulted from the reviews with seven Medium category and seven Low category recommendations being agreed with management.</p>	
18	Affordable Housing, Houses into Homes and Bridging Loan Scheme	Dec 2015	Housing	24	<p>The audit was undertaken as part of the approved Internal Audit Plan for 2015/16. The audit examined Themes 1 & 2 of the Local Housing Strategy related to the issue of addressing affordable housing and empty homes under the Affordable Housing Development Programme, providing support for the Joint Local Development Plan funding, Empty Homes and providing support for housing renewal in the private sector.</p> <p>Key findings from this review are as follows:</p> <ul style="list-style-type: none"> Housing are unable to access financial information regarding revenue fees and income for monitoring and financial management of schemes. Housing are not aware that financial information regarding capital receipts is available and monitored by the Capital Team on a monthly basis. Reconciliations are not carried out by Housing between the schemes and the Council's financial ledger. There are no procedures outlining the implementation and monitoring of the recovery of defaulted loans from the bridging loan scheme. Information provided by the Council Tax Department to 	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>identify empty properties is incomplete and inaccurate and impacts on the Empty Homes Officer's efficiency and performance monitoring.</p> <ul style="list-style-type: none"> The lack of ability to distinguish between empty and second homes may affect the Local Authority's discretion in applying a council tax premium of up to 100% of the standard council tax charge on second homes, (Housing (Wales) Act 2014 - Council tax for empty and second homes). <p>Opinion: An overall Limited Assurance audit opinion resulted from the reviews with three High category and eleven Medium category recommendations being agreed with management.</p>	
19	Partnerships	Jan 2016	Corporate	5	<p>The Council actively engages in a number of partnerships at national, regional, sub-regional and local level with involvement ranging from collaboration to full integration. Successful partnership working is deemed essential to the delivery of corporate objectives and better services across the organisation.</p> <p>The audit review was conducted in August and September 2015 to ascertain record and evaluate the Council's arrangements in place to manage, mitigate, monitor and report on the risks associated with partnership working.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> There is currently no partnership policy established to provide a framework for the effective management of new and existing partnership arrangements and no 	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>central register maintained to record the partnerships the Council is involved in;</p> <ul style="list-style-type: none"> ▪ The reporting of the success or otherwise of partnership performance is weak; ▪ There is limited oversight of partnership performance and governance arrangements; ▪ There is no process for assessing the benefits / dis-benefits of on-going partnership arrangements on an annual / regular basis. ▪ There is no process established for the review of key partnerships' risk registers and not all service risk registers highlight the risks of working in partnership. ▪ It was confirmed in relation to sample testing of individual partnerships that the individual partnership agreements are formally documented, management arrangements defined, the functions, area of responsibility and the partnerships' overall aims clearly stated. ▪ In all relevant cases, the basis of the Council's financial contribution to the partnership was defined and where applicable, the treatment of any surpluses or deficits, and any assets or liabilities arising on termination or planned expiry of the project clearly outlined. ▪ In all cases also the partnership agreement provided for conflict resolution and detailed clearly the circumstances under which partners could withdraw / terminate the agreement. ▪ In relation to the sample of partnerships reviewed, there is sufficient flexibility in terms of financial contributions to allow the Council to meet its savings targets. 	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Opinion: An overall Limited Assurance audit opinion resulted from the review with five High Category recommendations being agreed with management.</p>	
20	HR Policies & Practices for Managing the Workforce	Jan 2016	Transformation	14	<p>An audit of HR Policies and Practices for Managing the Workforce was undertaken as part of the approved Internal Audit plan for 2015/16.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> • HR policies and procedures are readily accessible on the Council's Intranet and employees are made aware of policies and practices during Induction Training. ▪ A report identifying employees who have not attended specific training courses could not be easily generated by the current HR System, Northgate. A manual record is maintained by the HR Officer in each service. ▪ A list of corporate mandatory training events was not evidenced. ▪ There is a facility on the Northgate MyView System where Managers can view their employees' training records; however, the facility has not yet been enabled by the system provider. ▪ There are no procedures outlining the calculation of annual leave entitlement balances for leavers which managers are required to calculate. ▪ Incorrectly calculated annual leave entitlement was observed in 44% of a sample of leavers tested (7/16), resulting in total overpayment of £754.92. 	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> ▪ Payroll are not always informed by managers of all paternity leave taken to ensure Statutory Paternity Pay for eligible employees is correctly calculated. ▪ Services took on average 2 days to implement Return to Work Interviews following an employee's sickness absence, within the target of 5 days following return to work. ▪ 26% (15/58) of Sickness Absence Records were not complete, i.e. backing documents not available and/or completed. ▪ 17% (2/12) of employees did not comply with the Flexible Working Hours Scheme Rules and Regulations. ▪ There is no evidence that managers are undertaking Performance Improvement Reviews within the Council. <p>Opinion: An overall Limited Assurance audit opinion resulted from the review with two High, seven Medium and five Low Category recommendations being agreed with management.</p>	
21	Fleet Management	Jan 2016	Highways, Waste & Property	6	<p>An audit of Fleet and Driver Management was undertaken as part of the approved internal audit periodic plan for 2015/16.</p> <p>The key findings in this review were as follows:</p> <ul style="list-style-type: none"> ▪ The Vehicle Fleet and Driver Management policy has been reviewed periodically in light of legislation since its implementation in 2009. ▪ Assurance was obtained that the Council's fleet vehicles are appropriately recorded on the Corporate Asset 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Register as at the year end.</p> <ul style="list-style-type: none"> ▪ Performance monitoring information and data is not recorded in management meetings to support management decisions and inform quarterly PIs. ▪ The Authority seeks value for money by procuring fleet vehicles in quantity and going out to tender in accordance with CPR and EU guidelines. ▪ The Authority is part of the “All Wales Transport and Plant Group” which undertakes benchmarking exercises between all 22 local Authorities. ▪ Benchmarking data shows that the Authority compares favourably to other authorities in relation to in-house repairs and maintenance of fleet vehicles and value for money in relation to the purchase of fuel for fleet vehicles. <p>Opinion: Arrangements for governance, risk management and/or internal control are reasonable.</p>	
22	Ysgol Amlwch	Jan 2016	Lifelong Learning	5	<p>An audit of Ysgol Gynradd Amlwch was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>Key findings from the review are:</p> <ul style="list-style-type: none"> • The school meals record was maintained to a high standard at the school. • The school fund accounts are maintained to an appropriate standard and are audited independently on an annual basis. The “School Fund Audit Record” 	Substantial

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>document should be presented to the Governing Body on an annual basis.</p> <ul style="list-style-type: none"> • The Governing Body constitution complies with the statutory requirements. • The school has appropriate statutory policies. <p>Opinion: Arrangements for governance, risk management and internal control are good.</p>	
23	Ysgol Gynradd Bodedern	Feb 2016	Lifelong Learning	16	<p>Key findings of an audit of Ysgol Gynradd Bodedern undertaken as part of the Internal Audit periodic plan for 2015/16 were as follows:</p> <ul style="list-style-type: none"> • The school budget is discussed on a regular basis with the Governors and adopted annually by the governing body • The school meals record and school breakfasts are maintained to a satisfactory standard • The process for ordering and paying of goods were generally followed but the order was not signed until after receiving the invoice • The teachers' pay review forms have not been completed for 2015/16 academic year but the forms for the previous year were returned promptly • The School Fund accounts for 2014/15 were audited by an independent person but no record was evidenced in the minutes of the official appointment by the Governing Body. 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Opinion: An overall Reasonable Assurance audit opinion resulted from the review with two High, seven Medium and five Low Category recommendations being agreed with management.</p>	
24	Council Tax	Mar 2016	Resources	8	<p>An audit of the system for collection of council tax revenue was undertaken as part of the approved internal audit periodic plan for 2015/16.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> ▪ There was no reconciliation made of the number of Council Tax bills generated as per the billing files and the bills issued as per the postal docket provided by the contractor. ▪ Targets for visits of exempt / void properties were not achieved in the period due to resources issues. ▪ There is no process of confirming the ongoing eligibility for Single Person Discount currently operated; notifications of single occupancy status and changes in circumstances do not currently require a formal declaration that the information provided is correct. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with four Medium category and four Low category recommendations being agreed with management.</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
25	NNDR	Mar 2016	Resources	7	<p>An audit of the system for collection of Non Domestic Rates was undertaken as part of the approved internal audit periodic plan for 2015/16.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> ▪ There is no reconciliation made of the number of Council Tax bills generated as per the billing files and the bills issued as per the postal docket provided by the contractor. ▪ Targets for visits of exempt / void properties were not achieved in the period due to resources issues. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with two Medium category and five Low category recommendations being agreed with management.</p>	Reasonable
26	Main Accounting	Mar 2016	Resources	9	<p>An audit of Main Accounting System - CIVICA was undertaken as part of the approved internal audit periodic plan for 2015/16.</p> <p>The key findings in this review were as follows:</p> <ul style="list-style-type: none"> ▪ At present there is no means of identifying duplicate feeder numbers within the CIVICA System. ▪ The timetable for the production of management accounts has not been formally documented to provide assurance that all feeders have been inputted prior to month end closure. ▪ Month end procedures are not documented. 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> ▪ Year-end reconciliation of balances to the general ledger are not carried over to the next financial year promptly from 2014/15 to 2015/16. ▪ The reconciliation of Debtors is not undertaken on a monthly basis. ▪ Password control should reflect the Authority's ICT policy on logical access for non-network users. ▪ The CIVICA Team does not review the appropriateness of the access levels of accountants and high level users. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with two Medium category and five Low category recommendations being agreed with management.</p>	
27	Housing Strategy	Mar 2016	Housing	6	<p>This audit was undertaken as part of the approved Internal Audit plan for 2015/16.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> ▪ The Housing Strategy was developed by addressing current issues that have an impact on Housing such as the Welfare Reform, Economic Decline, The Housing (Wales) Act 2014 and the outcomes from statistical analysis. It is recognised that for the Strategy to fulfil its purpose at a local level, links need to be made to other major areas of work for the Council. Corporate Objectives as seen in the Corporate Plan were 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>therefore taken into account when writing the Strategy.</p> <ul style="list-style-type: none"> ▪ The Anglesey Housing Partnership was established in 2014 and includes representatives from the Housing and Adults Services as well as representatives from external organisations such as local housing associations. ▪ The Executive Board approved the Housing Strategy in its meeting held on 12 January 2015. ▪ The Housing Strategy addresses the key purposes of the Housing (Wales) Act 2014. ▪ Whilst communication and links with external stakeholders are maintained through the Anglesey Housing Partnership, internal communication could be strengthened. It was found that the Annual Delivery Plan did not reflect all aspects of the Strategy and changes that influence the Corporate Objectives should be communicated internally appropriately. Aspects of the Strategy were not included in 2 out of 5 individual Service Delivery Plans obtained by the Auditor. ▪ An action plan has been developed to ensure the Strategy is implemented and a routine is in place for monitoring. The Anglesey Housing Partnership is to receive biannual updates against the action plan and the Executive Board is to receive an annual review. The Partnership has at the time of the audit received one update against the action plan with a second due to take place in May 2016. ▪ The monitoring process can be strengthened by 	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>creating procedures to determine individual responsibilities and collection of information supporting the implementation of the action plan.</p> <ul style="list-style-type: none"> ▪ The action plan will be monitored and presented to the Partnership on a six month basis. ▪ There are no procedures relating to updates following a review on aspects where implementation has fallen short or consequences / alternatives are considered. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with two Medium category and four Low category recommendations being agreed with management.</p>	
28	Ysgol Talwrn	Mar 2016	Lifelong Learning	14	<p>An audit of Ysgol Talwrn was undertaken as part of the approved Internal Audit periodic plan for 2015/16.</p> <p>Key findings from the review are:</p> <ul style="list-style-type: none"> ♦ It was found that the school budget is adopted annually by the governing body and that financial issues are discussed on a regular basis. ♦ The level of school meals arrears were found to be high at 43.6% of the cash due at the time of visit. ♦ The financial powers of the Head teacher, and the Head teacher in conjunction with the Chair of Governors were found to be reviewed on a regular 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>basis.</p> <ul style="list-style-type: none"> ♦ It was found that the register of business interests of the Head teacher and Governors and their immediate family was complete and reviewed on a regular basis. ♦ Tests conducted on a sample of school meals income records, school breakfasts and general income records found that records were accurate and maintained to a satisfactory standard. ♦ The school did not always complete a requisition form in advance of purchase, nor complete the relevant boxes on the remaining form correctly. ♦ The school has registered with the Information Commissioner in accordance with the Data Protection Act 1988. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with four Medium category and ten Low category recommendations being agreed with management.</p>	
29	EIG Grant	Mar 2016	Lifelong Learning	0	<p>This review was intended to satisfy grant requirements and provide assurance that clear accounting records are maintained of delegated funding amounts and to identify all income and expenditure in relation to non-delegated funds.</p> <p>The review was limited to the Education Improvement Grant provided to the Council by the Welsh Government in 2015/16. Figures provided by the Finance Service show that the overall grant total in the period was £3,604,209 comprising EIG</p>	Substantial

