

# Public Document Pack



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

Dr Gwynne Jones  
Prif Weithredwr – Chief Executive  
CYNGOR SIR YNYS MÔN  
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<b>RHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>
<b>PWYLLGOR ARCHWILIO A LLYWODRAETHU</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DYDD MERCHER, 28 MEHEFIN, 2017 am 2 y.p.</b>	<b>WEDNESDAY, 28 JUNE 2017 at 2.00 pm</b>
<b>YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI</b>	<b>COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI</b>
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518 Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

## **PLAID CYMRU / THE PARTY OF WALES**

Dylan Rees, Alun Roberts, Margaret M. Roberts, Robin Williams

## **Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP**

Gwilym O. Jones, Richard Griffiths

## **ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS**

R. Llewelyn Jones (*Is-Gadeirydd/Vice-Chair*), Peter Rogers (*Cadeirydd/Chair*)

## **AELODAU LLEYG / LAY MEMBERS**

Mr Dilwyn Evans, Mr Jonathan Mendoza

## **A G E N D A**

**1     DECLARATION OF INTEREST**

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

**2     MINUTES OF THE 28TH MARCH, 2017 MEETING** (Pages 1 - 8)

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

- 28 March, 2017
- 31 May, 2017 (election of Chair/Vice-Chair)

**3     STATEMENT OF ACCOUNTS 2016/17 AND ANNUAL GOVERNANCE STATEMENT** (Pages 9 - 148)

To present the draft Statement of Accounts for 2016/17 and Annual Governance Statement.

**4     INTERNAL AUDIT ANNUAL REPORT 2016/17** (Pages 149 - 214)

To present the Internal Audit Annual Report for 2016/17.

**5     PUBLIC SERVICES INTERNAL AUDIT STANDARDS (PSIAS) - EXTERNAL ASSESSMENT** (Pages 215 - 230)

To present the external assessment report in relation to the Isle of Anglesey Internal Audit Service together with an associated Action Plan.

**6     INTERNAL AUDIT UPDATE** (Pages 231 - 242)

To present the Internal Audit update report.

**7     EXTERNAL AUDIT - PRESENTATION ON THE REGULATORY FRAMEWORK** (Pages 243 - 268)

To receive a presentation on the regulatory framework and the work of the Wales Audit Office.

**8     EXTERNAL AUDIT : GOOD GOVERNANCE WHEN DETERMINING SIGNIFICANT SERVICE CHANGES - ISLE OF ANGLESEY COUNTY COUNCIL** (Pages 269 - 280)

To present the report by External Audit.

**9     EXTERNAL AUDIT : ANNUAL IMPROVEMENT REPORT 2016/17 - ISLE OF ANGLESEY COUNTY COUNCIL** (Pages 281 - 304)

To present the report by External Audit.

**10    FORWARD WORK PROGRAMME** (Pages 305 - 310)

To present for review and update, the Committee's Forward Work Programme.



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## AUDIT AND GOVERNANCE COMMITTEE

### Minutes of the meeting held on 28 March, 2017

<b>PRESENT:</b>	Councillor R.Llewelyn Jones (Chair) Councillor John Griffith (Vice-Chair)  Councillors Jim Evans, Alun Mummery, Peter Rogers, Dafydd Thomas  Lay Members: Mr Richard Barker and Mrs Sharon Warnes
<b>IN ATTENDANCE:</b>	Head of Function (Resources) and Section 151 Officer Internal Audit Manager (SP) Committee Officer (ATH)
<b>APOLOGIES:</b>	Councillor Richard Owain Jones, Mr Mike Halstead (Head of Internal Audit), Mr Ian Howse (Deloitte)
<b>ALSO PRESENT:</b>	Councillor H.Eifion Jones (Portfolio Member for Finance), Mr Gwilym Bury (Performance Audit Lead - Wales Audit Office), Ms Clare Edge (Financial Audit Manager – Deloitte)

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#### 1. APOLOGIES

The apologies for absence were presented and noted as above.

#### 2. DECLARATION OF INTEREST

Mr Richard Barker and Mrs Sharon Warnes declared a prejudicial interest with regard to item 8 on the agenda.

#### 3. MINUTES OF THE 9<sup>TH</sup> FEBRUARY, 2017 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 9<sup>th</sup> February, 2017 were presented and confirmed as correct.

Arising thereon –

The Internal Audit Manager informed the Committee that a report by Mr Ivan Butler, Denbighshire County Council's Head of Internal Audit following his peer assessment of Anglesey's Internal Audit Service had been received today and would be presented to the Committee at its June meeting.

#### 4. STRATEGIC INTERNAL AUDIT PLAN 2017/18 - 2019/20 ANNUAL PLAN 2017/18

The report of the Internal Audit Manager incorporating the Strategic Audit Plan for 2017/18 to 2019/20 and the Annual Plan for 2017/18 was presented for the Committee's 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 1 April, 2013.

The Internal Audit Manager reported as follows –

- That the Internal Audit Strategy at Appendix A is a high level statement of how the Internal Audit Service will be delivered and developed and it is supported by a detailed Annual Plan as set out in Appendix B to the report.
- 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 the objectives described in paragraph 1.1.2 of the report. The Strategy and Annual Plan 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 for 2017/18.

- 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 therefore been undertaken using the processes set out in paragraph 1.2.2 of the report.
- Other documentation consulted which informed the development of the plan included but was not limited to the Annual Governance Statement 2015/16; the Deloitte Audit of Accounting Statements and the Annual Delivery Document (Improvement Plan) 2016/17.
- 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 the 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.
- A review of the Risk Management Framework and the effectiveness of actions to mitigate the Council's highest risks has been included in the 2017/18 Operational Plan.
- 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 Senior Leadership Team 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.
- The provision of the Internal Audit service will be delivered by an in-house team of 6 officers as outlined in Appendix D.
- 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 those objectives is monitored through quarterly service performance reviews and the performance of the service is reported to this Committee on a quarterly basis. Performance targets for 2017/18 are set out in Appendix E to the report.

The Committee considered the report and made the following points –

- That whilst it was satisfied that the Strategic Internal Audit Plan for 2017/18 to 2019/20 covers the right areas in terms of the nature and extent of the risks facing the Council, and that those risks have been properly identified and evaluated, the Committee noted that it does not contain a reference to the Council's savings agenda. The Committee noted further that the Plan although comprehensive as regards coverage of individual service areas, does not provide the means by which the Committee can be assured that the Council overall is delivering on its savings plans or that the impact on the Council's objectives of not being able to achieve proposed savings has been planned for and mitigated. Neither is the Committee able to derive a sense of how the Council as a whole is providing value for money. The Internal Audit Manager said that she noted the point made and would take it into consideration in formulating the Internal Audit Strategic Plan in future.
- The Committee noted that whilst the level of assurance is generally satisfactory, some areas included for review as part of the Strategic Internal Audit Plan in Appendix C reflect a Limited Assurance level; the Committee sought clarification of the progress of improvement with regard to these areas and the process for dealing with them. The Internal Audit Manager said that in developing the Strategic Plan the assurance level deriving from each audit is considered and then fed into the planning process. All audit reviews resulting in a Limited Assurance opinion are followed up within six months of the original audit and the outcome reported to the Committee.
- The Committee noted the performance targets set out in Appendix E; it sought clarification with regard to the progress made in terms of the Internal Audit Service being able to meet the targets at year end. The Internal Audit Manager said that to date 72.73% of planned audits have been completed and 49 audits undertaken.

**It was resolved to –**

- **Approve the Internal Audit Strategy and Annual Plan for 2017/18**

- **Approve the Internal Audit Service's Performance targets for 2017/18.**

## **NO FURTHER ACTION ENSUING**

### **5. EXTERNAL AUDIT: SAVINGS PLANNING – ISLE OF ANGLESEY COUNTY COUNCIL**

The report of the Head of Function (Resources) and Section 151 Officer incorporating the Wales Audit Office's report on Savings Planning at the Council along with the Management response to the recommendations made therein was presented for the Committee's consideration.

The Head of Function (Resources) and Section 151 Officer reported that the Wales Audit Office's Savings Planning report is the result of a further review of the Council's financial planning arrangements undertaken in September, 2016. This review was conducted in all of the Welsh Local Authorities and follows on from an earlier review of financial resilience in local authorities which was reported upon at individual authority level and at national level through a national summary report published in August 2016. The Officer referred to the scope of the Savings Planning review and said that the resulting report comes to the conclusion that although the Council "has an improving financial planning framework, underdeveloped savings plans may not fully support financial resilience." The report also identifies some positive change in the position from 2015/16 and notes that the Council "has recognised the need for it to change its strategic approach to financial planning and to review its approach to fees and charges." The report has made five proposals for improvement; these are detailed in Appendix 2 along with the Management response and completion date for the actions proposed.

Mr Gwilym Bury, WAO said that the report is a positive report for the Council and reflects the fact that the Council has continued to strengthen its financial arrangements. Where process can be improved is with regard to how equality impact assessments of savings proposals are carried out. Although these were done they were not all undertaken at the time the savings proposals were agreed. It would assist Elected Members to make fully informed decisions on savings proposals if an equality impact assessment of each proposal was carried out beforehand. The Head of Function (Resources) and Section 151 Officer confirmed that this is being addressed as part of the review of the 2017/18 budget setting process.

The Committee considered the report and made the following points –

- The Committee sought assurance that Management is confident that it is able to develop savings plans that are robust, accurate and capable of being delivered thereby improving the Council's resilience to withstand future financial pressures. The Head of Function (Resources) and Section 151 Officer said that the Council's strategy over recent years has worked to eliminate the slack in the budget to the extent that this approach is no longer feasible or adequate. While there is still scope to improve processes, the long-term approach necessarily involves re-considering what services can be delivered bearing in mind the services the Council is required by law to deliver and those which it is not and are discretionary, and also the way in which they should be delivered. The bulk of the Council's expenditure is on Education, Social Services and Highways which are all statutory services; it is therefore difficult to see how the Council can continue to operate effectively and viably in a context of reducing budgets without transforming how services are delivered in order to reduce costs. This process has commenced within the Council and is ongoing.

The Portfolio Member for Finance agreed with the comments made and added that the Council has in recent years made significant improvements in its financial and budget planning arrangements. The way councils are funded and the timing of the Welsh Government's announcement of the local government settlement makes budget planning difficult. Budget and savings planning on a year by year basis no longer meets the need; the Council has to take a long term view and key to this is the transformation of services and the way in which they are delivered.

- The Committee sought assurance with regard to the Council's financial planning arrangements and the continuation of the austerity agenda, that 5% general balances remains sufficient and viable. The Head of Function (Resources) and Section 151 Officer said that as a general rule of

thumb, 5% of the net revenue budget is considered to be an acceptable level of resources to be held in reserve. For the Council this equates to £6m. However, certain considerations need to be resolved before the final reserves position becomes clear including Equal Pay and whether or not the Welsh Government approves a capitalisation directive for equal pay that would allow the Authority to capitalise equal pay costs. Should that not happen, then meeting the costs of remaining equal pay claims would have to be met from general balances. Last year, £1m was released from general balances to improve the Council's business processes in order to generate further efficiency savings in future; whilst the use of reserves for such a purpose is acceptable, he would not advise drawing on reserves to reduce Council Tax increases.

- The Committee sought clarification of whether the Welsh Government's advocacy of regional collaboration and working especially with regard to the larger statutory services is likely to impact on an individual authority's savings plans when that authority is expected to align its services with those of up to five other authorities which may have a different baseline and a different approach.

The Head of Function (Resources) and Section 151 Officer said that whilst the Welsh Government's White Paper on Local Government Reform does not make regional working mandatory, it does propose that local authorities work together and share responsibilities where that is in the interests of the service, of efficiency and where it has cost benefits. What has not been addressed is the cost of the governance and administration arrangements for regional working. Where resources are pooled and joint committees established there has to be accountability for them and those arrangements have cost implications. This is an assessment which local authorities have to make in entering into regional and collaborative working arrangements.

**It was resolved to –**

- **Accept the findings of the Auditor's report and to note its conclusions, and to acknowledge that the Council is continuing to review and refine its arrangements in respect of financial planning.**
- **Accept the Management response and to agree that it be submitted to the Wales Audit Office.**

**NO FURTHER ACTION ENSUING**

## **6. EXTERNAL AUDIT: DRAFT 2017 AUDIT PLAN – ISLE OF ANGLESEY COUNTY COUNCIL**

The Wales Audit Offices draft Audit Plan for 2017 for the Isle of Anglesey County Council was presented for the Committee's consideration.

Ms Clare Edge, Financial Audit Manager reported on the audit process in relation to the audit of the 2016/17 accounts and she referred to the approach to be taken; the financial audit risks and proposed audit response along with the planned level of materiality and reporting timetable. The Officer said that the Plan also covers the 2017/18 programme of Performance audit work.

The Committee sought clarification of the position with regard to Corporate Safeguarding. The Committee noted that the internal audit of Corporate Safeguarding had resulted in a Limited Assurance opinion and that a recent report by CSSIW following an inspection of Children's Services at the Isle of Anglesey County Council had also highlighted a number of shortcomings in the Council's performance and practices. Given that these are areas where the risk level is high, and given the need for the Committee to be assured that those risks are being managed properly, it sought clarification of where in the spectrum of internal and external audit responsibilities does the focus for follow up work in these areas lie and how it would be addressed through audit processes.

The Committee was informed that Internal Audit will be undertaking follow up work on the Limited Assurance audit of Corporate Safeguarding the outcome of which will be reported to the Committee. The Committee can take assurance from the implementation of internal audit recommendations and if that is not the case, it can call the service to account. CSSIW will have oversight of the implementation of the Improvement Plan in response to the recommendations in its report on Children's Services.

The Internal Audit Manager confirmed that the Committee's Forward Work Programme shows that Internal Audit is scheduled to update the Committee on the follow up to the audit of Corporate Safeguarding at the June, 2017 meeting.

**It was resolved to accept the Audit Plan and to note its contents.**

## **NO FURTHER ACTION ENSUING**

### **7. FORWARD WORK PROGRAMME**

The updated Forward Work Programme was presented for the Committee's consideration.

The Committee noted the Forward Work Programme and in light of the discussion above, it considered whether the CSSIW report on the inspection of Children's Services should be accommodated. The Committee was informed that the Corporate Scrutiny Committee has already considered the CSSIW report and that a sub-panel of the Scrutiny Committee is to be established to monitor progress against the related Improvement Plan. The Internal Audit Manager confirmed that Internal Audit has been consulted on the Improvement Plan to ensure that the Management response is appropriate.

While the Committee recognised that the primary responsibility for monitoring this matter might better sit with the Corporate Scrutiny Committee as being about the provision of service, because of the risks involved, it requested that it be provided with an update at its June meeting so that it can be satisfied that Management actions are being implemented and that progress is being made.

**It was resolved to accept and to note the Forward Work Programme subject to the inclusion for the Committee's June meeting of an update on the position with regard to responding to the CSSIW inspection report on Children's Services.**

**ACTION ENSUING: Internal Audit Manager to update the Forward Work Programme accordingly.**

### **8. APPOINTMENT OF LAY MEMBERS**

The report of the Head of Function (Resources) and Section 151 Officer setting out proposed arrangements for the appointment of the Committee's Lay Members was presented for the Committee's consideration.

*Having declared a prejudicial interest in this matter, Mr Richard Barker and Mrs Sharon Warnes withdrew from the meeting for the consideration and determination thereof.*

The Head of Function (Resources) and Section 151 Officer reported on the following aspects of the appointment process –

- The eligibility criteria as provided by the Local Government (Wales) Measure 2011 statutory guidance listed in paragraph 2.1 of the report
- Proposed additional qualifying criteria as listed in paragraph 2.2 of the report
- The number of Lay Members to be appointed the recommendation being that the Committee retains two Lay Members.
- The proposed job description and person specification
- The proposed recruitment process and timetable as set out in paragraph 5 of the report.

Whilst the Committee was in agreement with the recruitment process in general, it expressed some reservation regarding the nature and extent of the qualifying criteria which it considered might limit the number of suitable candidates applying to become Lay Members of the Committee. The Head of Function (Resources) and Section 151 Officer said that the qualifying criteria listed in paragraph 2.1 are those which the Authority's Legal Section advises are set out by the Measure. However, he confirmed that he would report back to the Legal Section on the Committee's reservations with regard to this element of the recruitment process.

It was resolved to -

- Approve the additional qualification criteria as set out in paragraph 2.2 of the report
- Confirm that the number of lay members continues as two.
- Approve the draft job description and person specification as per Appendix 1.
- Confirm the proposed recruitment process and timetable as set out in paragraph 5 of the report.

**ACTION ENSUING:** Head of Function (Resources) and Section 151 Officer to confirm with the Head of Function (Council Business)/Monitoring Officer whether there is any flexibility with regard to the application of the qualifying criteria.

Councillor R.Llewelyn Jones  
Chair

DRAFT

# **AUDIT AND GOVERNANCE COMMITTEE**

## **Minutes of the meeting held on 31 May 2017**

- PRESENT:** Councillors Richard Griffiths, G O Jones, Dylan Rees, Alun Roberts, Robin Williams, R LI Jones and P S Rogers
- Mrs. Sharon Warnes – Lay Member
- IN ATTENDANCE:** Chief Executive,  
Head of Function (Council Business)/Monitoring Officer,  
Head of Democratic Services,  
Committee Officer (MEH).
- APOLOGIES:** Mr. Richard Barker – Lay Member
- ALSO PRESENT:** Councillor Richard O. Jones – Chair of the County Council
- 

**1 DECLARATION OF INTEREST**

None received.

**2 ELECTION OF CHAIRPERSON**

Councillor Peter S. Rogers was elected Chairperson of the Audit and Governance Committee.

**3 ELECTION OF VICE-CHAIRPERSON**

Councillor Robert LI. Jones was elected Vice-Chairperson of the Audit and Governance Committee.

**COUNCILLOR RICHARD O. JONES  
AS CHAIR OF THE COUNTY COUNCIL**

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>28 JUNE 2017</b>
<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2016/17</b>
<b>PORTFOLIO HOLDER(S):</b>	<b>COUNCILLOR JOHN GRIFFITH – PORTFOLIO HOLDER (RESOURCES)</b>
<b>HEAD OF SERVICE:</b>	<b>MARC JONES</b>
<b>REPORT AUTHOR:</b>	<b>BETHAN HUGHES OWEN / CLAIRE KLIMAZEWSKI</b>
<b>TEL:</b>	01248 752663 / 01248 751865
<b>E-MAIL:</b>	<a href="mailto:Bethanowen2@ynysmon.gov.uk">Bethanowen2@ynysmon.gov.uk</a> <a href="mailto:ClaireKlimazewski@ynysmon.gov.uk">ClaireKlimazewski@ynysmon.gov.uk</a>
<b>LOCAL MEMBERS:</b>	n/a
<b>A - Recommendation/s and reason/s</b>	
1. It is recommended to note the Draft Statement of Accounts 2016/17 prior to review by External Audit	
<b>B - What other options did you consider and why did you reject them and/or opt for this option?</b>	
n/a	
<b>C - Why is this a decision for the Executive?</b>	
This report sets out the Financial performance of the Council for the Financial year 1st April 2016 to the 31st March 2017	
<b>CH - Is this decision consistent with policy approved by the full Council?</b>	
Yes	
<b>D - Is this decision within the budget approved by the Council?</b>	
Yes	
<b>DD - Who did you consult? What did they say?</b>	
<b>1</b>	<b>Chief Executive / Strategic Leadership Team (SLT) (mandatory)</b>
<b>2</b>	<b>Finance / Section 151 (mandatory)</b> n/a– this is the Section 151 Officer's report
<b>3</b>	<b>Legal / Monitoring Officer (mandatory)</b>
<b>4</b>	<b>Human Resources (HR)</b>
<b>5</b>	<b>Property</b>
<b>6</b>	<b>Information Communication Technology (ICT)</b>
<b>7</b>	<b>Scrutiny</b>
<b>8</b>	<b>Local Members</b>
<b>9</b>	<b>Any external bodies / other/s</b>

<b>E - Risks and any mitigation (if relevant)</b>		
<b>1</b>	<b>Economic</b>	
<b>2</b>	<b>Anti-poverty</b>	
<b>3</b>	<b>Crime and Disorder</b>	
<b>4</b>	<b>Environmental</b>	
<b>5</b>	<b>Equalities</b>	
<b>6</b>	<b>Outcome Agreements</b>	
<b>7</b>	<b>Other</b>	
<b>F - Appendices:</b>		
<ul style="list-style-type: none"> <li>• Appendix A – Background.</li> <li>• Appendix B – Pre-Audit Statement of Accounts 2016/17</li> </ul>		
<b>FF - Background papers (please contact the author of the Report for any further information):</b>		
<ul style="list-style-type: none"> <li>• Full working paper relating to information contained in the Statement of Accounts are retained within the Accountancy section.</li> <li>• Revenue and Capital outturn reports, presented to the Executive Committee at regular interval throughout the financial year.</li> </ul>		

**1. Background**

- 1.1 The Council has a statutory duty to approve and publish a Statement of Accounts for each financial year. The attached Statement of Accounts is for the period 1st April 2016 to 31st March 2017 and is the pre-audit version. Before External Audit commences the Section 151 Officer is required to sign the 'Statement of Responsibilities for the Statement of Accounts' and this has to be completed before the 30th June 2016.
- 1.2 The Audit Committee is recommended to note the Draft Statement of Accounts prior to External Audit.
- 1.3 A final version of Statement of Accounts will be presented to Council once the External Audit is completed. This should occur prior to the 30th September 2017 deadline and will be accompanied by the independent Auditor's report. At that stage both the Section 151 Officer and the Chairman of the Isle of Anglesey County Council will be required to sign the final document.
- 1.4 The Statement of Accounts also contains the Annual Governance statement 2016/17.

# Ynys Môn

## THE ISLE OF Anglesey

### Draft Statement of Accounts 2016/17



CYNGOR SIR  
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## **Narrative Report**

The Statement of Accounts is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties clear information about the Council's finances. This narrative report, which is a key section of the accounts, aims to provide an effective guide to the most significant matters reported in the accounts. This is in order to provide a fair, balanced and easy to understand explanation of the Council's financial position and to assist in the interpretation of the financial statements. It also contains additional information about the Council in general and the main influences on the financial statements to provide a link between the Council's activities and challenges and how these impact on its financial resources.

The narrative report is structured as follows:-

1. The Statutory Framework
2. About the Isle of Anglesey County Council
3. Overview and performance analysis
4. Main issues from the 2016/17 Accounts
5. Explanation of the Financial Statements

### **1. The Statutory Framework**

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2017.

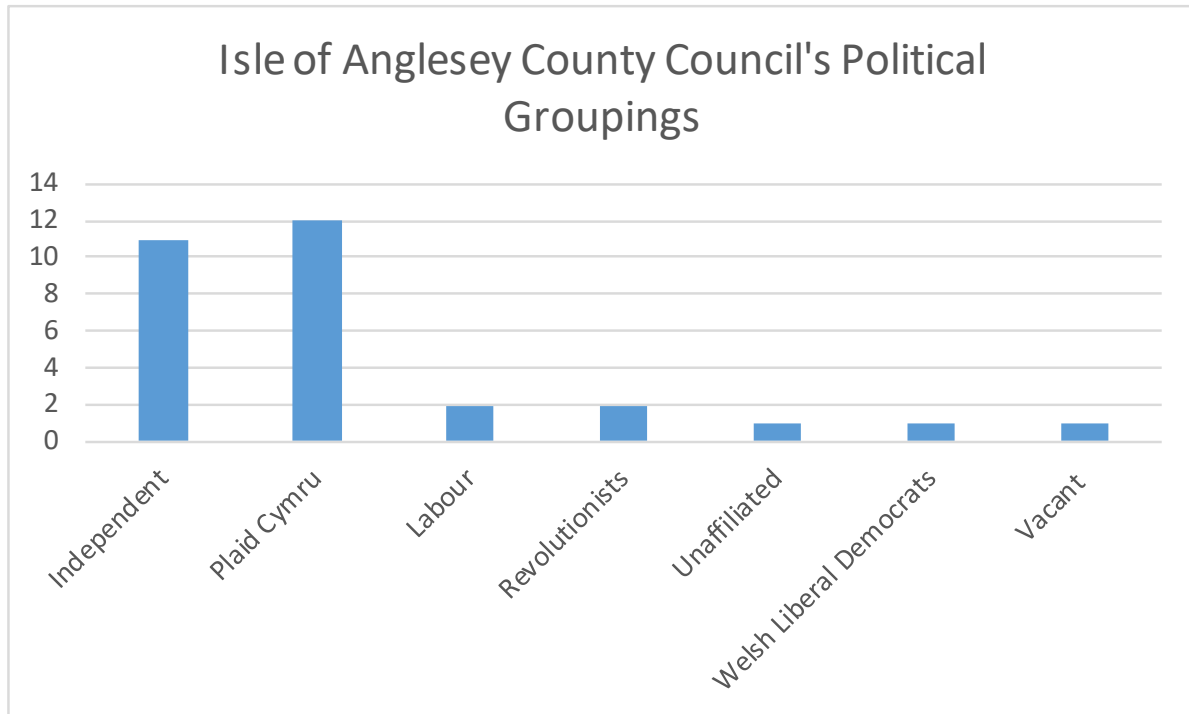
The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015 and, therefore, replaced Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 (SI 2005/368 (W.34), as amended) for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with these regulations and proper practices.

Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FReM), sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

### **2. About The Isle of Anglesey County Council**

The Isle of Anglesey County Council is a unitary authority and serves a population of 69,979. The Council is responsible for ensuring a wide range of services is provided to the residents, businesses and visitors to the Island. These include education, safeguarding vulnerable children and adults, social care, public health, highways, leisure, culture, waste collection, planning, administration of housing, benefits, regeneration and community engagement. In addition to providing services, the Council is also responsible for the collection of local taxation in the form of Council Tax and Non-Domestic Rates on behalf of Welsh Government.

