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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 MAWRTH, 28 MAWRTH, 2017 am 2 y p'nawn | TUESDAY, 28 MARCH 2017 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 S.Rogers

Heb Ymaelodi / Unaffiliated

R LI Jones (Cadeirydd/Chair)

AELODAU LLEYG / LAY MEMBERS

Mr Richard Barker and Mrs Sharon Warnes

A G E N D A

1 APOLOGIES

2 DECLARATION OF INTEREST

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

3 MINUTES OF THE 9TH FEBRUARY, 2017 MEETING (Pages 1 - 6)

To present the minutes of the previous meeting of the Audit and Governance Committee held on 9th February, 2017.

4 STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 & ANNUAL PLAN 2017/18 (Pages 7 - 44)

To present the report of the Internal Audit Manager.

5 EXTERNAL AUDIT: SAVINGS PLANNING - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 45 - 64)

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

6 EXTERNAL AUDIT : DRAFT 2017 AUDIT PLAN - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 65 - 86)

To present the draft 2017 Audit Plan.

7 FORWARD WORK PROGRAMME (Pages 87 - 92)

To present the Committee's updated Forward Work Programme.

8 APPOINTMENT OF LAY MEMBERS (Pages 93 - 98)

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

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 9 February, 2017

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| PRESENT: | Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair) (from item 4 onwards) Councillors Jim Evans, Alun Mummery, Peter Rogers, Dafydd Thomas Lay Members: Mr Richard Barker and Mrs Sharon Warnes |
| IN ATTENDANCE: | Chief Executive Head of Function (Resources) and Section 151 Officer Internal Audit Manager (SP) Chief Public Protection Officer (DR) (for item 3) Committee Officer (ATH) |
| APOLOGIES: | Councillors Richard Owain Jones, Nicola Roberts |
| ALSO PRESENT: | Councillor Ieuan Williams (Leader), Mr Gwilym Bury (Performance Audit Lead - Wales Audit Office) |

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 6TH DECEMBER, 2016 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 6th December, 2016 were presented and confirmed as correct.

Arising thereon –

The Internal Audit Manager informed the Committee that Mr Ivan Butler, Denbighshire County Council's Head of Internal Audit has commenced work on conducting the peer assessment of Anglesey's Internal Audit Service in accordance with the Public Sector Internal Audit Standards. The standards require that an external assessment of the Internal Audit Service must take place at least once every 5 years by a qualified, independent assessor or assessment team from outside the organisation. It is planned to report on the outcome of the assessment to the Committee's next meeting at the end of March.

3. FOOD STANDARDS AGENCY AUDIT

The report of the Chief Public Protection Officer regarding the Food Standards Agency's revisit to Anglesey on the 15th and 16th September, 2016, to follow up on the progress made subsequent to the Agency's original audit of the Authority's Food and Feed Service in July, 2014 was presented for the Committee's consideration.

The Chief Public Protection Officer said that he had reported previously to the Audit and Governance Committee in September 2015 on the Action Plan and progress that followed the Food Standards Agency's original audit that took place in July, 2014. A number of findings were reported upon following the audit which gave rise to 40 recommendations by the Food Standards Agency's Audit team. The main findings of the original audit are summarised in section 2.1 of the report .The

recommendations were responded to by way of an Action Plan detailing how each recommendation would be addressed. The FSA Audit team revisited the Authority in September, 2016 in order to formally assess progress against the full report; this involved an on-site visit and subsequent report which took the form of an updated Action Plan. The follow up report shows that good progress has been made on the majority of the actions agreed with 22 being completed and 10 deemed to have made good progress. Only 4 have been designated as being of limited progress and there were none showing as no action; 4 items were untested as no activity in that area of work had taken place. The 4 items which require the most attention are listed in paragraph 3.3 of the report and include the further development of the Service Delivery Plan. The Service anticipates being able to meet all the actions by April, 2017. The lack of staffing resources to meet the target numbers of Food Hygiene and Food Standards inspections remains a concern against the decreasing Public Protection service budget. The staffing shortfall and the implications with regard to addressing a backlog of inspections are referred to in paragraphs 2.3 to 2.6 of the report. The enforcement of Feed Controls is now being delivered collaboratively across North Wales and meets the recommendations identified by the FSA report. The FSA does not plan to return to the Authority to specifically check on the remaining actions, they will be picked up in the course of any visits they may make to the Authority in future.

The Committee considered the report and made the following points –

- The Committee acknowledged the progress that had been made in addressing the majority of the Food Standards Agency's recommendations and congratulated the Service thereon.
- The Committee noted the length of time between the original FSA audit and the Agency's re-visit to check on implementation and verify progress. The Committee suggested that where issues have been identified, the regulatory follow up needs to happen more promptly to ensure there has been appropriate action and compliance.
- The Committee noted that the adequacy of staff resources remains an issue which could potentially hamper the Service in seeking to fulfil its food hygiene and food standards inspection responsibilities effectively (feed hygiene inspections now being delivered collaboratively). The Committee sought assurance that the Service is confident that it has the necessary resources to be able to manage its inspections workload and to prevent the inspections backlog from escalating. The Chief Public Protection Officer said that the service has had difficulty in covering staff absences over a period of 2 to 3 years which coupled with an increase in demand in food inspections as a result of the food hygiene rating system have proved challenging. This has created a backlog of inspections which needs to be cleared. There is funding within the service budget set aside to do this but recruiting temporary cover has been difficult in practice. However, the backlog of inspections is also being addressed internally. A transformation and restructure of the teams within the Public Protection directorate took place in April, 2016 to address challenges facing the service and this has led to more flexible staff arrangements whereby staff are able to move around according to where the demand is greatest. The changes that took place are still bedding in as regards developing the skills and competencies to undertake more than one role.
- The Committee noted that in a context where the restaurant and eating out sector is a growth industry the effective monitoring and enforcement of food standards is critical as an area where there are risks, and where the repercussions of a food incident can be serious. The Chief Public Protection Officer said that the inspection of new businesses (of which there were 113 this year requiring inspection) is a priority for the service; these businesses are not risk rated until they have been inspected. While growth in the food business is a positive that is to be welcomed, it does create a demand on the service. Anglesey does have a good food standards/hygiene profile as regards the number of premises with a food hygiene rating of 4 or 5. Premises are risk rated and those judged to be of a higher risk are inspected every 6, 12 or 18 months while those rated a lower risk are inspected every 2 years.
- The Committee sought clarification of how much money the Service is able to raise from charging for the inspections it carries out and whether more could be done to increase revenue. The Chief Public Protection Officer said that while there is no charge for a first inspection the service does levy a charge for a revisit where there are remedial issues to be followed up as this would happen out of sequence. The Food Standards Agency has issued a working paper wherein it is proposed that a lot more of the work done by local authorities in this area is cost recoverable.
- The Committee suggested that the Service Delivery Plan needs to be risk focussed so that resources are targeted to areas where they are required i.e. priority areas identified as being of higher risk. The Committee noted that this principle applies equally to other services.

- The Committee noted comments made via e-mail by the Vice-Chair who was not present for this item which it was agreed would be referred on to the Chief Public Protection Officer.

It was resolved to accept the report as providing assurance that good progress has been made on implementing the post audit recommendations of the Food Standards Agency and that there is a timescale for completing the actions remaining.

NO FURTHER ACTION ENSUING

4. INTERNAL AUDIT PROGRESS REPORT

The report of the Internal Audit Manager on the Internal Audit Service's performance to date relative to the 2016/17 Audit Plan was presented for the Committee's consideration.

The Internal Audit Manager reported as follows –

- The report analyses the performance of the Internal Audit Service for the period from 1 April, 2016 to 31 December, 2016 and is supported by Appendices A to G which detail progress against performance targets for 2016/17 and the work undertaken by the Service during this period.
- The amount of work allocated to work in progress during 2016/17 to the end of December, 2016 accounts for 111.55 days and will be met from closure of previous year's work contingency.
- The schedule of performance targets for the period ending 31 December, 2016 at Appendix A shows that 56.06% of planned audits have been completed up to 31 December, 2016 against an annual target of 80%.
- There were 2 additional unplanned audits performed during the period from 1 April to 31 December, 2016 amounting to 10.36 days work as documented at Appendix B.
- A summary of all audit assignments completed during the year to date including work in progress from 2015/16 is provided at Appendix D. Two of the planned audits completed since 1 September 2016 are assessed as not providing positive levels of assurance. The Child Care Court Orders under the Public Law and the Extra Care Housing Commissioning Arrangement were both assessed as providing Limited Assurance. Details of the audits are summarised in Appendix D to the report.
- The percentage rate for the implementation of internal audit recommendations as at 31 December, 2016 was 82%. A graph showing the breakdown of recommendation implementation by service is provided in Table 2. Those recommendations outstanding as at 31 December, 2016 are listed in Appendix E.
- A schedule of the 10 follow up audits conducted during the period from 1 April to 31 December, 2016 is provided at Appendix F. This shows the number of recommendations accepted and subsequently implemented by management in each area along with a revised audit opinion regarding the adequacy of the internal control environment.
- A summary of special investigations undertaken by Internal Audit during the period is given in Appendix G; these amount to 141.08 days.
- Sickness absence accounted for 5 days absence up to the period ending 31 December, 2016 against an annual target of 45 days.
- An analysis of the Service's performance in the period in question demonstrates that performance levels are on target. However, the ability of the service to achieve the 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 Committee considered the information presented and made the following points –

- The Committee noted with regard to the Council's management and assurance processes and controls for Corporate Safeguarding (Appendix D) that this area which has been assessed as providing Limited Assurance, has been under consideration for some time. In light of the risks inherent in corporate safeguarding due to the vulnerability of the individuals who are assessed as being in need of protection, the Committee sought clarification of the position with regard to acting on the key findings from the audit of this area. The Internal Audit Manager informed the Committee that Internal Audit is scheduled to report on the follow up to the audit of Corporate Safeguarding to this Committee in June, 2017. All Limited Assurance audits are followed up and the outcome along with the revised audit opinion are reported to the Committee.

- The Committee noted that during 2013/14 the Council brought together responsibility for safeguarding children and adults under one Head of Service (Children). The Committee sought clarification whether this organisational change has been reviewed for effectiveness and whether the restructure has helped in terms of contributing to improving the Council's controls and processes for managing risks associated with Corporate Safeguarding. The Chief Executive said that safeguarding is a corporate responsibility and is an aspect which all Heads of Service were required to address both last year and this year, and for which they are held accountable. The Children's Services is currently under review and the point made will be taken into account as part of the review.
- The Committee sought clarification of the processes for monitoring work undertaken under contract to the Council and for identifying and following up instances where the workmanship is not to standard, is incomplete or does not meet with contract specifications meaning there could be a risk of financial loss to the Council especially where payments have already been made. An example of such a scenario was given. The Internal Audit Manager said that the Internal Audit Services has recently commenced an audit of Housing Maintenance and will include the point raised as part of the examination of the controls, processes and practices in this area.
- The Committee sought assurance that action is being taken to ensure that recommendations are implemented and that reasons for non-implementation or issues that could hinder implementation e.g. a lack of staff resources are identified and flagged up be that via the Corporate Risk Register or elsewhere. The Committee emphasised that early identification and timely reporting of potential risks are essential to help prevent those risks from materialising. The Chief Executive said that there is a procedure for identifying and escalating risks where necessary. Service risk registers are regularly reviewed and any issues are fed through to the Senior Leadership Team; if they are deemed to pose a corporate risk they are then escalated to the Corporate Risk Register.

It was resolved to accept the report as providing assurance regarding the internal control, risk management and corporate governance processes that are in place to manage the achievement of the Authority's objectives.

NO FURTHER ACTION ENSUING

5. INTERNAL AUDIT FOLLOW UP REPORTS

The report of the Internal Audit Manager providing a further update on the Business Continuity and ICT Disaster Recovery audits with regard to progress on addressing the issues identified and completing the actions recommended as part of the audits was presented for the Committee's consideration. Details of the Business Continuity and ICT Disaster Recovery second follow up audits were summarised in Appendices A and B to the report respectively.

The Internal Audit Manager reported as follows –

- **Business Continuity Arrangements Second Follow-up** – as detailed in paragraph 2 of Appendix A, the second follow up review identified that the two high rated recommendations outstanding at the time of the last review have been implemented in full. The remaining high rated recommendation relating to the need for building recovery management arrangements to be included in the Corporate Business Continuity Plan is assessed as partly implemented. As not yet fully implemented, the recommendation has been reiterated. The medium rated recommendation relating to training requirements to support the implementation of the Business Continuity Plan is assessed as fully implemented. In relation to the remaining medium rated recommendation that Services should ensure that business continuity and emergency planning arrangements are up to date and operational and that they are included within Service Delivery Plans, not all services have included Business Continuity within service plans and as such this part of the recommendation is therefore reiterated. Based on the findings of the second follow up review, it is assessed that the Council has demonstrated good progress in implementing the actions agreed to address the audit recommendations and that the level of assurance now provided in this area is Substantial.
- **ICT Disaster Recovery Follow-up** - as detailed in paragraph 2 of Appendix B, the second follow up review identified that one high rated recommendation relating to the need to produce, adopt

and implement a comprehensive ICT Disaster Recovery Plan has been assessed as implemented for the purpose of the review. A second high rated recommendation has been assessed as having been implemented in the main part while with regard to the third high rated recommendation, there remains a need to incorporate testing of the system and data backups by services in the ICT Disaster Recovery Plan. In relation to the remaining high rated recommendation in respect of formally documenting the responsibility for maintenance and monitoring of the environmental control and fire suppression systems within the data centres, a new recommendation has been made to the effect that responsibility for managing and maintenance of the UPS and air conditioning system within ICT Data Centre is transferred to Property Services to be incorporated into the Buildings Management Plan. Based on the findings of the second follow up review, it is assessed that the Council has demonstrated reasonable progress in implementing the actions agreed to address the audit recommendations and that the level of assurance now provided in this area is Reasonable.

The Committee noted that the two areas referred to have been the subject of the Committee's attention for some time; it now welcomed the progress made on actioning the audit recommendations to improve the control environment in both areas as evidenced in the update report, thereby reducing the risks identified in those areas.

It was resolved that the Committee is satisfied with the level of assurance provided as documented in the report regarding the actions taken in relation to Business Continuity and ICT Disaster Recovery.