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>awarded of £3,296,824 plus match funding of £307,385.</p> <p>From the review of the grant controls and records assurance can be provided that adequate and proper controls and records have been maintained in relation to the EIG for period 2015/16.</p> <p>No recommendations were made in the review.</p>	
30	School Meals Arrears	Mar 2016	Lifelong Learning	9	<p>An internal audit review was undertaken of the administration of school meals arrears within the Authority as part of the approved internal audit periodic plan for 2015/16.</p> <p>The key findings in this review were as follows:</p> <ul style="list-style-type: none"> ▪ Only 7/48 primary schools within the Authority have access to the programme in the School Information and Management System (SIMS) to assist with the recording and monitoring of school meals income and registers. A new electronic system to allow schools to manage school meals income will be in place at all schools from September 2016. ▪ Schools were not complying fully with Education Service procedures for the management and recovery of school meals arrears; consequently there is an inconsistent approach to the recovery of arrears in the Authority's schools. ▪ School meals arrears exceed the Education Service percentage guide of 10% at all 5 schools audited. Average arrears within the 5 schools audited were seen to be 45.14% of cash due for December 2015. 	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> ▪ CT183a (weekly) and CT182a (monthly) forms were not always correctly completed and errors were found within the CT182a (monthly), CT183a (weekly), PY40 and PY7 registers even though head teachers had signed the forms to evidence supervisory checks undertaken. ▪ School meals income is not always banked promptly at the end of the school term. ▪ Discrepancies identified by the Income Section in reconciling school meals income recorded as banked on the CT182a monthly return to the financial ledger were not being followed up and resolved. ▪ No training sessions or refresher training is available for school meals clerks. <p>Opinion: An overall Reasonable Assurance audit opinion resulted from the reviews with six Medium category and three Low category recommendations being agreed with management.</p>	

**ANGLESEY COUNCIL
INTERNAL AUDIT**

**ANALYSIS OF ADDITIONAL UNPLANNED WORK PERFORMED DURING
1st APRIL 2015 TO 31st MARCH 2016**

	AREA	NATURE OF THE WORK	AUDIT DAYS
1	Bryn Trewan	The Audit Committee requested that Internal Audit look at original documentation in relation to the re-charge of sewage cost in relation to 60 properties at Bryn Trewan, Caergeiliog.	3.11
2	Grant Certification – European Social Fund	Final Certification.	4.30
3	WG Pupil Deprivation Grant 2014/15	Internal Audit was informed in September 2015 that the Pupil Deprivation Grant Authority Allocation Certificate and an Internal Audit Report had to be submitted to WG by 331 October 2015.	4.80
4	WG Welsh In Education Grant 2014/15	Internal Audit informed in August 2015 that the WEG Authority Allocation Certificate and an Internal Audit Report had to be submitted to WG by 31 October 2015.	2.70
5	WG 14 - 19 Learning Pathways Grant 2014/15	Internal Audit was informed in September 2015 that the 14-19 Learning Pathways Grant Authority Allocation Certificate and an Internal Audit Report had to be submitted to WG by 31 October 2015.	13.92
6	WG School Effectiveness Grant 2014/15	Internal Audit informed in August 2015 that the SEG Authority Allocation Certificate and an Internal Audit Report had to be submitted to WG by 31 October 2015.	9.05
	TOTAL DAYS		37.88

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SCHEDULE OF FOLLOW UP AUDITS 2015/2016

	Description	Auditor	Audit Date	Follow up Date	No. Recs	Recs Outstanding & WIP	High	Medium	Low	Original Audit Opinion	Revised Audit Opinion
1	Creditors – Follow Up	ECW	Mar 15	Feb 16	11	10 (2WIP)	0	4	6	Reasonable	Reasonable
2	ICT Disaster Recovery	EW	Jul 15	Mar 16	13	8 (3 WIP)	4	4	0	Minimal	Reasonable
3	Business Continuity Management	EW	Aug 15	Mar 16	7	5 WIP	3	2	0	Limited	Reasonable

AUDIT RECOMMENDATIONS AND THE AUDIT OPINION

1. DEFINITIONS OF ASSURANCE RATINGS

New assurance level definitions for 2015/16 are clearer and more precise and bring into play the priority of recommendations made. They are:

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

2. Definitions of Recommendation Priorities

Definitions of the priorities used for recommendation have been made to improve consistency within the audit team and help the level of understanding by the report recipient. They are:

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

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High Rated Internal Audit Recommendations Outstanding as at 31/03/2016

Report	Recommendation	Date Raised	Agreed Date of Implementing	Responsible Officer	Comments
Corporate					
System Controls - Logical Access and Segregation of Duties 1961.14/15	2.2 The Council should ensure that it maintains a record for all users that evidences that they have received access to, read, understood and agreed to abide by all key ICT policies including the ICT Security (once approved) and Acceptable Usage Policies.	08/09/2014	31/03/2015 - date changed to 30/09/2015	Legal Services Manager – changed to Corporate Information Officer	<p>SIRO & S.151 Officer Review Information was requested from other Welsh authorities with regard to existing solutions being used by other Welsh authorities. Based on responses received, initial demonstrations were given by potential providers during January 2015. A tender specification document was then prepared and a tender notice published (Sell2Wales) on 8 April 2015 - closing date for receipt of tenders 8 May 2015. Five tenders were received.</p> <p>A report requesting funding was submitted to an informal Executive meeting on 1 June. The Executive was not prepared to support the project (owing to the objections of the Section 151 Officer) and the item was removed from the formal Executive agenda for 15 June.</p> <p>As directed by the SRO, the task is to be continued up to, but excluding, the letting of the contract - meeting to take place on 18 June to finalise tender evaluation results and feedback to suppliers.</p> <p>Work in progress. Reported in Information Corporate Governance Board on 13/10/2015.</p>
System Controls - Logical Access and Segregation of Duties 1961.14/15	2.3 A procedure should be put in place that ensures new starters requiring access to the Council's network, systems and data are not granted such access until such time as ICT is provided with evidence the user has confirmed that	08/09/2014	31/03/2015 - date changed to 30/12/2015	ICT Business Transformation Manager	<p>ICT - Once policy compliance software is in place a grace period of two weeks is given to new starters to approve the policies.</p> <p>Upon the implementation of policy compliance software it is proposed that the system is set to open on all PC's when the user logs in – this will</p>

	<p>they have access to, read, understood and agreed to abide by the Council's key ICT Security and Data Security policies. Where users have been granted access but then fail to provide such evidence as required above their access should be removed until such time as evidence is provided.</p>				<p>continue every time they login until the policies have been accepted. ICT would also investigate the possibility in the longer term that Internet access is removed by default for new users and is only granted upon evidence of approval of key ICT policies.</p> <p>SIRO & S.151 Officer Review – Investigate the introduction of a log-in screen which includes declaration on having read, understood and agreed to abide by key ICT Policies to be acknowledged by all users prior to log in.</p> <p>Upon implementation of the policy compliance software new starters will be given a grace period of two weeks to approve policies and will appear on their PC's until policies have been accepted and internet usage will be removed if key policies have not been accepted. However implementation of the policy compliance software is currently under review by a corporate group that is chaired by the SIRO – please see above.</p> <p>A project lead by the SIRO/Monitoring Officer has been charged with implemented a policy management /acceptance system, this is still ongoing.</p> <p>Once a solution is in place this will provide the tool for ICT to meet this recommendation.</p>
<p>System Controls - Logical Access and Segregation of Duties 1961.14/15</p>	<p>8.3 In line with best practice and the Council's Financial Procedure Rules the following segregation of duties should be applied in the following Council systems:</p> <p>Debtors & Ledger – Cashier's access levels to the debtor system and ledger should be reviewed to ensure that appropriate segregation of duties is maintained between those receiving income and those recording income.</p>	<p>08/09/2014</p>	<p>31/12/2014 date changed to 31/12/2015</p>	<p>Head of Resources.</p>	<p>Officer Review – For the financial systems the responsibility to ensure adequate segregation of duties will be included in appropriate job descriptions following the scheduled restructuring of the Finance Service.</p> <p>Debtors / Ledger / Creditors – The implementation concerning the financial system will be part of the CIVICA relaunch.</p> <p>Payroll – Establishment and Payroll duties to be segregated within Payroll system following</p>

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	<p>Reconciliations, including debtor system, cash receipting and bank reconciliation should be reviewed by an independent employee to ensure accuracy.</p> <p>Adjustments/credit notes/write offs to debtors should be reviewed and approved by an employee who does not have responsibility for recording these transactions.</p> <p>Creditors – The Supplier amendments report should be reviewed by a supervisory level employee who does not have access to perform changes to supplier details, recording of invoices, approving invoices and authorising payments.</p> <p>Payroll/HR Establishment – functions should be restricted to officers who do not have access to process payroll or those establishment records set up by payroll must be reviewed by an independent employee to ensure integrity. The officer responsible for executing the payroll run should be independent from processing payroll to ensure to ensure integrity is maintained. Exception reports should be run and checked by a supervisory level (independent) employee back to source documents. The variance reports should be checked by a supervisory level employee (independent) to ensure accuracy. Access rights of all HR/Payroll system users should be reviewed to ensure appropriateness, in particular the officer responsible for reconciling payroll and reviewing.</p>				<p>liaison between S151 Officer and Head of Profession – HR.</p> <p>Asset Register has been completed.</p>
Third Party	Rec 3: A corporate review of all identified	07/10/2014	31/12/2014	Business	

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Assurance Report Monitoring 1736.11/12	weaknesses and recommendations / actions within Third Party Assurance reports should be undertaken regularly to identify any common themes; to ensure consistency in responses and that there is no duplication of effort in such responses.			Planning and Programme Manager	
Third Party Assurance Report Monitoring 1736.11/12	Rec 5: Recognised significant weaknesses identified in reports, whether draft or final, or via other method should be notified to the corporate centre promptly and appropriate action to redress undertaken.	07/10/2014	31/12/2014	Business Planning and Programme Manager	
Risk Management Framework 011.15/16	6.1 Heads of Service should ensure that Service Delivery Plans are submitted promptly and within deadline with all sections completed including links to the Risk Registers.	21/09/2015	31/12/2015	Business Planning and Programme Manager	02/03/2016 Corporate Planning and Performance Management Framework inclusive of budget requirement circulated to all Heads of Service outlining and informing them of how different aspects are linked. Only 4 out of 9 Services submitted draft SDP's on time. At the beginning of March, 5 remain to be submitted and this issue has been raised to the Penaethiaid.
Corporate					
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	6.2a Interest accrues from the payments of interest owing and the accrued interest on the borrowing from the Bridging Loan Scheme should be recovered under the terms and conditions stated in the facility agreement.	16/12/2015	31/12/2015	Revenues & Benefits Manager.	