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected members representing 11 multi-member wards across the County. Throughout 2016/17, the Council operated under an Independent/Labour/Liberal Democratic coalition administration. The political make-up of the Council as at 31 March 2017 is shown below: -





### **3. Overview**

#### **3.1 Statement from the Leader of the Council**

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2016/17. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the non-domestic rates and other stakeholders, including the Welsh Government.

The Council's funding is a mixture of funding from the Welsh Government via the Revenue Support Grant and the Council's share of the Non-Domestic Rates pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2016/17, the Council's net budget was £124.0m of which £32.1m came from Council Tax. The increase in Council Tax was 3.5%.

The results for the year highlight the Council's continued prudent financial management and, despite the Council's net budget falling by 0.49% compared to 2015/16, increasing demand for services, notably Children's Services, and the education of pupils out of county, the Council's overall general balance (excluding HRA) reduced by £0.189m, which represented a decrease of 2.13%. However, total usable reserves reduced by £2.743m due to the use of earmarked reserves to fund the expenditure, which the reserves were set aside to fund.

The future for public sector funding still remains uncertain, in particular what impact the decision to leave the European Union will have on the UK economy. It is anticipated that the Council will experience further reductions in funding from central government over the next three years and the Council's Medium Term Financial Strategy has identified the continued need to reduce annual revenue expenditure over this period. Having a healthy level of reserves and balances will help in the short term, but it is not a sustainable source of funding. Therefore, the Council is currently reviewing all the services it delivers and looking at alternative methods of delivery, which will allow the services to continue but at a lower cost. This will include working more in partnership with Town and Community Councils, Community and Voluntary Organisations and Third Sector Organisations.

The Council is currently preparing its Corporate Plan which covers the next five year period and, although the financial situations limits what the Council can achieve, it will not prevent the Council from focusing on its key priorities and investing in areas such as new schools, housing and older people services. We have also invested in Information Technology in order to modernise our business processes and improve our services to our customers and this investment will continue, which will bring further revenue savings and allow the Council to deliver a balanced budget in future years.

The financial standing of an organisation is, seen as a key indicator of the overall standard of corporate governance. I am confident that, through sound financial management, the Council will continue to be financially strong and sustainable.

**Ieuan Williams**  
**Leader of the Council**

**June 2017**

## **3.2 Key purpose and activities of the Council**

Under the Council's Corporate Plan for 2013 – 2017, the aim for the Isle of Anglesey County Council is that by 2017 we will be a professional and well-run Council, innovative and outward looking in our approach, committed to developing our people and partnerships in order to deliver efficient and effective services of good quality, that are highly valued by our citizens.

In order to achieve this, we will need to transform our services and the way the Council works. Transforming our Council will mean that we must listen to what our citizens, service users and businesses say and allow their views to influence what we do.

Some of the most far-reaching engagements and consultations we have ever undertaken have helped to create this plan. Engagement and consultation exercises since 2012 have asked citizens their views about which Isle of Anglesey County Council services were most important to them, and which they felt weren't as important. Across age groups, geographies and different consultation mechanisms, the overwhelming and consistent priorities are:-

- Supporting the most vulnerable
- Developing the economy
- Raising the standards of, and modernising, our schools

These priorities are the basis of our Corporate Plan. The Council, like all other local authorities, is facing significant pressures on budgets and has to focus on greater efficiencies. This will inevitably mean a change to the services we provide and the way in which they are delivered.

The Council will, therefore, work with citizens to change the way we all think about the respective responsibilities of the Council, communities and individuals. Whilst the Council will, of course, continue to be responsible for the bilingual provision of statutory services, the services will increasingly be provided in different ways and possibly, by other providers. We will manage reducing budgets and increasing demand due to demographic and social changes to enable us to safeguard these priorities.

### **3.2.1 Financial Scenario**

In common with all Local Authorities in Wales, the Isle of Anglesey County Council needs to manage a situation whereby the costs and demands of services are growing but the amount of funding available is reducing. Over the last three years, Welsh Government funding to the Council has fallen by £5.23m in cash terms (5.38%) and it is anticipated that reductions of at least the same scale may be implemented in the next three years. Against this backdrop, the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Council has responded to the reduction in funding by making substantial savings in the last three years and continues to ensure, wherever possible, these are found through improving efficiency rather than impacting on services.

The key focuses for the Medium Term Financial Plan are:-

- Redesigning services to intervene earlier, reducing costly reactive services;

- Reviewing all services to ensure that they are delivered in the most effective manner;
- To make the best of property and land to drive efficiency and growth;
- To refocus services to support local growth;
- To have mature conversations with communities to prioritise what matters to them and encourage involvement in solving local problems;
- To root out duplication between services and pursue economies of scale.

### **3.3 Key achievements, issues and risks affecting the Council**

The Council has set seven key priorities for the forthcoming years:-

- Transforming Older Adult Social Care;
- Regenerating Our Communities and Developing the Economy;
- Improving Education, Skills and Modernising our Schools;
- Increasing Our Housing Options and Reducing Poverty;
- Transforming our Leisure and Library Provision;
- Becoming Customer, Citizen and Community Focused;
- Transforming our Information and Communication Technologies (ICT).

During 2016/17, work continued on these seven priorities with the following key achievements achieved during the financial year:-

1. Work has commenced on the building of two new primary schools (Ysgol Cybi and Ysgol Rhyd y Llan) under the Welsh Government's 21st century schools programme. This will see six small primary schools closing with the pupils transferring to two new schools during 2017.
2. The Council has commenced the building of Llangefni Extra Care with a Registered Social Landlord. This will allow the Council to begin the process of transforming the delivery of Adult Social Care. It is estimated that the building will be ready for residents in June 2018.
3. The Council continued to utilise grants under the Vibrant and Viable Places scheme to improve facilities in the Holyhead area. A further £3.2m was spent during 2016/17, the final year for the scheme. The whole project has been worth £8.3m to the Authority.
4. Work has been completed on modernising and rationalizing the administration of Council Services (Smarter-Working) with improvements being made to the main Council Headquarters and to the Council's IT systems. The changes have allowed staff to work more flexibly without the need to be based in an office. This programme has resulted in the closure of two offices with the majority of the Council's administrative staff being based in one location. This will not only provide a better service to the customer but has also allowed the Council to make substantial savings of £586k.
5. Three weekly residual waste collection was introduced at the beginning of October 2016. After some initial problems with nappy collection and a huge number of telephone calls, the situation has settled down and the vast majority of the public are now making efforts to recycle. For 2015/16 the Recycling Rate target was 58% and Anglesey achieved 59.5%. For the two quarters from October 2016 onwards, the Recycling Rates have been 65.6% and 65.4%, which is a considerable rise bearing in mind that very little green waste is collected during this 6 month period.
6. 7,000 trolley boxes were introduced in October with a further 2,000 in the Holyhead area in February. These proved popular with most of the public and provided very little cross contamination. Following a successful application to Welsh Government, a further 20,000 trolleys are being introduced by September 2017.

7. Despite the continued reduction in central government funding, the Council delivered £3.4m of revenue savings in 2016/17 and identified a further £2.4m in setting the 2017/18 budget. Although this has required an above inflation increase in Council Tax, Anglesey's Band D equivalent continues to be one of the lowest in Wales.
8. The Council maintained a healthy level of reserves and general balances. The Council has been able to release £1m from general balances to fund specific projects aimed at improving business processes and services to customers. These projects will also deliver further revenue savings, which will help the Council deal with the difficult financial circumstances it will face over the next three years.

### 3.4 Summary of Performance

#### 3.4.1 Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2016/17, the Council reported an underspend of £326k against a planned activity of £124.0m (net budget) and achieved £3.4m of savings. The table below reflects the final budget for 2016/17 and actual income and expenditure against it.

<b>Services</b>	<b>Annual Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>Lifelong Learning</b>	49,019	49,786	767
<b>Adults</b>	22,641	22,115	(526)
<b>Children's</b>	7,785	8,865	1,080
<b>Housing</b>	854	816	(38)
<b>Highways, Waste &amp; Property</b>	13,862	13,448	(414)
<b>Regulation</b>	4,535	4,216	(319)
<b>Transformation</b>	3,749	3,477	(272)
<b>Resources</b>	3,021	3,244	223
<b>Council Business &amp; Corporate Finance</b>	18,571	17,423	(948)
<b>Total Council Fund</b>	<b>124,037</b>	<b>123,565</b>	<b>(447)</b>

The impact of an underspend means that the Council added £447k to the General reserves.

The presentation above reflects how costs are categorised, monitored and managed within the Council. The following Accounts report the same expenditure and income but in a different format to comply with the statutory external reporting requirements. This incorporates additional costs such as depreciation or changes in the value of property which, under regulation, is not chargeable to useable reserves in the year.

### 3.4.2 Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2016/17, the Council approved a Capital Programme for non-housing services of £26.933m and approved a Capital Programme for the HRA of £11.636m. Capital commitments were brought forward from 2015/16 of £7.791m and there was a brought forward budget for the smallholdings programme. During the financial year, a further £6.541m worth of Schemes were added to the programme. This brings the capital budget for 2016/17 to £52.901m.

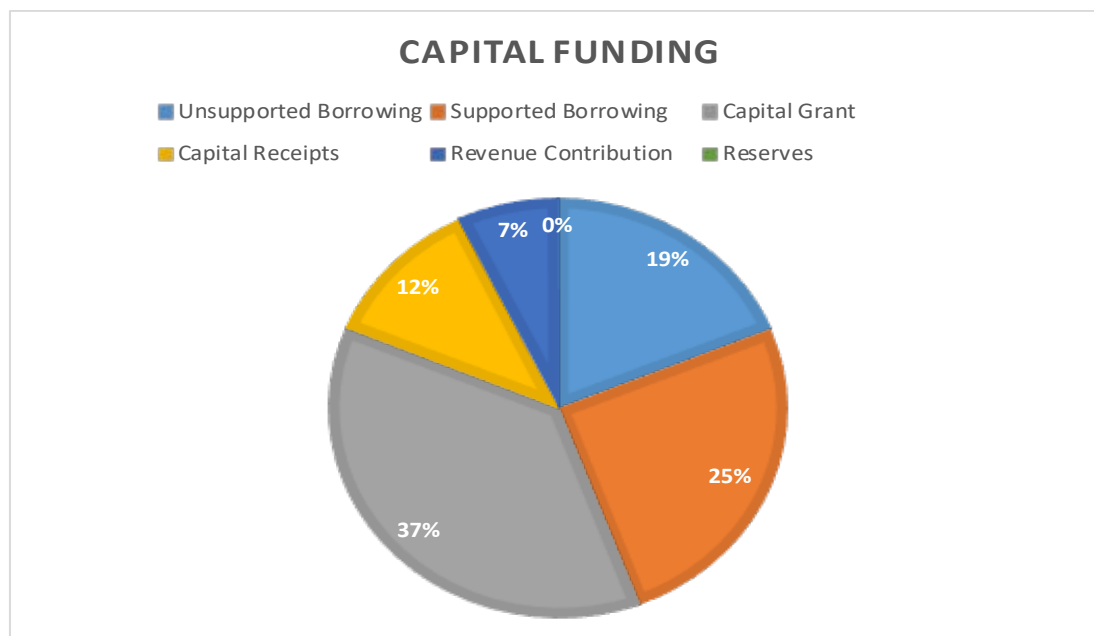
The programme has made excellent progress in year, achieving a delivery rate of 69%. It is expected that the remaining schemes will be delivered over the coming few years.

From this total spend of £36.640m, £24.404m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£2.747m) or did not add value to the capital assets (£9.489m).

The table below analyses the expenditure that has been capitalised:-

<b>Scheme</b>	<b>Amount (£'000)</b>
21st Century School – Ysgol Cybi	7,024
21st Century School – Ysgol Rhyd Y Llan	3,002
21 <sup>st</sup> Century School – Ysgol Parc Y Bont	5
21 <sup>st</sup> Century Schools – Ysgol Bro Rhosyr / Aberffraw	228
New Planning System	8
Car Parks	28
Highways County Prudential Borrowing	2,234
Llangefni Link Road	4,783
Beaumaris Flood Alleviation	72
New Highways to Wylfa Newydd	1,049
Road Safety Capital	101
Safer Route In Communities	89
Ravenspoint Road VVP	24
Holyhead Footway Improvement VVP	100
Vehicles	178
New Waste Collection System	480
Llanddona Cemetery	54
Smallholdings	1,135
ICT – Software Licensing	76
ICT – Server Storage	189
CRM System	29
ICT – Backup System	6
ICT - Replacement Servers	108
ICT - Projects	113
Market Hall	572
Intermediate Care Fund Capital	56
CCIS	60
Extra Care Home Llangefni	700
Compulsory Purchase Pilot Scheme	121
Residential Site for Gypsies & Travellers	58
Vehicles - HRA	96
Acquisition of Property	1,626
<b>Total</b>	<b>24,404</b>

Funded By:	£m
Unsupported Borrowing	4.590
Supported Borrowing	6.222
Capital Grant	9.026
Capital Receipts	2.836
Revenue Contribution	1.722
Reserves	0.008
<b>Total</b>	<b>24.404</b>



### **A note of the Authority's current borrowing facilities and capital borrowing**

As at 31 March 2017, the Authority had £116.935m of External Borrowing with the Public Works Loan Board (PWLb). At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £134.014m. In the Treasury Management Statement for 2016/17 the Authorised Borrowing Limit approved by the Council was £169m, therefore, the Authority is well within its borrowing limit.

### **A summary of the Authority's internal and external sources of funds available to meet its capital expenditure plans and other financial commitments**

As at 31 March 2017, the Authority's internal sources of funds were cash deposits at bank of £13.319m and a Capital Expenditure Reserve of £0.946m. The External Borrowing figure was £116.935m and further External Borrowing will be required to meet its future capital expenditure plans.

#### **3.4.3 Balance Sheet**

The Council's Balance Sheet demonstrates a good financial position at the end of 2016/17 with a net value of £165.811m, a reduction of £8.249m from last year, mainly due to changes to the financial assumptions used by the pension actuary when calculating the pension net liability.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2017 on page 17.

## Reserves

The £8.249m decrease in the Council's net worth set out above is the result of a £5.506m decrease in unusable reserves and a £2.743m decrease in usable balances (including the HRA).

### 4. Main Issues impacting on the 2016/17 Accounts

The Council set a net budget of £124.0m for 2016/17 to be funded from a combination of Council Tax Income, NDR and general grants. The budget included a requirement to achieve a savings figure of £3.4m, which was incorporated into the individual service budgets. The outturn position was an underspend of £447k. The underspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

#### Pensions

**Teachers' Pension Scheme** - Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

**Local Government Pension Scheme** - As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits by participating in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Benefits will not actually be payable until employees retire but the Council has a commitment to make the payments to the Pension Fund that need to be disclosed at the time that the employees earn their future entitlement.

The current economic climate continues to have an impact on the net Pensions Liability. One of the significant changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has increased from £95.022m to £105.509m, an increase of £10.487m. It is important to note that the increased liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

The Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement shows the pensions benefits earned in the year, adjusted as necessary to reflect that part of the pensions costs that is not met from Council Taxpayers.

#### Provisions

Total provisions held by the Council amounted to £5.071m at 1 April 2016. During the year the balance increased by £0.174m to £5.245m. The increase relates to an increase of £513k for the Equal Pay Provision. This increase was offset in part by £704k of provisions used during the year for costs the provisions were originally provided for. This includes the insurance provision, which reduced from £259k to £168k during the year.

Details of the movements in provisions are shown in note 27 to the Accounts.

## 5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2016/17 and its Balance Sheet as at 31 March 2017. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources), who is the designated Section 151 Officer.

### Core Financial Statements:-

The Statement of Accounts includes the core financial statements, which are:-

1. **The Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
2. **Expenditure and Funding Analysis (EFA)** – shows the information in the CIES but also provides the accounting adjustments which are cancelled out in Note 7 to ensure that these adjustments are not funded by Council Tax Payers. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and HRA's balances and reserves.
3. **The Movement in Reserves Statement (MIRS)** – shows the movement in the year of reserves held by the Council, analysed between 'usable and unusable' reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves.
4. **The Balance Sheet** – shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets are matched by reserves held by the Authority.
5. **The Cash Flow Statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.
6. **The Notes** – the notes to the core Financial Statements provide more details about the Council's accounting policies and items contained in the statements.

### Supplementary Financial Statements

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the section 151 Officer.
2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
3. **Auditor's Opinion** - as the Council's appointed External Auditor by the Auditor General for Wales, Deloitte LLP will carry out the statutory audit on behalf of the Auditor General following the Section 151 Officer signing and dating the draft statement of accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 30 September following the year-end.
4. **Changes in Accounting Policy**  
There are no material changes to accounting treatment required for 2016/17.



## **THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Isle of Anglesey County Council's responsibilities**

The Isle of Anglesey County Council is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Function (Resources) who is also the designated Section 151 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### **The Section 151 Officer's responsibilities**

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code").

In preparing this Statement of Accounts, the Section 151 Officer has:-

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with CIPFA Local Authority Code of Practice.

The Section 151 Officer has also:-

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **Certificate**

**I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2017.**

**Signed:** \_\_\_\_\_

**Richard Marc Jones CPFA  
HEAD OF FUNCTION RESOURCES AND Section 151 OFFICER**

**Signed** \_\_\_\_\_

**Councillor Richard Jones  
CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL**

**Dated: 26 September 2017**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ISLE OF ANGLESEY COUNTY COUNCIL – Leave blank**



**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR YEAR ENDED 31 MARCH 2017**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations, which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2016/17			Services	Note	2015/16 Restated		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
64,775	(14,267)	50,508	Lifelong Learning		61,525	(15,615)	45,910
31,430	(9,054)	22,376	Adult Services		29,418	(7,286)	22,132
8,902	(466)	8,436	Children's Services		8,108	(327)	7,781
5,993	(3,906)	2,087	Housing		5,448	(3,917)	1,531
29,214	(7,700)	21,514	Highways, Property and Waste		29,237	(7,076)	22,161
11,694	(6,284)	5,410	Regulation and Economic Development		11,078	(5,304)	5,774
4,433	(223)	4,210	Transformation		4,042	(192)	3,850
28,461	(19,598)	8,863	Resources		28,285	(19,490)	8,795
1,994	(458)	1,536	Council Business		1,811	(384)	1,427
2,321	(194)	2,127	Corporate Democratic Costs		2,333	(26)	2,307
892	(11)	881	Corporate Management		1,273	-	1,273
97	-	97	Non-distributed costs		96	-	96
10,137	(16,285)	(6,148)	Housing Revenue Account (HRA)		31,062	(14,894)	16,168
<b>200,343</b>	<b>(78,446)</b>	<b>121,897</b>	<b>Deficit on Continuing Operations</b>		<b>213,716</b>	<b>(74,511)</b>	<b>139,205</b>
		23,042	Other operating expenditure	12			19,167
		8,861	Financing and investment income and expenditure	13			9,664
		(145,252)	Taxation and non-specific grant Income	14			(144,024)
		<b>8,548</b>	<b>Deficit on Provision of Services</b>				<b>24,012</b>
		(7,632)	Surplus on revaluation of non-current assets	11c, 15 & 17			(12,825)
		7,333	Re-measurement of net Pension liability	11ch & 41			(35,938)
		<b>(299)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(48,763)</b>
		<b>8,249</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(24,751)</b>

Refer to Note 4b on page 24 for information about the 2015/16 restated financial information

## Expenditure and Funding Analysis 2016/17

2016/17			Services	2015/16 Restated		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
49,262	1,246	50,508	Lifelong Learning	46,323	(413)	45,910
21,646	730	22,376	Adult Services	20,978	1,154	22,132
8,936	(500)	8,436	Children's Services	7,181	600	7,781
1,264	823	2,087	Housing	1,581	(50)	1,531
23,654	(2,140)	21,514	Highways, Property and Waste	21,565	596	22,161
4,410	1,000	5,410	Regulation and Economic Development	4,955	819	5,774
3,577	633	4,210	Transformation	4,517	(667)	3,850
8,801	62	8,863	Resources	8,715	80	8,795
1,516	20	1,536	Council Business	1,439	(12)	1,427
2,495	(368)	2,127	Corporate Democratic Costs	1,760	547	2,307
881	-	881	Corporate Management	1,269	4	1,273
-	97	97	Non-distributed costs	96	-	96
(7,757)	1,609	(6,148)	Housing Revenue Account (HRA)	(7,583)	23,751	16,168
<b>118,684</b>	<b>3,212</b>	<b>121,897</b>	<b>Net Cost of Services</b>	<b>112,796</b>	<b>26,409</b>	<b>139,205</b>
(115,942)	2,593	(113,349)	Other Income and Expenditure	(117,930)	2,737	(115,193)
<b>2,743</b>	<b>5,805</b>	<b>8,548</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(5,134)</b>	<b>29,146</b>	<b>24,012</b>
34,381			Opening General Fund and HRA balance at 1 April	29,247		
(2,743)			Less Deficit on General Fund and HRA Balance in Year	5,134		
<b>31,638</b>			<b>Closing Council Fund Balances and HRA Balance at 31 March</b>	<b>34,381</b>		

Refer to Note 4b page 24 for information about the restated financial information for 2015/16

## MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2017

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus/(Deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting purposes and the Housing Revenue Account for rent setting purposes. The 'Net Increase / (Decrease) before transfers to earmarked reserves' line shows the in-year movement on the Council Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves are made by the Council.

	Council Fund Balance £'000	Earmarked Council Fund Reserves (Note 6) £'000	HRA Balance (Supplementary Financial Statements) £'000	Capital Receipts Reserve (Note 10) £'000	Schools Balances (Note 9) £'000	Capital Grants Unapplied (Note 14) £'000	HRA Earmarked Reserve (Note 8) £'000	Total Usable Reserves £'000	Total Unusable reserves (Note 11) £'000	Total Reserves (of the Council) £'000
<b>Balance 1 April 2015</b>	7,193	15,779	2,821	-	2,438	-	1,016	29,247	120,063	149,310
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(3,491)	-	(20,521)	-	-	-	-	(24,012)	-	(24,012)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	48,762	48,762
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,491)</b>	<b>-</b>	<b>(20,521)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,012)</b>	<b>48,762</b>	<b>24,750</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	5,420	-	23,726	-	-	-	-	29,146	(29,146)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,929</b>	<b>-</b>	<b>3,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,134</b>	<b>19,616</b>	<b>24,750</b>
Transfers to/(from) Earmarked Reserves (note 8)	(236)	212	1,016	-	24	-	(1,016)	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>1,693</b>	<b>212</b>	<b>4,221</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>(1,016)</b>	<b>5,134</b>	<b>19,616</b>	<b>24,750</b>
<b>Balance 31 March 2016</b>	<b>8,886</b>	<b>15,991</b>	<b>7,042</b>	<b>-</b>	<b>2,462</b>	<b>-</b>	<b>-</b>	<b>34,381</b>	<b>139,679</b>	<b>174,060</b>
<b>Movement in reserves during the year</b>										
Surplus/(Deficit) on provision of services	(7,392)	-	(1,156)	-	-	-	-	(8,548)	-	(8,548)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	299	299
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,392)</b>	<b>-</b>	<b>(1,156)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,548)</b>	<b>299</b>	<b>(8,249)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	4,196	-	1,609	-	-	-	-	5,805	(5,805)	-
<b>Net Increase/ (Decrease) before Transfers to Earmarked Reserves</b>	<b>(3,196)</b>	<b>-</b>	<b>453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,743)</b>	<b>(5,506)</b>	<b>(8,249)</b>
Transfers to/(from) Earmarked Reserves (note 8)	3,007	(2,634)	-	-	(373)	-	-	-	-	-
<b>Increase/(Decrease) In Year</b>	<b>(189)</b>	<b>(2,634)</b>	<b>453</b>	<b>-</b>	<b>(373)</b>	<b>-</b>	<b>-</b>	<b>(2,743)</b>	<b>(5,506)</b>	<b>(8,249)</b>
<b>Balance 31 March 2017</b>	<b>8,697</b>	<b>13,357</b>	<b>7,495</b>	<b>-</b>	<b>2,089</b>	<b>-</b>	<b>-</b>	<b>31,638</b>	<b>134,173</b>	<b>165,811</b>

## BALANCE SHEET AS AT 31 MARCH 2017

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that can only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold (for example the Revaluation Reserve); and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Note	31-Mar-2017 £'000	31-Mar-2016 £'000
Property, plant and equipment	15	364,436	350,283
Heritage assets	17	3,454	3,194
Investment property	18	6,092	5,983
Intangible assets	19	606	417
Long-term investments	44	1	1
Long-term debtors	24	646	688
<b>Long-term Assets</b>		<b>375,235</b>	<b>360,566</b>
Short-term investments	44	5	-
Assets held for sale	21	3,524	6,388
Inventories	23	367	452
Short-term debtors	24	20,199	23,358
Cash and cash equivalents	25	14,940	17,624
<b>Current Assets</b>		<b>39,035</b>	<b>47,822</b>
Short-term borrowing	44	(5,553)	(9)
Short-term creditors	26	(20,156)	(22,130)
Short-term provisions	27	(2,831)	(2,559)
Capital grants receipts in advance	37	(273)	(1,302)
<b>Current Liabilities</b>		<b>(28,813)</b>	<b>(26,000)</b>
Long-term creditors	26	(166)	(59)
Long-term provisions	27	(2,414)	(2,512)
Long-term borrowing	44	(111,557)	(110,735)
Other long-term liabilities	41	(105,509)	(95,022)
<b>Long-term Liabilities</b>		<b>(219,646)</b>	<b>(208,328)</b>
<b>Net Assets</b>		<b>165,811</b>	<b>174,060</b>
Usable reserves	MIRS	31,638	34,381
Unusable reserves	11	134,173	139,679
<b>Total Reserves</b>		<b>165,811</b>	<b>174,060</b>

## CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2017

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2016/17 £'000	2015/16 £'000
<b>Net Deficit on the provision of services</b>		<b>(8,548)</b>	<b>(24,012)</b>
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	33,635	50,453
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(18,593)	(13,919)
<b>Net cash flows from operating activities</b>		<b>6,493</b>	<b>12,522</b>
<b>Net cash flows from investing activities</b>	29	<b>(15,295)</b>	<b>(5,514)</b>
<b>Net cash flows from financing activities</b>	30	<b>6,117</b>	<b>(1,789)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,684)</b>	<b>5,219</b>
Cash and cash equivalents at the beginning of the financial year	25	17,624	12,405
<b>Cash and cash equivalents at the end of the financial year</b>	25	<b>14,940</b>	<b>17,624</b>

### NOTES TO THE ACCOUNTS

#### **NOTE 1a – EXPENDITURE AND FUNDING ANALYSIS – ADJUSTMENTS BETWEEN FUNDING & ACCOUNTING BASIS**

##### Expenditure and Funding Analysis

The new Expenditure and Funding Analysis aims to show the real impact of the year's financial performance on the Council's balances. The Comprehensive Income and Expenditure Statement (CIES) includes many accounting adjustments such as depreciation which, by law, are not allowed to be funded by Council Tax as these are not true costs which affect Council usable balances.