ACTION ENSUING: The Committee to receive a final update on ICT Disaster Recovery in June 2017 to enable it to be satisfied that the residual actions have been completed.

6. FORWARD WORK PROGRAMME

The Committee's Forward Work Programme as presented to the 6th December, 2016 meeting was re-presented for review and update.

The Committee noted the following as additional items for inclusion in the Work Programme either as matters arising from the Committee's business at this meeting, or otherwise as matters requiring consideration –

- The External Audit Plan 2017 to be presented to the Committee in March, 2017
- The follow up audit report with regard to Corporate Safeguarding to be presented to the Committee in June, 2017
- The final update on ICT Disaster Recovery to be presented to the Committee also in June, 2017.

It was resolved to accept the Forward Work Programme with the inclusion of the additional items as noted above.

NO FURTHER ACTION ENSUING

**Councillor R.Llewelyn Jones
Chair**

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| ISLE OF ANGLESEY COUNTY COUNCIL | |
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| REPORT TO | AUDIT AND GOVERNANCE COMMITTEE |
| DATE | 28 MARCH 2017 |
| SUBJECT | STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 & ANNUAL PLAN 2017/18 |
| LEAD OFFICER | HEAD OF INTERNAL AUDIT – MIKE HALSTEAD |
| CONTACT OFFICER | AUDIT MANAGER - SIONED PARRY |
| <p>Nature and reason for reporting - The attached document sets out the Isle of Anglesey Council's (IoAC) Internal Audit Strategy and Annual Plan for the year 2017/18. The Strategy and Annual Plan are presented to the Audit and Governance Committee for consideration and approval in compliance with the Public Sector Internal Audit Standards produced by CIPFA and other standard setting bodies, which came into force on the 1/4/13.</p> | |

1. BACKGROUND INFORMATION

1.1 Internal Audit Strategy and Annual Plan 2017/18

1.1.1 The Head of Internal Audit is required to develop and maintain a strategy (**Appendix A**) for delivering the Internal Audit service in compliance with its Internal Audit Charter and Terms of Reference which were approved by the Audit and Governance Committee on the 27th April 2015 and 9 February 2015, respectively. The Internal Audit Strategy is a high level statement of how the Internal Audit service will be delivered and developed and is supported by a detailed Annual Plan at **Appendix B**.

1.1.2 The purpose of the strategy is to put in place an approach that enables IoAC's Internal Audit service to be managed in a way that will facilitate:

- How the Service is delivered to provide ongoing assurance to management on the integrity, effectiveness and operation of IoAC's internal control system.
- Delivery of the Annual Plan.
- The provision of an annual opinion on the Council's risk management, control and governance to support the Annual Governance Statement for 2016/17.
- An annual self-assessment to evaluate compliance with the Public Sector Internal Audit Standards and the efficiency and

effectiveness of the Internal Audit Service and to identify opportunities for improvement.

- A process which ensures agreed management responses to audit recommendations are implemented.
- An adequate and effective system of internal audit of the accounting records and the systems of internal control in accordance with proper internal audit practises.
- The identification of audit resources required to deliver an audit service which meets required professional standards;
- The relative allocation of resources between assurance, fraud related and consultancy services provided by the service.

1.1.4 The Internal Audit Strategy and Annual Plan **at Appendix A** is supported by Appendices B to E detailing the Annual Plan for 2017/18, a 3 year Strategic Plan for the period 2017 to 2020, an analysis of Internal Audit resources and the performance targets in respect of 2017/18.

1.2 Audit Needs Assessment Process

1.2.1 The Council adopted the Public Sector Internal Audit Standards in 2013 and the Standards are adhered to by the Internal Audit Service. Standard 2010 relates to audit planning and states that: *'the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.'*

1.2.2 In order to identify the areas that require internal audit coverage, the risks facing the organisation need to be understood. An audit needs assessment for 2017/18 has been undertaken using the following processes:

- Confirming the core objectives of the organisation and the specific key risks associated with the achievement of those objectives through review of the Corporate Business Plan 2013/17 and through liaison with the management of the Council
- Cumulative knowledge of the Organisation from previous internal audit work to identify areas that would benefit from internal audit coverage. This included the opinion of the Council's governance, risk management and internal control arrangements to be included in the Chief Audit Executive's Annual Report 16/17
- The Audit Needs assessment also identified areas of coverage that do not appear as high priority risk but where internal audit coverage can provide a tangible input to assurance, for example:

- Requirements of the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Internal Audit
- Work required in order for external audit to place reliance on Internal Audit work on core financial systems in accordance with the managed audit concept
- Areas of concern flagged by management or by the Audit and Governance Committee
- Emerging issues
- Need for ongoing assurance in relation to key aspects of risk management, governance and internal controls

1.2.3 Other documents consulted in developing the plan included, but were not limited to: The Annual Governance Statement 2015/16; the Deloitte's Audit of Accounting Statements; the Annual Delivery Document (Improvement Plan) 2016/17; and liaison with External Audit (Deloitte) and scrutiny of their work plans for 2017/18.

1.2.4 Internal Audit's risk based approach is to use the Council's Corporate Risk Register to drive the Internal Audit Strategic and Operational Plans and to use our limited resources to provide assurance over the greatest risks to the Council where possible and where appropriate. Assurance would then be reported against risks familiar to the management and Members of the Council through their knowledge of corporate risk.

1.2.5 Additional use was made of meetings with senior management and review of corporate documentation to assess the risk and audit needs. The analysis also included an element of cumulative audit knowledge and experience of the Council's operations, objectives and risks.

1.2.6 A review of the Risk Management Framework and of the effectiveness of actions to mitigate the Council's highest risks has been included in the 2017/18 Internal Audit Annual Plan.

1.3 Annual Operational Internal Audit Plan

1.3.1 The Annual Operational Plan is produced to provide Internal Audit with its work programme for the year. The Audit needs assessment is reviewed and the input of the Chief Executive, Assistant Chief Executives, Heads of Function and Heads of Service sought to identify any risks not currently covered. The revised audit needs assessment is used to direct Internal Audit resources to those aspects of the Organisation that are assessed as generating the greatest risk to the achievement of the objectives.

1.3.2 As part of the process of developing the 2017/18 Operational Plan, the Audit Manager has consulted with the Assistant Chief Executives, the

Section 151 Officer and liaised with the Heads of Function and the Heads of Service to discuss their requirements. The External Auditor (Deloitte) has also been consulted on the proposed Operational Plan for 2017/18.

1.3.3 The proposed Internal Audit Operational Plan at **Appendix B** reflects the results of this year's review of the Audit Needs Assessment Analysis for 2017/18.

1.4 Resources

1.4.1 The provision of the Internal Audit will be delivered by an in-house team of 6 officers as identified in **Appendix D**.

1.4.2 There are sufficient skills and expertise within the service to provide most of the full range of audits contained in the Annual Plan, to manage the service efficiently and effectively and provide assurance to the Audit and Governance Committee on the adequacy of the internal control, risk management and corporate governance processes in place. Some expertise may need to be outsourced with regards to IT audits.

1.5 Performance Management

1.5.1 The service continues to focus on ways in which to maximise audit resources and improve performance, whilst maintaining a quality service and ensuring compliance with professional standards. This is achieved through robust quality assurance processes and the setting of objectives in the Annual Service Plan. Progress in achieving objectives is monitored through quarterly service performance reviews and the performance of the service is reported to the Audit and Governance Committee on a quarterly basis. Performance targets for 2017/18 are attached at **Appendix E** for consideration and approval. The indicator regarding the implementation of high and medium recommendations evidences outcomes and the degree of influence of the service in driving improvement and promoting risk management.

2. RECOMMENDATIONS

2.1 Members consider and approve the Internal Audit Strategy and Annual Plan for 2017/18.

2.2 Members consider and approve the Internal Audit Service's performance targets for 2017/18.



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

APPENDIX A

Internal Audit Strategy and Annual Plan

2017-18

Presented to:

SLT: 27th March 2017

Audit and Governance Committee: 28th March 2016

Mike Halstead

Head of Internal Audit

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Appendices

Annual Internal Audit Plan 2017-18 Appendix B

Strategic Plan 2017-20 Appendix C

Internal Audit Resources Appendix D

Service Performance Targets 2017-18 Appendix E

Introduction and Overview

Strategy Statement

1. The overall strategy of Internal Audit is to deliver a risk based audit plan in a professional, independent manner and in compliance with the Public Sector Internal Audit Standards 2013, to provide the organisation with objective assurance and undertake consulting activities designed to add value and improve the Authority's operations. The Internal Audit Service will assist the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Purpose of the Strategy and Annual Plan

2. The purpose of the Internal Audit Strategy and Plan is to:
 - Provide independent and objective overall assurance to Members and senior management on the effectiveness of Isle of Anglesey Council's (IoAC) control environment, including governance and risk management and make appropriate recommendations for improvement;
 - Identify the key risks facing IoAC to achieving its objectives and determine the corresponding level of audit resources;
 - Add value and support senior management in providing effective control and identifying opportunities for improving value for money;
 - Support the Section 151 Officer in fulfilling the statutory financial responsibilities;
 - Deliver an internal audit service that meets the requirements of the Accounts and Audit Regulations and is compliant with the Public Sector Internal Audit Standards 2013;
 - Optimise the use of audit resources available and provide an effective service.

Providing Assurance

3. Under the terms of the Accounts and Audit Regulations, 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). The Internal Audit Strategy and Plan (**Appendix B**) is primarily aimed at providing ongoing and annual assurance to IoAC of the effectiveness of the systems of internal control in operation, including risk management and governance and to provide confidence to its stakeholders. In order for Internal Audit to be able to provide the assurance required, corporate mechanisms by which the evidence is generated and collated have been developed and implemented with

the full support of the Chief Executive and Leader, supported by the Strategic Leadership Team, who are ultimately responsible for ensuring that the Annual Governance Statement is both accurate and verifiable.

Key Core Deliverables for 2017/18

4. The following are considered to be our key deliverables:
 - To provide ongoing assurance to management on the integrity, effectiveness and operation of IoAC's internal control system.
 - Delivery of the Annual Audit Plan
 - To produce a coordinated risk based approach to the audit of business/operational systems across the Authority
 - To comply with the Public Sector Internal Audit Standards 2013
 - To perform an annual self-assessment to evaluate compliance with the standards, to assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement
 - To ensure agreed management responses to audit recommendations are implemented
 - To comply with statutory requirements to deliver an adequate and effective system of internal audit of the accounting records and the systems of internal control in accordance with proper internal audit practices
 - To reflect the International Framework: Good Governance in the Public Sector which will feed into the Annual Governance Statement
 - To develop our role and work closely with the Audit and Governance Committee

The Role and Purpose of the Internal Audit Service

- 5 The statutory basis for the Internal Audit service is provided in the Accounts and Audit (Wales) Regulations 2014 – Regulation 7 (1), which obliges the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control'.
- 6 In addition to the above, the Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's affairs. To perform that duty the Section 151 Officer relies on amongst other things, the work of Internal Audit in reviewing systems of internal control, financial management and other assurance processes.
7. The standards for "proper practice" in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 produced by CIPFA and other standard setting bodies. The Internal audit service

ensures compliance with these standards which are reflected in our Internal Audit Charter and Terms of Reference.

8. The standard and quality of our service is principally scrutinised in **six** ways:
 - Scrutiny by the Audit and Governance Committee
 - Review by External Audit
 - Customer feedback and perceptions
 - Annual application of the CIPFA self-assessment toolkit
 - External Assessment of the PSIAS Self-Assessment Checklist
 - Service Performance Reviews

Protocol for Audit Reviews

9. A lead auditor is appointed for each audit review to assist in developing the scope of each audit and ensure there is appropriate focus on key perceived risks, providing assurance and maximising added value. Terms of reference are produced for each audit review and discussed with management to ensure that the scope, objectives and approach are understood and agreed.
10. Draft internal audit reports are issued for discussion with the appropriate levels of management.
11. Final internal audit reports are issued after the agreement of draft reports and contain completed management action plans that identify those responsible for implementation and timescales.
12. Agreed recommendations and related actions are followed-up within six months of the issue of the audit report or sooner if considered necessary, in discussion with senior management.

Priority Areas for 2017/18

13. Having regard to the current risk profile of IoAC, the following areas have been identified as key issues and priority areas of our work for 2017/18:

Key Financial Systems

14. The effectiveness of controls and management of risks in key financial systems remains a core part of our audit work. This work is important in providing annual assurance to IoAC and to support the work of the Authority's external auditors.

Corporate Governance Arrangements

15. The Authority's corporate governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We perform a key role in supporting and reviewing the framework and providing assurance that it operates effectively and in accordance with best practice through the performance of audit reviews.

Risk Management

16. We have an important role to promote effective risk management across the Authority and to assess compliance with good risk management practices and the adequacy of controls put in place by management to mitigate risks in their service areas.

Contracting and Procurement

17. The service will continue to focus on contracting and procurement to ensure compliance with legislation and the new Contract Procedure Rules, which were approved in September 2015, to provide assurance that processes and procedures are operating effectively and in accordance with best practice.

Grants

18. We will undertake reviews of grants receivable and payable in areas where external audit assurance is not provided or where there are concerns regarding the operation of the internal control environment. We will provide assurance in respect of compliance with grant terms and conditions and in respect of the systems of control in operation.

Audit of Other Services and Systems

19. We will review other services, systems and processes according to an assessment of risk and business need. This may include financial, administrative or operational systems.

Consultancy Services

20. In addition to the assurance services agreed with and provided to assist management in meeting the objectives of the Authority, Internal Audit also provide a range of consultancy services which include:
 - Advice and guidance to management in respect of a range of issues, including system implementation, compliance with policies regulations and procedures and internal control requirements;
 - Training;
 - Referrals including fraud related work.

21. Internal Audit operates in a consultancy role in advising managers in relation to issues within its remit, such as the implementation of appropriate controls in terms of new projects, developments and systems. The exact allocation of resources in respect of consultancy work is determined in the audit plan. Separate time allocations are allowed for consultancy activities, fraud related work and follow up audits.