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Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	6.2e Financial Information for Bridging Loan Scheme should be available to enable to Housing to financially monitor and/or conduct reconciliations on a regular basis (monitoring receipts of interest payments).	16/12/2015	31/12/2015	Revenues & Benefits Manager.	
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Medium Rated Internal Audit Recommendations Outstanding as at 31/03/2016

Report	Recommendation	Date Raised	Agreed Date of Implementing	Responsible Officer	Comments
Corporate					
Agency Staff 1940.14/15	6.6 Any new use of agency workers should be in accordance with IOACC Agency Workers Policy and alternatives to use to be discussed with HR Officers. The revised Agency Workers Policy now requires that Appendix 1 – REASON FOR HIRING AN AGENCY WORKER - should be completed by Services and returned to HR prior to any agency workers being hired.	02/07/2014	31/07/2014	Chief Executive	Heads of Service to be requested to instruct relevant employees to comply with the revised Agency Workers Policy in terms of the requirement to complete the form at Appendix A and forward it to HR prior to employing any agency, contract, self-employed and consultancy staff.
System Controls - Logical Access and Segregations of Duties 1961.14/15	3.1b The ICT Security Policy should include defined responsibilities and procedures. The departmental system administrators should be formally recorded or identified and sign off on all responsibilities defined. All departmental system administrators should familiarise themselves with the ICT Security Policy and implement the policy where necessary.	08/09/2014	31/01/2015 changed to 31/03/2015	Technical Services Manager	Case Review – designated officers responsible for ICT security for key identified electronic application and systems used for the storage of sensitive / personal data will be available following implementation of system administrator held accountable and responsible for the security of that system i.e. logical access, group and individual access rights and segregation of duties. ICT - We will amend the ICT Security policy to include this requirement and will draw the policy to the attention of assigned Service information asset owners. Once the policy compliance software is in place assigned officers will be required to review / approve key ICT policies.
Information Governance 009.15/16	1.2a The Procurement Section should ensure that Data Processing Agreements are included at the quotations/ tender stage and included as a separately executed appendix to every new relevant	21/10/2015	30/11/2015	Procurement Officer	Meeting held on 22/2/2016 to discuss personal data security safeguards in procurement. Corporate Information Officer to create an action plan detailing what should be included in the contracts and to be sent to SLT in the next

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		contract.				few weeks.
Information Governance 009.15/16		1.2b Managers should review running contracts involving a third party contractor processing personal data on behalf of the Council to determine whether a Data Processing Agreement should be imposed on the contract.	21/10/2015	30/09/2015	Corporate Information Officer	Work has commenced on this issue, however recommendations from the Information Commissioner's Office in respect of procurement of services will require a wider review of the data protection safeguards required in the procurement of services involving personal data. The review required by the ICO is time sensitive, this needs to be done before the recommendation can be completed. The target date should be amended.
Information Governance 009.15/16		1.2c SIRO should ensure that all 'Category 1' contracts operated by the Council are covered by DP Agreements in accordance with ICO recommendations.	21/10/2015	30/09/2015	Corporate Information Officer	
Information Governance 009.15/16		1.11 A written report should be presented to the SLT in evidence that all data security incidents are reviewed for cause of the breach and the effectiveness of response as per Section 8.1 of the Data Security Incident Policy - Version 2.0 (June 2015).	21/10/2015	15/11/2015	Corporate Information Officer	
Finance						
Council Tax 1987.14/15		4.2 Suppressed accounts should be reviewed by a senior officer on a regular basis and evidence of review retained on file.	13/05/2014	30/09/2015	Operations Manager	Re-iterated from 2013/14 audit report. Suppressions with "end dates" are removed automatically by the system. Those which remain open are being reviewed currently.
Ysgol Pentraeth 1960.14/15		4.2.5 - The Income Section should enquire and ensure that monies banked by the school in the Post Office (£307.70) during January 2014 have been fully and correctly accounted for in the Authority's account.	11/12/2014	31/01/2015 changed to 30/06/2015	Income Officer	A copy of the report was requested 22/6/15. Target completion date 30/6/15.

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Sundry Debtors 1982.14/15	3.1a Recovery action should be taken in line with the Council's Sundry Debtor Billing, Collection and Recovery Policy.	01/04/2015	31/12/2015	Revenues & Benefits Manager	For debt raised since April 2014 this is being undertaken. For older debts decisions do not comply with policy. Recovery is being targeted based on amount and age with the aim of reducing the age analysis biased towards older debts.
Sundry Debtors 1982.14/15	3.4 The following procedures should be introduced in order to provide additional controls over account suppressions: - The CIVICA facility to set appropriate time limits on suppressions should be used in all cases. - Reason for suppression of recovery action should be appropriately recorded within the system notes facility. - A report of all suppressions should be reviewed by a relevant officer on a regular basis in order to ensure that all reasons for suppressions are on-going. - Documentation in support of suppressions should be retained on file giving reason for suppression including the name and signature of the officer authorising the suppression.	01/04/2015	31/08/2015	Income Officer	All new suppressions have an end. Lists have been produced for all other suppressions and work upon them is continuing to either lift suppression, cancel invoices etc. Need to revise target date due to volume of work.
Treasury Management 1983.14/15	1.9 Treasury Management processes and procedures should be fully, clearly documented and dated in order to set out who can approve, documentation required and segregation of duties.	06/05/2014	31/07/2015	Capital & Treasury Management Accountant	Re-iterated from Treasury Management Report 1932 2013/14 (reference 1.8).
NNDR 1988.14/15	8.1a Debt recovery procedures should be applied consistently in accordance with the Council's agreed policies.	13/05/2014	31/07/2015	Operations Manager	Corporate policy and detailed appendices are in draft form, and these are being followed in practice. Corporate Scrutiny Committee, over next 7 - 12 months is reviewing debt collection and recovery procedures within the Council. Following this outcome, SLT Executive to

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					consider formally adopting the draft policy. Reiteration of recommendation in 2013/14 audit report (1920 13/14).
NNDR 1988.14/15	8.1b Debts not recovered after completion of the Council's debt recovery process should be forwarded to the Council's bailiffs/ enforcement officers promptly.	13/05/2014	31/07/2015 – date changed to 31/03/2016	Operations Manager	Recent referrals to Enforcement Agents have been passed on a more timely basis. A review is being undertaken to reduce the pre-enforcement stage by amalgamating two letters into one. Reiteration of recommendation in 2013/14 audit report (1920 13/14).
NNDR 1988.14/15	8.2 Suppressed accounts should be reviewed on a regular basis and evidence of review retained on file.	13/05/2014	31/07/2015	Operations Manager	The suppressions with "end dates" are automatically removed by the system. Those which are "open" will be reviewed by end July. Reiteration of recommendation in 2013/14 audit report (1920 13/14).
Bryn Trewan 1993.14/15	2 - Invoices for the current year should be issued to those identified as liable under the land registry search (APPENDIX B)	06/05/2015	31/05/2015 changed to 31/07/2015	Income Officer	Land Registry Searches have been obtained. Meeting to be arranged within Finance to agree way forward.
Housing Benefits 1997.14/15	9.1 As intended action should be taken to bring actual accuracy performance towards the target set of 99% accuracy.	14/04/2015	30/06/2015	Operations Manager	
Fleet and Driver Management 016.15/16	3.4a Responsibility for management of the LPG fuel contract should be clarified between the Building Service Engineer and the Procurement Manager.	19/01/2016	31/03/2016	Procurement Officer	
Fleet and Driver Management 016.15/16	3.4b The extension period of the current contract between the Authority and MoD Commercial for supply of LPG fuel should be confirmed.	19/01/2016	31/03/2016	Procurement Officer	Details were provided as at 22/12/2015.
Affordable Housing, Houses into Homes, Bridging Loan	2.2 A regular reconciliation of fees and income should be undertaken to the financial ledger to ensure that all income is accounted for and has been accurately	16/12/2015	31/12/2015	Capital & Treasury Management	

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Scheme 025.15/16	coded to the departmental budget where appropriate.			Accountant	
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	2.3a Reconciliation should be undertaken by Housing of all capital receipts to ensure that all income can be accounted for.	16/12/2015	31/12/2015	Capital & Treasury Management Accountant	
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	2.5a Reconciliations should be undertaken of all Houses to Homes grant claims obtained by Flintshire County Council against the financial ledger to ensure that the income received is complete and accurately accounted for and corresponds to the data held by Housing.	16/12/2015	31/12/2015	Capital & Treasury Management Accountant	
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	4.1b Reconciliations of the commuted sums should be carried out on a monthly basis to ensure that these are complete and have been accurately recorded.	16/12/2015	31/12/2015	Capital & Treasury Management Accountant	
Housing					
Homelessness 1868.14/15	<p>2.1 Key aspects of Homelessness procedures need improving to reflect the increase in focus on homeless prevention.</p> <p>Procedures need to be enhanced to:</p> <ul style="list-style-type: none"> • reflect administrative changes including the introduction of the new combined assessment form and Orchard System; • the use of the new CIVICA financial system; • include more detail e.g. administration of the Homeless Prevention Fund, protection of the belongings of homeless 	23/12/2014	30/10/2015	Principal Housing Officer	

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	persons.				
Homelessness 1868.14/15	3.1 The key duties of the post of Accommodation Officer including arranging annual inspections of premises used to provide Bed & Breakfast or emergency accommodation for homeless applicants should be formally re-allocated.	23/12/2014	30/10/2015	Principal Housing Officer	<p>As part of Licencing Conditions B&Bs are inspected by Environmental Health.</p> <p>This action was put on hold until the new Housing Options Team were appointed, commencement date 10/08/2015 – this action falls within the remit of the Solutions Officers (1 post still needs to be allocated). Officers currently in training.</p> <p>Use of B&Bs will also now be influenced by the 'suitability' criteria as referred to in the Housing Wales Act 2014, which became effective 27/04/2015.</p> <p>Procedures to be implemented with Housing Options Manager to ensure compliance include:</p> <ul style="list-style-type: none"> • formalise inspection procedure (both annual & routine inspections) • create database of all B&Bs used to include property & room description, amenities & facilities available within each of the premises.
Homelessness 1868.14/15	6.5 Management should re-introduce formal checks to verify that Bed and Breakfast accommodation paid for continues to be occupied to ensure that only valid payments are made.	23/12/2014	30/10/2015	Principal Housing Officer	<p>Involves routine checks of B+B premises.</p> <p>This aspect of management of the B+B accommodation has not been addressed due to staffing pressures within the homelessness team (as was) and the preparation for the implementation of the Housing (Wales) Act 2014.</p> <p>This action forms part of the role of the newly restructured Housing Options Team and these duties will be tasked to the Solutions Officers within the team.</p>
Homelessness 1868.14/15	6.7a Responsibility for conducting a systematic check (and taking remedial action as appropriate) of all Housing Benefit payments made to the Council's	23/12/2014	30/10/2015	Principal Housing Officer	<p>Agreed that this would be implemented by the Housing Options Team.</p>

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	holding account by reference to the weekly schedule of payments and access to the database of current B&B accommodation placements should be formally allocated. Additional columns could be added to the database to allow a record to be made of the start date of the HB claim, the amount of benefit awarded, the cost of the accommodation, and the date the Housing Benefit Section was informed as to when the client left the accommodation.				
Bryn Trewan 1993. 14/15	4 - The Service should review the current rates and decide whether rates re-charged are increased in line with expenditure each year.	06/05/2015	30/10/2015	Technical Services Manager	
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	3.1b Housing should ensure that each prioritisation form can be backed up with the priority assessment to demonstrate that a fair assessment has been undertaken and decisions validated.	16/12/2015	31/12/2015	Business Manager	
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	4.2 Housing should ensure that the agreement with Grŵp Cynefin is reviewed and renewed to ensure that the agreement reflects current procedures and these are agreed upon by both parties.	16/12/2015	31/03/2016	Business Manager	12/4/2016 Not reviewed as intended by the 31 st of March 2015/16, but will be reviewed during the first quarter of 2016/17.
Affordable Housing, Houses into Homes, Bridging Loan Scheme 025.15/16	6.1b Records for all future/new schemes should be maintained centrally to ensure that all relevant staff are able to access information to cover staff on sickness / leave.	16/12/2015	31/03/2016	Business Manager	
Affordable Housing, Houses into Homes, Bridging Loan	6.1c Financial information for each new scheme should be available to the Housing Department for financial monitoring and/or reconciliation on a	16/12/2015	31/03/2016	Business Manager	