The CIES shows a deficit on the provision of services of £8.548m. However, the statutory accounting adjustments are cancelled out in the separate financial statement called the Expenditure and Funding Analysis and the Movement in Reserves Statement. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments are shown in the unusable reserves column in the Movement in Reserves Statement.

The CIES and the removal of accounting adjustments, when added together, show the impact for the year on Council funds.



	<b>£'000</b>
Total Council (including HRA) usable Reserves and Balances at 1 April 2016	34,381
Deficit on the Provision of Services 2016/17 – CIES	(8,548)
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – Expenditure and Funding Analysis and Note 7	5,805
Total Increase/(Decrease) in Reserves	(2,743)
Total Council (including HRA) Balances at 31 March 2017	31,638

This shows that, when the accounting adjustments are cancelled out, the true impact on the Council's cost of services (including the Housing Revenue Account) is reduced to £2.743m for the year, resulting in an overall balance of usable reserves of £31.638m. This has reduced from 2015/16 as earmarked reserves have been used to fund costs for which the original reserves were earmarked.

The Movement in Reserves Statement Increase/(Decrease) in the year shows that the General Council Reserve reduced by £0.189m for 2016/17 resulting in a total general reserve of £8.697m. The Housing Revenue Account generated a surplus of £453k, with the total HRA balance at 31 March 2017 of £7.495m.

However, £2.634m of earmarked reserves were used as mentioned above. School balances were also reduced by £0.373m resulting in an overall reduction in usable reserves, despite positive financial performance against 2016/17 budgets.

## 2016/17

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Lifelong Learning	1,079	167	-	1,246
Adult Services	581	149	-	730
Children's Services	40	(540)	-	(500)
Housing	800	23	-	823
Highways, Property and Waste	(2,220)	80	-	(2,140)
Regulation and Economic Development	909	91	-	1,000
Transformation	592	41	-	633
Resources	16	46	-	62
Council Business	1	19	-	20
Corporate Democratic Costs	9	(377)	-	(368)
Corporate Management	-	-	-	-
Non-distributed costs	-	97	-	97
Housing Revenue Account (HRA)	1,574	-	35	1,609
<b>Net Cost of Services</b>	<b>3,381</b>	<b>(204)</b>	<b>35</b>	<b>3,212</b>
Other Income and Expenditure from the Funding Analysis	(1,113)	3,358	348	2,593
Difference between General Fund and HRA, Surplus or (Deficit) and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	2,268	3,154	383	5,805

2015/16

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net Change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Lifelong Learning	(330)	102	(185)	(413)
Adult Services	480	80	594	1,154
Children's Services	2	598	-	600
Housing	(57)	20	(13)	(50)
Highways, Property and Waste	575	45	(24)	596
Regulation and Economic Development	847	44	(72)	819
Transformation	(679)	15	(3)	(667)
Resources	82	19	(21)	80
Council Business	1	7	(20)	(12)
Corporate Democratic Costs	134	413	-	547
Corporate Management	-	4	-	4
Non-distributed costs	-	-	-	-
Housing Revenue Account (HRA)	23,696	-	55	23,751
<b>Net Cost of Services</b>	<b>24,751</b>	<b>1,347</b>	<b>311</b>	<b>26,409</b>
Other Income and Expenditure from the Funding Analysis	(2,207)	4,134	810	2,737
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (surplus) or Deficit	22,544	5,481	1,121	29,146

**Note 1b – SEGMENTAL REPORTING**

Services	2016/17 Income from Services £'000	2015/16 Income from Services £'000
Lifelong Learning	(14,267)	(15,615)
Adult Services	(9,054)	(7,286)
Children's Services	(466)	(327)
Housing	(3,832)	(3,917)
Highways, Property and Waste	(7,700)	(7,076)
Regulation and Economic Development	(6,284)	(5,304)
Transformation	(223)	(192)
Resources	(19,598)	(19,490)
Council Business	(458)	(384)
Corporate Democratic Costs	(194)	(26)
Corporate Management	(11)	-
Non-distributed costs	-	-
Housing Revenue Account (HRA)	(16,359)	(14,894)
<b>Total Income</b>	<b>(78,446)</b>	<b>(74,511)</b>

## **NOTE 2a – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) will introduce the undermentioned changes in accounting policies. These changes will, in 2016/17, require retrospective implementation from 1 April 2016.

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

If any of the above amendments (for pension funds) are expected to have a material impact on information in the financial statements, additional disclosures will be required in line with the Code.

## **NOTE 2b – ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED AND HAVE BEEN ADOPTED**

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 introduced a number of new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, be amended for accounts produced for financial periods starting after 1 April 2016.

- a) Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – issued November 2013.
- b) Annual Improvements to IFRSs 2010–2012 Cycle – issued December 2013.
- c) Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) – May 2014.
- d) Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) – May 2014.
- e) Annual Improvements to IFRSs 2012–2014 Cycle – issued September 2014.
- f) Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) – Issued December 2014.
- g) The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- h) The changes to the format of the Fund Account and the Net Assets Statement.

Many of the above are unlikely to have a material impact on the information provided in the financial statements. The changes are adopted retrospectively but, as the Statement of Accounts already reflects the requirements of these reporting standards in so much as they apply to the Council, there is no need to restate prior period accounting data for most of these changes. However, in 2016/17 the Comprehensive Income and Expenditure Statement, Movement in Reserves, Expenditure and Funding Analysis and related notes do reflect the comparator 2015/16 in the new formats required from 2016/17.

## **NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 51, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:-

- The Accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future.

- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for voluntary controlled schools is included in the Balance Sheet. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings, are included on the Balance Sheet.
- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **NOTE 4a - ASSUMPTIONS MADE ABOUT FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The following items in the Council's Balance Sheet at 31 March 2017 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

**Non-Current Assets - Property, Plant and Equipment** – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 34.

'Where an item of Property, Plant and Equipment (Non-Current Asset) has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.'

Applying this in practice requires three judgements to be made, to establish if:-

- The economic useful life is significantly different from the other components of the asset i.e. 15 years or more;
- The value of the asset is £2m or greater and the component is over 25% of the total value of the asset;

- The economic useful life is significantly different but the value represents less than 25% of the total value of the asset, the component will be separately identified if, in the valuer's opinion, it is deemed to be material e.g. where the value of a component is, say, £3m (10%) of the depreciating asset that has a total value of £30m.

If the depreciating asset is part of a wider group held for the same purpose, for example, leisure centres, this recommended policy on componentisation will be applied to the total of this wider group and not to each individual depreciating asset within the group.

**Council Housing** - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales and, therefore, the Council has selected the most comparable of the English regions and applied the published factor for that, which was 31%. Should a specific factor be published, either for Wales as a whole or on a regional basis, then this will be applied.

**Provisions** –The Council has made provision for a series of uncertainties which could result in significant costs in later years. These principally relate to equal pay, after-care costs for the Penhesgyn landfill site and potential liabilities arising from insurance claims. Full details are contained in Note 27.

**Pensions Liability** – The Pension Liability position, as contained within the accounts, is based on a number of complex assessments and judgements relating to discount rates, projected salary increases, changes in retirement ages, mortality rates and expected returns on pension assets. A firm of consulting actuaries is engaged by the administering Council to provide expert advice on the assumptions to be applied. Further details are contained in Note 41.

**Doubtful Debts Impairment/Allowance** – As at 31 March 2017, the Council had a short-term net debtor balance of £20.199m. A review of arrears balance suggested that impairment for doubtful debts of £5.7m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short Term Debtors contained in Note 24 on page 42.

**Fair Value Measurement** - Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2016/17. In most cases, fair value is a market-based measurement. IFRS13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties and financial assets.

Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Authority's Senior Valuation Officer).

The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets.

#### **NOTE 4b - PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

The accounting treatment of two material items has been changed to more accurately reflect the CIPFA Code requirements in relation to Wales. The Comprehensive Income and Expenditure Statement for 2015/16 has also been restated to reflect these changes. The changes relate to how the items were treated in the Comprehensive Income and Expenditure Statement only and do not affect the Balance Sheet.

- 1) Accounting for Council Tax Reduction Scheme – in 2015/16 these were treated in accordance with the accounting model for England where the cost of council tax reductions were deducted off the Council Tax collected. However, in Wales there is no separate collection fund and the council tax reductions for 2016/17 have been charged to cost of services and have not been netted off against Council Tax collected.

In 2015/16, £5.343m was debited against the Council Tax collected which reduced the Council Tax income reported from £38.828m to £33.485m. To correct this on the CIES, the Cost of Services - Resources has been increased by £5.343m for these council tax reductions and the Council Tax collected has been increased by the same amount so that it is restated as the correct figure £38.828m. These two offset each other within the CIES and do not affect the Balance Sheet, as mentioned above.

- 2) Accounting for de-recognised capital expenditure – in the 2015/16 accounts capital expenditure which should have been de-recognised was treated as impairment. This approach has been amended in 2016/17 to follow the approach recommended in the CIPFA Code of Practice 2016/17. The capital expenditure is now de-recognised within Other Operating Income and Expenditure instead of being charged against the relevant cost of services for impairment.

In 2015/16, £9.943m was charged as impairment against the cost of services. This has been restated for 2015/16 by reducing the amounts charged to the cost of services and by reporting these costs as other expenditure and income instead.

#### **NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENDITURE**

There are no material items of income or expenditure that have not been disclosed elsewhere in the accounts.

#### **NOTE 6 – EVENTS AFTER BALANCE SHEET DATE**

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 26 September 2017. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events between the 31 March 2017 and 26 September 2017 which affect the main financial statements. However, County Council Elections were held on 4 May 2017. Therefore, the Members of the Council, Lead Member, Chairman and Executive have changed. The notes in relation to Councillors relate to the former Council as at 31 March 2017.

**NOTE 7 – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2016/17	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	8,569	3,837	-	-	(12,406)
Revaluation losses on Property, Plant and Equipment	819	-	-	-	(819)
Movements in the market value of Investment Properties loss/(gain)	(298)	-	-	-	298
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10,629)	(2,727)	-	-	13,356
Revenue expenditure funded from capital under statute	985	-	-	-	(985)
Derecognised assets	2,605	6,884	-	-	(9,489)
Carrying amount of non-current assets sold	6,935	326	-	-	(7,261)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Minimum Revenue Provision for Capital Funding	(3,632)	(867)	-	-	4,499
Capital expenditure charged against the Council Fund and HRA balances	(244)	(5,058)	-	-	5,302
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-Current Assets	(4,416)	(821)	5,237	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(5,237)	-	5,237
Use of capital reserve to finance capital expenditure	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	91	44	-	-	(135)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	12,196	-	-	-	(12,196)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,042)	-	-	-	9,042
<b>Adjustment involving Unequal Back-Pay Adjustment Account</b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	512	-	-	-	(512)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	(255)	(9)	-	-	264
<b>Total Adjustments</b>	<b>4,196</b>	<b>1,609</b>	<b>-</b>	<b>-</b>	<b>(5,805)</b>

2015/16	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Charges for depreciation, impairment and amortisation of non-current assets	13,030	9,268	-	-	(22,298)
Revaluation losses/(gains) on Property, Plant and Equipment	(765)	(134)	-	-	899
Movements in the market value of Investment Properties	(186)	-	-	-	186
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8,585)	(2,919)	-	-	11,504
Revenue expenditure funded from capital under statute	880	21,169	-	-	(22,049)
Carrying amount of Non-current Assets sold	1,399	285	-	-	(1,684)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
Minimum Revenue Provision for Capital Funding	(3,606)	(453)	-	-	4,059
Capital expenditure charged against the Council Fund and HRA balances	(180)	(2,725)	-	-	2,905
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Proceeds from Sale of Non-current Assets	(3,024)	(794)	3,818	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(3,818)	-	3,818
Use of capital reserve to finance capital expenditure	(115)	-	-	-	115
Other Capital Receipts	-	-	-	-	-
Capital Receipts Reserve set aside to repay debt	-	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	97	38	-	-	(135)
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	14,036	228	-	-	(14,264)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,556)	(228)	-	-	8,784
<b>Adjustment involving Unequal Back-Pay Adjustment Account</b>					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	713	-	-	-	(713)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>					
Adjustments in relation to short-term compensated absences	282	(9)	-	-	(273)
<b>Total Adjustments</b>	<b>5,420</b>	<b>23,726</b>	<b>-</b>	<b>-</b>	<b>(29,146)</b>



## NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2015 £'000	Transfers In 2015/16 £'000	Transfers Out 2015/16 £'000	Balance as at 31/03/2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance as at 31/03/2017 £'000
Capital - Revenue contributions unapplied	770	313	(184)	899	-	-	899
Penhesgyn Waste Landfill Site Reserve	2,000	-	-	2,000	-	-	2,000
Restricted Reserves	8,211	1,333	(1,661)	7,883	2,719	(3,943)	6,659
Invest-to-save	-	-	-	-	1,000	(29)	971
Job Evaluation	2,528	244	(2)	2,770	-	(2,770)	-
Equal Pay	-	865	-	865	513	(318)	1,060
Recycling	264	60	-	324	73	-	397
Major Repairs Reserve (HRA)	860	-	(860)	-	-	-	-
Insurance Fund	2,161	175	(1,086)	1,250	356	(235)	1,371
<b>Total</b>	<b>16,794</b>	<b>2,990</b>	<b>(3,793)</b>	<b>15,991</b>	<b>4,661</b>	<b>(7,295)</b>	<b>13,357</b>

### Purpose of Earmarked Revenue Reserves

**Capital - Revenue contributions unapplied** - to fund capital expenditure in future years. This has been created to ensure committed capital expenditure, including expenditure which has slipped from previous years, is fully financed.

**Penhesgyn Waste Landfill Site Reserve** – this reserve has been set up to fund remodelling work relating to groundwork at the landfill site.

**Restricted Reserves** – specific earmarked reserves within service areas.

**Invest-to-save** – this reserve has been created to fund invest-to-save projects where the reserves will be invested in projects which will lead to efficiency savings in the future.

**Job Evaluation** – the reserve for costs arising from the job evaluation exercise which was required by law was fully utilised during the year to fund the addition costs relating to job evaluation in 2016/17.

**Equal Pay** – this reserve is to fund costs arising from equal pay claims such as legal fees and claims. Some residual job evaluation costs have also been funded from this reserve as they both arise from Single Status legislation.

**Recycling** - resources ring-fenced solely for the purpose of waste recycling projects.

**Insurance Fund** - the Council runs an internal insurance account which pays for self-insured losses and which receives 'premiums' from service accounts. The known losses at year-end are provided for. This reserve is the surplus on the internal insurance account plus interest on balances and is intended to cover claims which have been incurred but have not been reported.

## NOTE 9 – SCHOOLS BALANCES

These balances are reserved for each school's use in pursuance of its educational objectives.

	Balance 01/04/2015 £'000	Addition / (Reduction) for 2015/16 £'000	Balance 31/03/2016 £'000	Addition / (Reduction) for 2016/17 £'000	Balance 31/03/2017 £'000
Community and Voluntary Primary Schools	1,511	205	1,716	(294)	1,422
Community Secondary Schools	629	(325)	304	(76)	228
Community Special School	98	68	166	(10)	156
Foundation Primary School	200	76	276	7	283
<b>Total</b>	<b>2,438</b>	<b>24</b>	<b>2,462</b>	<b>(373)</b>	<b>2,089</b>

At 31 March 2017, all schools had balances in surplus apart from 4 primary schools (3 as at 31 March 2016) and 1 secondary school (1 as at 31 March 2016), which had a combined deficit of £0.260m (£0.160m as at 31 March 2016). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

## NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year and were used in full in 2016/17.

	2016/17 £'000	2015/16 £'000
<b>Balance 1 April</b>	-	-
Capital Receipts in year (net of reduction for administration costs)	5,237	3,818
	<b>5,237</b>	<b>3,818</b>
<b>Less:</b>		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(5,237)	(3,818)
<b>Balance 31 March</b>	-	-

## NOTE 11 – UNUSABLE RESERVES

	31/03/2017 £'000	31/03/2016 £'000
a) Capital Adjustment Account	152,241	142,604
b) Financial Instruments Adjustment Account	(385)	(250)
c) Revaluation Reserve	91,772	96,045
ch) Pensions Reserve	(105,509)	(95,022)
d) Unequal Pay Reserve	(2,664)	(2,151)
dd) Accumulating Compensated Absences Adjustment Account	(1,282)	(1,547)
<b>Total Unusable Reserves</b>	<b>134,173</b>	<b>139,679</b>

### a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with costs such as depreciation, impairment losses and amortisations that are charged to the Comprehensive Income and Expenditure Statement and postings from the Revaluation Reserve to convert fair value figures to historic cost.

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 25 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2016/17		2015/16	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>142,604</b>		<b>163,189</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and amortisation of non-current assets	(12,406)		(22,298)	
Derecognised assets	(9,489)			
Revaluation losses on Property, Plant and Equipment	(819)		899	
Revenue expenditure funded from capital under statute	(985)		(22,048)	
Amounts of non-current assets written off on disposal or sale (including Impairment) as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,261)		(1,684)	
		<b>(30,960)</b>		<b>(45,131)</b>
Adjusting amounts written out of the Revaluation Reserve		11,904		1,959
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(19,056)</b>		<b>(43,172)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	5,237		3,818	
Use of capital reserve	244		115	
Application of grants to capital financing from the Capital Grants unapplied account	-		-	
Capital Receipts Reserve set aside to repay debt	-		-	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,356		11,504	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,499		4,059	
Capital expenditure charged against the Council Fund and HRA balances	5,059		2,905	
		<b>28,395</b>		<b>22,401</b>
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		298		186
<b>Balance at 31 March</b>		<b>152,241</b>		<b>142,604</b>

## b) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid and penalties charged on the early redemption of loans. Premiums and Penalties are charged to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Council Fund Balance to the FIAA in the Movement in Reserves Statement. Over time, the charge is posted back to the Council Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Financial Instruments Adjustment Account	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(250)</b>	<b>(115)</b>
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(135)	(135)
<b>Balance at 31 March</b>	<b>(385)</b>	<b>(250)</b>

### c) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets.

The balance is reduced when assets with accumulated gains are:-

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposal of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>96,045</b>	<b>85,178</b>
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	7,631	12,826
Difference between fair value depreciation and historical cost depreciation	(1,629)	(1,470)
Revaluation balances on assets scrapped or disposed of	(10,275)	(489)
<b>Balance at 31 March</b>	<b>91,772</b>	<b>96,045</b>

### ch) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or, eventually, pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial difference in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(95,022)</b>	<b>(125,477)</b>
Re-measurement of net defined liability	(7,334)	,35938
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(12,195)	(14,266)
Employers' pension contribution and direct payment to pensioners payable in the year	,9042	,8783
<b>Balance at 31 March</b>	<b>(105,509)</b>	<b>(95,022)</b>

**d) Unequal Pay Reserve**

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Unequal Pay Reserve	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(2,151)</b>	<b>(1,438)</b>
Increase in provision for back pay in relation to Equal Pay cases	(513)	(713)
Cash settlements paid in the year	-	-
<b>Balance at 31 March</b>	<b>(2,664)</b>	<b>(2,151)</b>

**dd) Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	2016/17 £'000	2015/16 £'000
Settlement or cancellation of accrual made at the end of the preceding year	(1,547)	(1,274)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	265	(273)
<b>Amounts accrued at the end of the current year</b>	<b>(1,282)</b>	<b>(1,547)</b>

## NOTE 12 – OTHER OPERATING EXPENDITURE

	2016/17 £'000	Restated 2015/16 £'000
Precept paid to North Wales Police	7,264	7,107
Precept paid to Community Councils	1,179	1,059
(Surplus) / Losses on the disposal of non-current assets (Including De-recognition)	11,533	7,944
Levies	3,195	3,204
Other	(129)	(147)
<b>Total</b>	<b>23,042</b>	<b>19,167</b>

## NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	6,003	5,985
Net interest on the defined liability	3,321	4,038
Interest receivable and similar income	(54)	(89)
Income and Expenditure in relation to investment properties and changes in their fair value	(409)	(270)
<b>Total</b>	<b>8,861</b>	<b>9,664</b>

	2016/17 £'000	2015/16 £'000
<b>Income/Expenditure from Investment Properties:</b>		
Income including rental income	(359)	(848)
Expenditure	140	764
<b>Net Expenditure/Income from investment properties</b>	<b>(219)</b>	<b>(84)</b>
<b>Deficit on sale of Investment Properties:</b>		
Proceeds from sale	(145)	-
Carrying amount of investment properties sold	252	-
<b>Deficit on sale of Investment Properties:</b>	<b>107</b>	<b>-</b>
<b>Changes in Fair Value of Investment Properties</b>	<b>(298)</b>	<b>(186)</b>
<b>Total</b>	<b>(409)</b>	<b>(270)</b>

## NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £'000	Restated 2015/16 £'000
Council Tax Income	39,968	38,828
Non Domestic Rates Redistribution	21,309	20,471
Revenue Support Grant	65,520	67,268
Council Tax Reduction Scheme Grant	5,099	5,228
Other Government Grants	-	725
Capital Grants Applied To Fund Capital Expenditure	13,356	11,504
<b>Total</b>	<b>145,252</b>	<b>144,024</b>

**NOTE 15 – NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT- (PPE)**

2016/17	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2016</b>	<b>107,741</b>	<b>188,334</b>	<b>76,353</b>	<b>10,659</b>	<b>9</b>	<b>3,759</b>	<b>1,187</b>	<b>388,042</b>
Adjustment opening balance	-	-	(549)	-	-	549	-	-
Additions (Note 20)	8,511	3,971	8,287	1,109	-	11,724	-	33,602
Revaluation inc./(decr.) to Rev. Reserve	-	1,122	-	-	-	-	248	1,370
Revaluation inc./(decrease) to Surplus / Deficit on the Prov. of Services	-	(1,294)	-	-	-	-	(27)	(1,321)
Derecognition - Disposals	(340)	(2,814)	-	-	-	-	(115)	(3,269)
Derecognition - other	-	-	-	-	-	-	-	-
Reclassification within Note 15	-	(31)	1,437	-	-	(1,437)	31	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	751	751
Reclassification to Assets Held for Sale	-	(83)	-	-	-	-	(100)	(183)
Reclassified from Investment Property	-	-	-	-	-	-	210	210
Reclassified to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	<b>115,912</b>	<b>189,205</b>	<b>85,528</b>	<b>11,768</b>	<b>9</b>	<b>14,595</b>	<b>2,185</b>	<b>419,202</b>
<b>Depreciation and Impairment</b>								
<b>At 1 April 2016</b>	-	<b>10,340</b>	<b>20,637</b>	<b>6,722</b>	-	-	<b>60</b>	<b>37,759</b>
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	3,591	4,964	2,845	834	-	-	12	12,246
Depreciation written out to Revaluation Reserve	-	(3,702)	-	-	-	-	(7)	(3,709)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(634)	-	-	-	-	(3)	(637)
De-recognition - Additions	6,885	2,605	-	-	-	-	-	9,490
De-recognition - Disposals	(14)	(358)	-	-	-	-	-	(372)
Reclassification within Note 15	-	(5)	-	-	-	-	5	-
Reclassification to Assets Held for Sale	-	(11)	-	-	-	-	-	(11)
Reclassification to Investment Property	-	-	-	-	-	-	-	-
<b>Balance as at 31 March 2017</b>	<b>10,462</b>	<b>13,199</b>	<b>23,482</b>	<b>7,556</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>54,766</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2017</b>	<b>105,450</b>	<b>176,006</b>	<b>62,046</b>	<b>4,212</b>	<b>9</b>	<b>14,595</b>	<b>2,118</b>	<b>364,436</b>
<b>Balance as at 31 March 2016</b>	<b>107,741</b>	<b>177,994</b>	<b>55,716</b>	<b>3,937</b>	<b>9</b>	<b>3,759</b>	<b>1,127</b>	<b>350,283</b>



2015/16	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
At 1 April 2015	118,255	181,586	70,265	9,584	9	472	1,590	381,761
Adjustment Cost and Depreciation	-	2,336	1,926	10	-	-	(38)	4,234
Additions (Note 20)	6,077	4,648	4,162	1,065	-	3,287	-	19,239
Revaluation inc./((decr.) to Rev. Reserve	(10,805)	6,105	-	-	-	-	(244)	(4,944)
Revaluation inc./((decrease) to Surplus / Deficit on the Prov. of Services	-	223	-	-	-	-	(221)	2
Derecognition - Disposals	(297)	(1,224)	-	-	-	-	(50)	(1,571)
Derecognition - other	(5,489)	(4,454)	-	-	-	-	-	(9,943)
Reclassifications & Transfers from Assets Held for Sale	-	550	-	-	-	-	-	550
Reclassified to Held for Sale Assets	-	(916)	-	-	-	-	-	(916)
Reclassified to Surplus Assets	-	(150)	-	-	-	-	150	-
Reclassified to Investment Property	-	(370)	-	-	-	-	-	(370)
<b>Balance as at 31 March 2016</b>	<b>107,741</b>	<b>188,334</b>	<b>76,353</b>	<b>10,659</b>	<b>9</b>	<b>3,759</b>	<b>1,187</b>	<b>388,042</b>
<b>Depreciation and Impairment</b>								
At 1 April 2015	5,520	10,190	15,900	5,962	-	-	112	37,684
Adjustment Cost and Depreciation	-	2,336	1,926	10	-	-	(38)	4,234
Depreciation Charge	3,607	5,035	2,811	750	-	-	25	12,228
Depreciation written out to Revaluation Reserve	(9,115)	(5,682)	-	-	-	-	(48)	(14,845)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(1,377)	-	-	-	-	-	(1,377)
De-recognition - Disposals	(12)	(30)	-	-	-	-	-	(42)
Reclassification to Assets Held for Sale	-	(19)	-	-	-	-	-	(19)
Reclassification to Surplus Assets	-	(9)	-	-	-	-	9	-
Reclassification to Investment Property	-	(104)	-	-	-	-	-	(104)
<b>Balance as at 31 March 2016</b>	<b>-</b>	<b>10,340</b>	<b>20,637</b>	<b>6,722</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>37,759</b>
<b>Net Book Value</b>								
<b>Balance as at 31 March 2016</b>	<b>107,741</b>	<b>177,994</b>	<b>55,716</b>	<b>3,937</b>	<b>9</b>	<b>3,759</b>	<b>1,127</b>	<b>350,283</b>
<b>Balance as at 31 March 2015</b>	<b>112,735</b>	<b>171,396</b>	<b>54,365</b>	<b>3,622</b>	<b>9</b>	<b>472</b>	<b>1,478</b>	<b>344,077</b>

## Revaluations

The Council has £368.093m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at 31 March 2017. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets.

### NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment giving rise to significant capital commitments in 2017/18 and future years as shown in the table below. Similar commitments to 31 March 2016 were £15.1m. The significant increase is the result of progress being made in the rollout of the Authority's 21<sup>st</sup> Century Schools programme and progress with the Llangefni Link Road. The 21<sup>st</sup> Century Schools programme and the Link Road will receive significant funding from Welsh Government.

	Commitment into 2017/18 & Future Years as at 31 March £'000	Commitment into 2016/17 & future Years as at 31 March £'000
21st Century Schools - Holyhead	677	7,540
21st Century Schools - Llannau	1,951	4,496
Llangefni Link road	393	3,064
<b>Total</b>	<b>3,021</b>	<b>15,100</b>

### NOTE 17 – HERITAGE ASSETS 2016/17

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2016</b>	<b>1,834</b>	<b>1,644</b>	<b>3,478</b>
Additions	-	-	-
Disposal	-	-	-
Revaluation	-	316	316
Reclassification from Investment Property	-	-	-
<b>At 31 March 2017</b>	<b>1,834</b>	<b>1,960</b>	<b>3,794</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2016</b>	-	284	284
Depreciation Charge	-	56	56
<b>At 31 March 2017</b>	-	<b>340</b>	<b>340</b>
<b>Net Book Value</b>			
<b>At 31 March 2017</b>	<b>1,834</b>	<b>1,620</b>	<b>3,454</b>
<b>At 31 March 2016</b>	<b>1,834</b>	<b>1,360</b>	<b>3,194</b>

2015/16

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2015</b>	1,795	1,644	3,439
Additions	39	-	39
Disposal	-	-	-
Revaluation	-	-	-
Reclassification from Investment Property	-	-	-
<b>At 31 March 2016</b>	<b>1,834</b>	<b>1,644</b>	<b>3,478</b>
<b>Accumulated Depreciation and Impairment</b>			
<b>At 1 April 2015</b>	-	227	227
Depreciation Charge	-	57	57
<b>At 31 March 2016</b>	<b>-</b>	<b>284</b>	<b>284</b>
<b>Net Book Value</b>			
<b>At 31 March 2016</b>	<b>1,834</b>	<b>1,360</b>	<b>3,194</b>
<b>At 31 March 2015</b>	<b>1,795</b>	<b>1,417</b>	<b>3,212</b>

### Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2017, there were four such assets (unchanged from 31 March 2016):-

Beaumaris Gaol  
 Beaumaris Courthouse  
 Melin Llynnon Mill  
 Pilot Cottages, Ynys Llanddwyn

Revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2016/17.

A valuation for the Art Collections was obtained during 2012/13 and the resulting value was reflected in the 2012/13 Accounts. The last valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers.

The Anglesey Art Gallery and museum have had donated a collection of more than 30 paintings by the late Harry Hughes Williams, a painter of the North Wales landscape. The assets are held in trust and have not been included on the Balance Sheet because the cost of obtaining a valuation would not be commensurate with benefits to the users of the financial statements.

## NOTE 18a – INVESTMENT PROPERTIES

	2016/17 £'000	2015/16 £'000
<b>Balance at start of the year</b>	5,983	7,145
Additions:		
- Subsequent expenditure	-	-
Disposals	(254)	-
Net gains/(losses) from fair value adjustments	298	186
Transfers:		
- (to)/from Asset held for Sale	275	(1,613)
- (to)/from Property, Plant and Equipment	(210)	265
<b>Balance at end of the year</b>	<b>6,092</b>	<b>5,983</b>

There are no investment properties held under an Operating or Finance Lease. There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement to existing investment properties.

## NOTE 18b – FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

### 2016/17 Fair Value Hierarchy

Recurring fair value measurements using :	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2017 £'000
Retail Properties	-	552	-	552
Office units	-	182	-	182
Commercial units	-	5,358	-	5,358
<b>Total</b>	-	<b>6,092</b>	-	<b>6,092</b>

### 2015/16 Fair Value Hierarchy

Recurring fair value measurements using :	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2016 £'000
Retail Properties		1,754		1,754
Office units		605		605
Commercial units		3,624		3,624
<b>Total</b>	-	<b>5,983</b>	-	<b>5,983</b>

## **NOTE 18c – VALUATION APPROACHES USED IN THE VALUATION OF INVESTMENT PROPERTIES**

### **Residential**

The fair value for the residential properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### **Investment Properties**

The office and commercial units located in the local Authority area are measured using the income approach, by means of the depreciated replacement cost method, where the agreed cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. Yields have been derived from comparable observable valuations/sales. The Authority's investment properties are, therefore, categorised as Level 2 in the fair value hierarchy as the measurement technique uses observable inputs to determine the fair value measurements. In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is their current use.

The fair value of the Authority's investment property is measured annually at each reporting period. All valuations are carried out internally in accordance with the methodologies and base for estimations set out in the professional standards of the Royal Institute of Chartered Surveyors. The Authority's valuations experts work closely with finance officers, reporting directly to the Section 151 Officer on a regular basis regarding all valuation matters.

## **NOTE 19 – INTANGIBLE ASSETS**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item within Property, Plant and Equipment.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £102k charged to revenue in 2016/17 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are five years.

**The Movement in Intangible Assets for the Year is as follows:-**

	2016/17 £'000	2015/16 £'000
<b>Balance at start of year:</b>		
Gross Carrying amounts	1,247	1,092
Accumulated amortisation	(830)	(760)
<b>Net carrying amount at start of year</b>	<b>417</b>	<b>332</b>
Additions	291	155
Amortisation for the financial year	(102)	(70)
<b>Net carrying amount at end of year</b>	<b>606</b>	<b>417</b>
<b>Comprising:</b>		
Gross carrying amounts	1,538	1,247
Accumulated amortisation	(932)	(830)
<b>Net carrying amount at end of year</b>	<b>606</b>	<b>417</b>

**NOTE 20 - CAPITAL EXPENDITURE AND FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to borrow during the year to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

	2016/17 £'000	2015/16 £'000
<b>Opening Capital Financing Requirement</b>	<b>127,656</b>	<b>108,576</b>
<b>Capital Invested in Year</b>		
Property, Plant and Equipment	33,602	19,239
Intangible Assets	291	155
Heritage Assets	-	39
Revenue Expenditure Funded from Capital Under Statute	2,747	24,542
<b>Total</b>	<b>36,640</b>	<b>43,975</b>
<b>Source of Finance</b>		
Capital receipts	(5,237)	(3,818)
Reserve	(8)	(115)
Government Grants and Contributions	(13,356)	(11,504)
Revenue Provisions	(5,058)	(2,905)
Loan	(148)	-
Insurance	(236)	-
REFCUS Grants	(1,784)	(2,494)
Minimum Revenue Provision and Set Aside	(4,455)	(4,059)
<b>Total</b>	<b>(30,282)</b>	<b>(24,895)</b>
<b>Net Increase/(Decrease) in Capital Financing Requirement</b>	<b>6,358</b>	<b>19,080</b>
<b>Closing Capital Financing Requirement</b>	<b>134,014</b>	<b>127,656</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow supported by Government assistance	6,223	-
Increase in underlying need to borrow unsupported by Government assistance	4,590	23,139
Minimum Revenue Provision and Voluntary Set Aside	(4,455)	(4,059)
<b>Net Increase/(decrease) in Capital Financing Requirement</b>	<b>6,358</b>	<b>19,080</b>

## NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000
<b>Balance outstanding at start of year</b>	6,388	2,137	-	-
<b>Assests newly classified as held for sale:</b>				
Transferred from Property, Plant and Equipment during the year	172	897	-	-
Transferred from Investment Property during the year	-	1,615	-	-
Transfer to Property, Plant and Equipment	(751)	(550)	-	-
Transfer to Investment Property	(275)	-	-	-
Costs of Assets Sold	(4,111)	(155)	-	-
Revaluation	2,101	2,444	-	-
<b>Balance outstanding at year end</b>	<b>3,524</b>	<b>6,388</b>	-	-

## NOTE 22 – LEASES

### Operating Leases

The Council had leased two properties at 31 March 2017 for its homelessness function (two properties at 31 March 2016) and the lease rentals for the year totalled £0.012m (£0.012m 2015/16).

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.158m in 2016/17 (£0.150m in 2015/16).

## NOTE 23 – INVENTORIES

In undertaking its work, the Council holds reserves of inventories together with amounts of uncompleted work (work in progress). The figure shown in the Balance Sheet may be subdivided as follows:-

	31-Mar-17 £'000	31-Mar-16 £'000
Work in Progress	-	53
Central Stores - Building Maintenance Unit	140	146
Gofal Môn - Social Services Supplies	87	90
Other - Stationery and other consumables, fuel and goods held for resale	141	163
<b>Total</b>	<b>368</b>	<b>452</b>

## NOTE 24 - DEBTORS

	Long Term Debtors		Short Term Debtors	
	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000
Government Departments	-	-	7,064	5,430
NDR and Council Tax	-	-	3,595	5,749
Other Local Authorities	-	-	1,277	1,037
Rents	-	-	134	208
Employee Car Loans	248	291	153	135
Health Service /Public Bodies	-	-	1,333	977
VAT	-	-	1,560	2,052
Trusts	-	-	853	534
Trade Debtors	300	299	1,789	2,383
Bodies external to Central Government	-	-	26	-
Other	98	98	2,415	4,853
<b>Total</b>	<b>646</b>	<b>688</b>	<b>20,199</b>	<b>23,358</b>

The above debtors' figures are net of bad debt provisions totalling £5.653m in 2016/17 (£5.414m in 2015/16), which can be analysed as follows:-

	31-Mar-17 £'000	31-Mar-16 £'000	Movement in Year
Council Tax	1,571	1,199	372
NDR	731	701	30
Rents	560	608	(48)
Trade Debtors	2,791	2,906	(115)
<b>Total</b>	<b>5,653</b>	<b>5,414</b>	<b>239</b>

## NOTE 25 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cashflows can be reconciled to the related items in the Balance Sheet as follows:-

	31-Mar-17 £'000	31-Mar-16 £'000
Cash and Bank balances	14,940	17,624
Bank Overdraft	-	-
<b>Total</b>	<b>14,940</b>	<b>17,624</b>



## NOTE 26 – CREDITORS

	Long Term Creditors		Short Term Creditors	
	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-17 £'000	31-Mar-16 £'000
Government Departments	-	-	6,130	5,541
Other Authorities	-	-	2,068	500
Trust Balances	-	-	1,033	888
Health service/Public Bodies	-	-	107	144
Accumulated Absences	-	-	1,282	1,547
Receipts in advance	-	-	1,009	645
Trade creditors	-	-	152	3,666
Other	166	59	8,375	9,199
<b>Total Creditors</b>	<b>166</b>	<b>59</b>	<b>20,156</b>	<b>22,130</b>

## NOTE 27 - PROVISIONS

	Balance at 01/04/2015 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31/03/2016 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31/03/2017 £'000
Insurance Claims Provision	221	38	-	259	366	(457)	168
Penhesgyn Waste Site	2,569	-	(57)	2,512	-	(98)	2,414
Termination Benefits	23	-	-	23	-	(23)	-
Job Evaluation	2,900	-	(2,774)	126	-	(126)	-
Equal Pay	3,016	-	(865)	2,151	512	-	2,663
<b>Total</b>	<b>8,729</b>	<b>38</b>	<b>(3,696)</b>	<b>5,071</b>	<b>878</b>	<b>(704)</b>	<b>5,245</b>
<b>Short Term Provisions</b>	<b>6,160</b>	<b>38</b>	<b>(3,639)</b>	<b>2,559</b>	<b>878</b>	<b>(606)</b>	<b>2,831</b>
<b>Long Term Provisions</b>	<b>2,569</b>	<b>-</b>	<b>(57)</b>	<b>2,512</b>	<b>-</b>	<b>(98)</b>	<b>2,414</b>
<b>Total</b>	<b>8,729</b>	<b>38</b>	<b>(3,696)</b>	<b>5,071</b>	<b>878</b>	<b>(704)</b>	<b>5,245</b>

### Purpose of Main Provisions

#### Insurance Claims Provision

The Council's external insurance policies have excess deductible amounts, which mean that the first part of any loss or claim under these policies is self-insured and protected by means of a stop-loss. The Council's general and education properties are not externally insured against the following perils: escape of water from any tank or pipe, flood, impact, theft, accidental damage, subsidence, ground heave, landslip. With the exception of theft and accidental damage, losses resulting from these perils are normally funded from the insurance reserve. The balance on the insurance provision is the expected liability for the self-insured element of known claims which had not been settled at year-end.

#### Penhesgyn Waste Site

The provision is for the aftercare of the areas of the site formerly used for landfill. There is no defined timescale for this work to be completed although, for management purposes, a time span of 30 years from site closure is deemed acceptable.

## Termination Benefits

The provision is to meet known future liabilities arising from staff reductions following the restructure of Council departments. Benefits are currently being paid either in the year in which the termination is agreed or by payments in instalments to Gwynedd Pension Fund. The final amount from this provision was used to help fund termination benefits in 2016/17 which has cleared the provision to nil.

## Job Evaluation

The provision is to allow for back pay awarded as a result of a Council-wide review of employee terms and conditions. The remaining balance on the provision was fully utilised in 2016/17 on job evaluation costs.

## Equal pay

This is a provision for ongoing legal claims against the Council in relation to Equal Pay. However, this is offset by the unequal pay unusable reserve which cancels this provision to zero in the Council fund. This is in accordance with CIPFA guidance, this approach allows the Council to delay the impact of Equal Pay claims on the Council Fund until the year the claims are settled.

## NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2016/17 £'000	2015/16 £'000
<b>Adjustment to surplus or deficit on the Provision of Services for non-cash movements</b>		
Depreciation and Impairment	12,302	22,298
HRA buy-out	-	21,169
Downward/(upwards) revaluations and non-sale de-recognitions/(gains)	10,308	(899)
Amortisation	102	70
(Increase)/Decrease in Inventories	85	114
(Increase)/Decrease in Debtors	3,203	(2,462)
Increase/(Decrease) in impairments for Bad Debts	239	(28)
Increase/(Decrease) in Creditors	(1,867)	5,890
Increase/(Decrease) in Capital Grants receipts in advance	(1,029)	922
Transactions within the CIES relating to retirement benefits	3,154	5,481
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,262	1,684
Contributions to/(from) Provisions	174	(3,600)
Movement in value of investment properties - Impairment and downward revaluations (and non-sale derecognitions)	(298)	(186)
<b>Total</b>	<b>33,635</b>	<b>50,453</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
(Gain)/losses from the sale of Property, Plant and Equipment, investment property and assets held for sale	-	(2,415)
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(5,237)	-
Capital grants included in "Taxation and non-specific grant income"	(13,356)	(11,504)
<b>Total</b>	<b>(18,593)</b>	<b>(13,919)</b>

## NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(33,893)	(19,433)
Short Term Investments (not considered to be cash equivalents)	5	-
Gain/(losses) from the sale of Property, Plant and Equipment, Investment Property and Assets Held for Sale	-	2,415
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	5,237	-
Capital Grants and Contributions Received	13,356	11,504
<b>Net Cash flows from Investing Activities</b>	<b>(15,295)</b>	<b>(5,514)</b>

## NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Cash Receipts from Short and Long-Term Borrowing	6,198	-
Difference between cash paid and received as part of NDR Pool 2016/17	(276)	(1,514)
Other	195	(275)
<b>Net Cash flows from Financing Activities</b>	<b>6,117</b>	<b>(1,789)</b>

	2016/17 £'000	2015/16 £'000
Interest Received	(54)	(88)
Interest Paid	6,015	5,985

## NOTE 31 – NATURE OF EXPENSES NOTE

The Comprehensive Income and Expenditure Statement provides financial information in relation to expenditure and income per service. This nature of expenses note provides financial information per type of expenditure rather than by service.

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Employee benefits	89,160	87,586
Other services expenses	113,838	129,734
Support services recharge	11,636	11,696
Depreciation, amortisation, impairment	13,225	21,399
Interest Payments	9,324	10,023
Precepts and levies	11,509	11,223
Gain on disposal of assets	11,533	(1,999)
<b>Total Expenditure</b>	<b>260,225</b>	<b>269,662</b>
<b>Income</b>		
Fees, charges and other service income	(55,560)	(52,132)
Interest and investment income	(462)	(359)
Income from council tax, non-domestic rates	(145,252)	(144,024)
Government grants and contributions	(50,403)	(49,135)
<b>Total Income</b>	<b>(251,677)</b>	<b>(245,650)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>8,548</b>	<b>24,012</b>

## NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

## NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.681m (£0.677m in 2015/16) was paid in respect of allowances to Council Members during the year as follows:-

	2016/17 £'000	2015/16 £'000
Basic and Special responsibility allowances	547	548
Chairman and Deputy Chairman's Allowance	6	6
Pension Costs	57	57
National Insurance Costs	43	38
Travel Costs	6	12
Subsistence	3	4
Miscellaneous	19	11
<b>Total</b>	<b>681</b>	<b>677</b>

In addition, the Council spent £7,281 on expenses for lay members (£8,814 in 2015/16).

## NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60,000 but not more than £150,000 in 2016/17, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Including Severance Pay 2016/17 Number of Employees	Including Severance Pay 2015/16 Number of Employees	Excluding Severance Pay 2016/17 Number of Employees	Excluding Severance Pay 2015/16 Number of Employees
£60,000 to £65,000	5	5	5	5
£65,001 to £70,000	3	3	3	2
£70,001 to £75,000	7	3	7	3
£75,001 to £80,000	3	-	3	2
£80,001 to £85,000	2	-	2	-
£85,001 to £90,000	2	-	2	-
£90,001 to £95,000	-	1	-	1
£95,001 to £115,000	-	-	1	-
£115,001 to £135,000	1	1	-	-
£135,001 to £155,000	-	-	-	-
Over £155,000	-	1	-	-
<b>Total</b>	<b>23</b>	<b>14</b>	<b>23</b>	<b>13</b>

The following table provides details of remuneration paid to senior employees who are employed on a permanent basis and whose annual salaries and other benefits exceed £60,000 per annum. Senior employees whose remuneration exceeds £150,000 per annum are also named individually to comply with statutory requirements:-

**2016/17**

<b>Senior Officer Remuneration</b>	<b>Salary, Fees and Allowances £'000</b>	<b>Expenses Allowances £'000</b>	<b>Pension Contribution £'000</b>	<b>Total £'000</b>
Chief Executive *	121	1	22	145
Assistant Chief Executive	86	1	16	103
Assistant Chief Executive	86	2	16	104
Head of Council Business	75	0	14	89
Head of Resources and S151 Officer	82	1	15	98
Head of Profession - (HR)	63	0	12	75
Head of Housing	66	1	12	79
Head of Regulation and Economic Development	72	2	13	87
Head of Lifelong Learning	72	1	13	87
Head of Children's Services	56	0	14	70
Head of Adult Services	72	-	13	86
Head of Highways, Property and Waste	66	1	12	80
Head of Corporate Transformation	66	-	12	78
Chief Planning Officer - Energy Island	61	0	11	72
<b>Total</b>	<b>1,043</b>	<b>12</b>	<b>197</b>	<b>1,252</b>

\* Note: Returning officer element of Chief Executive salary is £9,150.

**Comparative figures for 2015/16 are shown in the following table:-**

Senior Officer Remuneration	Salary, Fees and Allowances	Expenses Allowances	Compensation for loss of Office	Pension Contribution	Total
	£'000	£'000	£'000	£'000	£'000
Chief Executive - Left 31/05/2015	24	-	-	4	28
Chief Executive - Commenced 01/06/2015	92	1	-	17	110
Assistant Chief Executive - Commenced 01/01/2016	22	-	-	4	26
Assistant Chief Executive - Commenced 02/11/2015	35	7	-	7	49
Director- Community - Left 31/12/2015	75	-	48	14	137
Director - Sustainable Development (Arthur Owen) - Left 31/12/2015	78	-	87	14	179
Head of Function - Legal & Admin	74	-	-	14	88
Head of Function - Resources - Commenced 26/10/2015	35	1	-	7	43
Director - Lifelong Learning - Left 31/05/2015	17	-	-	3	20
Head of Profession - HR	61	-	-	11	72
Head of Service (Housing)	65	1	-	12	78
Head of Service (Economic)	63	1	-	12	76
Head of Service (Learning)	72	2	-	13	87
Head of Service (Children's)	63	1	-	12	76
Head of Service (Adults)	71	-	-	13	84
Head of Service (Planning)	63	-	-	12	75
Head of Service (Environment)	65	1	-	12	78
<b>Total</b>	<b>975</b>	<b>15</b>	<b>135</b>	<b>181</b>	<b>1,306</b>

\* Note: Within the Chief Executive's salaries, fees and allowances a Returning Officer payment of £2,840 is included.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2016/17 is 6.47:1(6.47:1 in 2015/16).

**NOTE 35 - TERMINATION PAYMENTS**

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:-

EXIT Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000	19	24	19	23	38	47	259	378
£20,001 - £40,000	2	1	6	14	8	15	202	428
£40,001 - £60,000	-	-	-	6	-	6	-	276
£60,001 - £80,000	-	-	-	2	-	2	-	127
£80,001 - £100,000	-	1	-	-	-	1	-	89
£100,001 - £250,000	-	1	-	1	-	2	-	234
<b>Total</b>	<b>21</b>	<b>27</b>	<b>25</b>	<b>46</b>	<b>46</b>	<b>73</b>	<b>461</b>	<b>1,532</b>

## NOTE 36 – EXTERNAL AUDIT FEES

The Council has incurred the following costs relating to external audit and inspection:-

	2016/17 £'000	2015/16 £'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	193	191
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years	-	18
Fees payable to the Wales Audit Office in respect of statutory inspections	114	114
Fees payable to Deloitte for the certification of grant claims and returns for the year	-	106
Fees payable to Wales Audit Office in respect of other services	88	-
<b>Total</b>	<b>395</b>	<b>429</b>

## NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 as amended follows:-

	Note	2016/17 £'000	2015/16 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>			
Council Tax Reduction Scheme Grant	14	5,099	5,228
Revenue Support Grant (Non-ring-fenced Government Grants)	14	65,520	67,267
Capital Grants and Contributions	14	10,629	8,848
Grant - HRA (Capital Grants and Contributions)	14	2,727	2,656
Other (Non-ringfenced Government Grants)	14	-	725
<b>Total</b>		<b>83,975</b>	<b>84,724</b>
<b>Credited to Services</b>			
<b>Grants:</b>			
Post-16 Grant (Education)		2,554	2,616
Foundation Phase Grants (Education)		1,853	1,935
Concessionary Fares Grant		774	735
Housing Benefit Subsidy		18,441	18,694
Supporting People Grant (SPG & SPRG)		2,644	2,644
Sustainable Waste Management		1,654	1,713
<b>Total</b>		<b>27,920</b>	<b>28,337</b>
<b>Other Grants:</b>			
Central Services		21	77
Cultural and Related Services		259	516
Children and Education Services		5,742	3,379
Highways and Transport Services		1,479	1,532
Other Housing Services		1,654	1,284
Adult Social Care Grants		1,096	779
Planning and Development		469	756
Environmental Services		380	40
Corporate and Democratic Core		322	498
<b>Total</b>		<b>11,422</b>	<b>8,861</b>
<b>Contributions:</b>			
		<b>11,060</b>	<b>11,939</b>
<b>Total</b>		<b>134,377</b>	<b>133,861</b>

## Capital Grants Received in Advance

	2016/17 £'000	2015/16 £'000
Opening balance	1,302	380
Add: new capital grants received in advance (condition of use not met)	9,675	11,555
Capital Grants repaid	(43)	(43)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(10,661)	(10,590)
<b>Closing Balance</b>	<b>273</b>	<b>1,302</b>

### NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2016/17, a total of £3.280m was paid in grants for the purchase of services from these bodies (£4.546m 2015/16). The Council has assessed the materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m:-

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.095m were paid in 2016/17 (£0.079m 2015/16).

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £nil was paid by the Council in 2016/17 in relation to these interests (£nil 2015/16).

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2016/17 to BCUHB amounted to £1.185m (£1.256m 2015/16) and no further amounts were owed at year-end. Receipts taken in by the Council from BCUHB came to £2.093m (£1.049m 2015/16), with £1.294m (£0.872m 2015/16) due from our related party at year-end.