Counter Fraud Work

22. We will review and seek to ensure the robustness of the Authority's arrangements and review the counter fraud framework and the identification of areas of fraud risk. We will continue to participate in the National Fraud Initiative. The Auditor General of the Wales Audit Office runs the National Fraud Initiative (NFI) on a biennial basis to support public bodies in their fight against fraud. The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting fraud and overpayments, and delivering savings to the public purse since its commencement in 1996.

Audit and Governance Committee Support

23. We will work closely with Audit and Governance Committee Members in developing its role in relation to best practice and to contribute to effective corporate governance of the Authority.

Performance Management of the Internal Audit Service

24. To achieve planned coverage, deliver a high standard of customer service and demonstrate effectiveness of the service, we have established performance targets based on best professional practice and which are used for comparison on an all Wales basis. The performance indicators demonstrate the quality and effectiveness of the service's performance against set targets.
25. Performance indicators and targets are shown at **Appendix E** for six aspects of our service.
 - Cost and quality of input
 - Productivity and process efficiency
 - Quality of output
 - Compliance with professional standards
 - Outcomes and degree of influence
 - Staff

Provision of the Internal Audit Service for 2017/18

26. The provision of Internal Audit will be delivered by an in-house team of 6 officers. The available audit resource stands at 1,560 days.
27. There are sufficient skills and expertise within the service to provide the full range of audits contained in the Annual Plan, to manage the service efficiently and effectively and provide assurance to Audit and Governance Committee on the adequacy of the internal control, risk management and corporate governance processes in place.

Developing the Annual Internal Audit Plan

28. The methodology used for developing the Annual Internal Audit Plan focuses on the quantification of risks associated with IoAC's objectives in consultation with key officers. The Audit Manager met with the Chief Executive, the Deputy Chief Executives and all heads of service during the audit planning process to ensure that the plan is more inclusive, focused on the right areas and is flexible to meet the Authority's needs. The consultation process identified a number of areas of emerging risk and where new legislation, such as the Well Being of Future Generations Act 2015, will impact upon their services and the subsequent identification of priority areas for audit attention.
29. A number of planned audits will be carried out every year, particularly those under the heading of Key Financial Systems, as part of Internal Audit's statutory requirements to provide assurance to the Section 151 Officer on the effectiveness of internal controls operating in the Authority.
30. The risk assessment process takes account of a range of strategic, corporate, service and operational risks, including those identified through the Risk Management process and by the external auditor and the views of senior management on these issues. Where resources available are not considered by the Head of Internal Audit to be adequate for such an opinion to be provided, this will be reported to the organisation through the Audit and Governance Committee.
31. Audit work will contribute towards our advice and assistance on the preparation of the Annual Governance Statement. Reliance will be placed on the work of external auditors where it is considered appropriate to do so.
32. The Plan balances the following requirements:
 - The need to ensure the Audit Plan is delivered to the target levels established by the section's performance indicators
 - Ensuring that core financial systems are adequately reviewed to provide assurance that management has in place proper

- arrangements for financial control on which External Audit may place reliance
 - Appropriately reviewing other strategic and operational arrangements
 - Having uncommitted time available to deal with unplanned issues which may need to be reviewed or investigated
 - The relative allocation of resources between assurance, fraud related and consultancy services provided by Internal Audit
 - To enable positive, timely input to assist corporate and service developments
33. The Annual Internal Audit Plan is indicative and it is possible that changes will be made during the year as the risk profile of IoAC changes or in response to management requests. This will be achieved by ongoing review and amendment, in consultation with relevant officers. The Audit and Governance Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

Summary Internal Audit Plan 2017/18

34. The Annual Internal Audit Plan has been compiled on the basis of a risk assessment of each audit area. Risks are ranked in accordance with the risk matrix and determine the assurance rating allocated to each auditable area and the frequency of each audit.

Table 1 – Summary of Internal Audit Annual Plan 2017/18

| Thematic Areas | Audit Days |
|--|-------------------|
| Key Financial Systems | 100 |
| Corporate Governance | 165 |
| Other systems/functions | 309 |
| Special Investigations | 155 |
| Consultancy work including Audit Committee support | 60 |
| Grants | 35 |
| Computer Audit | 40 |
| Audit follow-up work | 35 |
| Non-Audit Duties | 50 |
| Audit Contingency | 120 |
| Overheads | 491 |
| TOTAL | 1,560 |

35. The 3 year Strategic Plan (**Appendix C**) documents the audit needs of the Authority and details the assurance rating allocated to each auditable area where known. Assurances are categorised as Substantial, Reasonable, Limited and Minimal.
36. Progress against the annual Audit Plan will be kept under review by the Head of Internal Audit and through monitoring corporate and service developments. The Audit and Governance Committee will be advised of performance against the Annual Plan and on relevant indicators under the performance management framework.

Reporting

37. The reporting approach for Internal Audit is set out in the approved Internal Audit Charter and Terms of Reference and Internal Audit will comply with this approach as the most efficient method of delivering the outcomes of its work.
-

ISLE OF ANGLESEY COUNTY COUNCIL - APPENDIX B

INTERNAL AUDIT OPERATIONAL PLAN - 2017-18

| Ref | Service | Title | Source | Planned Auditor Days |
|---|----------------------|--|--|----------------------|
| | | | | 1560 |
| AUTHORITY WIDE REVIEWS (CORPORATE) | | | | |
| 1 | Corporate | Contract Audit - Capital Expenditure | Cyclical IA | 15 |
| 2 | Corporate | Corporate Procurement Framework | IA Assessed Risk | 10 |
| 3 | Corporate | Data Protection & Information Governance | Corporate Risk YM13 ICO Report | 15 |
| 4 | Corporate | ICT Disaster Recovery | Corporate Risk YM10 | 10 |
| 5 | Corporate | Risk Management | Cyclical IA | 10 |
| 6 | Corporate | Safeguarding | Corporate Risk YM12 | 20 |
| 7 | Corporate | Transformation Programme - Smarter Working | Sec 151 Officer Request | 15 |
| 8 | Corporate | Ethical Culture | PSIAS Requirement | 20 |
| 9 | Corporate | Wellbeing of Future Generations Act | New legislation | 20 |
| 10 | Corporate | Programme/Project Management | CEO Request - SMT Objective | 15 |
| 11 | Corporate | Corporate Health & Safety | Audit Concern | 15 |
| | Corporate | Follow Up Provision | | 10 |
| HEAD OF FUNCTION - RESOURCES & SECTION 151 OFFICER | | | | |
| 12 | Resources | Council Tax & NNDR | Key Financial System | 20 |
| 13 | Resources | Fixed Asset Register & Capital Accounting | Key Financial System | 10 |
| 14 | Resources | High Level Controls for Key Financial Systems | Key Financial System | 10 |
| 15 | Resources | Housing Benefit & Council Tax Reduction Scheme | Key Financial System | 15 |
| 16 | Resources | Main Accounting System | Key Financial System | 10 |
| 17 | Resources | Income - CHIP & PIN, Credit Card Payments | Key Financial System | 15 |
| 18 | Resources | Petty Cash/Imprest Accounts | Key Financial System | 10 |
| 19 | Resources | Sundry Debtors | Key Financial System | 10 |
| | Resources | Follow Up Provision | | 5 |
| HEAD OF FUNCTION - COUNCIL BUSINESS & MONITORING OFFICER | | | | |
| 20 | Business | Democratic & Member Services - Members' Allowances | Service not audited for significant time | 8 |
| 21 | Business | Legal Services | Service not audited for significant time | 6 |
| | Business | Follow Up Provision | | 0 |
| HEAD OF FUNCTION - TRANSFORMATION | | | | |
| 22 | Transformation | Data Centres | Fundamental to Council's Operations | 10 |
| 23 | Transformation | Active Directory | Fundamental to Council's Operations | 15 |
| 24 | Transformation | Network Security Audit | Fundamental to Council's Operations | 15 |
| | Transformation | Follow Up Provision | | 2 |
| HEAD OF REGULATION & ECONOMIC DEVELOPMENT | | | | |
| 25 | Economic Development | Economic Development Function | Annual Delivery Document 2016/17 | 15 |

INTERNAL AUDIT PLAN 2017-18

| | | | | |
|--|-------------------|--|--|-----|
| 26 | Leisure | Leisure Function & Performance | Annual Delivery Document 2016/17 | 15 |
| 27 | Planning | Strategy & Support Team | Head of Service request | 10 |
| 28 | Trading Standards | Civil Registration | Service not audited for significant time | 10 |
| 29 | Regulation | Licensing Services | Service not audited for significant time | 10 |
| | | Follow Up Provision | | 5 |
| HEAD OF HIGHWAYS, WASTE & PROPERTY SERVICES | | | | |
| 30 | Highways | Car Park Services & Enforcement | Service not audited for significant time | 15 |
| 31 | Highways | Engineering & Design Services | Service not audited for significant time | 15 |
| 32 | Property | Estate & Property Management | Service not audited for significant time | 15 |
| 33 | Highways | Highways & Civil Engineering | Service not audited for significant time | 15 |
| | | Follow Up Provision | | 2 |
| HEAD OF HOUSING | | | | |
| 34 | Housing | Housing Rents & Associated Charges, High Level Controls | Key Financial System | 15 |
| 35 | Housing | Affordable Housing, Housing into Homes & Bridging Loan Scheme | Corporate Business Plan | 15 |
| 36 | Housing | Supporting People Programme | Service not audited for significant time | 15 |
| | Housing | Follow Up Provision | | 5 |
| HEAD OF ADULT SERVICES | | | | |
| 37 | Adults | Deprivation of Liberty (DOLs) | Risk of Litigation in relation to Outstanding DOLs Assessments | 15 |
| 38 | Adults | Joint Service Delivery & Management in relation to older people services with Health Board | Annual Delivery Document 2016/17 | 15 |
| 39 | Adults | Services for the Elderly - Home Care Contracts | Annual Delivery Document 2016/17 | 15 |
| | Adults | Follow Up Provision | | 2 |
| HEAD OF CHILDREN'S SERVICES | | | | |
| 40 | Children's | Corporate Parenting Strategy - Plant Mewn Gofal Invest to Save - Maethu | External Assurance | 15 |
| | Children's | Follow Up Provision | | 2 |
| HEAD OF LEARNING | | | | |
| 41 | Lifelong | Secondary Schools - 6th Form Funding - Ysgol Syr Thomas Jones | Cyclical Review | 10 |
| 42 | Lifelong | Remaining Primary Schools - Thematic Reviews - Schools Income Collection | Head of Service request | 20 |
| 43 | Lifelong | School Sickness Absence | Head of Service request | 20 |
| 44 | Lifelong | School Transport | Head of Service request | 20 |
| | Lifelong | Follow Up Provision | | 2 |
| CHARGEABLE NON PROGRAMMED DAYS | | | | |
| | | Counter Fraud Work | | 150 |
| | | Closure of Previous Year's Work | | 20 |
| | | Grant Certification | | 35 |
| | | Liaison with SLT, Directors, Heads of Function, Heads of Service | | 15 |
| | | National Fraud Initiative | | 5 |

| | | |
|--|--|-----|
| | Consultancy - HR & Payroll, Highways Assets, PCI DSS | 40 |
| | Contingency | 120 |

| NON CHARGEABLE DAYS | | |
|---------------------|-------------------------------|-----|
| | Risk & Insurance | 50 |
| | Annual Leave | 192 |
| | Audit & Governance Committee | 20 |
| | Audit Plan Preparation | 30 |
| | General Administration | 70 |
| | Personal Development & Review | 8 |
| | Liaison with External Audit | 5 |
| | Monitoring & Quality Control | 40 |
| | Sick Leave | 45 |
| | Special Leave | 5 |
| | Statutory Leave | 48 |
| | Training for Staff | 10 |
| | Training for Members | 3 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|-----------------|--------------------|----------------------|--------------------|--------------|-----------------|---------|---------|---------|
| | | | | Date | Assurance Level | | | |

AUTHORITY WIDE REVIEWS (CORPORATE GOVERNANCE/PERFORMANCE MANAGEMENT)

| | | | | | | | | |
|--------------------------------------|---|--|---|---------------------------------|-------------|----|----|----|
| Business Continuity | Policies and practices for dealing with a major incident. | Corporate risk (CR) YM10 "Key services can't be provided following a major event". Limited assurance as result of audit undertaken August 2015. | Frequency reassessed to every 2nd year following Follow Up audit. | Second Follow Up December 2016. | Substantial | | 10 | |
| Contract Audit - Capital Expenditure | Policies and practices for awarding and managing capital contracts - specific projects to be selected each year as appropriate. | No recent audit coverage. Significant expenditure. | Every year | Not known | Not known | 15 | 15 | 15 |
| Corporate Procurement Framework | Policies and practices for procuring goods and services. | Issue of continuing audit concern. A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues. YM22 | Every year | Mar-17 | Limited | 10 | 10 | 10 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|--|---|---|---|---|-----------------|---------|---------|---------|
| | | | | Date | Assurance Level | | | |
| Data Protection & Information Governance | Policies and practices to ensure compliance with external regulation and legislation. | Issue of continuing audit concern. Head of Function request. CR YM3 "Critical, confidential or personal information is lost or wrongly disclosed". Information Commissioner's report. Enforcement Notice received from ICO 1/10/15. | Every year | October 2015 - information governance only. | Reasonable | 15 | 15 | 15 |
| ICT Disaster Recovery | Policies and practices for dealing with a major incident | CR YM10 "Key services can't be provided following a major event" Audit & Governance Committee request. | Every year | Dec-16 | Reasonable | 10 | 10 | 10 |
| Partnerships | Governance and performance | Audit & Governance Committee request. CR YM1 "Accountability arrangements around the Council's collaborative working arrangements aren't clear or not followed". | Frequency reassessed to every 2nd year following 2016/17 Follow Up. | 2016/17 Follow Up | Substantial | | 15 | |