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Scheme 025.15/16	regular basis.				
Adult Services					
Home Care Hours 1949.14/15	<p>4.1 A detailed plan of how the reduction in Service is to be undertaken to ensure that the Unit can plan to operate effectively and efficiently within the next three years should be produced.</p> <p>The review of hours should be documented and made available on request.</p>	13/08/2014	31/12/2014 changed to 01/01/2016	Business Manager	<p>Evaluation tool be identified to provide assurances in relation to the quality of service provided once in-house care services are outsourced. Implement new data capture / key performance indicators/ contract monitoring/ payment processes with providers.</p> <p>Continued monitoring re quality assurance, safeguarding and service continuity processes. The following tasks have been identified in the project plan to ensure that the unit will operate effectively and efficiently and work closely with the external providers who will be providing the currently in housed services.</p> <p>A project group has been set up and are currently meeting every 2 weeks and a detailed project plan has been put in place. There is a meeting on the 23rd of June (2015) to create an options appraisal which will include a review of all current hours provided by internal and external providers within each patch across the Island.</p>
Education					
Ysgol Henblas 1959.14/15	4.2.1 The Register of Supply Teachers should be complete and reconciled to the Authority's budget reports to ensure accuracy of the accounts.	07/10/2014	31/10/2014	Pennaeth	A record of all supply teachers used by the school is maintained but during a follow up audit (050 2015/16) it was noted that the information recorded was incomplete.
Ysgol Henblas 1959.14/15	4.5.1 The School should ensure compliance with the Authority's Fleet and Driver Policy.	07/10/2014	30/09/2014	Pennaeth	
Ysgol Pentraeth 1960.14/15	4.1.1 Looking to the future and in accordance with the Development Plan,	11/12/2014	31/01/2015	Pennaeth	

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	the school should agree a strategy to ensure the effective management, monitoring and consultation with regards to the school budget (including the reserves). The strategy should outline the frequency, level of detail and the general format of how financial information should be presented to the Governing Body.				
Ysgol Penntraeth 1960.14/15	4.2.2 The headteacher should undertake weekly, monthly and spot verification checks of the school meals income in accordance with the Education Department's directives. The head teacher should sign the monthly 182a statement to certify that the relevant checks have been undertaken and records are accurate.	11/12/2014	31/12/2014	Pennaeth	
Ysgol Penntraeth 1960.14/15	4.2.3 School meals income should be banked regularly and promptly in accordance with the Education Department's directives.	11/12/2014	01/09/2015	Pennaeth	It was noted during the follow up audit that the income is generally banked regularly but that there are occasions where there was a delay in banking and that the level of monies collected exceeded the levels recommended in the Education Department's Guidelines.
Ysgol Penntraeth 1960.14/15	4.2.4 The date of banking should be recorded against the relevant entry on the monthly CT182a statement to ensure a complete audit trail.	11/12/2014	31/12/2014	Pennaeth	
Ysgol Penntraeth 1960.14/15	4.3.1 Ordering requisitions should be completed before receiving goods. In cases of an emergency a verbal order may be raised and relevant documentation completed the next working day.	11/12/2014	01/09/2015	Pennaeth	
Ysgol Penntraeth 1960.14/15	4.6.1 The Governing Body Constitution should comply with the relevant statutory requirements.	11/12/2014	31/12/2014	Pennaeth	

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Ysgol Cemaes 028 2015/16	4.1.1 School meals income should be accurately recorded on the PY7, CT182a, CT183a and the PY40 registers in accordance with the Education Department's directives. The school meals register should be signed by the individual collecting the monies to certify the correct monies have been received and by whom.				
Ysgol Cemaes 028 2015/16	4.1.3 The school should follow the Education Department's procedures for the administration and recovery of school meals arrears and steps taken to ensure that any arrears are dealt with promptly to prevent levels of arrears becoming difficult for parents to repay.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.2.1 Ordering requisitions should be completed before receiving goods. In cases of an emergency a verbal order may be raised and relevant documentation completed the next working day.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.2.2 Before any invoice is paid all relevant boxes on the requisitions form should be completed in accordance with the specified procedures to ensure appropriate certification and a complete audit trail. In cases of an emergency a verbal order may be raised and relevant documentation completed the next working day.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.3.1 Letting of the school should be administered in accordance with the Authority's guidelines and use of the lettings form which should be completed by the hirer before renting the building.	04/01/2016	31/01/2016	Pennaeth	

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Ysgol Cemaes 028 2015/16	4.3.2 To ensure that the hirer is aware and has agreed to the Authority's terms of the letting, the hirer should return the signed agreement slip prior to the letting being agreed.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.3.4 The school should agree lettings fees which should be approved by the Governing Body.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.3.5 Lettings income should not be banked in the school fund account. Lettings should be banked using the CT202 "Girobank School Income Analysis Form".	04/01/2016	31/01/2016	Pennaeth	
Ysgol Cemaes 028 2015/16	4.4.1 The school fund accounts should be independently audited in accordance with the Guidelines for Governors and Headteachers on the Administration of School Funds and presented to the Governing Body on an annual basis.	04/01/2016	31/01/2016	Pennaeth	
Ysgol Gynradd Bodedern 029 2015/16	5.5.1 The teachers' review of pay forms should be forwarded promptly to the Contract and Pensions Team.	29/02/2016	31/03/2016	Pennaeth	
Ysgol Gynradd Bodedern 029 2015/16	5.7.1 The school should register with the Information Commissioner in accordance with the Data Protection Act 1988.	29/02/2016	31/03/2016	Pennaeth	
Ysgol Gynradd Bodedern 029 2015/16	5.8.1 A CCTV Policy should be drawn up in accordance with statutory requirements. The requirement for an annual assessment of the equipment should be included in the policy.	29/02/2016	31/03/2016	Pennaeth	
Ysgol Talwrn 029 2015/16	4.3.1 A receipt should be accurately completed, signed by the member of staff in receipt of any income and issued to the payer immediately.	15/03/2016	31/03/2016	Pennaeth	

APPENDIX G

Ysgol Talwrn 029 2015/16	4.6.1 A risk assessment should be undertaken of risks associated with responding to the security alarm each time it rings.	15/03/2016	31/03/2016	Pennaeth	
Ysgol Talwrn 029 2015/16	4.7.1 Checks on the fire alarm system should be undertaken and recorded on a weekly basis, including during the absence of the Headteacher.	15/03/2016	31/03/2016	Pennaeth	

SUMMARY OF SPECIAL INVESTIGATIONS - 1 APRIL 2015 TO 31 MARCH 2016

Job No.	Type of Incident	No. of Days	Comment / Result
1955.14/15	School – alleged financial irregularities	4.70	Recommendations made to address poor financial record keeping.
2006.14/15	Recycling Unit	0.34	It is considered that procedures to counter theft from the site are adequate and there is good CCTV coverage. Nothing further can be done regarding anonymous allegation.
005	Missing £100 Cash	4.53	The Police investigation into the incident has now been closed. Weaknesses identified by management and measures to strengthen the procedures have been immediately implemented.
010	School - Theft of Cash	7.03	Perpetrator resigned and investigation closed.
014	Depot – Theft of Diesel	5.68	Police investigation closed. No suspect identified. Recommendations made to the Highways Department re: courses of action that may reduce risk.
017	WG Referral – Disabled Student Allowance – Ineligible Payments	5.34	No recommendations have been made in relation to this referral as the LA no longer administers the DSAs.
022	Unauthorised opening of visitor attraction & cash issues	27.09	Insufficient evidence to refer to Police. Report issued outlining recommendations to strengthen internal controls.
031	Employee undertaking paid work whilst off sick	0.20	Insufficient information to warrant further investigation. E-mail address only indication of additional employment.
032	Theft of personal monies from school classroom	4.53	Police investigation closed as insufficient evidence to warrant interview of any suspects. Recommendations made and implemented to reduce risks.
035	Potential data breach – hand delivered mail	4.39	CCFO liaising with Corporate Information Officer and Reception Staff in relation to adopting some form of recording of private/confidential hand delivered mail. Following a successful trial period new procedures have been implemented.
052	Potential Timesheet Irregularities	8.51	Investigation ongoing.
TOTAL DAYS		72.34	

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Isle of Anglesey County Council – Performance Work Programme Update for Audit Committee 26 May 2016

Local government studies – update

This part of the briefing provides an update on progress on delivering the all-Wales local government studies programme and other centrally managed projects. Each study relates to local government only unless the commentary below specifically references work on national parks and/or fire and rescue authorities.

1. 2015-16 local government studies

Community safety

The national report is in the clearance stage with a planned publication date in July 2016.

The strategic approach of councils to income generation and charging

This study is being delivered under our annual ‘delivering with less’ programme and the study will involve an audit of councils’ strategic approach to charging; the approval process for setting and reviewing charging within a council; the impact of charging on services and service users; and the legislative basis for charging. Most work is complete:

- the report is at draft stage;
- there is also a summary comparing performance of all Welsh councils with counterparts in England and Scotland; and
- we are also attending the Society of Welsh Treasurers meeting in July 2016 to discuss the study findings with councils and Welsh Government.

Anglesey is not a fieldwork site.

Council funding of third sector services

Again, under the theme of delivering with less, this study will look at the level of investment in voluntary sector services to benchmark findings against an LGDU reviews conducted on behalf of the WCVA dating from 2001-02. The review will include the measures used to judge the effectiveness of funding in a tracer area, which will be agreed with the WCVA; and review decision-making processes to determine whether the principles of good governance in funding third sector services are being followed. The project should be finalised by the end of May 2016. Anglesey is not a fieldwork site.

2. 2016-17 local government studies

Consultation has closed and the following studies are included for 2016-17.

2016-17 study – improving well-being through housing adaptations

This study includes all local authorities and the major RSLs in Wales, and complements work undertaken by the Wales Audit Office health team on discharge planning. The study will review system issues such as timescales, application processes, accessibility of guidance and support, and eligibility criteria. It will focus on how adaptations are being used to prevent poor outcomes such as unnecessary spending, trips and falls, hospital admissions/delayed discharges and child poverty.

2016-17 study – strategic commissioning of learning disability services by local authorities

The study will assess how local authorities deliver strategic commissioning. The review will focus on learning disability schemes as a tracer in local authorities. Currently councils spend just under £334 million on learning disability services in Wales including commissioning.

2016-17 study – how local government manages demand for local government services

The study will focus on a specific tracer area of homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed.

3. 2018-19 local government studies

Three surveys are being developed to gauge senior council officers' views on recent changes to guidance and legislation in advance of our 2018-19 programme of work. The surveys will gather local authorities' views and will cover:

- Implementing the Social Services and Well-being Act
- Tackling domestic violence
- Are planning services delivering value for money

4. Improvement audit assessment work for 2015-16

This part of the briefing provides an update on progress on delivering the audit and assessment work at Anglesey (some studies will also include other North Wales and Welsh councils).

Governance review

This work will focus on a review of sickness absence management. Timing – March to June 2016.

Annual improvement report

Annual summary and assessment by the Auditor General and other regulators. The draft annual improvement report has been issued to the Council for comment.

5. Follow-up on national recommendations

The Wales Audit Office is following up on recommendations made in national studies reports published during 2014-15 by way of a survey to all councils in the autumn of 2015. This will enable the evaluation of progress on recommendations at each council, inform local planning for 2016-17, and give a national picture of the implementation of Wales Audit Office recommendations. A summary will be included in the Council's annual improvement report for 2016.

6. Improvement audit assessment work for 2016-17

This part of the briefing provides an update on progress on delivering the audit and assessment work at Anglesey during 2016-17 (some studies will also include other North Wales and Welsh councils).

Improvement plan audit

Audit of discharge of duty to publish an improvement plan. Timing – six weeks after the plan is published.

Annual performance report audit

Audit of discharge of duty to publish an assessment of performance. Timing – due in November 2016.