There are a number of organisations which are independent from the Council but have an impact on its service areas. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected Councillors, sit on the various committees and forums that are responsible for them. A list of the outside bodies and the Council's representation can be found in Appendix 1.

### **INTERESTS IN COMPANIES**

The Council has an interest in two companies and, in each case, the other member is Gwynedd Council but it does not have significant influence over these companies:-

#### **Cwmni Gwastraff Môn-Arfon Cyf**

Cwmni Gwastraff Môn-Arfon Cyf is a Local Council Waste Disposal Company established jointly by predecessors of the Anglesey and Gwynedd Councils in 1994. The company operated two waste management sites in Anglesey and Gwynedd which were leased from the Local Authorities. Most of the company's activity related to contracts with the two Local Authorities.

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff transferred to the Council in 2008, together with a balancing amount in cash. The investment has been revalued each year and most of the shareholders' funds have been returned to the two Councils. The remaining interest in the company at 31 March 2017 is not material to the accounts of the Council.



## **Cwmni Cynnal Cyf**

This company was established jointly by Ynys Môn and Gwynedd Councils on local government reorganisation. It provides education support services under contract to maintained schools and to the local education authorities and schools inspection services to Estyn. The income of the company can only be applied towards the promotion of its objectives. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

The company accounts for 2015/16 show a net loss of £0.124m (£0.09m loss 2014/15). The turnover for 2015/16 was £2.735m (£3.013m 2014/15). The company's published accounts show net liabilities of £0.490m as at 31 March 2016 (net liabilities were £0.508m at 31 March 2015).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2016 is not qualified. During 2016/17 financial year, the Council accounted for costs of £0.719m (£0.813m 2015/16) relating to the purchase of services from the company.

The Council has interests in the following companies:-

## **Welsh Joint Education Committee - WJEC CBAC Limited**

The Council is a member of WJEC CBAC Limited, a charitable company whose members are the twenty two Welsh unitary authorities and whose objectives are to provide examination services and to provide and promote other educational and cultural services. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to £1.

During the 2016/17 financial year, the Council accounted for £0.414m (£0.449m 2015/16) for purchase of services from the company.

The Company accounts for 2015/16 (that is to year ended 30 September) show a net negative movement in funds of £12.785m (net positive movement in funds of £5.281m 2014/15). The turnover for 2015/16 was £41.364m (£40.704m 2014/15) and net assets amounted to £19.068m as at 30 September 2016 (£32.040m as at 30 September 2015).

Copies of the company's accounts can be obtained from WJEC CBAC Limited, 245 Western Avenue, Llandaff, Cardiff, CF5 2YX. The auditor's report for the financial year ended 30 September 2016 is not qualified.

## **Menter Môn Cyfyngedig**

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2017. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During the 2016/17 financial year, the Council made payments of £0.090m to the company in support of the activities (£0.133m 2015/16).

The company accounts for the financial year ended 31 December 2015 shows net income before tax of £0.365m (net income before tax of £0.100m in 2014/15). The turnover for 2015 was £4.258m (£7.092m in 2014) and net assets amounted to £0.542m as at 31 December 2015 (£0.026m in 2014).

Copies of the company's accounts can be obtained from Menter Môn, Llangefni Town Hall, Buckley Square, Llangefni, Anglesey, LL77 7LR. The auditor's report on the accounts for the financial year ended 31 December 2015 is not qualified.

## **Caergeiliog Foundation School**

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts and so the school's reserves, as stated in this Balance Sheet, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.631m at 31 March 2017 (£0.613m at 31 March 2016), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

### **NOTE 39 - TRUST FUNDS**

The Council acts as trustee for a number of trust funds. Their accounts are available from the Accountancy Section, Resources, Council Offices, Isle of Anglesey County Council, Llangefni, LL77 7TW. Besides the legacies left for purposes such as prize funds at schools and comforts and improvements in Social Services establishments, the Council is also responsible for the following Trust funds:-

#### **The Isle of Anglesey Charitable Trust (Reg. No. 1000818)**

The Council is the sole trustee of the Isle of Anglesey Charitable Trust, which was established to administer investments purchased from monies received from Shell U.K. Limited when the company ceased operating an oil terminal on Anglesey. The objectives of the Charitable Trust are to provide amenities and facilities for the general public benefit of persons resident in the Isle of Anglesey. This is achieved by contributing towards spending on public services and by making grants to charitable and voluntary organisations.

In 2016/17, the Council received £0.215m (£0.215m in 2015/16) from the Trust towards the running costs of Oriel Ynys Môn. The Council was also reimbursed for financial management and governance costs.

#### **Welsh Church Fund**

The investments of this fund are currently being administered by Gwynedd Council on behalf of the successor authorities of Gwynedd County Council. In the future, Anglesey's share of the Welsh Church Fund will be transferred to the Isle of Anglesey County Council to administer.

#### **Anglesey Further Education Trust Fund (Reg. No. 525254)**

75% of net income from the David Hughes Charity Estate forms part of the Anglesey Further Educational Trust Fund, of which the Council is Trustee. The income is used for specified educational purposes. The other 25% is paid to the "David Hughes Charity for the Poor", which is not administered by the Council.

On 31 March 2017, the balances of these Trust funds (at market value of the assets) are:-

<b>Pre Audited Statement Summary</b>	<b>2016/17 Income £'000</b>	<b>2016/17 Expenditure £'000</b>	<b>2016/17 Assets £'000</b>	<b>2016/17 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	583	648	22,360	578
Welsh Church Fund	6	20	913	20
Anglesey Further Education Trust Fund	163	831	2,503	-

<b>Audited Statement Summary</b>	<b>2015/16 Income £'000</b>	<b>2015/16 Expenditure £'000</b>	<b>2015/16 Assets £'000</b>	<b>2015/16 Liabilities £'000</b>
Isle of Anglesey Charitable Trust	856	822	19,997	928
Welsh Church Fund	6	11	957	20
Anglesey Further Education Trust Fund	106	207	3,242	63

The total value of the other funds, including investments at market value, is £0.136m as at 31 March 2017 (£0.244m as at 31 March 2016).

During 2016/17, the Head of Function (Resources)/Section 151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council. A summary performance of the larger Charitable Trusts is shown in the table above.

#### **NOTE 40 – TEACHERS’ PENSION SCHEME**

Teachers employed by the Council are members of the Teachers’ Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers’ contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts it is, therefore, accounted for on the same basis as a defined contribution scheme.

In 2016/17, the Council paid £3.771m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 16.12% of pensionable pay (£3.502m and 14.79% 2015/16).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers’ scheme. These costs are accounted for on a defined benefits basis and detailed in Note 41 below.

#### **NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME**

##### **Retirement Benefits**

##### **Participation in the Local Government Pension Scheme**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Gwynedd Pension Fund administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

**a) Transactions Relating to Post-Employment Benefits**

The cost of retirement benefits is recognised in the reported cost of services when the employees earn them, rather than when they are eventually paid as pensions. However, the charge made against Council Fund is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund through the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year:-

	2016/17 £'000	2015/16 £'000
<b>Service cost comprising:</b>		
Current service cost	8,778	10,132
Losses on settlements or curtailments	97	96
<b>Total Service cost</b>	<b>8,875</b>	<b>10,228</b>
<b>Financing and Investment Income and Expenditure</b>		
Interest cost on defined benefit obligation	11,440	11,255
Interest Income on scheme Assets	(8,119)	(7,217)
<b>Total Post employment benefits charged to the Surplus or deficit on Provision of Service</b>	<b>12,196</b>	<b>14,266</b>
Return on Plan Assets (excluding amounts included in net interest expense)	(34,434)	1,532
Actuarial (gains) and losses arising on changes in financial assumptions	45,047	(33,606)
Other	(3,280)	(3,864)
<b>Total re-measurement of net defined benefit liability</b>	<b>7,333</b>	<b>(35,938)</b>
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>19,529</b>	<b>(21,672)</b>
Reversal of net charges made for retirement benefits in accordance with the code	3,154	5,482
<b>Actual amount charged against the Council Fund balance for pensions in the year:</b>		
Employers' contributions payable to scheme	9,042	8,784
<b>Total Post employment benefits charged to the Surplus or deficit on Provision of Services</b>	<b>12,196</b>	<b>14,266</b>

**b) Pension Assets and Liabilities recognised in the Balance Sheet**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the Scheme as at 31 March 2017.

Amounts included in the Balances Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31-Mar-17 £'000	31-Mar-16 £'000
Present Value of Scheme Assets	275,083	231,770
Present Value of Scheme Liabilities	(380,591)	(326,792)
<b>Net liability arising from defined obligation</b>	<b>(105,508)</b>	<b>(95,022)</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2016/17 £'000	2015/16 £'000
<b>Balance as at 1 April</b>	<b>326,792</b>	<b>350,438</b>
Current service cost	8,778	10,132
Interest cost	11,440	11,255
Contributions from scheme participants	2,202	2,175
Remeasurement (gains) and losses	41,767	(37,470)
Past service costs	97	96
Estimated unfunded benefits paid	(1,004)	(1,027)
Estimated benefits paid	(9,481)	(8,807)
<b>Balance as at 31 March</b>	<b>380,591</b>	<b>326,792</b>

### Reconciliation of Present Value of the Scheme Assets:-

	2016/17 £'000	2015/16 £'000
<b>Opening Fair Value of Scheme Assets as at 1 April</b>	<b>231,770</b>	<b>224,961</b>
Interest Income	8,119	7,217
Return on planned assets (excl. net interest expense)	34,434	(1,532)
Contributions by members	2,202	2,174
<b>Contributions by employer</b>	<b>8,038</b>	<b>7,757</b>
Contributions in respect of unfunded benefits	1,004	1,027
Unfunded benefits paid	(1,004)	(1,027)
Benefits paid	(9,481)	(8,807)
<b>Balance as at 31 March</b>	<b>275,082</b>	<b>231,770</b>

**c) Fair Value of Scheme Assets**

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2017.

	2016/17	2016/17	2015/16	2015/16
	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Prices Quoted in Active Markets	Prices not quoted in Active Markets
	£'000	£'000	£'000	£'000
<b>Cash and cash equivalents</b>	10,349	-	7,138	-
<b>Equity investment (by industry type)</b>				
Consumer	9,432	-	7,371	-
Manufacturing	8,518	-	-	-
Financial Institutions	5,276	-	3,778	-
Energy and utilities	1,532	-	1,270	-
Health and care	13,577	-	13,363	-
Information technology	11,060	-	7,670	-
Other	754	-	9,234	-
<b>Debt Securities</b>	-	34,365	-	30,975
<b>Private Equity investments</b>	-	12,426	-	9,418
Equities	58,797	83,687	47,045	68,204
Bonds	-	-	-	-
Infrastructure	-	3,688	-	1,929
<b>Real Estate</b>				
UK Property	6,044	15,020	4,423	19,514
Overseas property	-	559	-	438
<b>Total Value – All Assets</b>	<b>125,338</b>	<b>149,745</b>	<b>101,292</b>	<b>130,478</b>
<b>Total Value of Active and Non-Active Assets</b>		<b>275,083</b>		<b>231,770</b>

## Major categories of plan assets as percentage of total plan assets

The Gwynedd Pension Fund's assets consist of the following categories, by proportion of the total assets held:-

	31-Mar-17	31-Mar-16
<b>Cash and cash equivalents</b>	4%	3%
<b>Equity investment (by industry type)</b>		
Consumer	3%	3%
Manufacturing	3%	0%
Financial institutions	2%	2%
Energy and utilities	1%	1%
Health and care	5%	6%
Information technology	4%	3%
Other	0%	4%
<b>Private equity</b>	5%	4%
<b>Debt Securities - Other</b>	12%	13%
<b>Investment Funds and Unit Trust</b>		
Equities	52%	50%
Bonds	0%	0%
Infrastructure	1%	1%
<b>Real Estate</b>		
Property	8%	10%
Overseas property	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

### ch) Scheme History

Analysis of scheme assets and liabilities

	31-Mar-17 £'000	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Fair Value of Assets in pension scheme	275,083	231,770	3,224,961	199,636	190,773
Present Value of Defined Benefit Obligation	(380,591)	(326,792)	(350,438)	(290,788)	(270,807)
<b>Deficit in the Scheme</b>	<b>(105,508)</b>	<b>(95,022)</b>	<b>2,874,523</b>	<b>(91,152)</b>	<b>(80,034)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The present value of defined benefit obligations of £380.5m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £105m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Gwynedd Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

**d) The Significant Assumptions used by the actuary have been:-**

	2016/17	2015/16
<b>Mortality assumptions:</b>		
<i>Longevity at 65 current pensioners:</i>		
Men	22.0 years	22.0 years
Women	24.2 years	24.0 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.0 years	24.4 years
Women	26.4 years	26.6 years
Inflation/Pension Increase Rate	2.40%	2.20%
Salary Increase Rate	2.40%	4.20%
Expected Return on Assets	21.50%	2.50%
Rate for discounting scheme liabilities	2.60%	3.50%
<b>Take-up of option to convert annual pension into retirement lump sum:</b>		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

**dd) Sensitivity Analysis**

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £37.9m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate could increase the fund's costs by £6.9m. A 0.5% increase in the pensions' rate could increase liabilities by £30.4m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102.

Change in assumptions as at 31 March 2017	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	10%	37,922
0.5% increase in the salary increase rate	2%	6,935
0.5% increase in pension increase rate	8%	30,382



**e) Impact on the Authority's Cash Flows**

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. The Council has a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed by 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pension Services Act 2013.

Under the Act, the LGPS in England and Wales, and other main existing public service schemes, may not provide benefits in relation to service after 31 March 2014 (or Service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for schemes' regulation to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £105.5m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary; finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

**f) Estimated contributions to be paid to Gwynedd Pension Fund in 2017/18**

The Council anticipates paying £6.6m contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for scheme members is 19 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2016/17 as at 31 March 2017 is £0.827m and is included in the short-term creditors' disclosure note.

**NOTE 42 – CONTINGENT LIABILITIES**

**Section 117 Mental Health Act 1983**

Following judgements confirmed at the House of Lords and a report by the Local Government Ombudsman on test cases elsewhere, there was no power to charge for services provided under Section 117 of the Mental Health Act 1983 and the Council is liable to repay any such charges. Whilst a number of cases have been settled, the total potential liability is difficult to quantify. Whilst there is a sum set aside in an earmarked reserve for such repayments, it is unclear at this stage as to total liability.

## Property Search Claims

“A group of property search companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only if proceedings are not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council, therefore, considers this to be a contingent liability”.

(1) Bevan Brittan LLP, 2015, General advice regarding authorities' published accounts and the property searches claims, London

## NOTE 43 – CONTINGENT ASSETS

The Council retains a number of legal charges over privately owned residential properties, where it provided support to the buyers under schemes for assisted home purchase, with the Council being entitled to a share of proceeds on the sale of the properties. The actual amount that will be received will vary, dependent upon both the selling prices of individual properties and the nature of any other legal charges against them which may take precedence over the Council's. The timing of any receipts is dependent upon the occurrence of sales.

## NOTE 44 – FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet:-

	Long-Term		Current	
	31-Mar-2017 £'000	31-Mar-2016 £'000	31-Mar-2017 £'000	31-Mar-2016 £'000
<b>Cash balances</b>				
Bank deposits	-	-	14,640	17,844
<b>Total cash and investments</b>	-	-	<b>14,640</b>	<b>17,844</b>
<b>Debtors</b>				
Loans and Receivables	646	688	5,369	8,113
<b>Total Debtors</b>	<b>646</b>	<b>688</b>	<b>5,369</b>	<b>8,113</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	111,557	110,735	5,553	9
<b>Total Borrowings</b>	<b>111,557</b>	<b>110,735</b>	<b>5,553</b>	<b>9</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	166	59	10,569	15,700
<b>Total Creditors</b>	<b>166</b>	<b>59</b>	<b>10,569</b>	<b>15,700</b>

Debtors and creditors within this table exclude transactions with government departments, the notional accrual of the value of accumulated absences due to staff, and income and payments arising from taxation, which also means that transactions involving Council Tax and business rates are excluded.

## Income, Expenditure, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:-

	2016/17			2015/16		
	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000
Interest expense	6,015	-	6,015	5,985	-	5,985
<b>Total expenditure in Surplus or Deficit on the Provision of Services</b>	<b>6,015</b>	<b>-</b>	<b>6,015</b>	<b>5,985</b>	<b>-</b>	<b>5,985</b>
Interest income	-	(54)	(54)	-	(88)	(88)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(54)</b>	<b>(54)</b>	<b>-</b>	<b>(88)</b>	<b>(88)</b>
<b>Net (gain)/loss for the year</b>	<b>6,015</b>	<b>(54)</b>	<b>5,961</b>	<b>5,985</b>	<b>(88)</b>	<b>5,897</b>

## Fair Values of Assets and Liabilities

Financial liabilities, represented by borrowing, and creditors and financial assets, represented by loans and receivables, and long-term debtors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- Estimated ranges of interest rates at 31 March 2017 of 1.03% to 2.80% for loans from the Public Works Loans Board (PWLB) based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value;
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

Analysis of Loans by Maturity:-

	2016/17	2016/17	2016/17	2015/16	2015/16	2015/16
	Outstanding Principal £'000	Accrued Interest £'000	Cost less accumulated amortisation £'000	Outstanding Principal £'000	Accrued Interest £'000	Cost less accumulated amortisation £'000
>25 years	72,708	-	72,708	66,508	-	66,508
15-25 years	12,106	-	12,106	14,056	-	14,056
10-15 years	6,452	-	6,452	5,905	-	5,905
5-10 years	5,611	-	5,611	4,222	-	4,222
2-5 years	9,669	-	9,669	14,534	-	14,534
1-2 years	5,010	-	5,010	5,510	-	5,510
<b>Total Long-Term Borrowing</b>	<b>111,556</b>	<b>-</b>	<b>111,556</b>	<b>110,735</b>	<b>-</b>	<b>110,735</b>
<b>Total Short-Term Borrowing (&lt; 1 year)</b>	<b>5,553</b>	<b>2,119</b>	<b>7,672</b>	<b>9</b>	<b>2,119</b>	<b>2,128</b>

The fair values calculated are as follows:-

	31-Mar-17		31-Mar-16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities	116,935	173,549	110,744	181,649
Long-term creditors	166	166	-	-

	31-Mar-17		31-Mar-16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash on deposit and loans to other local authorities	14,634	14,655	17,844	17,878

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay, if the lender requested, or agreed to, early repayment of loans.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

#### **NOTE 45 - THE NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's activities expose it to a variety of financial risks:-

**Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.

**Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.

**Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The overall management of significant risks arising from Financial Instruments is supported by the Council's Treasury Management Strategy Statement and Annual Investment Strategy which is approved by Full Council.

#### **Credit Risk**

Credit Risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors on the Balance Sheet).

Deposits are not made with banks and financial institutions unless, having been rated independently, they have attained a minimum credit rating or level of government guarantee, and credit limits are set for each counterparty. The Council has set a number of limits based on credit quality for different types of institutions, different periods and amounts and has a policy of not lending more than £10m to any one institution other than the UK government. It monitors credit ratings regularly and is alerted to changes by its Treasury Management consultants. Appropriate action is taken following any changes in accordance with the Annual Investment Strategy. An Annual Treasury Report is produced to report on investment activity.

All deposits outstanding at year-end were originally made for less than one year.

There were no material breaches of credit limits during the financial year and there were no breaches of the counterparty criteria. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The current credit crisis has raised the overall possibility of default and the Council has adopted stricter credit criteria for investment counterparties within its overall policy.

The EU referendum result to leave the European Union created an economic shock which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (£8.319m at 31/03/17). This is being monitored closely and reassuringly the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments which must be in accordance with the Treasury Management Strategy. The reduction in the official bank rate from 0.50% to 0.25% has reduced the interest receivable on deposits. In addition to the bank deposits, the Council lent £5m to another local authority to diversify and reduce risk.

The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care.

The Council also has a number of longer-term debtors, including car loans to employees and residual mortgages from a closed scheme offering home loans to tenants and to members of the public. The car loans are considered to be low risk due to the ability to deduct repayments of car loans from employees' salaries, reciprocal arrangements with other local authorities for any staff transferring with outstanding car loans, insurance for loans unpaid due to death in service and normal debt recovery procedures for any employees who leave local government employment. The mortgages are low risk due to the first charge held by the Council on mortgaged properties.

### **Liquidity Risk**

Liquidity Risk is low as the Council had no difficulty in the past in obtaining finance and has ready access to the Public Works Loans Board (PWLB) as lender of last resort. The key aims of the Treasury Management Strategy are to ensure the Authority is exposed to low risk and to ensure liquidity. The majority of Authority's investments are in instant access deposit accounts. Therefore, there is a reduced risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there's often a risk that the Council will need to renew a significant proportion of its borrowings at a time of high interest rates. The practice is to ensure that not more than 20% of loans are repayable within any two year period and to continuously assess the market rates and forecasts in order to replace maturing loans or reschedule existing loans at the most beneficial time. The current low interest rates would reduce interest rates on new loans that are taken out to repay the debt maturing. To assist in achieving this, the Council uses external treasury management advisors. The maturity analysis of outstanding loans is shown at note 44. Trade and other payables are due to be paid in less than one year.

## Market Risk

**Interest Rate Risk** – The Council faces potential risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Comprehensive Income and Expenditure Statement would rise;
- Borrowings at fixed rates – the fair value of the borrowings' liabilities would fall;
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Comprehensive Income and Expenditure Statement would rise;
- Investments at fixed rates – the fair value of the assets would fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Council policy is to borrow mainly at fixed rates, thus obtaining certainty as to interest payable over the period of the loans. The Council, supported by its treasury advisors, continually monitors the prevailing interest rates and the market forecasts. If there was a significant risk of a sharp rise in long and short-term rates, then the portfolio position would be re-appraised with the likely outcome being that fixed rate funding would be drawn down whilst interest rates were still relatively cheap. If there was a significant risk of a sharp fall in long and short-term rates, then long-term borrowings would be postponed and any appropriate rescheduling from fixed rate funding into short rate funding would be undertaken.

All of the Council's current and long-term borrowing and bank deposits are held at fixed rates.

The EU referendum result has had a positive impact on the cost of borrowing following the Bank of England's reduction of the official bank interest rate from 0.50% to 0.25%.

### **NOTE 46 - JOINT COMMITTEES**

The Council and Gwynedd Council are parties to joint committees as follows:-

- Joint Planning Committee
- Special Educational Needs Joint Committee

The Council and the Councils of Gwynedd, Conwy, Flintshire, Wrexham and Denbighshire are parties to joint committee relating to GwE (Gwasanaeth Effeithiolrwydd a Gwella Ysgolion Rhanbarthol) (Regional School Effectiveness and Improvement Service).

The Council and the Councils of Flintshire, Conwy, Denbighshire and Gwynedd are parties relating to the North Wales Residual Waste Treatment Project Joint Committee (NWRWTP).

Gwynedd Council is responsible for the operation of the three joint committees and the year-end balances are reflected in their Balance Sheet. The 2016/17 accounts for these joint committees can be viewed by following the below links:-

## Joint Planning Committee

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Joint-Planning-Policy-Committee.aspx>

## Special Educational Needs Joint Committee

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/Special-Educational-Needs-Joint-Committee.aspx>

## GwE

<https://www.gwynedd.llyw.cymru/en/Council/Performance-and-spending/Budgets-and-finance/Statement-of-Accounts/GwE-Joint-Committee.aspx>

Flintshire Council is responsible for the operation of the NWRWTP joint committee and the year-end balances are reflected in their Balance Sheet, details of which are shown in the table below:-

<b>North Wales Residual Waste Treatment Project</b>		
	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Short Term Debtors	330	270
Short Term Creditors	(330)	(270)
<b>Net Assets</b>	<b>-</b>	<b>-</b>

The Isle of Anglesey County Council are also involved in various joint arrangements with neighbouring North Wales Councils as follows:

- North Wales Adoption Service (Lead: Wrexham. Parties: Flintshire, Denbighshire, Conwy, Gwynedd);
- Minerals and Waste Service (Lead: Flintshire. Parties: Denbighshire, Conwy, Gwynedd);
- Regional Emergency Planning Service (Lead: Flintshire. Parties: Wrexham, Denbighshire, Conwy, Gwynedd);
- Galw Gofal (Lead: Conwy, Parties: Gwynedd, Flintshire).

## NOTE 47 – HOUSES INTO HOMES

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2016/17 £0.226m (£0.353m in 2015/16) was utilised in the renovations of empty homes.

## NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2016/17 was £30,250.23 (£30,188.51 in 2015/16).

The amount for a band D property in 2016/17, £1,340.57 (£1,296.08 in 2015/16), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

Council Tax bills were based on the following multipliers for bands A to I:-

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9

The Council's Council Tax Base is calculated as follows:-

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	15	3,936	5,919	5,948	6,515	5,007	2,375	965	145	41	30,866
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	8.06	2,624.00	4,603.28	5,286.89	6,514.50	6,119.67	3,430.19	1,607.92	290.50	95.08	30,580.09

	2016/17	2015/16
Band D equivalent as above	30,580.09	30,519.95
Collection Rate	98.50%	98.50%
Revised Band D equivalent	30,121.39	30,062.15
MOD Properties – Band D equivalent	128.84	126.36
<b>Council Tax Base</b>	<b>30,250.23</b>	<b>30,188.51</b>

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. In 2016/17, Council Tax reductions awarded to residents were 95% funded by a Council Tax Reduction Scheme grant of £5.099m from Welsh Government (see note 14). The Council funded £0.282m (5%) of Council Tax reductions awarded to residents.