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ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------------|---|--|-----------------------------------|--------------------|-----------------|---------|---------|---------|
| | | | | Date | Assurance Level | | | |
| Risk Management Framework | Identification and management of significant risks at corporate and service level. | Issue of continuing audit concern. Services failing to integrate risk management in to service delivery plans. | Every year | 2016/17 Follow Up | Reasonable | 10 | 10 | 10 |
| Safeguarding | Policies and practices for protecting children and vulnerable adults | SLT request CR YM12 "A serious safeguarding error results in, or contributes towards, serious harm" | Every year | 2016/17 | Limited | 20 | 20 | 20 |
| Page 26 Transformation Programme | Evaluation of the effectiveness of Smarter Working - Office Accomodation & Agile Working Digital Transformation Strategy. | Section 151 Officer request. YM5 Risk the Council unable to deliver efficient & effective services. YM 7 ICT Provision. | One off review over 2 year period | New review | Not known | 15 | 15 | |
| Ethical Culture | Evaluation of the design, implementation & effectiveness of ethics-related objectives, programmes & activities. | Requirement of PSIAS 2110.A1. | Every year | New review 2016/17 | Reasonable | 20 | 20 | 20 |
| Wellbeing of Future Generations Act | Review corporate compliance with requirements of the Wellbeing of Future Generations Act. | WBFG Act came into force 1/4/16. All public bodies must comply with the Act. WAO tasked with auditing all public bodes in order to report to WG by March 2020. | One off review | New review | Not known | 20 | | |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | 2017/18 | 2018/19 | 2019/20 |
|--|--|------------------------------|--------------------|--------------|-----------------|------------|------------|------------|---------|
| | | | | Date | Assurance Level | | | | |
| Programme/Project Management | Evaluation of compliance to ensure the efficient and effective delivery of the Authority's objectives. | Request CEO - SMT Objective. | One off review | N/A | Not known | 15 | | | |
| Corporate Health & Safety | Policies & practices for Health & Safety | Audit Concern | One off review | N/A | Not known | 15 | | | |
| Follow Up Provision | | | | | | 10 | 10 | 10 | |
| TOTAL DAYS FOR AUTHORITY WIDE (CORPORATE) REVIEWS | | | | | | 175 | 150 | 110 | |

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ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|---|--|--|--------------------|----------------------------------|-----------------|---------|---------|---------|
| | | | | Date | Assurance Level | | | |
| HEAD OF FUNCTION - RESOURCES AND SECTION 151 OFFICER | | | | | | | | |
| Council Tax & NNDR | Raising and recovery of charges, awarding of allowances and reliefs and appropriate reconciliations. | Key financial systems External auditor assurance | Every 2nd year | 2014/15 | Reasonable | 20 | | 20 |
| Creditor Payments | Ordering and payment for goods and services and controls over standing data. | Key financial system External auditor assurance | Every 2nd year | 2016/17 | Reasonable | | 10 | |
| Fixed Asset Register & Capital Accounting | Recording, acquisition and disposal of fixed assets and reconciliation with the accounting system. | Key financial system External auditor assurance | Every 3rd year | 2012/13 - verification work only | Not known | 10 | | |
| High Level Controls for Key Financial Systems | High level controls for those systems not subject to full audit review during the year. | Key financial systems External auditor assurance | Every year | 2016/17 | Not known | 10 | 10 | 10 |
| Housing Benefit & Council Tax Reduction Scheme | Assessment and payment of associated benefits/allowances and appropriate reconciliations. | Key financial system External auditor assurance | Every year | 2016/17 | Reasonable | 15 | 15 | 15 |
| Insurance | Placing and adequacy of insurance cover and administration of claims. | To establish whether internal controls are sufficient. | Every 3rd year | 2016/17 | Substantial | | | 8 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | 2017/18 | 2018/19 | 2019/20 |
|--|--|--|--------------------|--------------|-----------------|------------|------------|-----------|---------|
| | | | | Date | Assurance Level | | | | |
| Main Accounting System | Maintaining and controlling the main accounting system and appropriate reconciliations. | Key financial system External auditor assurance | Every year | 2014/15 | Reasonable | 10 | 10 | 10 | |
| Income, CHIP & PIN, Credit Card Payments | Compliance with PCI DSS | To determine whether the Authority is compliant | Every year | 2016/17 | Limited | 15 | 15 | 15 | |
| Payroll | Management of starters, leavers, changes to pay rates, allowances and standing data and appropriate reconciliations. | Key financial system External auditor assurance | Every 2nd year | 2014/15 | Reasonable | | 12 | | |
| Receipting & Banking of Income | Receipt of income, banking and appropriate reconciliations. | Key financial system External auditor assurance | Every 2nd year | 2014/15 | Substantial | | 10 | | |
| Petty Cash Imprest Accounts | Evaluation of compliance with Financial Regulations and procedures. | Section 151 Officer request | One off review | New review | Unknown | 10 | | | |
| Sundry Debtors | Raising sundry debtor income, its recovery and appropriate reconciliations. | Key financial system External auditor assurance | Every year | 2014/15 | Reasonable | 10 | 10 | 10 | |
| Treasury Management | Management of borrowing and investments and appropriate reconciliations. | Key financial system External auditor assurance | Every 4th year | 2014/15 | Substantial | | 5 | | |
| Follow Up Provision | | | | | | 5 | 5 | 5 | |
| TOTAL DAYS FOR HEAD OF FUNCTION - RESOURCES AND SECTION 151 OFFICER | | | | | | 105 | 102 | 93 | |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | |
|-----------------|--------------------|----------------------|--------------------|--------------|-----------------|---------|
| | | | | Date | Assurance Level | 2017/18 |

HEAD OF FUNCTION - COUNCIL BUSINESS AND MONITORING OFFICER

| | | | | | | | | |
|--|--|---|----------------|---|-----------|-----------|----------|----------|
| Democratic and Member Services | Controls over member services, translation, electoral services & emergency planning. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | 2012/13 - members allowances follow up only | N/A | 8 | | |
| Legal Services | Controls over provision of the service. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | Prior to 2012/13 | Not known | 6 | | |
| Follow Up Provision | | | | | | 0 | 2 | 0 |
| TOTAL DAYS FOR HEAD OF FUNCTION - COUNCIL BUSINESS AND MONITORING OFFICER | | | | | | 14 | 2 | 0 |

HEAD OF FUNCTION - TRANSFORMATION

| | | | | | | | | |
|---|--|---|----------------|-------------------|------------|-----------|-----------|-----------|
| Human Resources | Policies and practices for managing the workforce. | Of crucial importance to the successful operation of the Council. | Every 2nd year | 2016/17 Follow Up | Reasonable | | 20 | |
| IT Audit | Needs assessment by an IT specialist required to determine priority areas for examination. | Effective IT systems and control are fundamental to the Council's operations. | Every year | 2014/15 | N/A | 40 | 40 | 40 |
| Follow Up Provision | | | | | | 2 | 2 | 2 |
| TOTAL DAYS FOR HEAD OF FUNCTION - TRANSFORMATION | | | | | | 42 | 62 | 42 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | | |
|--|---|--|--------------------|--------------------------------|---------------------------------|---------|---------|---------|
| | | | | Date | Assurance Level | 2017/18 | 2018/19 | 2019/20 |
| HEAD OF REGULATION AND ECONOMIC DEVELOPMENT | | | | | | | | |
| Economic Development Function | Review current status and controls. | Annual Delivery Document 2016/17 | Every 2nd year | Prior to 2012/13 | Not known | 15 | | 15 |
| Energy Island | Review current status and controls. Governance arrangements. | Annual Delivery Document 2016/17. YM15 | Every 2nd year | 2016/17 | Substantial | | 10 | |
| Leisure Function & Performance | Review current status and controls following transformation. Controls over income. | Leisure Change Programme CR YM13 "Planned transformation of leisure services failing and results in a significant reduction in the availability and quality of leisure facilities". YM14 | Every 2nd year | 2014/15 - leisure centres only | Substantial | 15 | | 10 |
| Maritime & Tourism Functions | Review current status and controls. | Annual Delivery Document 2016/17. | Every 2nd year | 2014/15 maritime diesel only | Advisory meaning no RAG awarded | | 10 | |
| Project Management Office | Review current status and controls. | Head of Service request. | Every 2nd year | New review | N/A | | 10 | |
| Strategy & Support Team | Review current status and controls. | Head of Service request. | Every 2nd year | New review | N/A | 10 | | 10 |
| Building Control Services | Controls over fee income and inspection and enforcement regimes. | Limited assurance level 2016/17. | Every 2nd year | 2016/17 | Limited | | 10 | |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | 2017/18 | 2018/19 | 2019/20 |
|---|--|---|--------------------|------------------|-----------------|-----------|-----------|-----------|---------|
| | | | | Date | Assurance Level | | | | |
| Civil Registration | Controls over fee income. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | Prior to 2012/13 | Not known | 10 | | | |
| Environmental Health Services | Controls over fee income and inspection and enforcement regimes. | Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | | 15 | | |
| Licensing Services | Controls over fee income and inspection and enforcement regimes. | Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | 10 | | 10 | |
| Market Administration | Controls over fee income. | Frequency reassessed to every 3rd year as number of markets outsourced. | Every 3rd year | 2015/16 | Reasonable | | 10 | | |
| Planning Services | Controls over fee income and inspection and enforcement regimes. | Frequency reassessed to every 3rd year following 2016/17 audit. | Every 3rd year | 2016/17 | Substantial | | | 10 | |
| Trading Standards Services | Controls over fee income and inspection and enforcement regimes. | Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | | 10 | | |
| Follow Up Provision | | | | | | 5 | 7 | 7 | |
| TOTAL DAYS FOR REGULATION & ECONOMIC DEVELOPMENT | | | | | | 65 | 82 | 62 | |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|--|---------------------|--|--------------------|------------------|-----------------|---------|---------|---------|
| | | | | Date | Assurance Level | | | |
| HEAD OF HIGHWAYS, WASTE & PROPERTY SERVICES | | | | | | | | |
| Building Design & Maintenance Services | Review of controls. | Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | | 10 | |
| Car Park Services | Review of controls. | Needs review from time to time. | Every 3rd year | 2013/14 | Substantial | 15 | | |
| Engineering & Design Services | Review of controls. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | Prior to 2012/13 | Not known | 15 | | |
| Page 33 Estate & Property Management | Review of controls. | CR YM2 "Unable to achieve the expected value of surplus land and buildings to invest in capital programme". Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | 15 | | 15 |
| Fleet Management | Review of controls. | Frequency reassessed to every 3rd year following 2015/16 audit. | Every 3rd year | 2015/16 | Reasonable | | 15 | |
| Flood Control | Review of controls. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | Prior to 2012/13 | Not known | | | 10 |
| Highways & Civil Engineering | Review of controls. | Service area has not been subjected to audit review for a significant time. | Every 2nd year | Prior to 2012/13 | Not known | 15 | | |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | | |
|--|---------------------|--|--------------------|--------------|-----------------|-----------|-----------|-----------|
| | | | | Date | Assurance Level | 2017/18 | 2018/19 | 2019/20 |
| Waste Management | Review of controls. | Significant area of activity Substantial fines if targets are not met. | Every 3rd year | 2013/14 | Substantial | | 15 | |
| Follow Up Provision | | | | | | 2 | 2 | 2 |
| TOTAL DAYS FOR ENVIRONMENT AND TECHNICAL SERVICES | | | | | | 62 | 42 | 27 |

HEAD OF HOUSING

| | | | | | | | | |
|--|--|---|----------------|-----------------------------|-------------|----|----|----|
| Business Unit & HRA Governance | Policies and procedures for addressing these areas. | New initiative. | Every 2nd year | New review | Not known | | 10 | |
| Homelessness Prevention, Allocations, Housing Options & Accommodation Support | Policies and procedures for addressing these areas. | Annual delivery document 2015/16. | Every 2nd year | 2014/15 - homelessness only | Limited | | 10 | |
| Housing Rents & Associated Charges, High level controls Housing Rents - High Level Controls | Raising rents and charges, recovery thereof, managing voids and appropriate reconciliations. | Key financial system External auditor assurance Rechargeable works - Head of Service request. YM11 Implications of Welfare Reforms & Universal Credit. | Every 2nd year | 2014/15 | Substantial | 15 | | 15 |
| Housing Strategy | Policies and procedures for addressing these areas. | Corporate Business Plan & YM 18 risk that HRSA programme is not managed effectively. | Every 2nd year | 2016/17 | Reasonable | | 10 | |
| Affordable Housing, Houses into Homes & Bridging Loan Scheme | Policies and procedures for addressing these areas. | Corporate Business Plan. | Every 2nd year | Follow Up 2016/17 | Reasonable | 15 | | 15 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------|---|---|--------------------|------------------|-----------------|-----------|-----------|-----------|
| | | | | Date | Assurance Level | | | |
| Repairs & Maintenance | Policies and procedures for addressing these areas. | Head of Service request | Every 2nd year | 2016/17 | Limited | | 15 | |
| Supporting People Programme | Policies and procedures for addressing these areas. | Service area has not been subjected to audit review for a significant time. | Every 3rd year | Prior to 2012/13 | Not known | 15 | | |
| Follow Up Provision | | | | | | 5 | 3 | 3 |
| TOTAL DAYS FOR HOUSING | | | | | | 50 | 48 | 33 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|---|---|--|--------------------|--------------|-----------------|-----------|-----------|-----------|
| | | | | Date | Assurance Level | | | |
| HEAD OF ADULT SERVICES | | | | | | | | |
| Deprivation of Liberty (DOLS) | Safeguards and authorisation arrangements. | YM32 risk of litigation in relation to outstanding DOLs assessments. Annual Director's Report 2013 - 15. | Every 2nd year | New approach | N/A | 15 | | 10 |
| Extra Care Housing Schemes | Review current status and controls. | Annual Delivery Document 2015/16 | Every 2nd year | 2016/17 | Limited | | 15 | |
| Joint Service Delivery & Management with the Health Board | Review current status and controls. Governance and performance. | Annual delivery document 2015/16 | Every 2nd year | New approach | N/A | 15 | | 15 |
| Services for the Elderly | Review home care provision contracts | Annual delivery document 2015/16 | Every 2nd year | New approach | N/A | 15 | | |
| Preventative Services Supporting the Independence of Older People | Review current status and controls. Governance and performance. | Head of Service Request | Every 2nd year | New approach | N/A | | 15 | |
| Follow Up Provision | | | | | | 2 | 5 | 5 |
| TOTAL DAYS FOR ADULT SERVICES | | | | | | 47 | 35 | 30 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | |
|-----------------|--------------------|----------------------|--------------------|--------------|-----------------|---------|
| | | | | Date | Assurance Level | 2017/18 |