Annual improvement letter

Annual summary and assessment by the Auditor General and other regulators. Timing – by March 2017.

Local performance work

To be agreed in consultation with the Council. Timing – May 2016 to March 2017.

Thematic reviews

In the light of the reform programme set out in the draft Local Government (Wales) Bill, the proposed repeal of the Local Government (Wales) Measure 2009; and the new duty on councils to adopt the sustainable development principle from April 2016, the Auditor General recently reviewed how the local performance audit work is delivered at councils. This has resulted in minimising work that focuses on the process of improvement planning in favour of work that focuses on councils' capacity and capability to effect change whilst maintaining good governance. Three thematic reviews are agreed.

Financial resilience review

Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focused on maintaining resilience over the medium to long term. Timing – June to December 2016.

Governance review

With the introduction of CIPFA's revised framework for **Delivering good governance in local government**, and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance. Timing – September to December 2016, reporting January 2017.

Transformational review

This baseline review will examine how councils are approaching 'transformational change'; in particular, how key corporate enabler functions work in an integrated way to support change programmes. Timing – December 2016 to February 2017, reporting March 2017.

7. National value-for money studies

A separate table has been produced which identifies the national studies the Wales Audit Office has produced or is planning through the 2015-16 and 2016-17 period.

WAO Regulatory Work Activity - VFM Studies update

Study	Output	Completion	Status	Comments/relevance to LG
WG investment in next generation broadband infrastructure	Report	May 2015	Published	Views invited from Councils and half responded. Third party clearance is including extracts relating to some named councils.
Governance in NHS Wales	Memorandum for PAC	May 2015	Published	
GP prescribing	Memorandum for PAC	May 2015	Published	
Regional Education Consortia	Report	June 2015	Published	Fieldwork included interviews with consortia officers and leaders and representatives of other councils including Chief Execs, Members, Audit Chairs and monitoring officers. The report contained recommendations for the Welsh Government and the individual regional consortia. Evidence collected in the course of the study will also be made available to inform annual improvement reports in local government.
Orthopaedic services	Report	June 2015	Published	
Regeneration Investment Fund for Wales	Report	July 2015	Published	Reactive investigation in response to concerns raised with the AGW. PAC inquiry on-going.

Study	Output	Completion	Status	Comments/relevance to LG
Financial Management and Governance in Community and Town Councils 2013-14	Report	September 2015	Published 16 Sept 2015	This report considers the progress made by local councils to address these weaknesses and highlights areas the Auditor General will focus on for the audit of the 2015-16 accounts
Picture of Public Services	Report	December 2015	Published 17 December 2015	Public Service Leaders Survey: Summary Report published 28 Jan 2016.
WG acquisition and ownership of Cardiff Airport	Report	Jan 2016	Published 27 Jan 2016	Views invited from Cardiff, Vale of Glamorgan and WLGA as part of the fieldwork.
Development of Natural Resources Wales	Report		Published 4 Feb 2016	The study team will draw on stakeholder views expressed as part of a recent consultation by the National Assembly's Environment and Sustainability Committee.
Operating theatres	Report	Feb 2016	Clearance	
NHS waiting lists and private practice	Report		Published 11 Feb 2016	
Wales Life Sciences Investment Fund	Report	March 2016	Clearance	Reactive examination in response to concerns raised with the AGW.
Welsh Government responses to audit recommendations	Memorandum for PAC	Spring 2016	Drafting	The output from this work is now likely to take the form of a memorandum for PAC to support PAC's own legacy reporting in March 2016.

Study	Output	Completion	Status	Comments/relevance to LG
Rail services	Report	Spring 2016	Drafting	
Coastal flood and erosion risk management	Report	Spring 2016	Drafting	Has included some evidence gathering across LG, including a survey of coastal authorities and some follow up enquiries with a selection of councils. (Pembrokeshire; Monmouthshire; Swansea; Gwynedd; Ceredigion; Newport).
Governance of the National Library of Wales	Report	Spring 2016	Fieldwork	Reactive examination in response to concerns raised with the AGW.
Welsh Government oversight of further education institutions' finances and delivery	Report	Autumn 2016	Fieldwork	New value for money study.
Public procurement (including development of the National Procurement Service)	Report	Winter 2016	Scoping stage	Likely to include some evidence gathering across LG. Details are to be confirmed.

Study	Output	Completion	Status	Comments/relevance to LG
Early intervention and public behaviour change	Report	Spring/Summer 2017	Fieldwork	Our programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. We anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017. This work will invite input and participation from across Welsh public services.
WG interventions in local government	To be confirmed	To be confirmed	Scoping	Plans for this work are being revisited in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

2016 Audit Plan

Isle of Anglesey County Council

Audit year: 2015-16

Issued: May 2016

Document reference: 337A2016

Status of document

This document has been prepared for the internal use of Isle of Anglesey County Council as part of work to be performed in accordance with statutory functions.

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This document was produced by Deloitte LLP and the Wales Audit Office.

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2016 Audit Plan

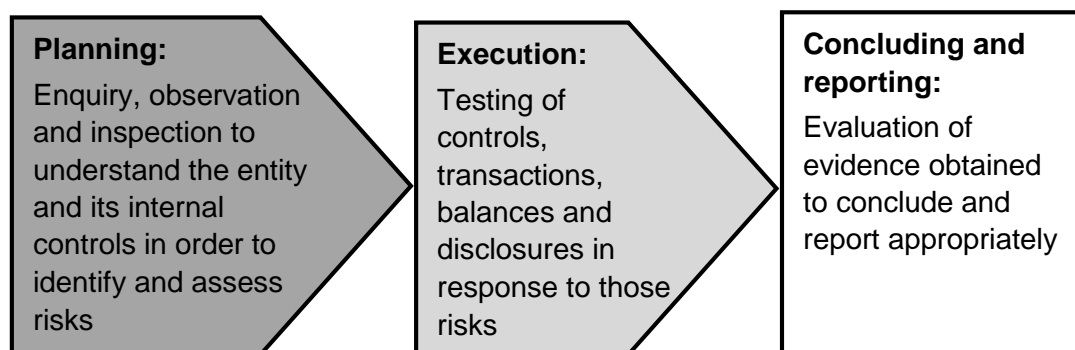
Summary

1. As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’;
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
2. The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
3. There have been no limitations imposed on me in planning the scope of this audit.
4. My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Financial audit

5. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their ‘truth and fairness’.
6. I also consider whether or not the Isle of Anglesey County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
7. [Appendix 1](#) sets out my responsibilities in full.
8. The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: My audit approach



9. The risks of material misstatement which I consider to be significant in relation to the Council audit and which therefore require special audit consideration, are set out in [Exhibit 2](#) along with the work I intend to undertake to address them.

Exhibit 2: Financial audit risks

Financial audit risk	Proposed audit response
<p>Management override of controls</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • test the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of interest; • perform the design and implementation testing of controls over journal entries to the financial ledger; • test the appropriateness of accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business including those with related parties.

Financial audit risk	Proposed audit response
<p>Completeness and recognition of grant income</p> <p>We have identified completeness and recognition of grant income as a significant risk as there is a need to apply management judgement on recognition of grant income, including determining whether a grant has conditions and whether they have been met to allow recognition.</p> <p>There are two types of grant income which we have considered to be relevant to this risk, these being, specific revenue grants and capital grants and contributions.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • carry out detailed testing of grant income as the specific income risk to the financial statements to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled; • review and validate correspondence attached to specific grants and compare to the Council's accounting treatment; and • test the design and implementation of controls around recognition of grant income.
<p>Pension liability</p> <p>The Council currently holds a material net liability in respect of its pension obligations on the balance sheet, the calculation of which is based on a series of actuarial judgements.</p> <p>We identified errors in the census data underlying the net pension liability figure in the Council's accounts in 2012-13, 2013-14 and 2014-15 where the Council did not provide the Gwynedd Pension Fund with sufficient information regarding employee movements and role changes on a timely basis.</p> <p>There is a risk that membership data provided to the actuary for use in the preparation of the annual disclosures under International Accounting Standard 19 (Employee Benefits), is not sufficiently robust. However, we note that no issue was reported with regards to the overall liability disclosed in the statement of accounts.</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • obtain the IAS19 valuation as at 31 March 2016, and will engage experts to assist with our review and testing of the appropriateness of the IAS19 valuation bases, assumptions and financial statement disclosures; and • understand and corroborate the exercise undertaken by Council staff to review the accuracy of the data provided to the actuary and consider whether we can obtain assurance over its accuracy and completeness.
<p>Housing Revenue Account Subsidy (HRAS) buy out</p> <p>The HRAS system was originally established to enable the UK Government to determine the amounts needed by local housing authorities for their housing properties and to identify whether they required subsidy support from central government.</p> <p>The annual subsidy is driven by a formula and if spending was greater than assumed income, the UK Government paid subsidy to make up the deficit. If spending was less, the local housing authority paid the surplus to the UK</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> • review the enabling legislation passed by the Welsh Government; • obtain proof of consideration and approval of the buyout by the Council and the Executive; • obtain the signed HRAS voluntary agreement between the Council and the Welsh Government; • obtain the signed PWLB loan agreement; and

Financial audit risk	Proposed audit response
<p>Government, known as negative subsidy. Over time, the formula has resulted in all 11 local housing authorities in Wales paying negative subsidy.</p> <p>A financial agreement was reached, between the Welsh Ministers and Her Majesty's Treasury in June 2013, which enabled local housing authorities in Wales to exit the HRAS. As part of the agreement, the 11 local housing authorities were required to buy themselves out of the subsidy system.</p> <p>The Council borrowed circa £21.2 million from the Public Works Loan Board (PWLB) on 2 April 2015 with a loan maturity of 30 years, which was used to pay off the government and eliminate the negative subsidies. The Council had to produce a 30-year plan before the buy-out and this is required to be updated every year.</p>	<ul style="list-style-type: none"> test the appropriateness of all related accounting entries to ensure they are in accordance with the CIPFA code of practice on local authority accounting and that the related disclosures in the statement of accounts are correct.

10. I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
11. For reporting purposes, we have determined an anticipated materiality of £3.2 million, based on forecast net expenditure of £204.9 million (as per the third quarter Finance and Capital Monitoring Report). The materiality will be updated at the year-end in accordance with the year-end out-turn of gross expenditure, and we will update management and the Audit Committee of any changes. I will treat any misstatements below a 'trivial' level (the lower of five per cent of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them. My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

-
12. In addition to my responsibilities in respect of the audit of the Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about the Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

13. I have been requested to undertake certification work on the Council's grant claims and returns. My audit fee for this work is set out in [Exhibit 5](#).

Performance audit

14. The components of my performance audit work are shown in [Exhibit 3](#) and have been designed in order to help deliver the high-level objectives set out in our [2013-2016 corporate strategy](#).

Exhibit 3: Components of my performance audit work



-
- 15.** Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies will be required to adopt the principle of sustainable development from April 2016, and the draft Local Government (Wales) Bill proposes fewer councils and a renewed performance framework. The Minister for Public Services has publicly stated that he would like to see a refreshed audit regime in advance of the legislative timetable with a view to supporting change. In January this year the minister advised me of a substantial reduction in the grant that subsidises my local government performance audit work under the Measure.
 - 16.** I have taken into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).
 - 17.** Whilst the Local Government (Wales) Measure 2009 continues to apply to councils in 2016-17, I will still need to satisfy audit requirements under section 17. I will do this through a basic audit check of local authority publications and will provide a certificate of compliance.
 - 18.** However, as the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, the challenge for me in these uncertain times is to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. Therefore, I intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.
 - 19.** In terms of my section 18 assessment requirements, I will discharge this by undertaking three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish national summary reports, funded by the WPI grant that will provide all-Wales overviews and signpost good practice and shared learning. As well as responding to the fast-changing environment for local government, my choice of thematic reviews has been influenced by responses to my local government studies consultation. In brief, the three thematic reviews that I have decided upon are as follows, and I will provide councils with a detailed project brief in due course.