Analysis of the net proceeds from Council Tax:	2016/17 £'000	2015/16 £'000
<b>Gross Council Tax</b>	<b>40,183</b>	<b>39,202</b>
Less Council Tax Reduction awarded to residents	(5,381)	(5,343)
<b>Council Tax collectable</b>	<b>34,802</b>	<b>33,859</b>
Less: provision for non-payment not previously accounted for	(215)	(374)
<b>Net Proceeds from Council Tax</b>	<b>34,587</b>	<b>33,485</b>

#### NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate – 48.6p in 2016/17 (48.2p 2015/16), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.



NDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £13.449m for 2016/17 (£11.098m in 2015/16) and was based on rateable value at the year-end of £39.252m (£38.990m in 2015/16).

The average rateable value for the year was £39.252m (£38.943m in 2015/16).

<b>Analysis of the net proceeds from non-domestic rates:</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Non – domestic rates collectable	13,449	13,920
Cost of collection allowance	(147)	(145)
Interest paid on overpayments	-	-
Provision for bad debts	(135)	(198)
Contribution to cost of charitable relief/rural rate relief	57	57
<b>Payments into national pool</b>	<b>13,224</b>	<b>13,634</b>
<b>Redistribution from national pool</b>	<b>21,309</b>	<b>20,472</b>

#### **NOTE 50 - MARITIME**

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for these maritime services are, instead, included in these accounts under Highways, Roads and Transport in line with the CIPFA SeRCOP. The maritime accounts are, nevertheless, ring-fenced and any accrued deficit/surplus for these harbours is held within the general fund for future investment in maritime services or to repay amounts owed to the Council Fund. In 2016/17, the turnover on maritime services was £47,336. Costs incurred during the year were £122,797 (which includes £58,671 of loan interest/capital repayment). The deficit balance on Maritime services at 31 March 2017 was £476,580. This is the amount owed to the Council general reserve from Maritime services.

## NOTE 51 – ACCOUNTING POLICIES

This section discloses the specific accounting policies adopted by the Council for completion of the accounts.

Policy Reference	Policy Title
1	General Principles
2	Accruals of Income and Expenditure
3	Events After the Balance Sheet Date
4	Jointly Controlled Operations and Jointly Controlled Assets
5	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
6	Value Added Tax (VAT)
7	Fair Value Measurement
8	Non-Current Assets (Property, Plant and Equipment)
9	Investment Properties
10	Intangible Assets
11	Inventories and Long-term Contracts
12	Cash and Cash Equivalents
13	Financial Instruments
14	Provisions, Contingent Liabilities and Contingent Assets
15	Reserves
16	Revenue Recognition
17	Internal Interest
18	Leases
19	Charges to Revenue for Non-Current Assets Minimum Revenue Provision (MRP)
20	Government Grants and Contributions
21	Revenue Expenditure Funded from Capital Under Statute (REFCUS)
22	Overheads and Support Services
23	Foreign Currency
24	Employee Benefits
25	Exceptional Items
26	Accounting for NDR
27	Agency Income and Expenditure

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its financial position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year.

## **2. Accruals of Income and Expenditure**

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2017. Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Income from the sale of goods is included in the accounts when the sale is completed, not when the cash is received. Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and, as a result of this, the Council is due income in return for the services provided. In addition:-

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and bank deposits and payable on borrowings (including bank overdrafts) is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than necessarily the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that may not be collected.

## **3. Events after the Balance Sheet Date**

Events can occur after the year-end which might have a significant effect on the financial results for that year. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts is authorised for issue when the final audited accounts are signed by the Section 151 Officer, before the accounts are approved by Members. The law requires that the audited, authorised final accounts are completed by 30 September following the year-end. Two types of events can be identified:-

- those that provide evidence of conditions that existed at the end of the financial year – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the financial year – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **4. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet its share of the assets and the liabilities that it incurs. The Comprehensive Income and Expenditure Statement is debited with the expenditure it incurs and credited with the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

#### **5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and the conditions on the Council's financial position and financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **6. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **7. Fair Value Measurement**

IFRS13 Fair Value Measurement requires most non-current assets, liabilities and financial instruments to be valued at fair value, often with regard to an active market value where available. For operational assets, the standard introduces the concept of fair value being based on current value (often value in use) for revaluations of Property, Plant and Equipment. This means measurement should reflect the market conditions for the service or function at the reporting date. The standard provides different fair valuation approaches to differing asset types. For non-operational assets, i.e. investment assets, assets held for sale and surplus assets, these are valued at their highest and best use. Where there is an alternative use which would be of a higher fair value that is the fair value which would be used for the valuation of non-operational assets. The code does not require infrastructure assets to be revalued at current value. Infrastructure assets are, instead, valued at depreciated historical cost. This is due to significant changes to the valuation of infrastructure assets (roads, etc.) from 2017/18 onwards.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:-

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

The Authority is required to use valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs (levels 1 and 2) and minimising the use of unobservable inputs (level 3). Three widely accepted valuation techniques are:-

- The market approach;
- The cost approach;
- The income approach.

## **8. Non- Current Assets (Plant, Property and Equipment)**

### **8.1 Recognition**

Non-current assets - Plant, Property and Equipment (PPE) - are physical assets which last a year or more and will be used by the Council in support of its provision of goods and services. The Council has set a minimum amount for expenditure on assets to be classed as capital expenditure. This de-minimus amount is £30k. Expenditure on the acquisition, creation or enhancement of non-current assets which cost £30k or more is capitalised on an accruals basis providing that it meets the above definition of a non-current asset. Plant, Property and Equipment would include assets such as machinery, it would not typically include assets held for sale as they would normally be expected to be disposed of within 12 months.

The costs of these assets may include initial costs of acquisition and construction and subsequent costs to enhance or replace part of the asset. All other expenditure arising from day-to-day servicing of assets, including repairs and maintenance, is recognised in the Comprehensive Income and Expenditure Statement as the costs are incurred.

### **8.2 Measurement**

Assets are initially measured at cost, comprising:-

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located in cases where, in order to bring an asset into use, any relocation of the asset is required.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be their fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:-

- Infrastructure, community assets and assets under construction are valued at depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- All other operational assets have been measured at current value based on existing use value (EUV). This means that the current value of land and buildings would be that amount which would be exchanged for an asset in its existing use. If there is no market evident for an asset due to its specialist nature or if the type of asset is rarely sold, the Authority estimates the current value using a depreciated replacement cost approach. For example, for property comprising land and buildings, depreciated replacement cost would be the market value for the existing use for the land on which the building sits plus the current gross replacement cost of the building less allowances for physical deterioration, obsolescence and optimisation.
- Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where there are conditions on any donated assets, the gain is instead credited to the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.
- Where an asset is not held for the purpose of generating cash flows, value in use is assumed to be at least equal to the cost of replacing the asset's service potential.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. 'Short Useful life' typically means seven years or less, although it may be longer for specialist items of plant and equipment.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In practice, the Council undertakes valuations of its assets based on a five-year rolling programme. However, assets with a carrying value over £500k are revalued each year.

Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, revaluation gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES).

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **8.3 Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Examples of events and changes in circumstances that indicate impairment may have incurred include:-

- significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Council to undertake a significant reorganisation; and
- a significant adverse change in the statutory or other regulatory environment in which the Council operates.

Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified on revalued assets, they are accounted for by:-

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the impairment against the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve, the impairment against the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, to the extent that the original loss was recognised in the CIES, adjusted for depreciation that would have been charged if the loss had not been recognised. Any excess is recognised in the Revaluation Reserve.

Where the impairment is on a non-revalued asset (i.e. an asset with a carrying value based on historical cost), the impairment is recognised in the Comprehensive Income and Expenditure Statement.

#### **8.4 Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets in order to allocate their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:-

- dwellings and other buildings – straight-line allocation over periods of up to 75 years, as estimated by the Valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over 5 to 15 years;
- infrastructure – straight-line allocation over periods of up to 30 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Refer to note 4a.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is not charged in the year an asset is acquired.

#### **8.5 Disposals and Non-current Assets Held-for-Sale**

These assets are actively marketed for sale and where the Council expects that sale will go through in the next 12 months. The assets are identified separately as the value in the Balance Sheet will be recovered principally through a sale transaction rather than future continued use. The asset (or disposal group) is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value of non-current assets held for sale is measured at the highest and best use. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held-for-Sale.

If assets (or a disposal group) no longer meet the criteria to be classified as Assets Held-for-Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held-for-Sale, and their recoverable amount at the date of the decision not to sell.



A 'disposal group' is a group of assets, possibly with some associated liabilities, which the Council intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

Assets that are to be abandoned or scrapped are not reclassified as Assets-Held for-Sale.

## **8.6 Disposals of Non-current Assets**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. This cost is subsequently transferred to the Capital Adjustment Account in the Movement in Reserves Statement.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

## **8.7 Surplus Assets**

The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This will be based on the highest and best use.

## **8.8 Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives to preserve the heritage of the Isle of Anglesey. The Council owns a number of tangible heritage assets such as historical buildings and works of art.

Operational Heritage Assets (i.e. those that, in addition to being held for their heritage characteristics, are also used by the Council for other activities or to provide other services) are valued and accounted for as operational assets, in the same way as other assets of that general type (e.g. operational buildings).

Heritage Assets are valued on the basis that is most appropriate and relevant in respect of the individual asset or class of assets. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, Heritage Assets are measured at historical cost (less any accumulated depreciation, amortisation and impairment losses as appropriate). Where Heritage Assets are measured at valuation, then the carrying amount is measured with sufficient frequency to ensure that the valuations remain current, and at intervals of no greater than five years. Where a cost or valuation cannot be determined for a Heritage Asset without disproportionate cost, the assets will not be recognised in the Balance Sheet. Instead, the asset will be disclosed in the notes to the accounts.

Where a Heritage Asset has a finite life, depreciation is provided for on the same basis as for other classes of asset (for detail see Accounting Policy for Depreciation, 8.4 above).

Depreciation is not provided on Heritage Assets which have indefinite lives and a high residual value. The carrying amount of a Heritage Asset is reviewed where there is evidence of impairment, for example, where it has suffered physical deterioration or breakage or new doubts arise as to its authenticity. Any impairment is recognised on the same basis as for other classes of asset (for detail see under Accounting Policy 8.3, Impairment). The Council does not currently actively seek further acquisitions of Heritage Assets, but responds to opportunities to enhance its portfolio as they arise. The art collections are housed at Oriel Ynys Môn, with maintenance work being carried out as required. Parts of the collection are on display at any one time, while access to the remainder is available by arrangement. The Heritage Properties are managed and maintained, with due regard for their heritage characteristics, as part of the Council's overall portfolio of land and buildings.

## **8.9 Treatment of School Assets**

Local Authority maintained schools are deemed to be in the control of local authorities. The assets, liabilities, reserves and cash flows of the Authority's maintained schools are, therefore, included in the Council's financial statements.

Land and buildings of voluntary aided and foundation schools are owned and controlled by the trustees of the schools or the foundation body and are, therefore, not shown on the Balance Sheet of the Council.

Capital expenditure on community schools is added to the balances for those schools. Individual schools' balances at 31 March 2017 are included in the Balance Sheet of the Council as any unspent delegated schools' budgets remain the property of the Council.

For accounting purposes, the status of the assets of voluntary controlled and voluntary aided schools are as follows:-

- Voluntary Controlled Schools: the land has been included on the Balance Sheet but not the buildings;
- Voluntary Aided Schools: neither the land nor the buildings are included in the Balance Sheet;
- Additionally, neither the land nor the buildings of Caergeiliog Foundation School are included on the Balance Sheet, as these assets vest with the trustees of the school.

## **9. Investment Properties**

Investment properties are those land and buildings that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are recognised when it is probable that future planned economic benefits will flow to the Authority and that the cost or fair value of the investment property can be reliably measured. Investment properties are measured initially at cost and, subsequently, at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. The Code requires that Investment Properties be valued at their highest and best use regardless of the intentions of the Council. This means that alternative uses have been considered for each investment property and, if there is an alternative use that would maximise fair value, then that is the fair value which is to be used. The properties are not depreciated but are revalued annually in accordance with IFRS13 according to market conditions at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance.

The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

## **10. Intangible Assets**

Intangible assets are non-current, non-financial assets which are separately identifiable but which do not have physical substance (for example, computer software). These are controlled by the Council as a result of past events. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are, therefore, carried at cost less accumulated amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Intangible assets are tested for any impairment annually and whenever there is an indication that an asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

## **11. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the 'First In, First Out' (FIFO) costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress is included in the Balance Sheet at cost.

## **12. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **13. Financial Instruments**

Financial instruments are measured at fair value in accordance with IFRS13. The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **13.1 Financial Liabilities**

A financial liability is a requirement to transfer economic benefit controlled by the Authority to another entity, for example pay cash or transfer assets/liabilities. The Authority's loans from the PWLB are examples of financial liabilities. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. Some financial liabilities will be carried at amortised cost to reflect the fact that the Council has incurred transaction costs or is required to spread the life of the financial liability across the life of the instrument. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. The interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio, the Authority has a policy of spreading the gain or loss over the term that was remaining on the loan. This means that the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **13.2 Financial Assets**

Financial assets are classified into two types:-

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **13.2.1 Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Examples include short-term deposits and investments in instant access accounts. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has made a limited number of loans to employees and at less than market rates (soft loans for example, the Car Loans Scheme). The Council has determined that the value of the individual loans of notional interest foregone is negligible and so has not adjusted the entries to the Income and Expenditure in respect of these soft loans.

### **13.2.2 Available-for-Sale Financial Assets**

Where applicable and if material, available-for-sale financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Examples of available-for-sale financial instruments include UK Government bonds (gilts) and certifications of deposit. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Available-for-Sale Financial Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:-

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations;
- Fair value – a price agreed between both parties.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

## **14. Provisions, Contingent Liabilities and Contingent Assets**

### **14.1 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate section line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is, therefore, balanced by an Unequal Pay Back Pay Account which effectively cancels the provision to zero.

### **14.2 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Material contingent liabilities are not recognised in the Balance Sheet but disclosed as a note in the accounts (Note 42).

### **14.3 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset, the existence of which will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Council.

Material Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential (Note 43).

## **15. Reserves**

The Council maintains a range of reserves, reflecting both the extent to which its overall assets exceed its liabilities and any restrictions, either statutory or voluntary, which are placed upon the usage of these balances. The Council has discretion to set aside specific amounts as reserves where they wish to earmark available funds for future policy purposes, to cover contingencies or manage cash flow. These are summarised in the Movement in Reserves Statement.

Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement on the Reserve Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies and notes.

## **16. Revenue Recognition**

Revenue is recognised in the Comprehensive Income and Expenditure Statement for the year in which it is earned rather than when the cash is received. This relates to income from the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the provision of services (excluding services directly related to construction contracts), interest, royalties and dividends, non-exchange transactions (i.e. Council Tax) and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria. Revenue is also recognised on gains which may or may not arise from ordinary activities such as gains on the revaluation of non-current assets, gains on the sale of non-current assets and gains on available-for-sale financial assets. Where the Authority is acting as an agent, only the income the Council is paid for its role of agent will be recognised in the accounts. The amount relating to the third party (the principal) will not be included in the accounts.

Revenue is recognised and measured at the fair value of the consideration receivable. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Rebates and cash settlements, where relevant, will be taken into account in measuring the fair value of the consideration received.



If payment is on deferred terms, the consideration receivable is discounted to present value in order to achieve a fair value. The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on Provision of Services. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is immaterial. There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions i.e. revenue relating to Council Tax and general rates and, therefore, these transactions are measured at their full amount receivable.

## **17. Internal Interest**

The Council invests its cash balances in accordance with its Treasury Management and Investment Policies and the interest is accrued and credited to the Comprehensive Income and Expenditure Statement. Interest is credited to trust funds and other third party funds based on the average rate of interest earned by the Council. Some reserves receive interest by way of an appropriation calculated on the same basis.

## **18. Leases**

Where applicable and material, leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. The Council does not hold any leases of this type and, therefore, the leases that the Council does hold are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. Leases have been reviewed taking into account the materiality level of both annual rentals and capital values and inclusion in the accounts is based on these levels.

### **18.1 The Council as lessee**

#### **18.1.1 Finance Leases**

If applicable and of a material value, items of Property, Plant and Equipment held under finance leases would be recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:-

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

If Property, Plant and Equipment are recognised under finance leases, they would be accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are, therefore, substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **18.1.2 Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **18.2 The Council as Lessor**

### **18.2.1 Finance Leases**

If the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. If applicable, at the commencement of the lease the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:-

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are, therefore, appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **18.2.2 Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **19. Charges to Revenue for Non-Current Assets - Minimum Revenue Provision (MRP)**

Services and support services are charged with the following amounts to record the real cost of holding non-current assets during the year:-

- Depreciation of assets used by the Service;
- Revaluation and impairment losses on assets used by the Service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to cover these costs. However, it is required to set aside an annual contribution from revenue towards its overall borrowing requirement. These costs are, therefore, replaced by the Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Welsh Government issued new regulations in 2008/09 requiring local authorities in Wales to make a prudent provision for MRP, including an option to provide a MRP over the life of an asset. The policy also allows MRP to be deferred until the asset is commissioned.

The Council, however, continues to calculate using the capital financing requirement methodology as follows:-

The Housing Revenue Account (HRA) provision is calculated as being 2% of the opening HRA Capital Financing Requirement (CFR). The Council Fund provision is based on 4% of the opening non-HRA CFR for all projects with the exception of projects funded by unsupported borrowing. The MRP for these projects is based on the useful life of the asset. An exception to this policy arises in respect of expenditure which is subject to a capitalisation direction issued under Section 40(6) of the Local Government and Housing Act 1989. Any such expenditure will be amortised either in accordance with the above policy or over the number of years specified within the direction.

Transactions in relation to investment properties are recorded against the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

## **20. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the conditions attached to the grant or contribution have been met. Grant conditions are the requirements which have to be met in order to qualify for the grant, for example, the building of a school or key outcomes specified within the conditions. Monies advanced as grants and contributions, for which conditions have not been satisfied, are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Some grants bodies impose restrictions which limit or direct the purposes for which the grant may be used but do not stipulate that the grant is to be repaid.

## **21. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

## **22. Overheads and Support Services**

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the Authority's arrangements for accountability and financial performance.

## **23. Foreign Currency**

The Council has a diminishing number of European grant aided schemes where the grants may be denominated in Euros. A Euro Bank account was opened to support these schemes. The balance on this bank account at the year-end is converted at the spot exchange rate at 31 March with resulting gains or losses being recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **24. Employee Benefits**

### **24.1 Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. To prevent fluctuations from impacting on Council Tax, the year-on-year change in cost generated by this accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement to the Accumulating Absences Adjustment Account, so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

The Council does not award long-term employee benefits, i.e. those which are not expected to be paid or settled within 12 months of the Balance Sheet date.

### **24.2 Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions (usually in the form of added years), statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **24.3 Post-Employment Benefits**

Employees of the Council are entitled to be members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The Local Government Pension Scheme, administered by Gwynedd Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees have worked for the Council.

## 24.4 Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified to the Council. The scheme is, therefore, accounted for as if it was a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Lifelong Learning Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Agency in the year.

## 24.5 The Local Government Pension Scheme

All employees (other than teachers) and Councillors, subject to certain qualifying criteria, are able to join the Local Government Pension Scheme. The Scheme is known as the Gwynedd Pension Fund and is administered by Gwynedd Council in accordance with the Local Government Pension Scheme Regulations 2013 on behalf of all participating employers. Under International Accounting Standard (IAS 19), the Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Gwynedd Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a real discount rate that is based on the indicative rate of return on UK Government bonds adjusted for an addition to the yield that reflects the extra risk involved in using AA Corporate Bond yields – known as the credit spread.

The assets of Gwynedd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:-

- Quoted securities - current bid price;
- Unquoted securities - professional estimate;
- Unitised securities - current bid price;
- Property - market value.

The change in the net pension liability is analysed into four components:-

- a) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- b) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs. Net interest on the net defined benefit liability, i.e. the net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period, to the net defined liability at the beginning of the period (taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments);

- c) Re-measurement comprising:-
- The return on plan assets (excluding amounts already included in the net interest on net defined benefit) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as other Comprehensive Income and Expenditure;
- ch) Contributions paid to the Gwynedd Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **24.6 Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any employee (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **25. Exceptional Items**

Where items of income and expense are material in the context of these accounts, their nature and amount is disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **26. Accounting for NDR (Non-domestic Rates)**

As the Council acts as an agent in the collection of NDR income, it does not include the financial position with regard to the ratepayers and only reports the net cash position with Central Government in its Balance Sheet. Therefore, if the amount collected from NDR taxpayers by the Authority (net of the cost of collection allowance) exceeds that paid to Welsh Government at 31 March, the amount not yet paid to the Welsh Government is included in the Balance Sheet as a creditor. Similarly, if the cash paid to Welsh Government exceeds the cash collected from NDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor. The Council maintains records of NDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records, however, for final accounts purposes these balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The cost of collection allowance received by the Isle of Anglesey County Council is the billing Council's income and is included in the Comprehensive Income and Expenditure Statement.

Cash collected from NDR taxpayers is not included in the Cash Flow Statement except for the cash retained in respect of the cost of collection allowance. Any difference between the cash collected from NDR taxpayers and the cash paid into the NDR Pool is included within financing activities in the Cash Flow Statement.

## **27. Agency Income and Expenditure**

Under various statutory powers, a Council may agree with other local authorities, water companies and government departments to do work on their behalf. The body carrying out agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution towards administrative costs. Only the amounts relating to the Council, for example, the fees earned for providing the agency services, will be included in the Council's Comprehensive Statement of Income and Expenditure.

The Isle of Anglesey County Council has acted as an agent on behalf of:-

Central Government - Collecting Non-Domestic Rates (NDR) and paying the sums collected over to Central Government, less the amount retained in respect of the cost of collection allowance.



**SUPPLEMENTARY FINANCIAL STATEMENT  
HOUSING REVENUE ACCOUNT**

**Income and Expenditure Statement for the year ended 31 March 2017**

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Management and Maintenance - Repairs and Maintenance	3,451	3,751
Management and Maintenance - Supervision and Management	3,664	3,099
Rents, Rates, Taxes and Other Charges	22	103
Depreciation, Impairment and Revaluation Losses of Non-current Assets	10,721	9,268
Debt Management Costs	12	12
Movement in the Allowance for Bad Debts	40	54
Movement in the Accumulated Absences Accrual	9	(9)
Sums that are Expenditure in Accordance with the Code as directed by the Welsh Government	-	21,169
<b>Total Expenditure</b>	<b>17,919</b>	<b>37,447</b>
<b>Income</b>		
Dwelling Rents	(14,954)	(14,308)
Non-dwelling Rents	(219)	(211)
Charges for Services and Facilities	(167)	(215)
Contributions towards Expenditure	(91)	(188)
Other	(174)	(166)
<b>Total Income</b>	<b>(15,605)</b>	<b>(15,088)</b>
<b>Net (Income) / Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>	<b>2,314</b>	<b>22,359</b>
HRA Services' Share of Corporate and Democratic Core	56	56
<b>Net (Income) / Expenditure of HRA Services</b>	<b>2,370</b>	<b>22,415</b>
<b>HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement:</b>		
(Gain) / Loss on sale of HRA Non-current Assets	(496)	(509)
Revaluation of Assets	-	(134)
Interest Payable and Similar Charges	2,029	1,686
Interest and Investment Income	(20)	(18)
Capital Grants and Contributions receivable:		
- Major Repairs Allowance	(2,660)	(2,650)
- Other	(67)	(269)
<b>(Surplus) / Deficit for the Year on HRA Services</b>	<b>1,156</b>	<b>20,521</b>

## Statement of Movements on the HRA Balance

Items included in the HRA Income and Expenditure Account but excluded from the movements on HRA Balance for the year

	2016/17 £'000	2015/16 £'000
<b>Balance on the HRA at the end of the Previous Reporting Period</b>	<b>(7,042)</b>	<b>(2,821)</b>
(Surplus) / Deficit for the Year on HRA Services	1,156	20,521
Adjustments between Accounting and Funding Bases under Statute	(1,609)	(23,726)
<b>Net (Increase) / Decrease before Transfers to/from Reserves</b>	<b>(453)</b>	<b>(3,205)</b>
Transfers to / (from) Earmarked Reserves	-	(1,016)
<b>Net (Increase) / Decrease in Year on the HRA</b>	<b>(453)</b>	<b>(4,221)</b>
<b>Balance on the HRA at the end of the Current Reporting Period</b>	<b>(7,495)</b>	<b>(7,042)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1 – HOUSING REVENUE ACCOUNT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local Council housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ring-fenced” and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the Council Fund) are limited to special circumstances.

### NOTE 2 – HOUSING STOCK

During 2016/17, the Council sold nine dwellings under the Right-to-Buy Scheme (see note 5). Following the buyout from the Housing Subsidy scheme (see note 6), the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2016/17, twelve such properties were purchased. As at 31 March 2017, the number of dwellings totalled 3,791, with the split by type of dwelling made up as follows:-

	31 March 2017	31 March 2016
<b>Council Owned Stock</b>		
Houses	2,010	2,017
Bungalows	1,044	1,044
Flats	730	720
Bedsits	7	7
<b>Total Council Owned</b>	<b>3,791</b>	<b>3,788</b>

### NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2016/17 £'000	2015/16 £'000
<b>Capital investment</b>		
Houses	8,606	6,438
<b>Sources of funding</b>		
Capital Receipts	(821)	(794)
Government grants and other contributions	(2,727)	(2,919)
Direct Revenue Financing	(5,058)	(2,725)
<b>Total</b>	<b>(8,606)</b>	<b>(6,438)</b>

The Major Repairs Allowance for 2016/17 of £2.660m was used in full during the year (£2.656m 2015/16).