HEAD OF CHILDREN'S SERVICES

| | | | | | | | | |
|--|--|--|----------------|--------------|-----|-----------|-----------|-----------|
| Service Manager - Fieldwork | Review of Quality of Assessments Improvement Programme. | Discussions with Head of Service CSSIW Report. | Every 2nd year | New approach | N/A | | 20 | |
| Service Manager - Corporate Parenting & Partnerships | Corporate Parenting Strategy Plant Mewn Gofal Invest to Save - Maethu. | Discussions with Head of Service. | Every 2nd year | New approach | N/A | 15 | | 15 |
| Service Manager - Integrated Services | Governance arrangements - Section 33 Agreement. | Discussions with Head of Service. | Every 2nd year | New approach | N/A | | | 20 |
| Follow Up Provision | | | | | | 2 | 2 | 2 |
| TOTAL DAYS FOR CHILDREN'S SERVICES | | | | | | 17 | 22 | 37 |

HEAD OF LEARNING

| | | | | | | | | |
|--|-------------------------------------|--|--|------------------|-----------|--|----|----|
| Library & Cultural Heritage Management | Review current status and controls. | Annual delivery document 2015/16 CR YM14 "The Council does not successfully transform the culture and heritage provision". | Frequency reassessed as currently undergoing transformation. | Prior to 2012/13 | Not known | | 10 | |
| Primary Schools - Budget >£1m - 4 Schools | Establishment review . | To establish whether internal controls are sufficient. | 2 yr cycle 2 schools per annum | N/A | Various | | 10 | 10 |
| Primary Schools - Budget >£0.5m < £1m - 14 Schools | Establishment review. | To establish whether internal controls are sufficient. | 3 yr cycle 4/5 schools per annum | N/A | Various | | 15 | 15 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|--|---|---|--------------------------------|--------------|-----------------|-----------|-----------|-----------|
| | | | | Date | Assurance Level | | | |
| Secondary Schools & Special School - 6 Schools | Establishment review. | To establish whether internal controls are sufficient. | 2 yr cycle 3 schools per annum | N/A | Various | 10 | 30 | 30 |
| School Transport | Review current status and controls Governance and performance | Section 151 Officer and Head of Learning request | New review | N/A | N/A | 20 | | |
| School Sickness Absence | Review current status and controls Governance and performance | Request Head of Service | New review | N/A | N/A | 20 | | |
| Schools - Thematic Reviews | Selected theme for each year on a cyclical basis to be carried out at a sample of schools | To establish whether internal controls are sufficient for the theme reviewed and to disseminate results to all relevant schools | Every year | N/A | N/A | 20 | 10 | 10 |
| Follow Up Provision | | | | | | 2 | 5 | 5 |
| TOTAL DAYS FOR LEARNING | | | | | | 72 | 80 | 70 |

TOTAL CHARGEABLE PROGRAMMED DAYS

649 625 504

CHARGEABLE NON PROGRAMMED DAYS

| | | | | | | | | |
|---------------------------------|----------------------|--|--|--|--|-----|-----|-----|
| Counter Fraud Work | | | | | | 150 | 150 | 150 |
| Closure of Previous Year's Work | Slippage in delivery | | | | | 20 | 20 | 20 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | 2017/18 | 2018/19 | 2019/20 |
|---|---|----------------------|--------------------|--------------|-----------------|------------|------------|------------|
| | | | | Date | Assurance Level | | | |
| Grant Certification | Review of grants receivable where external assurance is not provided or where concerns exist regarding the operation of internal controls | | | | | 35 | 35 | 35 |
| Liaison with SLT, Directors, Heads of Function & Heads of Service | Providing advice and support as appropriate | | | | | 15 | 15 | 15 |
| National Fraud Initiative | Preparation for and submission of data, etc. | | | | | 5 | 5 | 5 |
| Consultancy | HR, Payroll, PCI DSS | | | | | 40 | 40 | 40 |
| Contingency - approx. 10% of available days | Provision for additional work not foreseen at the time of planning | | | | | 120 | 120 | 120 |
| TOTAL CHARGEABLE NON PROGRAMMED DAYS | | | | | | 385 | 385 | 385 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | |
|-----------------|--------------------|----------------------|--------------------|--------------|-----------------|---------|
| | | | | Date | Assurance Level | 2017/18 |

ASSESSMENT OF RESOURCES

TOTAL CHARGEABLE DAYS PER THE PLAN

1034 1010 889

NON CHARGEABLE DAYS

| | | | | | | | | |
|--------------------------------|---|--|--|--|--|-----|-----|-----|
| Risk & Insurance | Management of risk & insurance function. | | | | | 50 | 50 | 50 |
| Audit and Governance Committee | Supporting the work of the Committee, preparing reports and attendance as appropriate | | | | | 20 | 20 | 20 |
| Audit Plan Preparation | Rolling forward the plan taking into account developments within the Council | | | | | 30 | 30 | 30 |
| General Administration | | | | | | 70 | 70 | 70 |
| Personal Development & Review | | | | | | 8 | 8 | 8 |
| Liaison with External Audit | | | | | | 5 | 5 | 5 |
| Monitoring & Quality Control | | | | | | 40 | 40 | 40 |
| Annual leave | | | | | | 192 | 192 | 192 |
| Sick Leave | | | | | | 45 | 45 | 45 |
| Special Leave | | | | | | 6 | 6 | 6 |
| Maternity Leave | | | | | | 0 | 0 | 0 |
| Statutory Leave | | | | | | 48 | 48 | 48 |
| Training for Staff | | | | | | 10 | 10 | 10 |

ISLE OF ANGLESEY COUNTY COUNCIL - STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 - APPENDIX C

| Area for review | Nature of the work | Reason for inclusion | Frequency of audit | Last audited | | | 2017/18 | 2018/19 | 2019/20 |
|--------------------------------------|--------------------|----------------------|--------------------|--------------|-----------------|--|-------------|-------------|-------------|
| | | | | Date | Assurance Level | | | | |
| Training for Members | | | | | | | 2 | 2 | 2 |
| TOTAL NON CHARGEABLE DAYS | | | | | | | 526 | 526 | 526 |
| RESOURCES REQUIRED | | | | | | | 1560 | 1536 | 1415 |
| RESOURCES AVAILABLE | | | | | | | 1560 | 1560 | 1560 |
| SHORTFALL/AVAILABLE RESOURCES | | | | | | | 0 | 24 | 145 |

| STAFF | MAN DAYS | TOTAL |
|---------------------------------------|----------|--------------|
| Full Time Staff | | |
| | | |
| M. Pryor, Head of Audit & Risk | 260 | |
| E. Williams, Principal Auditor | 260 | |
| S.A. Jones, Senior Auditor | 260 | |
| E. Parry, Senior Auditor | 260 | |
| E. C. Williams, Senior Auditor | 260 | |
| H. Ellis, Corporate Fraud Officer | 260 | |
| | | |
| TOTAL AVAILABLE AUDIT RESOURCE | | 1,560 |

There are 6 posts in the Internal Audit Structure, which equate to 6 full time equivalent (FTE) staff in respect of 2017/18. This compares to the all Wales average staffing level of 8.1 for Internal Auditors during 2015/16.

INTERNAL AUDIT PERFORMANCE TARGETS 2017-18

APPENDIX E

| Description | IOAC Actual 2013/14 | IOAC Actual at 31/3/15 | IOAC Actual at 31/3/16 | IOAC 2017/18 Target | Wales Average 2015/16 |
|--|---------------------|------------------------|------------------------|---------------------|-----------------------|
| 1. % Planned Audits Completed | 81% | 92% | 60.32% | 80% | 85% |
| 2. Number of Audits | 51 | 46 | 38 | 44 | 97 |
| 3. % Clients responses 'Satisfied' | 100% | 100% | 100% | 100% | 99% |
| 4. % Recommendations accepted | 100% | 100% | 98% | 100% | 99% |
| 5. % Implementation of High & Medium Recommendations at Follow up audits | 46% | 49% | 74% | 85% | N/A |
| 6. % Audits completed within planned time | N/A | N/A | 78.95% | 80% | 68% |
| 7. % Directly chargeable time against total available | N/A | N/A | 59.74% | 65% | 67% |
| 8. Average days from closing meeting to issue of draft report | N/A | N/A | 6.61 days | 6.5 days | 7.2 days |
| 9. Average days between response to draft and final report issue | N/A | N/A | 2.41 days | 2 days | 3.4 days |
| 10. Average actual cost per directly chargeable audit day | £245 | £238 | £318 | £300 | £227 |
| 11. No. Audit Staff | 5.5 | 5.6 | 5.68 | 6 | 8.1 |
| 12. % staff leaving | 0 | 0 | 0 | 0 | 10% |

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| ISLE OF ANGLESEY COUNTY COUNCIL | |
|--|---|
| COMMITTEE: | AUDIT AND GOVERNANCE COMMITTEE |
| DATE: | 28 MARCH 2017 |
| TITLE OF REPORT: | WELSH AUDIT OFFICE – SAVINGS PLANNING REPORT |
| PURPOSE OF REPORT: | TO INFORM THE MEMBERS OF THE COMMITTEE OF THE CONTENTS OF THE REPORT AND THE PROPOSED MANAGEMENT ACTION PLAN |
| REPORT BY: | MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER |
| ACTION: | FOR INFORMATION |

1. INTRODUCTION

1.1. The Welsh Audit Office undertook a review of Financial Resilience within the Authority which was issued in January 2016 (see Audit and Governance Committee – 15 March 2016, Item 6). The report assessed the Council as being low risk in all of the three categories examined: Financial Planning, Financial Control and Financial Governance.

1.2. Following on from the individual authority reports issued in early 2016, the Welsh Audit Office published a national summary report in August 2016 which concluded that:-

“Since our last review local authorities are improving their strategic planning arrangements but are having difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience”.

1.3. The Welsh Audit Office undertook a further review of the Council’s financial planning arrangements, with the work being undertaken in September 2016. This review was undertaken in all of the Welsh Local Authorities.

2. SCOPE AND FINDINGS OF THE REPORT

2.1. The review focused on answering the question “Do the Council’s financial savings planning arrangements support financial resilience?”

2.2. The review examined the following areas:-

- The extent to which the Council achieved its 2015-16 savings plans;
- The quality of the medium term financial plans;
- The robustness of the 2016/17 savings plans.

2.3. The review sampled three savings proposals for 2016/17: Waste Collection including charging for bulky waste collection, Breakfast Clubs and Voluntary Sector Payments in Adult Services.

2.4. The report concluded that:-

“Whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience.”

2.5. It also noted that, *“There is some positive change in the position from 2015/16. The Council has continued to strengthen its financial arrangements. It has reviewed and released earmarked reserves and updated its Medium Term Financial Plan. In order to bridge the future savings gap, the Council has recognised a need to change its strategic approach to financial planning and to review its approach to fees and charges.”*

2.6. A copy of the report is attached as Appendix 1.

3. PROPOSALS FOR IMPROVEMENT AND THE MANAGEMENT RESPONSE

3.1. The report made 5 proposals for improvement which are detailed in Appendix 2, along with the Management response.

4. RECOMMENDATIONS

4.1. The Committee is requested to accept the findings of the Auditor’s report and to note its conclusions, as well as acknowledge that the Council is continuing to review and refine its arrangements in respect of financial planning.

4.2. The Committee is requested to accept the Management Response and agree to it being submitted to the Welsh Audit Office.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Savings Planning – Isle of Anglesey County Council

Audit year: 2016-17

Date issued: March 2017

Document reference: 688A2016

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding

disclosure or re-use of this document should be sent to the Wales Audit Office at

info.officer@audit.wales.

The team who delivered the work comprised Sian Clark, Nick Raynor and Jeremy Evans, under the direction of Alan Morris.

Contents

Whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience.

Summary report

| | |
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Detailed report

| | |
|--|----|
| Whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience | 7 |
| Context | 7 |
| Savings achievement 2015-16 | 9 |
| The Council has reported achievement of 82% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered | 9 |
| Financial planning arrangements | 10 |
| The Council continues to strengthen its financial planning framework but there are insufficient links between its Corporate Plan and Medium Term Financial Plan and it lacks indicative savings plans for future years and a corporate approach to income generation | 10 |
| Savings Plan 2016-17 | |
| The Council is forecasting that 83% of its 2016-17 savings plans will be achieved but some saving plans lack detail and realistic delivery timescales | 13 |

Summary report

Summary

- 1 Good financial management is essential for the effective stewardship of public money and the continual delivery of efficient public services. The current financial climate and the reduced settlements for local government mean that good financial planning, with well-considered savings plans, is critical to financial resilience.
- 2 This review focuses on answering the following question: **Do the council's financial savings planning arrangements support financial resilience?**
- 3 Good financial planning:
 - helps councils take the right decisions for the short, medium and long term;
 - helps councils deliver services to meet statutory obligations and the needs of local communities;
 - is essential for good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
- 4 Financial planning for the medium to long term involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and, where necessary, developing appropriate savings strategies.
- 5 A council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and Medium-Term Financial Plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
- 6 Councils receive about 80% of their net income from Welsh Government, the exact amount is only known 4-5 months before the start of the financial year. Whilst this has an impact on financial planning councils can use a range of information to anticipate changing circumstances, set priorities, make choices and manage service delivery. They can calculate how much they would need to deliver services (at current or future prices) and review alternative income and spending scenarios to identify gaps and prepare for the future by investigating different approaches.

- 7 During 2015-16 the Wales Audit Office undertook work at all councils to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The national summary report concluded that **strategic planning arrangements are improving but councils have difficulty in developing and delivering the savings and changes to services at the pace required to ensure future financial resilience.**
- 8 In this assessment, undertaken during the period June to September 2016, we have focused on work to identify, plan for and deliver savings. We examined the extent to which Isle of Anglesey County Council (the Council) achieved its 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans.
- 9 We sampled three savings proposals for 2016-17 and looked at the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale.
- 10 We followed up our 2015-16 work to determine what the Council did as a consequence of what it learnt and how it has responded to our proposals for improvement in relation to financial planning if we made any.
- 11 In this report we have described some key characteristics of effective financial planning – **What good looks like**. Auditors have used these and other factors to reach a balanced view on the effectiveness of a council's financial planning arrangements and to evaluate the ability of a council to deliver its Medium-Term Financial Plan (MTFP) and planned savings.
- 12 In our 2015-16 review we concluded that **whilst the Council faced some significant challenges, its current arrangements for achieving financial resilience are appropriate and continuing to improve.**
- 13 In this review we concluded that **whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience.**
- 14 There is **some positive change** in the position from 2015-16. The Council has continued to strengthen its financial arrangements. It has reviewed and released earmarked reserves and updated its Medium Term Financial Plan. In order to bridge the future savings gap, the Council has recognised a need to change its strategic approach to financial planning and to review its approach to fees and charges.