Exhibit 4: Performance audit themed reviews

Theme	
Financial resilience review	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focused on maintaining resilience over the medium to long term.
Governance review	With the introduction of CIPFA's revised framework for Delivering good governance in local government , and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.
Transformation review	This baseline review will examine how councils are approaching 'transformational change'; in particular, how key corporate enabler functions work in an integrated way to support change programmes.

20. I intend to leave some headroom within the fee structure for agreeing local risk-based work following discussion with each council. As each of the thematic reviews will result in a local report, annual reporting will be by means of an annual letter providing summary highlights and linking to local reports.
21. In March 2016 I will be engaging in a consultation with public service bodies on how I can best discharge my various duties whilst striking the most appropriate balance and adding value by:
 - providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
22. The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Fee, audit team and timetable

Fee

23. The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2016 and my audit teams will continue to look for efficiencies in their audits whilst maintaining audit quality and welcome working with you constructively on this.
24. Your estimated fee for 2016 is set out in [Exhibit 5](#). This figure represents no change compared to the fee set out in the 2015 annual audit plan.

Exhibit 5: Audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Financial audit work¹	£193,000	£193,000
Performance audit work:²		
• Improvement audit and assessment work and follow-up	£101,472	£113,715
Total fee	£294,472	£306,715
Grant certification work³	£135,000	£135,000

Notes:

¹ Payable November 2015 to October 2016.

² Payable April 2016 to March 2017.

³ Payable as work is undertaken and subject to the level of testing required.

25. Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
26. Further information on my [fee scales and fee setting](#) can be found on the Wales Audit Office website.

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

Audit team

27. The main members of my team, together with their contact details, are summarised in [Exhibit 6](#).

Exhibit 6: My team

Name	Role	Contact number	E-mail address
Ian Howse	Engagement Lead – Financial Audit	029 2026 4319	ihowse@deloitte.co.uk
Clare Edge	Financial Audit Manager	029 2026 4341	cedge@deloitte.co.uk
Derwyn Owen	Engagement Director	029 2032 0651	derwyn.owen@audit.wales
Jane Holownia	Engagement Lead – Performance Audit	029 2032 0565	jane.holownia@audit.wales
Andy Bruce	Performance Audit Manager	079 1916 4779	andy.bruce@audit.wales
Gwilym Bury	Performance Audit Lead	078 1356 4432	gwilym.bury@audit.wales

28. I can confirm that my team members are all independent of the Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

29. I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

Exhibit 7: Timetable

Planned output	Work undertaken	Report finalised
2016 Audit Plan	March – April 2016	May 2016
Financial accounts work: <ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements 	June – Sept 2016	Sept 2016
Performance work: <ul style="list-style-type: none"> Improvement Plan audit Annual Performance Report audit Local performance work Themed studies: <ul style="list-style-type: none"> Financial Resilience Review Governance Review Transformation Review Annual Improvement Letter 	<p>On publication of the plan</p> <p>Nov 2016</p> <p>May 2016 to March 2017</p> <p>June to Dec 2016 Sept to Dec 2016 Dec 2016 to Feb 2017</p> <p>Summary of work undertaken</p>	<p>Six weeks after publication</p> <p>Six weeks after publication</p> <p>On completion of the projects in consultation with the Council</p> <p>March 2017 March 2017 March 2017</p> <p>March 2017</p>
2017 Audit Plan	Oct – Dec 2017	March 2017

Future developments to my audit work

30. The Well-being of Future Generations (Wales) Act 2015 (the Act) requires me to have undertaken an examination in each of the public bodies specified within the Act and to have provided a report to the National Assembly, by 2020.
31. As referred to in [paragraph 21](#), I will be consulting on my proposed response to the Act in spring 2016. This consultation will feature a commitment to engage and work collaboratively with public bodies in developing an audit approach which is rigorous, meaningful and proportionate. I propose using 2016-17 as a transition year during which my teams work with a limited number of public bodies to develop and test my approach.
32. As we confirm our audit approaches and respond to continuing consultation from the Welsh Government, we will be talking to audited bodies about the implications for their fees from 2017-18 onwards and will be exploring alternative funding models with the next National Assembly's Finance Committee.

Appendix 1

Respective responsibilities

Financial audit

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- Their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- The consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.

I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;
- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within the Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. The Auditor General must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
The strategic approach of councils to income generation and charging for services	Fieldwork completed	National report to be published summer 2016
The effectiveness of local community partnerships	Fieldwork completed and national report being drafted	National report to be published summer 2016
Council funding of third sector services	Fieldwork started but not completed on all sites	National report to be published summer 2016
Local review on absence management	Draft report issued to Council during spring 2016	Local report to be published spring 2016

Appendix 3

National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are funded by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

The table below covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Topic	Anticipated publication timeframe
Welsh Government acquisition and ownership of Cardiff Airport	Late January 2016
The development of Natural Resources Wales	Early February 2016
Operating theatres	February 2016
Impact of private practice on NHS provision	February 2016
Wales Life Sciences Investment Fund	March 2016
Welsh Government responses to audit recommendations (memorandum for the Public Accounts Committee)	Spring 2016
Coastal flood and erosion risk management	Spring 2016
Rail services	Spring 2016
Governance of the National Library of Wales	Spring 2016
Welsh Government oversight of further education institutions' finances and delivery	Autumn 2016
Public procurement (including development of the National Procurement Service)	Winter 2016

Topic	Anticipated publication timeframe
Early intervention and behaviour change	Spring/summer 2017 ²
Welsh Government interventions in local government	TBC ³

I have been considering over recent months the inclusion in my programme of a number of new studies on:

- The NHS Wales Informatics Service
- Capital investment in schools (21st Century schools programme) and school places
- Further education finances
- Waste management
- The Supporting People programme
- Access to public services for people whose first language may not be English or Welsh and those who may be disadvantaged without access to specialist interpretation services

With the exception of the further education study, referred to in the table above, firm plans for these new studies are yet to be confirmed, although initial scoping work is underway.

² My programme of good practice work includes a project that will aim to explore the range of behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. The project will include a range of engagement events and the development of a community of practice to share learning and experience. I anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and it would not be prepared until the first half of 2017.

³ Plans for this work have been under review in light of the Welsh Government commissioned review of the Anglesey intervention by the Public Policy Institute for Wales, and also to consider the implications for the work of plans for local government reform.

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Certification of Grants and Returns 2013/14 and 2014/15

Isle of Anglesey County Council

Audit year: 2013/14 and 2014/15

Issued: March 2016

Document reference: C16115

Status of report

This document has been prepared for the internal use of Isle of Anglesey County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Auditor General, staff and contractors of the Wales Audit Office in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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This document was produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Appointed Auditor

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Summary

1. Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
2. We undertook our work in both 2013/14 and 2014/15 with the aim of certifying individual claims and to answer the question: 'Does Isle of Anglesey County Council (the Authority) have adequate arrangements in place to ensure the production of co-ordinated, accurate, timely and properly documented grant claims?'
3. We have completed the audit and conclude that while the Authority had generally adequate arrangements in place for the production and submission of both its 2013/14 and 2014/15 grant claims, there is scope for improvement. Our conclusion is based on the following overall findings:
 - the Authority worked closely with us to ensure that an accurate and up-to-date schedule of grants was in place for both financial years; and
 - there is scope to further improve the Authority's arrangements for production of its grant claims.
4. The Authority submitted 86 per cent of its claims to us on time in 2013/14 and 67 per cent in 2014/15. We confirm that we have certified all except for one claim, at a total audit cost of £136,647 (2013/14) and £90,132 (2014/15). Overall, the audits resulted in reduction in the grants and returns claimed of £28,398.53 by the Authority in respect of 2013/14 and a reduction of £1,918.76 in respect of 2014/15.
5. It is noted that the audit work on the Housing Benefit Subsidy claim for 2014/15 remains incomplete. We are working closely with the key contacts to complete the outstanding work as soon as possible.

Headlines

Introduction and background

This report summarises the results of work on the certification of the Authority's 2013/14 and 2014/15 grant claims and returns

- As appointed auditors of the Authority, we are asked on behalf of the Auditor General, to certify grant claims made by the Authority.
- For 2013-14, we certified 22 grants and returns with a total value of £51,449,248
- For 2014-15, we certified 15 grants and returns with a total value of £62,050,367.
- The Authority has assigned the responsibility for grants to a key officer within the Finance department (Jenny Whiston) who worked closely with us to ensure that an accurate and up to date schedule of grants and returns was in place for both years.
- A joint working protocol was put in place prior to the start of the work.
- We have produced this report so that we can provide feedback to those officers having responsibility for grant management to facilitate the identification of further improvements to the processes in place at the Authority.

Pages 7 - 11

Timely receipt of claims

- For 2013-14, our analysis shows that 86 per cent of grants received during the year were received by the Authority's deadline. The remaining 14 per cent (3 claims) submitted late for audit had minimal delays (up to one month) in submission.
- For 2014-15, our analysis shows that 67 per cent of grants received during the year were received by the Authority's deadline. The remaining 33 per cent (5 claims) submitted late for audit had minimal delays (up to one month) in submission.
- The grant co-ordinator should ensure that all grant claims are submitted by the deadlines and, importantly, that replies to audit queries are typically provided within no more than two working days. We acknowledge that audit queries that relate to third parties' expenditure are likely to take longer to address. But it is imperative that queries are answered in a timely manner in order for the auditor certification deadline to be met.

Pages 8 - 9

Certification results	<ul style="list-style-type: none"> • For 2013-14, we issued unqualified certificates for seven grants and returns and a further seven were amended with no qualification. Four required a qualification to our audit certificate and qualification, with amendment, was necessary in four cases • For 2014-15, we issued unqualified certificates for 11 grants and returns and a further three were qualified with amendment. Audit certification work remains on-going for the Housing Benefit Subsidy grant claim. • We have made four recommendations for the Authority to further improve performance in managing grant schemes and the associated claims. 	Pages 8 - 14
Audit adjustments	<ul style="list-style-type: none"> • For 2013-14, adjustments were necessary to 11 of the Authority's grants and returns as a result of our audit certification work. There was one significant adjustments (ie, over £10,000) required relating to the HRAS return which was a reduction of £36,811. The net adjustment (below 10,000) for seven of the grants was an increase of £8,413 in funds payable to the Authority. For three of the grants amended, the amendment required had no impact on the funds payable to the Authority. • For 2014-15, adjustments were necessary to four of the Authority's grants and returns as a result of our audit certification work. There were no significant adjustments (i.e. over £10,000) required. The net adjustment (below £10,000) of the three grants was a decrease of £1,918 in funds payable to the Authority. 	Pages 8 -14
The Authority's arrangements	<ul style="list-style-type: none"> • The Authority has adequate arrangements for preparing its grants and returns and supporting our certification work but some improvements are required in some areas • Extra procedures should be put in place to ensure that individual grant scheme rules, completion requirements and submission deadlines are always adhered to throughout the Authority. 	Pages 12 - 14
Fees	<ul style="list-style-type: none"> • Our overall fee for certification of grants and returns for 2013-14 was £136,647. This is a reduction on our 2012-13 fee and reflects a reduction in grants relating to the Communities First programme following the closure of the old schemes. Our overall fee has continued to reduce in 2014-15 with fees invoiced to date of £90,132. A further invoice will be raised following completion of our work on the Housing Benefit Subsidy. 	Pages 15 - 17

Summary of certification work outcomes

6. Detailed on the following pages is a summary of the key outcomes from our certification work on the Authority's 2013/14 and 2014/15 grants and returns, showing where either audit amendments were made as a result of our work or where we qualified our audit certificate.
7. A qualification means that issues were identified concerning the Authority's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Authority to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2013-14

Overall, we certified 22 grants and returns:

- 7 were unqualified with no amendment
- 7 were unqualified but required some amendment to the final figures
- 4 required a qualification to our audit certificate
- 4 were qualified and required some amendment to the final figures

Key information for 2014-15

Overall, we will certify a total of 15 grants and returns:

- 11 were unqualified with no amendment
- 3 were qualified and required some amendment to the final figures
- Audit certification work remains on-going for 1 grant received for audit