### NOTE 4 – DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

	2016/17 Derecognition £'000	2016/17 Depreciation £'000	2016/17 Total £'000	2015/16 Derecognition £'000	2015/16 Depreciation £'000	2015/16 Total £'000
Land	-	-	-	-	-	-
Dwellings	6,884	3,594	10,478	5,489	3,650	9,139
Other Property - Operational Assets	-	243	243	-	129	129
	6,884	3,837	10,721	5,489	3,779	9,268

### NOTE 5 – CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

	2016/17 No. of Sales	2016/17 £'000	2015/16 No. of Sales	2015/16 £'000
<b>Council dwellings</b>				
Right to Buy	9	804	10	765
Discounts repaid	-	-	-	-
<b>Other Receipts</b>				
Land sales	-	-	1	24
Other property sales	1	17	-	-
Mortgage Property	-	-	-	5
		821		794
Less set aside		-		-
		821		794

## NOTE 6 – BUYOUT FROM HOUSING SUBSIDY SCHEME

In April 2015, the Council paid £21.169m to buy out of the HRA Subsidy Scheme, expected to generate savings in excess of £0.700m per annum.

## NOTE 7 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2016/17, total rent arrears decreased by £0.072m. A summary of rent arrears and prepayments is shown in the following table:-

<b>Rent Arrears</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Current Tenant Arrears	456	466
Former Tenant Arrears	228	273
<b>Total Rent Arrears</b>	<b>684</b>	<b>739</b>
Prepayments	(169)	(152)
<b>Total Debt</b>	<b>515</b>	<b>587</b>

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.506m against rents (£0.433m in 2015/16).

## NOTE 8 – PENSION COSTS

As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme administered by Gwynedd Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

<b>HRA Income and Expenditure Account</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Current Service Cost	(270)	(228)
Employer Contributions actually paid	270	228
<b>Contribution to Pension Reserve</b>	<b>-</b>	<b>-</b>

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the Housing Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Housing Revenue Account after Net Operating Expenditure. The following transactions have been made in the Housing Revenue Account during the year:-

It has not been possible to determine how much of the pension interest costs and expected return on assets per the actuarial report relate to the Housing Revenue Account, so these have been fully allocated to the Council Fund.

<b>RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS</b>	
Age Concern Gwynedd and Anglesey	Jim Evans
Anglesey Access Group	Robert G Parry OBE
Anglesey Agricultural Show	Kenneth P Hughes
Anglesey CAB	Robert Llewelyn Jones
Anglesey Community Health Council	Jeffrey M Evans, Dylan Rees & Dafydd Rhys Thomas
Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn)	Lewis Davies, Richard A Dew, Derlwyn Rees Hughes, Victor Hughes & J Arwel Roberts
Armed Forces Champion	Aled Morris Jones
Betsi Cadwaladr Stakeholder Reference Group	Kenneth P Hughes
Carers' Champion	Robert G Parry OBE
Children and Young People's Champion	Llinos Medi Hughes
Court of Governors, University of Wales, Bangor	Ieuan Williams
Cwmni CYNNAL AGM	Jim Evans
Cwmni Fran Wen	R Meirion Jones
Cymdeithas Tai Eryri	Kenneth P Hughes
CYNNAL Management Committee	R Meirion Jones & Kenneth P Hughes
Diversity Champion	Carwyn Jones
Equalities Champion	Aled Morris Jones
Fostering Panel	Ieuan Williams
Gofal a Thrwsio Môn Management Committee	Aled Morris Jones & Alun Wyn Mummery
Grwp Llandrillo/Menai	Ieuan Williams
Gwynedd & Anglesey Adoption Panel	Jeffrey M Evans
Gwynedd and Anglesey Youth Justices Service	Kenneth P Hughes
Gwynedd Liaison Committee (Superannuation Fund)	Hywel Eifion Jones
Horizon Nuclear Project Liaison Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Dafydd Rhys Thomas
Joint Council for Wales	John Griffith
Joint Local Service Board (Anglesey and Gwynedd)	Ieuan Williams
Leader for Adult's Safeguarding	Aled Morris Jones
Medrwn Môn	Ieuan Williams
Member Board of the Consortium of Local Authorities in Wales (CLAW)	Richard A Dew & Kenneth P Hughes
Member Champion	Vaughn Hughes
Menter Môn	Ieuan Williams
North and Mid Wales Trunk Road Joint Committee	J Arwel Roberts
North Wales Economic Forum	Ieuan Williams
North Wales Fire and Rescue Authority	Lewis Davies, Jim Evans & Richard Owain Jones
North Wales Fire and Rescue Authority Audit Committee	Jim Evans
North Wales Fire and Rescue Authority Executive Panel	Lewis Davies & Richard Owain Jones
North Wales Housing Association	Kenneth P Hughes
North Wales Police and Crime Panel	William Thomas Hughes
North Wales Regional Waste Plan Review Steering Group	Richard A Dew & J Arwel Roberts
North Wales Residual Waste Treatment Joint Committee	Richard A Dew & J Arwel Roberts

North Wales Tourism Partnership	Ieuan Williams
North Wales Valuation Tribunal – Joint Appointing Panel	Hywel Eifion Jones
Older People's Champion	Robert Llewelyn Jones
Owen Lloyd, Penrhoslligwy Educational Trust	Derlwyn Rees Hughes
Pensions Committee (Gwynedd Council)	Hywel Eifion Jones
Regional School Effectiveness and Improvement Service Joint Committee	Kenneth P Hughes
Regional Technical Statement (Members Forum)	J Arwel Roberts
Scrutiny Champion	R Meirion Jones
Service Board (Anglesey and Gwynedd)	Ieuan Williams
TALNET (Joint Bibliographic Society)	Richard A Dew & Vaughan Hughes
Voluntary Sector Liaison Committee	Jim Evans, Aled Morris Jones, Alun Wyn Mummery, Alwyn Rowlands & Ieuan Williams
Welsh Joint Education Committee	Kenneth P Hughes
Welsh Local Government Association	J Arwel Roberts & Ieuan Williams
Wylfa Site Stakeholder Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones & Alwyn Rowlands

# GLOSSARY

## ACCOUNTING PERIOD

This is the period of time covered by the accounts, normally a period of twelve months, commencing on 1 April. The end of the accounting period is the Balance Sheet date, usually 31 March of the following year.

## ACCRUALS

Sums included in the final accounts to recognise goods/services received in the year or income and expenditure earned or incurred in the financial year but for which actual payment had not been received or made as at 31 March.

## ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:-

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed.

## AGENCY SERVICES

These are the services provided by the Council to a third party on behalf of another organisation.

## APPROPRIATIONS

These are the amounts transferred between the Comprehensive Income and Expenditure Statement and revenue or capital reserves.

## ASSET

An asset is an item having value to the Council in monetary terms. Assets are categorised as either current or non-current:-

- A current asset will be used or be of minimal value within the next financial year (e.g. cash and inventories);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible (e.g. a community centre), or intangible, (e.g. computer software licences).

## AUDIT OF ACCOUNTS

This is an independent examination of the Council's financial affairs.

## BALANCE SHEET

The Balance Sheet is a statement of the true and fair value of the recorded assets, liabilities and other balances at the end of the financial year.

## BUDGET

The Budget is a statement of how much the Council has allocated to each service and function to spend or raise in income for the financial year.

## CAPITAL EXPENDITURE

Capital Expenditure is expenditure on the purchase of a non-current asset, which will be used in providing services beyond the current financial year, or expenditure which adds to, and not merely maintains, the value of an existing non-current asset. Examples include: the building of a new school, the purchase of IT equipment, a major refurbishment of a care home.

## CAPITAL FINANCING

Funds that are available to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific period of time.

## **CAPITAL RECEIPTS**

Capital receipts represent the proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used to finance revenue expenditure.

## **CASH AND CASH EQUIVALENTS**

This is cash-in-hand, cash overdrawn, cash held in bank accounts and short-term (for example three months) investments which are readily converted into known amounts of cash.

## **CASH FLOW STATEMENT**

The cash flow statement shows the changes in cash and cash equivalents of the Council during the financial year.

## **CIPFA**

This is The Chartered Institute of Public Finance and Accountancy, the lead professional and regulatory body for local Authority accounting.

## **COMMUNITY ASSETS**

Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This is one of the main financial statements of the Council which records all the income and expenditure for the Council categorised on the basis of standard CIPFA requirements to enable comparisons to be made between authorities.

## **CONSISTENCY**

This represents the concept that the accounting treatment of like items, within a financial year and from one year to the next, is the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:-

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is, thus, over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

## **CREDITOR**

The amount owed to individuals or other organisations by the Council for work done, goods received or services provided within the financial year but for which payment has not been made by the end of that financial year.



**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current year.

**DEBTOR**

The amount owed to the Council from individuals or other organisations for works done, goods received or services provided within the financial year, but for which payment has not been received by the end of that financial year.

**DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the financial year, whether from use, the passage of time or obsolescence through technical or other changes.

**DISCRETIONARY BENEFITS (PENSIONS)**

These represent the retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**EXPECTED RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXPENDITURE AND FUNDING ANALYSIS**

This statement aims to show how annual expenditure is used and funded from resources. The first column, the net expenditure chargeable to the General Fund and HRA balances, shows the true impact of the cost of providing services for the year excluding accounting adjustments.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE LEASE**

A Finance Lease is one that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

**GOING CONCERN**

This represents the concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

## **HOUSING REVENUE ACCOUNT (HRA)**

The HRA is a separate account to the Council Fund, and includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IMPAIRMENT**

Impairment is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

## **INFRASTRUCTURE ASSETS**

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## **INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the financial year of the present value of the scheme liabilities because the benefits are one financial year closer to settlement.

## **INVENTORIES**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and work in progress.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the share of the pension scheme assets associated with their underlying obligations.

## **INTEREST RECEIVABLE OR PAYABLE**

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at cost less accumulated amortisation, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax.

For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

## **LIABILITY**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next financial year, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which, by arrangement, is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:-

- Readily convertible to known amounts of cash at, or close to, the carrying amount; or
- Traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which, together, constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one financial year.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted or mis-stated, could be expected to lead to a distortion of the financial statements and, ultimately, mislead a user of the accounts.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

## **MOVEMENT IN RESERVES STATEMENT**

This statement shows the movement from the start of the year to the end of the year for all the usable reserves held by the Council which can be used to fund Council costs or reduce local taxation, and unusable reserves.

## **NET BOOK VALUE**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

## **NET DEBT**

The Net Debt is the Council's borrowings less cash and liquid resources.

## **NET WORTH**

The Net Worth is the Council's value of total assets less total liabilities.

## **NON-DISTRIBUTED COSTS**

These are overheads for which there are no direct user benefits and, as such, are not apportioned to services.

## **NON-DOMESTIC RATES (NDR)**

The Non-Domestic Rate is a levy on businesses based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

## **NON-OPERATIONAL ASSETS**

Non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

## **OPERATING LEASE**

An Operating lease is where the ownership of the non-current asset remains with the lessor.

## **OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior financial years arising in the current financial year as a result of the introduction of, or improvement to, retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**PRIOR YEAR ADJUSTMENT**

A Prior Year Adjustment is a material adjustment applicable to previous years arising from changes in accounting policy or from the correction of a fundamental error. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain, or very likely, to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOANS BOARD (PWLB)**

A Central Government Agency which provides loans for one year and/or more to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NDR purposes.

**RELATED PARTIES**

There is a detailed definition of related parties in IAS 24. For the Council's purposes, related parties are deemed to include Central Government, Local Authorities and other bodies, either precepting or levying demands on the Council. Related Parties can also include subsidiary and associated companies, joint venture and joint venture parties and particularly Members and chief officers of the Council.

When considering who is a related party, regard is also taken of transactions involving members of the close family or household of any individual listed.

**RELATED PARTY TRANSACTIONS**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**REMUNERATION**

All sums paid to, or receivable by, an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

Reserves are the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The residual value of an asset is the net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**

Revenue Expenditure represents the day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)**

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**SUPPORTED BORROWING**

The Council borrows money to fund part of its capital programme. This borrowing is recognised by Central Government in its calculation of formula funding for the Council.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**UNSUPPORTED BORROWING**

The Council can borrow additional money to the borrowing supported by Government to finance its capital expenditure as long as it is affordable and sustainable. This power is governed by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code, with which the Council fully complies.

**UNUSABLE RESERVES**

Unusable Reserves are those reserves used to absorb the differences between the outcome of applying proper accounting practices and the requirement of statutory arrangements for funding expenditure. Such reserves include the unrealised gains and losses in relation to revaluations of property, plant and equipment where the value only becomes available if the asset is sold.

**USABLE RESERVES**

Specific amounts set aside for future policy purposes or to cover contingencies. They can be used to fund expenditure or reduce taxation.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a non-current asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the Balance Sheet date.

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# **Annual Governance Statement 2016/2017**

# 1. INTRODUCTION

To demonstrate good governance, the Authority must show that it is complying with the core (and supporting) principles contained within the Framework for Delivering Good Governance in Local Government (2007) and addendum 2012, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). The International Framework Good Governance in the Public Sector (2014) published an updated set of Principles. A revised Framework for Delivering Good Governance in Local Government (Wales) was published in 2016.

This statement has been prepared in accordance with those revised principles.

This is the fourth Governance Statement for the Council elected on new wards in May 2013. It sets out the governance arrangements in place for the year (April 2016 to March 2017) focusing on those current significant governance issues in relation to the authority achieving its vision. It highlights changes made during the year and includes a brief evaluation where weaknesses or significant improvements are identified.

Aspects of the Council's governance arrangements have been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the Corporate Plan for the authority which was adopted in January 2013 setting out its work up to and including 2017.. It was designed as a programme of change driven by the Council itself.

The Vision for the Council by 2017 was that:-

***“we will be a professional and well-run Council, innovative and outward-looking in our approach, committed to developing people and partnerships in order to deliver efficient and effective services of good quality, that are highly valued by our citizens.”***

We also emphasise that assurance and governance will be key to ensuring the delivery of the Corporate Plan.

“In doing so we said that we would:-

- provide an integrated performance management framework, linking the Corporate Plan to the Medium Term Financial Strategy down to the annual budget setting process and individual performance development reviews
- collect and use information to monitor our performance and take action to improve where required
- support the improving strength of the Council's democratic decision making and scrutiny processes
- strengthen our engagement with and involvement of Anglesey citizens in the Council's decision making and accountability processes
- continue to strengthen our processes around finance and workforce reporting and monitoring
- put in place robust arrangements for dealing with our financial challenges, ensuring service transformation and innovative delivery is at the heart of what we do”



In addition, over the last few years six key themes have been developed to support our vision:-

1. Professional and Well Run
2. Innovative, Ambitious and Outward Looking
3. Customer, Citizen and Community Focused
4. Valuing and Developing our People
5. Committed to Partnership
6. Achieving

which can be aligned to the seven core principles in the new of good governance in the CIPFA/SOLACE framework. These are contained within 'Delivering Good Governance in Local Government (Wales) 2016 that have been adapted for local government purposes :-

**Principle A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**Principle B.** Ensuring openness and comprehensive stakeholder engagement

**Principle C.** Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits

**Principle D.** Determining the interventions necessary to optimise the achievement of the intended outcomes

**Principle E.** Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Principle F.** Managing risks and performance through robust internal control and strong public financial management

**Principle G.** Implementing good practices in transparency, reporting, and audit to deliver effective accountability

We have sought within this Annual Governance Statement to show how all the above key themes and principles are central to all our endeavours during 2016/17

## 2. SCOPE OF RESPONSIBILITY

The Isle of Anglesey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure **continuous improvement** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk together with adequate and effective financial management.

The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the local code is on our website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance>

This statement explains how the Council has complied with the code and meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2005 in relation to the publication of a statement on internal control.

### 3. THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes and cultural values by which the authority is directed and controlled. It also guides the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at the Council for the year ended 31 March 2017 and remains applicable up to the date of the approval of the Statement of Accounts. Where any new arrangements have been introduced during the year this has been noted.

### 4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2016/17

The current framework as it relates to each of the seven Corporate Governance principles is described in the interlinked topics as outlined available at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance->

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2016/17 financial year.

<b>Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>
<b>Related Key Theme:</b>	<b>Professional and well Run</b>

Public sector entities are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. Public sector entities are accountable to legislative bodies for the exercise of legitimate authority in society. This makes it essential that each entity as a whole can demonstrate the appropriateness of all of its actions and has mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The six key themes incorporated within the **Corporate Plan** for 2013-17 set out the Council's values and these are embedded in the Council's transformational activity and future vision for delivery. As a result, the Six Key Themes underpin the corporate way of working and the importance of good governance is emphasised in the Corporate Plan.

There are a number of codes of conduct and protocols in place as part of the **Constitution** to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place. This includes the Officers' Code of Conduct, which is statutory. Local Guidance has now been published and circulated to all staff.

The **Monitoring Officer** acts as the lead officer for the **Standards Committee** (SC), with seven of its nine members external appointments, and the remainder being Elected Members. The Committee develops and supports independence and objectivity rather than political governance and achieves this in the following ways:

- Chairman's Annual Report to Council
- Work Programme approved annually by the Council
- Four quarterly meetings and as many extraordinary meetings as are necessary to deal with referrals from the PSOW and applications for dispensations
- Dealing with any matters referred under the Local Resolution Protocol
- Dealing with any Public Services Ombudsman Wales local view requests
- Training and development arranged by the SC and/or undertaken by the SC. This year the SC focused on the development of Town Councillors. The focus for 2016/17 will be devising training to be delivered to the new intake of Councillors in May 2017.

To supplement training for Members, briefing notes have been published on the following subject areas:

- Local Council Housing Allocations (Currently under revision to reflect the new Allocations Policy)
- Section 25 Localism Act 2011
- Public Procurement
- (Currently under revision to reflect the new Contract Procedure Rules)
- Political Freedom of Speech v Code of Conduct
- Gifts and Hospitality
- Dispensations
- Standards Committee Forum

Undertaking an annual review of the three **Registers of Members interests** and publishing its findings and advisory note to all Members. This year the independent Members of the Committee who undertook the review have also contacted each elected Member direct about any specific issues relating to their registration of interests. Written feedback to individual Councillors will now also be provided for the first time but as the SC also has responsibilities for Community Councillors; the focus of the registers this year will be to undertake sample audits of declarations of interest at Community Council meetings. This process will be carried out on a risk-based approach.

One of the features of the Council in the past was poor behaviour by some members but improvements have been noted over recent years. In the view of the SC this has become an embedded trend with only one matter under investigation by the Ombudsman during 2016/17. It was the view of the SC’s Chair, to the Council on 12th May 2016, that self-regulation is now working effectively in Anglesey.

In addition to the above there is joint working between the two management teams through the Penaethiaid meetings and members of the SLT act as link officers to Heads of Service to ensure clear communication on how strategic/corporate priorities are being implemented within Services. Ynys Mon and Gwynedd are also following a joint recruitment process at present to replace our independent members of the Audit and Governance Committee, now that current term of office has ended.

During 2016/17 Internal Audit continued to operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006’ produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity.

<b>Principle B:</b>	<b>Ensuring openness and comprehensive stakeholder engagement</b>
<b>Related Key Theme:</b>	<b>Customer, Citizen and Community Focused</b>

As public sector entities are established and run for the public good, their governing bodies should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

All **Executive** and Council meetings are held in public (with the exception of exempt items) and all papers are published on the Council website. All reports to committees are accompanied with a cover report, which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show the reasoning and evidence for decisions.

A Combined **Forward Work Programme** for the Executive and Scrutiny Committees is publicly available. There are clear timescales for the submission, publication and distribution of reports.

As in previous years and in the current financial climate the Council recognises that it needs to work closely with its key partners in this area of work to avoid duplication and utilise its resources effectively.

There is evidence of good engagement practice at service level which demonstrates how the Council shares its decisions, and there is a growing culture of trust and understanding with its citizens e.g.

- Consultation on the Budget
- Primary School Modernisation programme and decision
- Housing Strategy Consultation Programme
- Older Adults Social Care transformation programme and decision
- Wellbeing consultation.

However, the Council recognises that there is always room for further improvement in widening the cohort of citizens who actively engage (including hard to reach groups). As a result, Senior Officers have now recognised the opportunities to create a standardised and simplified process for engagement across the public and third sector.

Building on the success of the Seriol pilot project in and around Beaumaris, a new **community engagement model** was used as a baseline to improve a Corporate approach to community engagement. This model is essential in order to identify those communities and groupings that will have an interest in taking over responsibilities for delivery of local type needs in their communities. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Engagement & Consultation Board** led by an Assistant Chief Executive.

The establishment of this Board in collaboration with a 3<sup>rd</sup> sector project *Community Voices* was undertaken to oversee developments and ensure buy in. Such an approach secures an accurate reflection of Anglesey-wide views from different stakeholders which can be used thereafter to inform the decision making process. The Board has overseen a number of effective engagement and consultation exercises during 2016/17, inclusive of consultation on the Budget, and an engagement exercise in eight Anglesey areas that asked the views of over 2,600 people about their communities.

The Engagement and Consultation Board also provides a cross Council approach to engagement and stakeholder involvement which reduces duplication, ensures a collective approach to engagement and improves our area based intelligence as a Council.

The Public Services Boards for the Ynys Môn local authority area became a statutory body under the Well-being of Future Generations (Wales) Act 2015. The PSB agreed to work collaboratively with the Board set up for the Gwynedd local authority area and a Joint PSB has been established for Gwynedd a Môn. The Board has met regularly during the 16/17 financial year and during this time the PSB has led on the work of producing the Assessment of Local Well-being for the area.

The Gwynedd and Môn **Public Services Board** has divided the whole area into 14 smaller areas – 8 in Gwynedd and 6 on Anglesey. Research has been carried out on behalf of the Board on each of the 14 areas to learn and understand more about their well-being.

An information booklet for each area was produced, a number of public drop-in sessions were held, and there was an on-line questionnaire so that residents could have their say about their communities.

The aim of the research and the drop-in sessions was to enable the Board to draw up an assessment that would in the end lead to a plan, which would focus on improving the well-being of Gwynedd and Môn. Two documents have been created – one for Gwynedd and one for Môn and reviews the information that was gathered as well as the opinions of residents. The next steps for the Public Services Board will be to produce and publish a Well-being Plan for the area in which the Board will agree the collective objective to improving well-being in the area and the steps that the Board will take to achieve the objectives. This plan must be published by April 2018 and will be based on the assessment of wellbeing as outlined and undertaken above.

To assist the Council to contribute to the corporate aim of achieving ‘*excellent customer, citizen and community focus*’ (6 Key Themes), a **Customer Service Excellence** Project has been established. It contributes towards transforming the way the Council interacts with its customers to provide cost effective and timely services through efficient, demand led and self-service access channels.

A **Customer Service Excellence Charter** has now been operational since December, 2014 following consultation with front line stakeholder groups, officers, Elected Members, staff and trade unions. The Charter outlines our promises to the customer on how we will deal with their requests. It also outlines the expectations we have of our service users to ensure that a clear understanding is established at the outset. The values embraced in the Charter include ‘putting the customer first’ and demonstrating a ‘can do’ attitude. In accordance with its language policy, the Council is committed to ensuring that service provision is available in the chosen language of the service user (Welsh or English).

As part of the work commissioned by the Customer Service Excellence Board a mystery shop was undertaken during 16/17 looking at how well and efficiently services dealt with customer interaction. The mystery shopper exercise was the second piece of such work and concluded that – “Overall the standard of Customer Care within Anglesey Council has improved since the last audit, however there is still room for improvement” and recommendations of their report can be seen below:

- All emails to include a signature detailing the officer’s name and job role.
- Set up automated acknowledgement responses for all publically available emails such as housing@ynysmon.gov.uk
- All officers working in a reception area to wear name badges rather than lanyards
- Officers responsible for answering the telephones to be aware of the customer care charter.

A **webcasting** pilot funded by Welsh Government grant was undertaken in June 2014 that demonstrated a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. This continues to be the case and it also adds to the transparency of decision making and involves a much wider audience for debates.

This is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal.

A **staff survey** was undertaken during the winter of 2016/ 2017 and the results will be used to inform varying agendas across the council. The results of the survey were encouraging, showing that the council had made significant strides in terms of informing, listening to and supporting our workforce. Improvements have been identified by staff and these will be implemented during 17/18.

Arrangements are in place to engage with Welsh Government, External Audit, other regulators and WLGA on a regular basis. These have been significantly strengthened over the last few years and will be sustained under our new Administration as part of the continuing governance arrangements.

Work continues on refining the **Internal Communication Framework**. We value the views and opinions of staff and Members in contributing to the agenda. Opportunities have been provided through a range of fora in which staff and members have been encouraged to actively participate. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision-making. For the 17/18 Council year, there is a full and varied agenda for the monthly briefing sessions.

Annual reports on their work were published by Scrutiny as well as the Standards and Audit Committees. From June 2014, individual Elected Members have also published annual reports. There are longstanding arrangements for engaging with employees: with Trade Unions through the Local Joint Consultative Committee and less formal meetings, and communication with staff generally through e.g. monthly staff bulletins. Managers and staff have been consulted and involved in a number of decision making matters as part of the developing agenda.

A **Concerns and Complaints Policy** was introduced to the Council on 1st April, 2013 and places an emphasis on; Customer Care, the systematic recording of all concerns, early resolution, and the demonstration of lessons learnt and the implementation of improvements. The Policy is based on that of the Public Services Ombudsman for Wales as required by the Welsh Government.

We have a central Customer Care Officer who administers the system and complaints officers in each service who are responsible for co-ordinating responses and facilitating, where possible, the early resolution of issues raised.

The number of formal complaints were steadily decreasing up to 2015/16 since the introduction of the new policy as many "concerns" are resolved early at service level. However, whilst the number of concerns recorded dropped by 70, the number of formal complaints rose to 71, up 12 on the number dealt with during 2015/16.

The number of complaints referred to the Ombudsman during 2016/17 was 13 but none were taken into investigation by the Ombudsman. Statistical information about service complaints are published monthly on the Council's website and form part of an annual report to the Audit Committee which also deals any complaints dealt with under the Whistleblowing Policy.