Proposals for improvement

Exhibit 1: proposals for improvement

It would be unusual if we did not find things that can be improved and, where we do, The Auditor General can take a variety of steps. In this case a proposal for improvement has been made and we would expect the Council to do something about it.

Proposals for improvement

- P1 Strengthen financial planning arrangements by:
- developing an Income Generation/Charging Policy;
 - developing indicative savings plans to cover the period of the MTFP;
 - embedding the requirements of the Wellbeing of Future Generations (Wales) Act 2015
 - improving the links between its Corporate Plan and MTFP; and
 - strengthening arrangements to monitor the progress of unachieved savings in future years.

Detailed report

Whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience

Context

- 15 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there is a real-terms reduction of £483 million (10.9%) in this core funding¹.
- 16 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'² especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

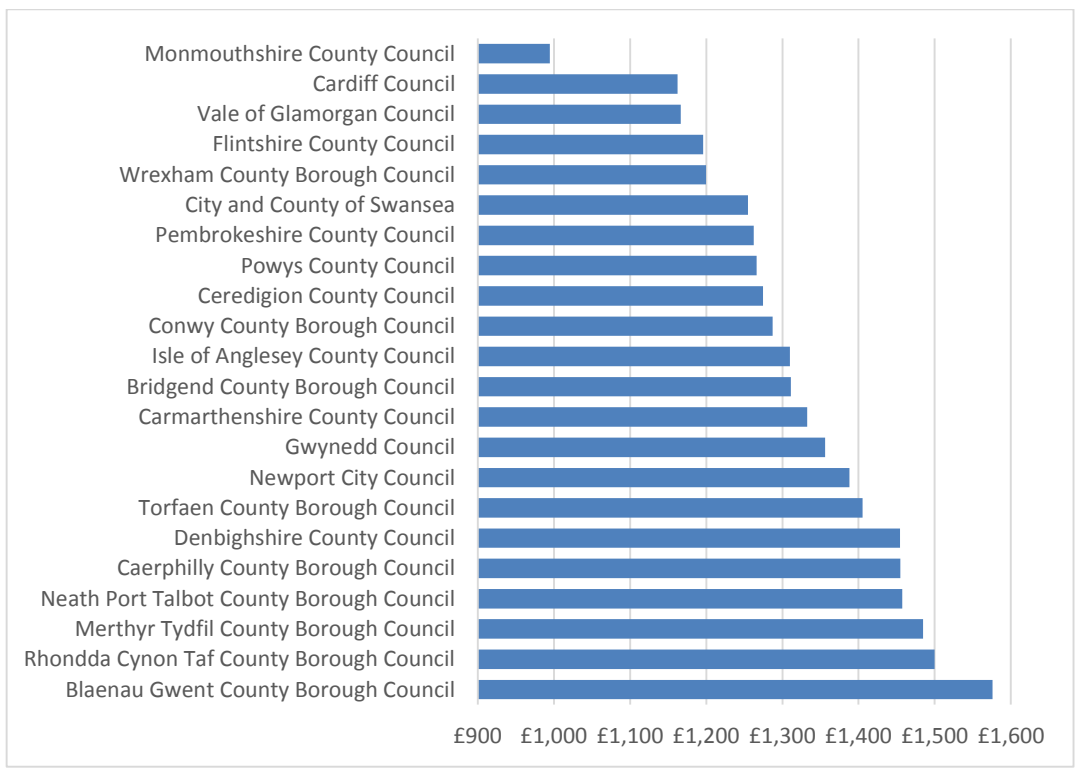
¹ Comparing core funding (Aggregate External Finance (AEF)) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

² Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 17 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as, for example, demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 18 The Council received £91.9 million in support from Welsh Government in 2016-17. This represents £1,310 per person in the county, the average for Wales but a real-terms reduction of 10.97%³ per head since 2013-14. There are other key issues that impact on any councils overall financial position, for example the overall Council tax base, the ability to generate income locally and the levels of deprivation.

Exhibit 2: Welsh Government support in 2016-17

The graph below illustrates the amount of money each council gets per head of population from the Welsh Government.



Source: Stats Wales (www.statswales.gov.wales)

³ The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

Savings achievement 2015-16

The Council has reported achievement of 82% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

What good looks like

- 19 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

What we found

- 20 In our 2015-16 review we found that the Council had developed an appropriate corporate framework for financial planning, but could improve the links between its Corporate Plan and Medium Term Financial Plan.
- 21 In our 2016-17 review we found that the Council set a net budget of £124.6 million for 2015-16 which included a requirement to achieve identified savings proposals of £4.33 million. The Council achieved 82% of its planned savings. The Council delivered £4.3 million of revenue savings in 2015-16 as departments were expected to meet any underachievement of savings by underspends or alternative efficiencies. Any unachieved savings were carried forward to the following financial year and were not reinstated into the budget. However, ongoing monitoring of unachieved savings into future years is not specifically undertaken.
- 22 A schedule of the savings proposals was set out in the 'Medium Term Financial Plan (MTFP) and 2015-16 Budget'. Against each individual saving strand was a brief description of the saving, the value of the total proposed saving and the service it related to. Each proposal was backed by a more detailed proposal which had been checked and challenged by the Finance Team. The proposed savings were incorporated into the individual service budgets.
- 23 The Council achieved an overall underspend on its 2015-16 revenue budget of £1.849 million. This was made up of departmental under or over spends, unused contingencies and other one off items. The value of this underspend was partly offset by the use of reserves to fund severance payments and the transfer to Children's Services of £476,000 to help fund statutory placements for looked-after-children. The net increase in general reserves for the year was £1.7 million.
- 24 The Council agreed, as part of its budget strategy for 2015-16, to use the following specific contingencies: £190,000 improvement; £631,000 general; £170,000

education breakfast; and £600,000 job evaluation. The Council uses contingencies to support its financial plans and they change each year.

- 25 During 2015-16 financial arrangements strengthened by moving away from savings targets driven by the Finance Department to a more inclusive process with services. A Scrutiny Outcome Panel considered in greater detail the Council's progress in achieving its efficiencies targets for 2015-16. As a result of this detailed work, scrutiny committees have access to well-defined set of questions when discussing and challenging the progress and achievement of savings. However, they are now more focused on challenging future savings before they are implemented.
- 26 Further changes introduced for the 2016-17 budget cycle have included increased and earlier internal challenge on budget lines and formal submission of efficiency proposals by services. The Section 151 and Chief Executive challenge and support services to better assess the feasibility and delivery of potential savings. The Senior Leadership Team has a strategic overview of progress against the savings plan and progress is reported to both Executive and Scrutiny Members formally on a quarterly basis.

Financial planning arrangements

The Council continues to strengthen its financial planning framework but there are insufficient links between its Corporate Plan and Medium Term Financial Plan and it lacks indicative savings plans for future years and a corporate approach to income generation

What good looks like

- 27 The MTFP is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 28 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.

- 29 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 30 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

What we found

- 31 In our 2015-16 review we found that the Council had developed an appropriate corporate framework for financial planning but could improve its links between its Corporate Plan and Medium Term Financial Plan.
- 32 In our 2016-17 review we found that the links between the Council's Corporate Plan and MTFP remained unchanged. There remains a lack of explicit links between the current MTFP and the Corporate Plans and its aims. The Council has told us that it plans to strengthen these links as part of its 2017-18 budget planning processes and has identified the need to align its financial arrangements against specific corporate priorities.
- 33 The Council's MTFP was updated in March 2016 having been approved in February 2015 and a further update covering 2017-18 to 2019-20 was presented to the Executive Committee in September 2016. The latest MTFP is a three year rolling plan which is updated annually and reviewed regularly.
- 34 The MTFP highlights national and local pressures which influence the budget. It takes account of known changes and sets out a series of reasonable and appropriate assumptions including pressures and growth in services, inflation factors, demographic changes, pay and pension costs and Welsh Government funding. The MTFP also assesses future expenditure, income and key financial risks and the robustness of estimates.
- 35 The MTFP 2017-18 to 2019-20 forecasts a savings requirement over its period of £8.13 million. This is based on the assumptions that net expenditure grows by 2% per annum; that Council Tax rises by 4% per annum and a reduction in the AEF of 2% in 2017-18, 2.6% in 2018-19 and 2.7% in 2019-20.
- 36 Following the publication of the provisional settlement in the autumn of 2016, the Council now anticipates that the funding gap for 2017-18 will be £2.9 million as opposed to the £3.49 million outlined in the September 2016 version of the MTFP. The Council has identified probable savings for 2017-18 of £2.9 million and consultation on these proposals is currently underway. Whilst the Council reports that it has started to identify indicative savings for the remaining MTFP period, these are not well-developed. The Council has recognised a need to change its strategy in order to continue to deliver savings and consideration is to be given to: alternative delivery models, transferring provision of services from the Council, use of general balances to generate future savings, stopping the provision of some non-statutory services.

- 37 As part of the budget process, services were requested to carry out initial equality impact assessments of each proposal. A short sentence summary of impact was included in the budget setting documentation, but some equality impact assessments had not been undertaken at the time that the savings proposals were agreed. In addition, the cumulative impact of savings on specific protected groups has not been considered. The financial impact of the Social Services and Well-being (Wales) Act 2014 and proposed mitigation steps were considered as part of the budget setting process.
- 38 A comprehensive General Policy on Reserves and Balances was approved by the Executive in March 2016 and a £5 million minimum level of general balances was set for 2016-17. The policy is comprehensive and sets out how reserves are to be used and managed as well as identifying the types of reserves and quantifying their requirements. The Council does not hold individual departmental reserves, but has a 'Corporate Service Reserve' to which services can submit proposals.
- 39 A review has taken place of earmarked reserves and around £30,000 was returned to general reserves. £1 million has been released from general balances to fund an 'Investment Fund' which enables investment in individual projects which will generate future efficiency savings.
- 40 The 2016-17 budget includes £1.8 million as earmarked and general contingencies to fund a range of projects. These include IT systems improvements, potential redundancy costs, specific domiciliary care costs, specific posts and projects and £310,000 as a general contingency to be used to meet any unforeseen costs which arise during the year.
- 41 An additional £2.15 million has been set aside from general reserves to cover the potential equal pay commitment. The Council plans to make sufficient savings in 2017-18 to balance the revenue budget without the need to use general reserves.
- 42 Whilst the Council does not have an overarching income generation and charging policy, the 2016-17 budget is based on securing an overall 5% increase in all non-statutory fees and charges. The schedule of fees and charges for 2016-17 was approved by Executive Committee in March 2016 and for the first time were presented in one composite schedule. An income generation target of £273,000 was included in the 2016-17 budget, which equates to 7.9% of the overall £3.4 million savings required.
- 43 From 2017-18 the increase in non-statutory income will be aligned to the assumption of the increase in council tax. A lack of a corporate approach to income generation weakens the financial arrangements and means that opportunities could be missed. However, the Council has told us that it will be developing an income generation policy.

Savings Plan 2016-17

The Council is forecasting that 83% of its 2016-17 savings plans will be delivered but some saving plans lack detail and achievable delivery timescales

What good looks like

- 44 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

What we found

- 45 In our 2015-16 review we found that the current year savings plans had been developed and tested through rigorous challenge. The plans were specific and measurable and were being effectively managed with the monitoring of progress undertaken by a Scrutiny Outcome Panel.
- 46 In our 2016-17 review we found that the Council had identified initial budget proposals for £3.913 million of savings. Following further assessment of risk of achievement and review of feasibility the Council identified savings plans of £3.46 million to meet the 2016-17 savings requirement. This included savings generated through voluntary redundancies and a reduction in the schools delegated budget. £400,000 of central education funding had been used to lessen the impact of the reduction in schools budget for 2016-17 which reduced the savings required to £3.06 million.
- 47 Savings implemented during 2016-17 have been classified by the Council into Generation, retendering/procurement savings, and Service Transformation.
- 48 The Council maintains suitable documentation detailing the progress against savings including an ongoing risk assessment of the achievability of each savings strands against the following categories: likely savings achievable; uncertain outcome; and likely savings shortfall. Mitigation measures are also considered. Whilst the robustness of savings proposals and their feasibility is challenged internally before inclusion in the budget, our review identified that some efficiency savings plans lacked detail. For example around the impact on corporate priorities. The Council's Senior Leadership Team routinely monitors progress of its savings plans internally during the year.
- 49 The Council carries out consultation on its annual budget which includes online surveys, drop in sessions with the Leader, focus groups, stakeholder sessions and member seminars. Specific consultation was carried out with persons under 25

years old. Budget consultation responses received on savings plans are considered before the budget is approved.

- 50 The Council's plan is specific and measurable, providing a short description of the saving and the specific amount to be achieved. A schedule of the savings plan for 2016-17 was included in the annual budget setting report and itemised on a line by line basis. The Council monitors savings proposals on a line by line basis internally and progress is reported regularly to the Senior Leadership Team. The quarterly revenue monitoring report considered by the Executive Committee and Corporate Scrutiny Committee details the forecast of achieving the 2016-17 budget savings including a commentary on savings elements that are potentially non achievable, or those that will not be achieved at all.
- 51 The Council's quarter two revenue monitoring report forecasts a net overspend on its revenue budget of £660,000. The report also forecasts that 83% of the Council's savings (based on £3.06 million) have either already been achieved or are deemed to be achievable by the end of the year. 16% of savings have been assessed as not being achievable in 2016-17, but are likely to be achieved in 2017-18; and that £42,000 of savings will not be achieved at all in the future due to market circumstances and increased legal requirements.
- 52 The three savings proposals for 2016-17 we sampled to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale were:
- Waste Collection including bulky collection (£41,000 and £90,000)
 - Breakfast Club (£171,000); and
 - Voluntary Sector Payments: Adults Service (£30,000).
- 53 The review of our sample tracers' savings proposals showed that the robustness of business cases was variable and whilst in general the assumptions underpinning the costings were reasonable, the planned timescales were often unrealistic. For example in one tracer, the Council had deferred a saving from 2015-16 to 2016-17 in order that more specific consultation was carried out with affected groups on the proposed charges and in another the lateness in issuing formal notification to terminate contracts adversely affected the delivery of the planned full year savings.