Grants and returns: 2013/14

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Communities First	30/09/14	28/07/14	No			£0	
2	Housing Benefit Subsidy	30/04/14	30/04/14	No			£8,050	
3	National Non Domestic Rates	30/05/14	27/05/14	No			£0	
4	Teachers' Pension Return	30/06/14	16/07/14	Yes			£5,802	
5	School Effectiveness Grant	30/09/14	23/09/14	No				
6	Transitional SBIG	30/09/14	21/07/14	No				
7	Welsh in Education	30/09/14	27/07/14	No				
8	Flying Start - Revenue	30/09/14	22/09/14	No			£1	
9	Flying Start – Capital	30/09/14	21/07/14	No				
10	Families First	30/09/14	29/09/14	No			(£1,158)	
11	SRA – Empty Homes Renovation Grant for First Time Buyers	30/09/14	22/09/14	No				
12	SRA – Property & Environment Grant	30/09/14	22/09/14	No			(£3,600)	

13	Free Concessionary Travel	30/09/14	02/09/14	No			(£683)	
14	Maes Awyr Mon – Anglesey Airport	31/10/14	30/07/14	No				
15	Sustainable Waste Management	30/09/14	21/08/14	No				
16	HRA Subsidy	30/09/14	21/08/14	No		(£36,811)		
17	Learning Pathways	30/09/14	26/09/14	No			£1	
18	Social Care Workforce Development Programme	26/09/14	07/10/14	Yes			£0	
19	Structural Funds – The Development of Anglesey’s Coastal Environment	14/10/14	20/10/14	Yes				
20	Structural Funds – NW Wales Local Investment Fund	21/01/15	21/01/15	No				
21	Structural Funds – Strategic Infrastructure on Anglesey Sites & Premises	21/01/15	21/01/15	No				
22	Coast Protection	30/01/15	28/01/15	No				
Total						(£36,811)	£8,413	

Grants and returns: 2014/15

Ref – Para 8	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
23	Housing Benefit Subsidy	30/04/15	30/04/15	No	Audit work on-going			
24	Housing Revenue Subsidy	30/09/15	30/09/15	No				
25	National Non Domestic Rates	29/05/15	14/05/15	No				
26	Teacher's Pension Return	29/05/15	29/05/15	No			(£1)	
27	Communities First	31/07/15	31/07/15	No				
28	Flying Start – Revenue	30/09/15	01/10/15	Yes				
29	Flying Start – Capital	30/09/15	19/06/15	No				
30	Families First	30/09/15	03/09/15	No				
31	Sustainable Waste Management	30/09/15	17/08/15	No				
32	Local Transport Fund	30/09/15	24/09/15	No			£0	
33	Free Concessionary Travel	30/09/15	29/09/15	No				
34	Social Care Workforce Development Programme	25/09/15	09/11/15	Yes				

35	Structural Funds – The Development of Anglesey's Coastal Environment	14/07/15	20/07/15	Yes			(£80)	
36	Structural Funds – NW Wales Local Investment Fund	14/07/15	20/07/15	Yes			(£1,837)	
37	Structural Funds – Strategic Infrastructure on Anglesey Sites & Premises	14/07/15	20/07/15	Yes				
Total						£0	(£1,918)	

8. This table summarises the key issues behind each of the adjustments or qualifications that were identified on pages 8 to 11.

Ref	Summary observations	Amendment
1	<p>Communities First</p> <ul style="list-style-type: none"> Amendments were required relating to correcting the virements column within the claim form to reflect the amounts approved by Welsh Government; and to remove expenditure of £22.11 to cap the total amount spent to equal the total grant awarded. The amendments had no impact on the total amount claimed. (Recommendation 3) 	£0
2	<p>Housing Benefit Subsidy</p> <ul style="list-style-type: none"> A number of amendments were identified during the course of our certification of this claim. We have identified these in detail in the letter accompanying the certified claim. 	£8,050
3	<p>National Non Domestic Rates</p> <ul style="list-style-type: none"> The claim form was amended as it had not been completed correctly for the exclusion of deferred payments from the entry in line 1. The deferred payments should have been included in line 2. (Recommendation 1) A qualification point was raised regarding the incorrect relief type awarded to organisations. The Authority had incorrectly awarded an exemption within line 11 to one industrial hereditament premises, with an amount of £2,157.60; which had been unoccupied for a continuous period exceeding 6 months. The Authority identified three further industrial hereditament properties which had been unoccupied for a period exceeding six months, however, these were correctly awarded an exemption as the rateable value for these properties was below the £2,600 threshold. (Recommendation 2) 	£0

Ref	Summary observations	Amendment
4	<p>Teacher's Pension Return</p> <ul style="list-style-type: none"> Amendments were required to the claim form to include the contributory salary, employer and teachers' contributions for one individual. These amounts related to employment in previous financial years which had not been previously claimed due to the late submission of supporting timesheets (Recommendation 2) Amendments were also required to the analysis of employers' and teachers' contributions in section 3 of the form to align with payroll records. The amendments had no impact on the contributions paid balance. One area of qualification raised related to contributory salary. The figure included on the form had been calculated by grossing up the employer contributions amount as the payroll system used by the Authority is not capable of providing a contributory salary report to support the claim form. We raised a qualification point relating to payments on account. The cash figure paid to Teachers' Pensions per the Authority's records is £5,042,660 compared with £5,036,858 per the EOYCb form. This is because £5,802.08 in respect of the contributions relating to first amendment noted above was paid to Teachers Pension by cheque in May 2013 and then paid again within the monthly CHAPS payment in error (Recommendation 2) 	£5,802
5	<p>School Effectiveness Grant (SEG)</p> <ul style="list-style-type: none"> We raised a qualification point relating to the inclusion of ineligible expenditure. Our testing of prime documents identified an item of expenditure that was not eligible. The invoice value of £3,012.35 had been incorrectly coded against a line of SEG grant expenditure by the school that was party to the transaction. Subsequently, the school identified additional eligible expenditure equal to the value above, which had not initially been included in the statement of expenditure and that is in accordance with the primary spend plan. (Recommendation 2) 	£0
8	<p>Flying Start - Revenue</p> <ul style="list-style-type: none"> Minor amendments were required to the claim form relating to the total approved allocation (to agree with correspondence from the Welsh Government) and to the total actual eligible expenditure (to agree to the general ledger). (Recommendation 3) 	£0.78

Ref	Summary observations	Amendment
10	<p>Families First</p> <ul style="list-style-type: none"> Three amendments were required to the claim form. First, reducing the total grant received amount in line 4 by 2 pence to £830,621.79 to reflect the amounts recorded on the remittances received; second, removing expenditure of £1,157.93 which related to the 2012/13 claim period and, therefore, ineligible for 2013/14; and third, correcting the allocation of the total approved amount between the different projects included within the programme which had no impact on the total amount claimed (Recommendation 1 & 2) 	(£1,157.93)
12	<p>SRA – Property & Environment Grant</p> <ul style="list-style-type: none"> An amendment was required to the form to remove an item of expenditure with a value of £3,600 which was included in the claim form having already being claimed in the 2012/13 return. (Recommendation 1 & 2) 	(£3,600)
13	<p>Free Concessionary Travel</p> <ul style="list-style-type: none"> Amendments were required which related to operator costs and payments on accounts to agree to the quarterly claims and remittance advices respectively (Recommendation 1) 	(£683.11)
16	<p>Housing Revenue Subsidy</p> <ul style="list-style-type: none"> A number of amendments were identified during the course of our certification of this claim. We have identified these in detail in the letter accompanying the certified claim. 	(£36,811)
17	<p>Learning Pathways</p> <ul style="list-style-type: none"> Amendments were required to the claim in respect of correcting the amounts in the actual eligible expenditure incurred and actual amounts received columns, columns B and D respectively, to reflect the amounts recorded in the general ledger. The amounts recorded in the approved grant allocation column (column A) were also amended to reflect virements between projects, all of which were below the 15% or £15,000 thresholds which require approval per the terms and conditions. The grant entitlement column was amended to reflect the lower of the columns A and B.(Recommendation 2) A qualification point was noted regarding service level agreements for partner organisations. Whilst it was confirmed that signed agreements were in place, it was noted that, for one partner, expenditure had been incurred before the agreement had been signed by all parties. (Recommendation 2) 	£0.65

Ref	Summary observations	Amendment
18	<p>Social Care Workforce Development Programme</p> <ul style="list-style-type: none"> Amendments were required to the correct section 6 of the claim form to achieve internal consistency and had no impact on the total amount claimed. (Recommendation 1) A qualification point was noted regarding activity outside of the claim period. Our testing identified three items of expenditure with a value of £765 which relate to the 2012/13 claim period. These transactions relate to childcare and management costs recorded in April and May 2014. We tested the remaining four childcare and management transactions in April and May 2014 which had a value £576.84 and identified that all four transactions in our extended sample also related to the 2012/13 claim period. In addition, further ineligible expenditure was identified during our testing of prime documents where an over claim of £4.50 was made relating to a travel expense for mileage. This ineligible expenditure did not impact the grant entitlement because the total expenditure incurred by the Authority on the above programme during the claim period was £307,807.49, representing an overspend of £4,534.49 compared with the approved grant expenditure of £303,363.(Recommendation 2) 	£0
19	<p>Structural Funds – The Development of Anglesey’s Coastal Environment</p> <ul style="list-style-type: none"> A qualification point was included in the Accountant’s Report making reference to the late submission of the certified claim. (Recommendation 4) 	£0
20	<p>Structural Funds – North West Wales Local Investment Fund</p> <ul style="list-style-type: none"> A qualification point was included in the Accountant’s Report making reference to the late submission of the certified claim. (Recommendation 4) 	£0
21	<p>Structural Funds – Strategic Infrastructure on Anglesey Sites and Premises</p> <ul style="list-style-type: none"> A qualification point was included in the Accountant’s Report making reference to the late submission of the certified claim. (Recommendation 4) 	£0
	Total effect of amendments to the Authority 2013/14	(£28,398.53)

Ref	Summary observations	Amendment
26	<p>Teacher's Pension Return</p> <ul style="list-style-type: none"> As in 2013/14, one area of qualification has been raised in relation to contributory salary. The figure included on the form had been calculated by grossing up the employer contributions amount as the payroll system used by the Authority is not capable of providing a contributory salary report to support the claim form. A further qualification point was raised relating to contributions deducted using 2013/14 rates. From testing of refunds, we noted that included within the amounts reported in the EOYCb were contributions deducted in April 2014 in respect of one employee that were calculated using the 2013-14 contribution rates. These comprised the following amounts that have been calculated from the monthly pensionable pay of £739.96. These entries do not relate to refunds and so the claim form has been amended to include the employer's contributions within cell 2.a.iv and the teacher's contributions within cell .a.iii. The Authority was unable to determine why the 2013-14 teacher's contribution rates had been applied to contributory salary paid in the 2014/15 year. As a result of this matter (coupled with a separate error of 61p that was corrected by the Authority), the value of refunds stated on the EOYCb has been amended from £2,347.86 per the original form to £2,503.38 in the amended form. (Recommendation 2) 	£0.61
32	<p>Local Transport Fund</p> <ul style="list-style-type: none"> An amendment was required to the form as the Authority had not completed the entries on the claim form in accordance with the instructions provided. The entries should have been stated as £'000 and not £. (Recommendation 1) 	£0
35	<p>Structural Funds – The Development of Anglesey's Coastal Environment</p> <ul style="list-style-type: none"> A qualification point, and proposed amendment, was included relating to the incorrect charge applied for in house purchases made. (Recommendation 2) 	(£80)
36	<p>Structural Funds – North West Wales Local Investment Fund</p> <ul style="list-style-type: none"> Qualification points, and proposed amendments, were included relating to inappropriate supporting documentation for handset and call charges for one officer (£315.82) and the inclusion of a redundancy payment processed outside of the claim period (£1,653.18) (Recommendation 2) 	(£1,838.15)
	Total effect of amendments to the Authority 2014/15	(£1,918.76)

Recommendations

9. We have given each recommendation a risk rating and agreed what action management will need to take.

Priority 1

Issues that are fundamental and material to your overall arrangements for managing grants and returns or compliance with scheme requirements. We believe that these issues might mean that you do not meet a grant scheme requirement or reduce (mitigate) a risk.