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PROPOSAL FOR IMPROVEMENT AND MANAGEMENT RESPONSE

| Ref | Proposal for Improvement | Accepted | Management Response | Completion Date | Responsible Officer |
|-----|--|----------|---|-----------------|--|
| P1 | Strengthen financial planning arrangements by:- <ul style="list-style-type: none"> developing an Income Generation/Charging Policy | Yes | The Council accepts the need to develop an Income Generation / Charging Policy and will develop a policy in partnership with one of the Council's Services which deliver the more commercial services. This will ensure that the Policy is a practical document that can be implemented across the Council. | September 2017 | Section 151 Officer |
| | <ul style="list-style-type: none"> developing indicative savings plans to cover the period of the MTFP | Yes | Developing savings plans does take up management time and resources and is difficult when the level of savings required is unknown. Work commenced on developing a three year savings programme for each service in 2016 in preparation for the 2017/18 budget and this work will be developed as part of the 2018/19 budget setting process. | September 2017 | Section 151 Officer/ Chief Executive/ Heads of Service |
| | <ul style="list-style-type: none"> embedding the requirements of the Wellbeing of Future Generations (Wales) Act 2015 | Yes | The requirements of the Act will become part of the Council's decision making process in general and not just specifically in respect of the budget. | Ongoing | Chief Executive |
| | <ul style="list-style-type: none"> improving the links between its Corporate Plan and MTFP | Yes | As part of the process of developing the new Corporate Plan for 2017 – 2022, the funding of each proposal (both capital and revenue) will be considered and linked into the MTFP | October 2017 | Chief Executive/ Section 151 Officer |
| | <ul style="list-style-type: none"> strengthening arrangements to monitor the progress of unachieved savings in future years | Yes | The Resources Function will be reviewing the 2017/18 budget for each service so that the budget is realigned at both cost centre and subjective code level to reflect the actual costs within 2016/17 whilst remaining within the allocation for the Service as per the 2017/18 budget. This will allow individual savings to be better monitored as any under achievement cannot be explained as being funded through underspending on other budget heads. A Finance Panel of the Corporate Scrutiny Committee is likely to be set up and one function of this Panel will be to monitor the achievement of savings more closely | September 2017 | Section 151 Officer |



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan – Isle of Anglesey County Council

Audit year: 2016-17

Date issued: March 2017

Document reference: 265A2017

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2017 Audit Plan

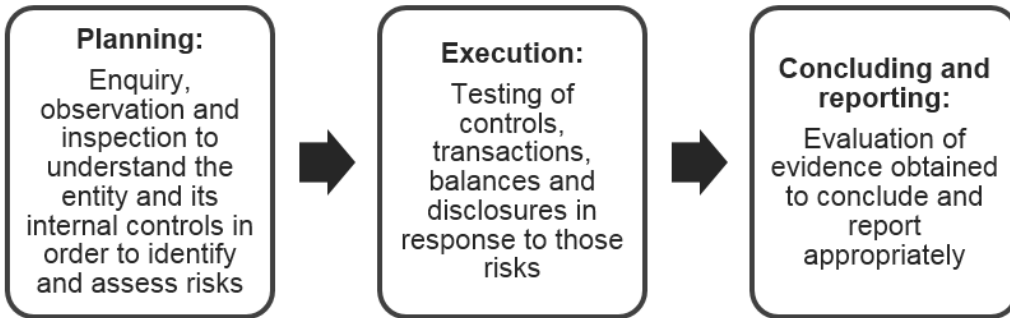
Summary

- 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 the 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](#).

Audit of accounts

- 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 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 design and implementation testing of controls over journal entries to the financial ledger; • review accounting estimates for biases; and • evaluate the rationale for any significant transactions outside the normal course of business. |

| 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. 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 on a sample basis 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 correspondence attached to specific grants and test on a sample basis the Council's accounting treatment of the related expenditure; and • test the design and implementation of controls around recognition of grant income. |
| <p>Pension Liability</p> <ul style="list-style-type: none"> • 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, and its calculation is sensitive to comparatively small changes in assumptions made about future changes in salaries, discount rates, mortality, and other key variables. | <p>My audit team will:</p> <ul style="list-style-type: none"> • obtain the IAS19 valuation as at 31 March 2017, and will engage experts to assist with our review of the appropriateness of the IAS19 valuation bases, assumptions and financial statement disclosures. |

- 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 £1.9 million, based on forecast net expenditure of £123.8 million (as per the third quarter Revenue Budget Monitoring Report). The materiality will be updated at the year-end in accordance with the year-end outturn 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 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.

- 12 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;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - 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;
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements; and
 - set out the extent to which you intend to rely on Internal Audit's work and where reliance is to be placed on the work of other auditors, specialists, etc.
- 13 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 Isle of Anglesey County Council to support preparation of Whole of Government Accounts.

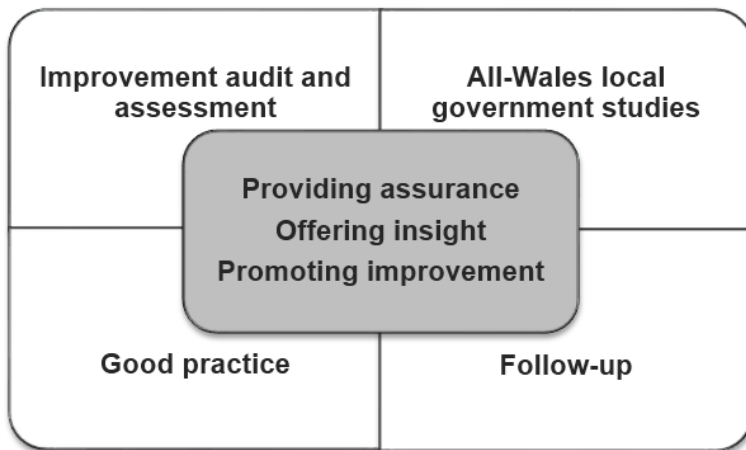
Other work undertaken

- 14 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has deferred the planned move to measuring the local authority highways network asset at depreciated replacement cost. The Code Board will consider whether the central GRC rates and central assurance processes will be delivered in a timely manner to enable successful implementation in 2017-18 at its meeting in March 2017. The requirements will be introduced in the 2017-18 Code.
- 15 Any required additional audit work in relation to the highways network asset cannot be contained within existing fees. The additional audit cost will be agreed based on the quality of the Council's systems and records and the availability of central assurances. I anticipate that the additional fees related to the highways network asset will be reflected in the audit fee for 2017-18.
- 16 It will however be important for authorities to maintain their momentum in preparing for this significant change and they may wish to engage with their external auditor as they make progress. I will discuss with you the scope of any additional preparatory work required in 2017 and any additional audit fee for such work.

Performance audit

17 The components of my performance audit work are shown in [Exhibit 3](#).

Exhibit 3: components of my performance audit work



- 18 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 Local Government Reform remains under consideration.
- 19 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. 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.
- 20 During 2016 I consulted with public service bodies on how I can best discharge my various duties while 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.
- 21 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of Local Government Studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. [Exhibit 4](#) summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by

local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in Annual Improvement Reports depending on the timing and the focus of conclusions.

Exhibit 4: Local Government Studies

| Study | Status |
|--|-------------------------|
| 2015-16 studies | |
| Community safety | Published October 2016 |
| Income generation and charging | Published November 2016 |
| Council funding of third sector services | Published January 2017 |
| 2016-17 studies | |
| How local government manages demand | Fieldwork |
| Strategic commissioning | Fieldwork |
| Improving well-being through housing adaptations | Fieldwork |

22 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

Exhibit 5: performance audit programme

| Performance Audit Programme | Brief description |
|--|--|
| Improvement audit and assessment work including: <ul style="list-style-type: none"> • Improvement Planning and reporting audit • Follow-up of local and national proposals for improvement/recommendations • Local risk-based projects – to be confirmed • Annual Improvement Report | Basic certification of improvement plan and annual report. Follow up review of a sample of local and national proposals for improvement/recommendations. Project Briefs will be shared prior to commencement of project work. Summary of performance audit work undertaken in the year. |
| Well-being of Future Generations (WFG) baseline assessment | The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act. |

| Performance Audit Programme | Brief description |
|---------------------------------|---|
| WFG Scrutiny review | This review will examine the impact of the WFG Act on the work of scrutiny committees, including Public Service Board (PSB) scrutiny, facilitating improvement and the sharing of good practice. |
| Service User Perspective review | Building on work undertaken on the Addressing Dependency and Demand Local Government Study, this project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services, involving a selection of services and scenarios. |

- 23 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

- 24 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 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 25 Your estimated fee for 2017 is set out in [Exhibit 6](#).

Exhibit 6: audit fee

| Audit area | Proposed fee (£) ¹ | Actual fee last year (£) |
|---|-------------------------------|--------------------------|
| Audit of accounts² | 192,000 | 193,000 |
| Performance audit work:³ | 100,261 | 101,472 |
| Grant certification work⁴ | 135,000 | 135,000 |
| Total fee | 427,261 | 429,472 |

Notes:

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

² Payable November 2016 to October 2017

³ Payable April 2017 to March 2018

⁴ Payable as work is undertaken

26 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.

27 Further information on my fee scales and fee setting can be found on the [Wales Audit Office website](#).

Audit team

28 The main members of my team, together with their contact details, are summarised in [Exhibit 7](#).

Exhibit 7: my team

| Name | Role | Contact number | E-mail address |
|-----------------|-----------------------------------|----------------|-------------------------|
| Ian Howse | Engagement Lead – Financial Audit | 02920 264319 | ihowse@deloitte.co.uk |
| Michelle Hopton | Financial Audit Manager | 01179 842881 | mhopton@deloitte.co.uk |
| Clare Edge | Financial Audit Manager | 07708 936807 | cedge@deloitte.co.uk |
| Derwyn Owen | Engagement Director | 02920 320651 | Derwyn.Owen@audit.wales |
| Andy Bruce | Performance Audit Manager | 07919 164779 | Andy.Bruce@audit.wales |
| Gwilym Bury | Performance Audit Lead | 07813 564432 | Gwilym.Bury@audit.wales |

29 I can confirm that my team members are all independent of Isle of Anglesey County 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

30 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 8](#).

Exhibit 8: timetable

| Planned output | Work undertaken | Report finalised |
|--|------------------------|------------------|
| 2017 Audit Plan | March to April 2017 | April 2017 |
| Financial accounts work: <ul style="list-style-type: none">• Audit of Financial Statements Report• Opinion on Financial Statements• Financial Accounts Memorandum | July to September 2017 | September 2017 |

| Planned output | Work undertaken | Report finalised |
|---|------------------------|------------------|
| Performance work: Programme will be finalised as soon as practicable: See paragraphs 22 to 26 above | To be confirmed | To be confirmed |
| Annual Improvement Report | Throughout the year | May 2017 |
| Annual Audit report | May to November 2017 | November 2017 |
| 2018 Audit Plan | February to March 2018 | April 2018 |

* Subject to timely clearance of draft findings with Isle of Anglesey County Council.

Future developments to my audit work

Well-being of Future Generations (Wales) Act 2015

31 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their wellbeing objectives and taking steps to meet them. In 2017, I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 32 Details of other future developments including changes to key International Financial Reporting Standards (IFRS) and of the Wales Audit Office's Good Practice Exchange (GPX) seminars are set out in [Appendix 4](#).
- 33 The Wales Audit Office's GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- The challenges posed by indirectly provided, publicly funded services in Wales

- How you Manage Risk around Organisation Change, Service Transformation and Innovation
- Measuring Outcomes: who's doing it and how (linked to the WFC Act).

Appendix 1

Respective responsibilities

Audit of accounts

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 Isle of Anglesey County 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;
- Isle of Anglesey County 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 Isle of Anglesey County 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 Isle of Anglesey County Council's 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

Exhibit 10: Position against 2016-17 performance audit work included in the 2016-17 Audit Outline

| Performance audit project | Status | Comment |
|--|--------------------|--|
| Transformation Theme | Not started | Expected to conclude by June 2017 |
| Local Projects | Fieldwork underway | To be reported in the Annual Improvement Report – May 2017 |
| Savings planning | Complete | Report published early March 2017 |
| Good governance when determining significant service changes | Report drafting | Draft reports expected to be issued in March 2017 |

Appendix 3

National value-for-money studies

Isle of Anglesey County 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 supported by funds approved 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.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the Committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd., I am considering a broader examination of the Welsh Government's support for business.

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

Exhibit 11: National value-for-money study topics and when they are likely to be published

| Topic | Anticipated publication (as at 3 January 2017) |
|---|--|
| Outpatient follow-up appointments | February 2017 |
| Governance and oversight of arms-length bodies (discussion paper) | February 2017 |
| Welsh Government oversight of further education institutions' finances and delivery | March 2017 |
| Circuit of Wales | February 2017 |
| Emergency ambulance services commissioning | February 2017 |
| 21st century schools and education programme | March 2017 |
| Public procurement landscape review | April to July 2017 |
| Waste management (waste prevention) | April to July 2017 |

| Topic | Anticipated publication (as at 3 January 2017) |
|---|--|
| Waste management (municipal recycling) ² | April to July 2017 |
| Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning) | April to July 2017 |
| Supporting People programme | April to July 2017 |
| NHS Wales informatics services | April to July 2017 |
| Access to public services with the support of specialist interpretation and translation | August to October 2017 |
| Preparations for the implementation of fiscal devolution in Wales (follow-on report) | August to October 2017 |
| Early intervention and behaviour change | TBC ³ |

² In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

³ My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still 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 plans for its production are still to be confirmed.

Appendix 4

Other future developments

Forthcoming key IFRS changes (relevant to all local government bodies)

Exhibit 12: Forthcoming key IFRS changes

| Standard | Effective date | Further details |
|--|----------------|---|
| IFRS 9 Financial instruments | 2018-19 | IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39. |
| IFRS 15 Revenue from contracts with customers | 2018-19 | IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required. |
| IFRS 16 Leases | 2019-20 | IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting. |

Good Practice Exchange

The Wales Audit Office's Good Practice Exchange (GPX) helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared on line.

The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX website](#). Registration for all events will open two months prior to the event.

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AUDIT & GOVERNANCE COMMITTEE
FORWARD WORK PROGRAMME

28 MARCH 2017

| | |
|------------------|-----------------------------|
| Contact Officer: | Sioned Parry |
| | Audit Manager |
| E-Mail: | SionedParry@anglesey.gov.uk |
| Telephone: | 01248 756211 |

| Date | Subject | Responsible Officer (including e-mail address) |
|--|--|---|
| <p>25 July 2017</p> <p>21 Sep 2017</p> <p>5 Dec 2017</p> <p>13 Feb 2018</p> | <p>Progress made on External Regulatory Reports To consider the progress made on External Regulatory Reports which are directly related to the issues of governance or the management of risk within the Council.</p> | <p>Programme, Business Planning & Performance Manager GethinMorgan@anglesey.gov.uk</p> |
| <p>21 Sep 2017</p> | <p>Housing Benefit and Council Tax Benefit Investigations The report will set out the details of the claims successfully investigated by the Benefits Investigation Team.</p> | <p>Head of Function (Resources) MarcJones@anglesey.gov.uk</p> |
| <p>28 June 2017</p> <p>25 July 2017</p> <p>5 Dec 2017</p> <p>13 Feb 2018</p> | <p>Internal Audit Performance against the Annual Audit Plan To review the Internal Audit Service's performance against the Annual Audit Plan on a quarterly basis.</p> | <p>Audit Manager SionedParry@anglesey.gov.uk</p> |
| <p>28 June 2017</p> | <p>Draft Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2016/2017</p> | <p>Head of Function (Resources) MarcJones@anglesey.gov.uk</p> |
| <p>21 Sep 2017</p> | <p>Half Yearly Report on Treasury Management for 2017/2018 The report will detail the Council's position as regards compliance with its Treasury Management Strategy and Investment Strategy, and to note the current position on both investments and borrowing.</p> | <p>Head of Function (Resources) MarcJones@anglesey.gov.uk</p> |

| Date | Subject | Responsible Officer (including e-mail address) |
|--------------------------------------|--|---|
| 21 Sep 2017 | <p>Treasury Management Activity and Actual Prudential Indicators for 2017/2018</p> <p>The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2017/2018. The report also covers the actual Prudential Indicators for 2017/2018 in accordance with the requirements of the Prudential Code.</p> | <p>Head of Function (Resources) MarcJones@anglesey.gov.uk</p> |
| 21 Sep 2017 | <p>Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2016/2017</p> <p>The Audit Committee is charged with approving the accounts on behalf of the Council, and is also charged with governance. The Audit Committee is therefore required to approve the Annual Finance and Governance Report 2016/2017, including the Statement of Accounts 2016/2017, to receive the Appointed Auditor's report on the accounts and the ISA 260, which also requires the Committee to approve the Final Letter of Representation.</p> | <p>Head of Function (Resources) MarcJones@anglesey.gov.uk</p> |
| <p>28 Jun 2017</p> <p>5 Dec 2017</p> | <p>Corporate Risk Register</p> <p>To consider the corporate risks detailed in the Register.</p> | <p>Insurance & Risk Manager JulieJones@anglesey.gov.uk</p> |
| March 2017 | <p>Internal Audit Strategy and Annual Plan 2017 to 2018</p> <p>To comply with the Public Sector Internal Audit Standards 2013, whereby the Internal Audit Strategy and Annual Plan are presented to the Audit & Governance Committee for approval.</p> | <p>Audit Manager SionedParry@anglesey.gov.uk</p> |

| Date | Subject | Responsible Officer (including e-mail address) |
|---------------------|--|---|
| Future Items | | |
| 28 Jun 2017 | Annual Governance Statement Action Plan 2016/2017 To report on the progress made in relation to the recommendations contained within the Annual Governance Statement Action Plan 2015/2016. | Programme, Business Planning & Performance Manager GethinMorgan@anglesey.gov.uk |
| 28 Jun 2017 | Internal Audit Annual Report 2016/2017 Under the terms of the Accounts and Audit Regulations, the Council is required annually to conduct a review of the effectiveness of its system of internal control and to review the Internal Audit Service's performance against the Annual Audit Plan for 2016/2017. | Audit Manager SionedParry@anglesey.gov.uk |
| 25 July 2017 | Annual Governance Statement Audit & Governance Committee are requested to comment on the content of the draft Annual Governance Statement 2016/2017 and contribute to the evaluations, conclusions and recommendations proposed to further develop or strengthen elements of the Council's governance arrangements during 2017/2018. | Programme, Business Planning & Performance Manager GethinMorgan@anglesey.gov.uk |
| 28 Jun 2017 | Internal Audit Update: Corporate Safeguarding ICT Disaster Recovery | Audit Manager SionedParry@anglesey.gov.uk |

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|--|--|
| COMMITTEE: | AUDIT AND GOVERNANCE COMMITTEE |
| DATE: | 28 MARCH 2017 |
| TITLE OF REPORT: | APPOINTMENT OF LAY MEMBERS |
| PURPOSE OF REPORT: | TO APPROVE THE APPOINTMENT PROCESS FOR LAY MEMBERS |
| REPORT BY: | MARC JONES – HEAD OF FUNCTION (RESOURCES) / SECTION 151 OFFICER |
| ACTION: | FOR DECISION |

1. INTRODUCTION

- 1.1 At the meeting of the Audit & Governance Committee on 26 May 2016, the Committee resolved to seek the appointment of new lay members for the period May 2017 to May 2022.
- 1.2 The following report provides details of the proposed recruitment pack and requests the Committee to approve the pack and provide guidance on certain elements of the recruitment process.

2. ELIGIBILITY OF CANDIDATES

- 2.1 The requirement to appoint lay members to the Audit and Governance Committee is set out in the Local Government (Wales) Measure 2011 (“the Measure”). The Measure is supported by statutory guidance which provides more details on the eligibility criteria for candidates.

The following eligibility criteria would prevent any potential candidate from being considered as a lay member, if they:-

- Are currently a Councillor of the Isle of Anglesey County Council;
- Are currently an employee of the Isle of Anglesey County Council;
- Are the spouse or civil partner of a current Councillor of the Isle of Anglesey County Council;
- Are the spouse or civil partner of a current employee of the Isle of Anglesey County Council;
- Are currently a Councillor of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Are currently an employee any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Are the spouse or civil partner of a current Councillor of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Are the spouse or civil partner of a current Officer of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Are currently a Community or Town Councillor;
- Are currently an employee of a Community or Town Council;
- Are the spouse or civil partner of a current Community or Town Councillor;

- Are the spouse or civil partner of a current employee of a Community or Town Council;
- Have any business connection with the Isle of Anglesey County Council;
- Have been, at any time, a Councillor of the Isle of Anglesey County Council;
- Have been, in the last 12 months, a Councillor on any County Council (except the Isle of Anglesey County Council) , a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Have been, at any time, an employee of the Isle of Anglesey County Council;
- Have been, in the last 12 months, an employee of any County Council (except the Isle of Anglesey County Council), a County Borough Council, a National Park Authority or a Fire and Rescue Authority.

2.2 The Statutory Guidance allows the Council some discretion to include additional qualifying criteria and, as in paragraph 2.1, any potential candidate which meets any of the additional criteria will not be considered as a lay member:-

- Be a relative (son/daughter, parent, brother/sister or other close relative) or have a close association with a person who is currently or was formerly a Councillor or employee of the Council;
- Be active in local or national politics;
- Have had any significant previous dealings with the Council which could compromise your impartiality;
- Have had any criminal convictions or be an un-discharged bankrupt.

3. NUMBER OF LAY MEMBERS

3.1 Section 82 of the Measure details the membership requirement of an Audit Committee and states that at least one member must be a lay member. This is the minimum requirement but, as Members are aware, the Committee currently includes two lay members.

3.2 Having two lay members is deemed to widen the skills and experience of the Committee members and it is recommended that the number of lay members continues to be two but the Committee are asked to consider this.

4. JOB DESCRIPTION AND PERSON SPECIFICATION

4.1 In order to assist the recruitment process, a job description and person specification for the lay member role has been drafted (see Appendix 1). The format is in line with the corporate format for all jobs within the Council.

4.2 Members are invited to comment on the proposed job description and person specification.

5. RECRUITMENT PROCESS AND TIMETABLE

5.1 This Committee is the final Audit & Governance Committee before the County Council elections in May 2017. The next Audit & Governance Committee is scheduled for the 28 June 2017 and it will be necessary to have the appropriate number of lay members appointed by that date.

5.2 The recruitment process, including the advertisement and selection process, will take approximately two months to complete and it is proposed that the advertisement is placed in the local newspapers at the first available opportunity following this Committee. Social Media and the Council's own website will also be used to advertise the role.

5.3 It is proposed that the deadline for applications is 12 May 2017. Following the receipt of applications, they will be shortlisted by a Panel of Officers (Chief Executive, Section 151 Officer and Head of Internal Audit & Risk).

5.4 Interviews would then take place in early to mid June with the Interview Panel being made up of the Chair and Vice Chair of the Audit & Governance Committee and the Section 151 Officer. The Chair and Vice Chair of the Committee will have been elected on 31 May 2017.

5.5 It should be noted that the Council have been approached by Cyngor Gwynedd requesting whether the Council wishes to undertake a joint recruitment process. Members are requested to consider whether they wish the Council to follow a joint recruitment process.

6. RECOMMENDATIONS

6.1 Members are asked to approve the additional qualification criteria as set out in paragraph 2.2.

6.2 Members are asked to confirm that the number of lay members continues as two.

6.3 Members are invited to provide comments on the draft job description and person specification as per Appendix 1.

6.4 Members are asked to confirm the proposed recruitment process and timetable as set out in paragraph 5.

ISLE OF ANGLESEY COUNTY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

JOB DESCRIPTION – LAY MEMBER

OVERALL JOB PURPOSE

The Isle of Anglesey County Council is committed to ensuring and demonstrating good governance. The Audit and Governance Committee forms a key part of the governance of the Council and its operation is based on the Chartered Institute of Public Finance and Accountancy's Practical Guidance for Local Authorities and the Local Government Measure (Wales) 2011.

The role of the Lay Member of the Committee is to assist the Audit and Governance Committee to effectively discharge its role by providing an independent view, advice and scrutiny on matters relating to the Council's arrangements for audit, risk management, governance and control.

To undertake this role, the lay member must be committed to the values of the Council and the following values in public office:-

- Selflessness
- Honesty
- Integrity and Propriety
- Duty to uphold the law
- Stewardship
- Objectivity in decision making
- Quality and Respect
- Openness
- Accountability
- Leadership

PRINCIPAL ACCOUNTABILITIES / KEY TASKS

1. To attend and actively participate in meetings of the Council's Audit and Governance Committee.
2. To provide an independent view and challenge to the matters considered by the Committee, having due regard to professional advice given to Members of the Committee.
3. To promote and support good governance and risk management by the Council.

PERSON SPECIFICATION

1. Education and Training

1.1. Essential

1.1.1. None

1.2. Desirable

1.2.1. Professional qualification in accountancy, audit business management or risk management.

1.2.2. Relevant degree.

2. Knowledge and Experience

2.1. Essential

2.1.1. Experience of working in, or with, large, complex organisations.

2.1.2. A financial, audit, legal or management background.

2.2. Desirable

2.2.1. Experience of working in, or with, public sector organisations, preferably local government.

2.2.2. Experience of being a member of an Audit Committee in a similar organisation.

2.2.3. A good understanding of governance, risk management and control.

2.2.4. Knowledge of the Isle of Anglesey and the opportunities and challenges it faces.

2.2.5. Knowledge of the purpose and role of an Audit and Governance Committee.

3. Skills and Abilities

3.1. Essential

3.1.1. The ability to analyse complex information, question, probe and seek clarification so as to come to an independent and unbiased view.

3.1.2. High level of inter-personal skills and the ability to work effectively with Elected Members and Council Officers in a formal Committee environment.

3.1.3. The ability to challenge Council Officers and Auditors.

3.1.4. The ability to listen and to consider and respect the views of other contributors.

3.2. Desirable

3.2.1. Ability to communicate bilingually in both Welsh and English.

QUALIFYING CRITERIA

In order to be eligible to undertake the role you should not be:-

- Currently a Councillor of the Isle of Anglesey County Council;
- Currently an employee of the Isle of Anglesey County Council;
- The spouse or civil partner of a current Councillor of the Isle of Anglesey County Council;
- The spouse or civil partner of a current employee of the Isle of Anglesey County Council;
- Currently be a Councillor of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Currently be an employee any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Be the spouse or civil partner of a current Councillor of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Be the spouse or civil partner of a current Officer of any other County Council, a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Currently be a Community or Town Councillor;
- Currently be an employee of a Community or Town Council;
- Be the spouse or civil partner of a current Community or Town Councillor;
- Be the spouse or civil partner of a current employee of a Community or Town Council;
- Have any business connection with the Isle of Anglesey County Council;
- Have been, at any time, a Councillor of the Isle of Anglesey County Council;
- Have been, in the last 12 months, a Councillor on any County Council (except the Isle of Anglesey County Council), a County Borough Council, a National Park Authority or a Fire and Rescue Authority;
- Have been, at any time, an employee of the Isle of Anglesey County Council;
- Have been, in the last 12 months, an employee of any County Council (except the Isle of Anglesey County Council), a County Borough Council, a National Park Authority or a Fire and Rescue Authority;

The following criteria may also prevent you from becoming a member of the Audit and Governance Committee:-

- Be a relative (son/daughter, parent, brother/sister or other close relative) or have a close association with a person who is currently or was formerly a Councillor or employee of the Council;
- Be active in local or national politics;
- Have had any significant previous dealings with the Council which compromise your impartiality;
- Have had any criminal convictions or be an un-discharged bankrupt.

REMUNERATION

A lay member of the Audit & Governance Committee is paid a fee which is set by the Independent Remuneration Panel for Wales. The current fee for 2016/17 is as follows:-

£99 for attendance at a meeting up to 4 hours
£198 for attendance at a meeting over 4 hours

Mileage allowance will also be paid for attending meetings - £0.45 per mile (up to 10,000 miles in any financial year), £0.25 per mile thereafter.