Priority 2

Issues that have an important effect on your arrangements for managing grants and returns or complying with scheme requirements, but do not need immediate action. You may still meet scheme requirements in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Priority 3

Issues that would, if corrected, improve your arrangements for managing grants and returns or compliance with scheme requirements in general, but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Claim not prepared correctly Eg:</p> <ul style="list-style-type: none"> • Compliance with notes for completion • Apportionment rates used 	<ul style="list-style-type: none"> • Claims may be qualified • Grant may be reclaimed by the Welsh Government • If qualified any over claim will need to be recovered by the Welsh Government • The Authority may not have claimed its full entitlement • The Authority has not complied with the terms and conditions of grant 	<p>R1 In order to confirm that claim forms are completed in full and in accordance with the guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected.</p>	<p>2</p>	<p>All grant claims are reviewed independently by Accountants or Senior Accountants prior to certification as per the internal grant claim procedure. The grant claim checklist will be reviewed and amended to provide a standard list of checks to be carried out by the Reviewer and list the documentation to be provided to the Reviewer.</p>	<p>Jenny Whiston June 2016</p>

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
Unapproved/ ineligible expenditure included Eg: <ul style="list-style-type: none"> Activity outside the claim period Agreements with partners not finalised 	<ul style="list-style-type: none"> Claims may be qualified Grant may be reclaimed by the Welsh Government The Authority has not complied with the terms and conditions of grant Suspended payment 	R2 Only eligible expenditure, and that incurred within the claim period, should be included within the claim. Welsh Government advice should be sought prior to claim completion if there is any doubt about the eligibility of expenditure.	2	The inclusion and review of eligible / ineligible expenditure should be done as part of the grant claim compilation and review process. If there is doubt over the eligibility advice from the WG should be sought by the Project Managers prior to incurring expenditure.	Project Managers & Accountants On-going process
Welsh Government approval not sought Eg: <ul style="list-style-type: none"> Virement 	<ul style="list-style-type: none"> The Authority has not complied with the terms and conditions of grant 	R3 Approval from the grant-paying body is sought prior to audit for all required changes to action plans/proposals.	2	Approval for changes and virements within the grants should be sought from the grant paying body prior to those changes being implemented if this is a requirement within the terms and conditions of the grant.	Project Managers and Accountants. On-going process.

Issue	Implication	Recommendation	Priority	Comment	Responsible officer and target date
<p>Overall grant claim good practice requirements not met</p> <p>E.g.</p> <ul style="list-style-type: none"> • Delay in receipt of claims 	<ul style="list-style-type: none"> • The Authority has not complied with the submission deadlines specified in the terms and conditions of the grant. 	<p>R4 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.</p>	<p>2</p>	<p>The grant audit timetable will be established in advance with the Auditors and Accountants made aware of submission deadlines. Where there are unavoidable delays WG shall be notified in advance. All claims should be submitted to the Auditors by the Grants Manager who can monitor the overall position and identify where delays may occur.</p>	<p>Jenny Whiston</p> <p>July – September 2016.</p>

Fees

10. Our overall fee for the certification of grants and returns is in line with the expectation as stated within the regulatory plans.

Breakdown of fee by grant/return	2014/15	2013-14	2012-13
Communities First – Mon Cluster	£3,275.25	£2,027.25	£16,360.00
Housing Benefit Subsidy **	£35,076.00	£48,604.50	£42,746.00
National Non Domestic Rates	£6,090.75	£9,216.00	£9,583.00
Teacher's Pension Return	£3,945.00	£4,211.25	£3,238.00
School Effectiveness Grant	-	£6,246.00	£8,937.00
Transitional SBIG	-	£2,230.50	£3,048.00
Welsh in Education	-	£2,796.00	£4,040.00
Flying Start Revenue	£3,144.75	£3,770.25	£3,065.00
Flying Start Capital	£3,032.25	£3,864.00	-
Families First	£3,032.25	£6,795.75	£4,573.00
SRA – Empty Homes Renovation Grant for First Time Buyers	-	£3,448.50	£14,879.00
SRA – Property & Environment Grant	-	£3,558.00	£4,378.00
Free Concessionary Travel	£3,153.00	£2,634.00	£2,394.00
Maes Awyr Mon - Anglesey Airport	-	£1,016.25	£1,031.50
Sustainable Waste Management	£3,144.75	£3,022.50	£3,224.00
Housing Revenue Subsidy	£4,579.50	£6,157.50	£6,053.00

Breakdown of fee by grant/return	2014/15	2013-14	2012-13
Learning Pathways	-	£3,665.25	£2,691.00
Social Care Workforce Development Programme	£3,032.25	£4,200.00	£2,355.50
Structural Fund – The Development of Anglesey's Coastal Environment	£5,045.25	£6,016.50	£5,879.50
Structural Fund – NW Wales Local Investment Fund	£5,561.25	£5,700.75	£7,533.00
Structural Fund – Strategic Infrastructure on Anglesey Sites & Premises	£4,978.50	£5,700.75	£7,373.00
Total fee	£90,132.00	£136,647.00	£153,381.50

** At the date of writing this report, the audit work for the Housing Benefit Subsidy claim has yet to be finalised. The fee stated in the table above is the amount that has been invoiced to date.

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ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	26 MAY 2016
TITLE OF REPORT:	PWC AUDIT OF GRANTS 2013/14 AND 2014/15 - RESPONSE TO RECOMMENDATIONS
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
ACTION:	FOR INFORMATION

1. INTRODUCTION

- 1.1 The report sets out the details of the response to recommendations identified by PWC in the report 'Certification of Grants and Returns 2013/14 and 2014/15'.

2. BACKGROUND

- 2.1 A number of grants which come into the Authority each require an external audit. 22 grants were audited in 2013/14 and 15 in 2014/15. During the audit testing errors can be identified which can either be resolved by making an amendment to the grant claim, resulting in an unqualified certified claim, or errors which can't be resolved, resulting in a qualified claim.
- 2.2 The 2012/13 Certification of Grants and Returns identified 62% of the returns being received by the deadline and that 61% of the claims were qualified. The report for 2013/14 identifies that 86% of the claims were received by the deadline and 36% were qualified. During 2014/15, 67% were received by the deadline and 21% were qualified (work on one claim is ongoing).
- 2.3 Whilst the performance overall has improved with the number of qualifications being reduced there is still some room for improvement.

3. PWC RECOMMENDATIONS

- 3.1 PWC have put forward four recommendations to be implemented and the points below outline how this is to be achieved:-
- R1 – In order to confirm that claim forms are completed in full and in accordance with guidance, all completed forms should be independently checked to supporting documentation to minimise the risk that an error will remain undetected.
 - Response – All claims are already compiled and then reviewed independently by an Accountant or Senior Accountant prior to them being certified by the Section 151 or Deputy Section 151 Officers. In order to strengthen and standardise this process, the Grants Claim Checklist which is used by the Reviewer will be amended to reflect a list of tests which should be carried out and a list of documentation such as the Offer Letter, ledger prints etc. which the Reviewee should provide to the Reviewer to assist in the review process.

- R2 - Only eligible expenditure and that incurred within the claim period should be included within the claim. Welsh Government advice should be sought prior to claim completion and if there is any doubt about the eligibility of expenditure.
 - Response – If there is any doubt over the eligibility of expenditure then it should be checked with the grant awarding body prior to any expenditure being incurred by the Authority. Issues have arisen historically with expenditure that has either not been accrued and therefore has been included in the wrong year or where expenditure has been accrued for and not actually incurred the following year. The eligibility of expenditure and accruals will be part of the standard tests included on the Grants Claim Checklist referred to above.
 - R3 Approval from the grant paying body is sought prior to audit for all required changes to action plans/proposals.
 - Response – If approval for changes within grants are required as part of the terms and conditions of the grant then approval should be sought in advance by the Project Managers. Accounts should seek confirmation of approval from Project Managers prior to implementing changes.
 - R4 Claim forms should be submitted on a timely basis to allow claims to be certified within the deadline set.
 - Response - The grant audit timetable will be established in advance with the Auditors and Accountants made aware of submission deadlines. Where there are unavoidable delays WG shall be notified in advance. All claims should be submitted to the Auditors by the Grants Manager directly who can then monitor the overall position, identify where delays may occur and take action to prevent this. Claims should be submitted both electronically and in hard copy to the Auditors. Accountants should, subject to the availability of claim forms from the Welsh Government, compile and review grant claim forms as early as possible to prevent last minute delays.
- 3.2** Whilst some of these recommendations are an ongoing requirement during the year, R1 will be operational by June in time for the quarter 1 claims.

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
	26 MAY 2016
TITLE OF REPORT:	REVIEW OF INDEPENDENT MEMBER APPOINTMENTS
PURPOSE OF REPORT:	TO DECIDE THE PROCESS FOR THE APPOINTMENT OF INDEPENDENT MEMBERS OF THE COMMITTEE
REPORT BY:	MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER
ACTION:	FOR DECISION

1. INTRODUCTION

1.1 The report requests the Committee to decide whether they wish to re-appoint the two existing independent Committee members for a further two years or whether the Authority should seek to appoint two new members.

2. BACKGROUND INFORMATION

2.1 The Local Government Measure (Wales) 2011 included a requirement for the first time for local authority Audit Committees to include at least one Independent Member from May 2012. The Statutory Guidance issued by the Welsh Government in June 2012 states that “It is recommended that a lay member should not be appointed for more than two full terms of a local authority”.

2.2 The two current Independent Members were appointed on 1 July 2012 for an initial period of two years.

2.3 At its meeting on 11th December 2013, the Committee considered the current arrangements and resolved the following:-

“Resolved :- to extend the current arrangements with the existing Independent Members from July 2014 for a further two years.”

2.4 Given that the two years extension comes to an end in July 2016, it is now necessary to make a further decision on the appointment of the Independent Members.

3. OPTIONS AVAILABLE

3.1 The two existing Independent Members have sat on the Committee for a period of four years and, during that time they have gained extensive knowledge about the Council and the role of the Audit Committee in the overall governance process of the Council. If their appointment came to an end then this knowledge and experience would be lost.

3.2 However, the role of the Independent Member is to bring to the Committee alternative experiences, from outside local government, and regularly appointing new members ensures that the Committee is provided with a new perspective on matters considered which may be of benefit to the Committee.

- 3.3** The Council's Constitution states that the Independent Members of the Committee shall be appointed by the Councillor members of the Audit and Governance Committee for a fixed term to be determined by them when the appointment is made. The Constitution does not provide a limit on the length of the fixed term. These requirements are also included in the Committee's Terms of Reference. The Terms of Reference were last reviewed by the Committee on 9 February 2015.
- 3.4** The Council itself has a defined period, i.e. between each election, and there is also merit in defining the length of appointment of the Independent Member in line with the Council's elections and that each Independent Member serves one term of five years. If the Committee decides to adopt this as a policy regarding the length of membership of an Independent Member of the Audit Committee, the change would need to be incorporated into the Council's Constitution and approved by the Full Council.

4. RECOMMENDATION

4.1. The Committee is asked to consider the following:-

- 1.** To set a fixed period of appointment for the Committee's Independent Members which coincides with the time between the Council's elections, i.e. 5 years, and to determine whether members can serve more than one term, either consecutively or at any time.
- 2.** If point 1 above is approved, to consider extending the appointment of the 2 existing members to May 2017.
- 3.** If point 1 above is not approved, to determine whether to extend the appointment of the current members for a further period (to be determined by the Committee) or to advertise for two new independent members who will commence their appointment in July 2016 for a period to be determined by the Committee.

DDIM I'W GYHOEDDI NOT FOR PUBLICATION

Teitl yr Adroddiad: Cofrestr Risg Corfforaethol
Title of Report: Corporate Risk Register

PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

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

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