<b>Principle C:</b>	<b>Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits</b>
<b>Related Key Theme:</b>	<b>Customer, Citizen and Community Focused Committed to Partnership; Achieving</b>

The long term nature and impact of many of the public sector's responsibilities mean that it should define and plan outcomes and that these should be sustainable. The governing body should ensure that its decisions further the entity's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

The Council's Corporate Plan 2013-17 (adopted December 2013) continued to guide the work of the Council for the local area during 2016/17. The Wales Audit Office (WAO) reported that the Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners... The Corporate Plan should be read in conjunction with the Medium Term Financial Plan. This highlights the resources which are required to realise the current corporate plan and the new plan which is being developed. The Corporate Plan provides a framework that helps shape budgets, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities.

All services also produce an annual **Service Delivery Plan** that shows clearly how they contribute towards achieving our corporate priorities. All service plans contain measures to evidence how actions will make a difference. As indicated, service plans are reviewed annually and are also subject to regular monitoring through the production of a quarterly scorecard – which looks at how services are delivering on the priorities in their plan. The scorecard is reported to the Senior Leadership Team, The Executive and to Scrutiny.

Services are also subject to six monthly **service reviews** – looking specifically at the budget and spending in June and on performance and outcomes in November. Members of the Senior Leadership team and elected members rigorously challenge service performance at the service review sessions, and actions to address issues or improve performance against set targets are agreed.

Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions and its corporate agenda. For a 'small' Council it is an important means of building capacity and is fundamental to our approach of achieving shared priorities. We believe that successful partnership working is essential to the delivery of better services to our customers and a successful Anglesey. Improving the well-being of our citizens under the new legislation, will increasingly depend on us working in partnership with others.



The Council actively engages in a number of strategic partnerships at national, regional and local level. The criteria and reasoning for entering into partnerships has been reviewed recently as part of the partnerships policy and guidance, and still stands:-

- There are demonstrable service improvements for Ynys Mon residents and that service provision will not be adversely affected.
- There are resource savings for the Council and the proposed new service model provides a service to residents that is at least as good as the service it proposes to replace.

The Anglesey **Energy Island Programme** (EIP) is an economic development programme, established in 2010 by the Isle of Anglesey County Council as a result of major employers' closures/ job losses (e.g. Anglesey Aluminium). It aims to attract and de-risk strategic major strategic investment, influencing potential developers, whilst enabling the economy, people and businesses to capitalise.

The EIP has brought together public, private and third sector partners in collaboration to achieve our vision - "To establish Anglesey and North Wales as a world-renowned centre of excellence for Research & Development, Production and Servicing of Low Carbon Energy creating a once-in-a-lifetime opportunity for jobs, economic growth and prosperity through capitalising on a number of transformational projects on Anglesey".

The Programme collaborates with a number of key stakeholders to:

- Attract and de-risk major strategic investment
- Influence potential developers
- Support development of competitive people and communities
- Support development of competitive businesses
- Support development of competitive infrastructure
- Realise the benefits major projects can bring and mitigate adverse impacts
- Maximise long-term legacy benefits

As these are private sector; multi-billion pound developments customer focus is paramount in order to gain the credibility and trust of companies through helping de-risk their very substantial investments and presenting a 'seamless' join in terms of public sector engagement and support. The latter has called for true partnership working with the UK and Welsh Government Ministers and Senior Officials, other North Wales Local Authorities, Further and Higher Education, Skills providers, the supply chain and the Third Sector.

The EIP brand is now recognised far and wide, and the success of the Programme is acknowledged and identified as good practice in terms of the seamless join of public and private sector engagement and success, with many people asking how the Governance of the Programme works – and even Hitachi in Japan having been in touch.

Anglesey Social Services are committed to partnership working on both a local, sub regional, regional and national basis in order to deliver outcomes which are of benefit to citizens and communities. This has been recognised as a strength in external inspection reports for us to build on. Both Children and Adult Services remain actively involved in the All Wales and the North Wales agendas to improve the delivery of social services through a collaborative approach.

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC) and the Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and Wellbeing (Wales) Act 2014**. This partnership ethos can be further evidenced through the collaboration of the Council's Social Services with BCUHB via the Integrated Delivery Board (IDB).

The **Welsh language** is central to the life of the island of Anglesey and is part of its rich cultural heritage. To promote the Welsh Language strategically at a community level, the Council has established a [Language Forum](#) in collaboration with its key partners. Its role includes identifying opportunities for collaborative projects, assisting to assess the impact of large scale economic projects on the Welsh Language and scrutinising the work of the Council in promoting language issues.

The Council has adopted a **Welsh Language strategy** with the aim of increasing the use of the welsh language within our communities to 60% by 2021. This together with meeting the expectations of the welsh language standards provides a robust framework for the future partnership work to embed the use of Welsh across services and provision within communities.

<b>Principle D:</b>	<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>
<b>Related Key Theme:</b>	Innovative, Ambitious and Outward Looking

The public sector achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice that governing bodies of public sector entities have to make to ensure they achieve their intended outcomes. Public sector entities need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Anglesey County Council has an approved **Constitution** that sets out clearly how the Council operates and how decisions are made and procedures need to be followed to ensure efficiency transparency and accountability.

The arrangements for delegation of Executive decisions to individual Members are now well established across the Authority following guidance that was reissued in August 2013 and management that autumn further reviewed its effectiveness.

In 2012, the Council introduced new systems to ensure easy access to the Council's agendas, papers and minutes and from May 2013 members and the public have had the full benefit of access to committee papers and supporting information since then. Members also continue to enjoy direct access to this electronic system during meetings as they now have all been issued with tablet / laptops.

**Policy approval and decision-making** is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972.

The Council, which meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority's Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council's Cabinet) and carries out all other functions assigned to it under the Constitution

Political governance within the authority has embedded over the past two years. Specific changes were made to the constitution, such as the introduction of a four year term for the Leader of the Council, which has enabled political stability.

Building on these foundations we have now created a structure which allows for effective political governance. The evidence from the last two years demonstrates a functioning and effective decision making process, with appropriate mechanisms for assurance.

The approach incorporates **Council, the Executive, the Audit Committee, Democratic Services Committee, Planning & Licensing, Scrutiny, and the Standards Committee.**

The **Council** has responsibility for the policy and budget framework. Key governance reports are matters for Council, and Council agree the annual revenue and capital budget.

The **Executive** is the key decision making body and consists of the Leader and 6 Portfolio Holders, which take responsibility for the following portfolios:

- Education
- Planning and Environment
- Social Services and Housing
- Economic Development, Tourism and Leisure
- Finance
- Highways, Property and Waste Management
- Executive Business Manager & Transformation.

The membership of the Executive has been stable since its appointment, and its growing effectiveness is becoming evident. Whilst membership of the Executive has been stable a re-jig of portfolios has occurred which has engendered a wider and broader understanding amongst the committee. Where appropriate, the Executive can delegate decision making powers to the relevant Portfolio Holder(s).

**The Audit Committee** is a key component of the authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These are in the process of currently being re-advertised as the term office for the co-opted lay members has come to an end.

It provides independent assurance to the Council and its statutory officers on; the adequacy of the governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Committee undertakes an annual self-assessment on its performance which informs its forward work plan. New guidance on the role of Audit Committees from CIPFA notes a wider governance role than has historically been the case. This wider role needs further reflection so that the Audit Committee can further clarify its role and its remit for the new Council. This evaluation will be led by the S151 Officer.

The **Democratic Services Committee** meets on a quarterly basis and is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The Committee has developed an annual work programme and the Chair reports annually to Council's Annual General Meeting(AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter form an integral part of its work, including Member development.

There are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny.

The focus of the **Corporate Scrutiny Committee** on performance has supported the cultural change and contributed significantly to improved governance.

**The Partnerships & Regeneration Scrutiny Committee** have an important and essential role in reviewing our partnership arrangements and activity, and are closing the democratic deficit that partnerships have been criticised for. Over the past two years they have led the formulation of a partnerships register, terms of reference and governance expectations resulting from partnership arrangements.

During 2016/17 the Council commissioned an external review of our scrutiny arrangements in order to make recommendations for consideration by our new Council. The review highlights the need for a new vision for scrutiny to be adopted and greater focus is given on how the scrutiny function can add value to the governance of the Council with greater emphasis on forward work planning and prioritisation. The Council is also preparing for the establishment of 3 standing panels of scrutiny which will focus on –

1. Improvements in Education Standards
2. Financial scrutiny
3. The Scrutiny of Children's Social Care

Members of the Corporate Scrutiny Committee hold briefing meetings in advance of every committee in order to prepare and focus discussion at the formal meetings of the committee. This is regarded good practice and it is intended to continue with these arrangements in 2017-2018.

A number of significant **outputs** were achieved by Scrutiny during the last municipal year, which go some way in assisting us to assess the impact that the function has had locally:

- **Forward work programmes** – there is in place a well-established practice of forward work programming to underpin the work of both scrutiny committees. These programmes are an important tool in assisting scrutiny committee members to prioritise their work and have been discussed with the Senior Leadership Team and Heads of Service. Both committees review the content of their forward work programmes at each meeting in order to ensure that they remain relevant and keep abreast with local priorities.
- **Committee meetings** – a total of 18 scrutiny committee meetings were convened during 2016/17; 10 meetings of the Corporate Scrutiny Committee and 8 of the Partnership and Regeneration Scrutiny Committee. There are also robust arrangements in place to ensure appropriate air time at the Executive on matters that have been considered by both committees.

The work of the Corporate Scrutiny Committee can be summarised into four main themes:

- Service Performance
- Budget setting and in year performance
- Annual reports (social services and libraries)
- Transformation proposals

The work of the Partnership and Regeneration Scrutiny Committee can be summarised into four main themes:

- Partnerships Performance
- Economic regeneration and the Energy Island concept (or successor plans and policies).
- Crime and Disorder matters
- To deal with any matter that is unable to be considered by the Corporate Scrutiny Committee
- 

The Corporate Scrutiny Committee established two scrutiny outcome panels in 2016/17 to consider two areas of policy namely - Corporate Safeguarding, and the Letting of Local Authority Housing (Voids). During this period the Partnership and Regeneration Scrutiny Committee, also continued with its ongoing work through the School Progress Review Group.

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. The focus of the Corporate Scrutiny Committee on performance has supported the cultural change and contributed significantly to improved governance.

Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help to ensure that Council employees and members working with children or vulnerable adults are checked for their suitability to do so. The Safeguarding policy was reviewed and approved in 2016.

In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.

In order to drive the change agenda and deliver the Corporate Plan, a Programme Management framework has been established.

Two **Corporate Transformation Programme Boards** have now been established following a review of the three original boards.

1. Business Processes and Governance Transformation Board, and
2. Service, Community and Partnerships Improvement Board

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members' role can add value either on the Boards themselves or through the Scrutiny process. In the recent past, managers were given the opportunity to become members in order to increase the challenge and corporate awareness by communicating the key messages within their services.

The corporate method of managing projects and programmes is maturing year on year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes e.g. Modernising Schools and its achievement to date. The Gateway Reviews have confirmed that the programme is on the right track to meet its objectives. The Council has integrated the corporate performance and programme management teams in order to further address achievement and performance management. A robust programme and project management approach has also been implemented corporately to ensure delivery where previously this was seen as an area of weakness.

The Council has invested in a Corporate Programme Management Office with Project Managers responsible for specific projects which has been operational since 2013. In-house training is also targeted and all projects are overseen by the Project Managers and the Head of Corporate Transformation was appointed to post in 2015 to take an overarching view across both boards, programmes and projects.

<b>Principle E:</b>	<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>
<b>Related KeyTheme:</b>	<b>Valuing and Developing our People</b>

Public sector entities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The governing body must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that an entity's management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an entity operates will change over time, there will be a continuous need to develop the entity's capacity as well as the skills and experience of the leadership of individual staff members.

The Council has achieved the **WLGA Charter for Member Support** in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles ranging from that of community leader, to their special responsibilities within the Council.

In addition, a number of Members have undertaken professional development reviews (PDR's) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2016/17, this practise continued to be further embedded. Member training is monitored by the Council's Democratic Services Committee.

The Council has continued over the past 12 months to use the now well-established all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council's **People Strategy** was reviewed independently in 2016. That independent review confirmed that the strategy remained "fit for purpose" to take the Council forward to 2020 as it continues to support the Councils vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer/citizen and community focused)
- Building Organisational effectiveness (professional and well run)
- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people)

There is a lively Middle Managers forum and the **Ignite Club** provides inspirational learning sessions which are open to all staff. Due to decreasing number of attendees the Ignite Club it is acknowledged will need to refocus during 2017/18 and will be reviewing its appropriateness in terms of TOR / alignment with other activity and timing of scheduled meetings. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the 'Six Key Themes'. During 2016 the ceremony was expanded to include staff recognition to those who have gained a professional qualification and to present long service awards

The implementation of the 2016 staff survey was led by the Assistant Chief Executive. The results of which are published via Monitor (April 2017) and demonstrate that –

- 90% of staff enjoy their work with
- 95% knowing what's expected of them and of those who responded
- 53% feel valued by the Council (this is in-keeping with the results of 2013).

However, there appears to be a decreasing understanding amongst our staff of what's happening corporately with only 34% feeling well-informed about what's going on in the Council on the whole.

Additional comments from the survey were also collected by 193 respondents informing the organisation of where more work needs to be done. The Senior Leadership at the time of writing this report is considering its response to these issues and what needs to be done in order to improve our collective understanding of what's happening corporately. A demonstration of this is the way by which the Chief Executive has led the staff sessions (12 in all) presenting to the expectations of the proposed corporate plan.

The Council has a strategic **Equalities Plan 2016-2020** adopted by the Executive which highlights our commitment to equality, both in the provision of services and as a major employer, and to the elimination of unfair and unlawful discrimination in all our policies, procedures and practices. Progress on its key priorities are included in its annual monitoring report to the Equalities Commission and the Council is a key member of the North Wales Equalities network. Internal engagement is essential in developing a 'Team Môn' culture and there is a need to further refine **Internal Communication Framework** to enable and secure a greater level of participation from Officers at all levels within the Council. The views and opinions of staff and Members in contributing to the corporate agenda are welcomed and valued. Current opportunities include:

- Monthly Penaethiaid meetings
- Quarterly Managers Conference
- Ignite Club / Clwb Sbardun
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews



- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter

Whilst corporate internal communication has improved significantly under the leadership of the SLT – it is still felt that the SLT needs to improve its visibility and communications methods with staff below Management and with those staff located outside the Council HQ through new technologies, social media and face to face.

The regular informal briefing sessions for Members (outlined previously) enables a better understanding of specific work areas and allows them to prepare for informed scrutiny and decision making.

We are a fully bi-lingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications therefore produced bi-lingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent welsh speakers are supported to improve their Welsh language skills in an inclusive environment

<b>Principle F:</b>	<b>Managing risks and performance through robust internal control and strong public financial management</b>
<b>Related KeyTheme:</b>	<b>Professional and Well Run</b>

The governing bodies of public sector entities need to ensure that the entities they oversee have Implemented and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity’s outcomes.

The **Risk Management Policy** was adopted by the Executive on 26th May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the council’s intranet). These documents align the Risk Management and Performance Management frameworks.

SLT review the **Corporate Risk Register** on a quarterly basis. Services are expected to update their risk registers quarterly with any “red” or “amber” risks escalated to SLT to be considered for inclusion on the Corporate Risk Register.

During 2016/2017 the Audit and Governance Committee have been presented with two updates on the Corporate Risk Register and during the year work has been on-going on the management of Partnership risks.

A Performance Management Framework is in place including quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny. The framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2016, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2016)
- (ii) Performance (November-December 2016)

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening. A priority for 2016 which has been realised in the establishment of a Partnerships Policy which provides a framework for the effective management of partnerships (both existing and new) and offers guidance to those individuals directly involved in partnerships. The policy also outlines governance expectations which ensures partnerships the Council is involved in are managed in an efficient and effective way, focusing on actions and outcomes that support the council to deliver its strategic aims and objectives.

An Annual Report Performance Report, accounting for performance and benchmark with other Authorities is published by 31st October each year.

Procurement is an essential part of service delivery on Anglesey with major service provision externalised e.g. waste, highways and education advisory support. A national Welsh Government fitness check undertaken by KPMG in 2014 highlighted some significant issues for the Council to address. A formal project was established to address the actions highlighted within the report. The project has addressed the major issues i.e. developing a corporate procurement strategy, policy and contracts management strategy as well as delivering training on the CPR's, new EU Procurement Legislation to all staff responsible for procurement.

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2017/18 to 2019/20 in September 2016. The MTFP identified the potential savings required over the three year period and set the strategy for the 2017/18 budget. The annual budget was approved by the full Council at its meeting of the 28<sup>th</sup> February 2017. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting with an in year savings target of £2.586m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2017/18 budget, and identified that future budget reductions would range from £3.2m (optimistic scenario) to £8.8m (worst case scenario). The updated plan identifies the continued need to focus on budget reductions and identifying further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2016 to February 2017. This Included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders such as Llais Ni and the Older Persons Forum . This also included an extensive public consultation process. The comments made during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21<sup>st</sup> Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts which contribute to the upholding of key elements of governance.

**Quarterly financial reports** (Revenue and Capital) were made to the Executive during 2016/17 which included a budget against actual measurement as well as a forecast of the position at the year end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.

Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that, the service is being delivered to the required standard. Areas for further improvement are documented in an action plan, which will be shared with the Audit and Governance Committee in June 2017 as part of the review process for agreeing the Final AGS.

The External Audit Findings Report for 2015/16 was presented to the Audit and Governance Committee on 21 September 2016, reflecting the prepared accounts represented a true and fair view, that the accounts had been well prepared; no adjustments had impacted upon Council reserves, there were no unadjusted misstatements for Members to consider and an unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. The action plan set out xx recommendations to improve financial processes and internal controls, which have been accepted by Management and are in the process of being implemented.

The **procurement strategy** has been developed and is key to the continuing success of the Authority's procuring of products and services. In line with the recommendations of the KPMG Fitness Check report in 2014, the Procurement team have developed and put in place new policies, a contacts management strategy, as well as reviewing the contract procedures. An initial procurement project delivered £500k of cashable savings and the second procurement project is now underway, with savings anticipated, however the focus will be on compliance of contract procedure rules.

The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.

The Council has made significant progress on **information governance** over the last 2 years but it remains a priority. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a large number of staff have undertaken the mandatory training on **data protection** and regular refreshers are scheduled annually.

A follow up audit in 2015 from ICO highlighted whilst still a concern, the arrangements put in place by the SLT demonstrates the corporate willingness to comply with information governance issues as a priority. Recognising its importance, the SLT also acknowledges the associated risks of Officer & Member non-compliance with corporate policies and procedures. An example of which is the response to Freedom of Information requests within timescales which has been highlighted via the corporate scorecard. The Council as a result, has developed further their information risk management approach, and the Corporate Information Governance Group provides leadership on these matters.

The **Performance Report** (Performance Review) approved by the County Council in October 2016 looked back to assess how we performed against the priorities and targets as set out in our **2015/16 Annual Delivery Document** which delivers the priorities and main aims of our Corporate Business Plan 2013/17. This was assessed by WAO in its Improvement Assessment Letter as the Council having discharged its improvement reporting duties under the Measure and having acted in accordance with Welsh Government guidance.

<b>Principle G:</b>	Implementing good practices in transparency, reporting, and audit to deliver
<b>Related KeyTheme:</b>	Professional and Well Run

Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

The **Democratic Services Committee** is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council's internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

A number of Members have undertaken professional development reviews (PDR's) and training needs have been identified from these. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

The Committee developed a work programme for 2016/17 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

The Council has continued with the practice of holding monthly all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council has an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found on the Council's or WAO's website. The Senior Management Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations

Over recent years the Council has succeeded in managing and evaluating itself regularly and as a result regulators' opinion has been positive in terms of willingness to achieve.

In their annual compliance certificate (November 2016) the Wales Audit Office states:

*"I am of the opinion that the Council has fulfilled its duties under section 15 (6) to (9) of the measure and that it has acted in accordance with the Welsh Government's guidelines sufficiently to fulfil its duties"*

Also, the Care and Social Services Inspectorate Wales noted, in their recent report (Children's Services Inspection Report – March 2017) that the Children's Service has been working in a period of significant change in light of the new social services and welfare act and that

*"senior managers accept the inspection's findings and have committed themselves to achieving the necessary improvements"*.

In this context, the Council is fully aware of the need to respond constructively to the recommendations of CSSIW and has drafted a comprehensive work-plan. The responsibility for leading and achieving against this plan would be the Assistant Chief Executive's in collaboration with the Head of Children's Services. Overseeing this work, and acknowledging its importance, the SLT will be taking an active role regularly ensuring achievements against the plan. This will place greater burden on the SLT's time (capacity) as a team and on an individual basis.

School performance on an Authority level, generally, has dipped in comparison with other Council's There is a need to keep a close eye on this and try to ensure that performance in the foundation stage and KS4 improves.

According to the Welsh Government it is judged that the vast majority of Anglesey schools are now performing effectively and there has been a further improvement with 7 schools placed in the highest category (green) in January 2017 (compared to 3 in 2015). Whilst this is the case, there is a need to increase the number of schools in the green category.

It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has fallen further in 2017 (from 2 to 1) and the number of schools in the amber category has also fallen from 15 schools in 2016 to 9 schools in January 2017. Some of these schools take too much resource.

Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. It can be reported that improvements in the percentage of schools placed in the most intensive support categories (a reduction from 25.0% in 2014/15 to 15.4% in 2016/17). Currently only 3 schools continue to be in Estyn follow-up categories compared to 5 schools in 2015, and these schools are monitored by the Education Standards Scrutiny Panel.

## **5. REVIEW OF EFFECTIVENESS**

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;

- the annual assessment of Internal Audit by the Council's external auditors;
- the work of the Council's Scrutiny and other Committees, including its Audit and Standards committees;
- the opinions and recommendations of the Council's external auditors and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

Key policies, and any amendments to them, are approved by the Executive and where appropriate, formally adopted by the County Council.

In February 2015 a Corporate Assessment was conducted by the Wales Audit Office and the subsequent report (included as part of the WAO Annual Improvement Report 2014-15 published in December 2015) concluded that ....

*"The Council has improved its self-awareness, making good progress in strengthening its arrangements and improving services, but much remains to be done to use staff and other resources more strategically"*

During May 2017 the council also undertook a comprehensive self-assessment against its 6 key themes in order to assess how well we are delivering and achieving against these all important key drivers. The draft self-assessment document has also been considered and has contributed to this Annual Governance statement

## **6. SIGNIFICANT GOVERNANCE ISSUES**

The latest official source of analysing progress is therefore the Annual Improvement Report (AIR) issued by WAO in June 2016. That report noted that good progress was made across a number of governance themes during the year and concluded that...

***"The Council has continued to make progress in priority areas while restructuring its leadership and governance arrangements and it remains self-aware"***

The report further stated that the Auditor General had reached this conclusion because:

- the Council continues to improve performance across its priority areas and has complied with the Local Government Measure 2009, although it recognises the need to improve in some service areas
- the Council has appropriate financial management arrangements which are continuing to improve; and
- Members and officers continue to co-operate well within a new leadership and governance framework and it has adequate corporate processes for responding to reports and recommendations from external regulators

In relation to governance issues specifically, the report notes as follows...

“Members and officers continue to co-operate well within a new leadership and governance framework and corporate processes for responding to reports and recommendations from external regulators are adequate”

During the course of the year, the Auditor General did not make any formal recommendations. However, lower-priority issues, known as proposals for improvement, are contained in other reports and are being addressed by the council

The Annual Report 2017 of the Head of Internal Audit gives assurance on the framework for internal control. It identifies that the Service completed 44 audits during the year, 6 of which were unplanned against a planned target of 63 audits.

All of the audits performed during the year resulted in positive levels of assurance with the exception of following audits, which were assessed as providing Limited Assurance:

- Housing Benefit Key Controls;
- Corporate Safeguarding;
- Child Care Court Orders under the Public Law Outline;
- Payment Card Industry Data Security Standards;
- Extra Care Housing – Commissioning Arrangements;
- Corporate Procurement Framework – Corporate Compliance; and
- Housing Maintenance Unit

The audits listed above will be followed up during 2017/18.

A further review of the Risk Management Framework was undertaken during 2016/17, which demonstrated reasonable process in embedding risk management in the Authority.

Second follow up audits were undertaken of Business Continuity and ICT Disaster Recovery and reported to the Audit and Governance Committee on the 9 February 2017. Business Continuity demonstrated good progress in implementing actions to address the audit recommendations and the level of assurance was reassessed as Substantial. The ICT Disaster Recovery follow up confirmed that of the 8 outstanding recommendations in the initial follow up 1 High level recommendation had been implemented and a further 4 high rated and 3 medium rated recommendations were deemed work in progress. The level of assurance remained Reasonable. A further review will be reported to the Audit and Governance Committee on 28 June 2017. The audits listed above will be followed up during 2017/18.

Internal Audit continued to focus resources into grant related areas during 2016/17 to ensure that the risks presented by the type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed.

The overall results of the Internal Audit work identified **81.08%** of reviews resulted in ‘positive’ opinions (Substantial or Reasonable) and **18.92%** resulted in ‘negative’ assurance opinions. The **18.92%** of reports receiving negative assurance opinions is made up of **7** reports (7 Limited, Nil Minimal).



The overall opinion for the systems reviewed is a Reasonable Level of assurance which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended

To comply with CIPFA’s Public Sector Internal Audit Standards 2013 a formal follow up process is in operation within the Service to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow up audit will, whenever possible, take place six months after the issue of the final report, with the exception of those audits assessed as providing substantial levels of assurance where follow up work is not performed, in order to maximise audit resource

The table below summarises the implementation of recommendations as at 31 March 2017.

<b>Table 1 - Status of agreed recommendation as at 31-3-2017</b>				
<b>Status</b>	<b>High</b>	<b>Medium</b>	<b>Total</b>	<b>%</b>
Complete	87	305	392	86
Outstanding	20	42	62	14
Total	107	347	454	100

Recommendations are currently rated as red, amber, yellow or green according to the perceived risk. Those rated green are not subject to formal follow up by Internal Audit and are not included in this analysis. The percentage implementation rate as at 31 March 2017 was **86%** of recommendations having been recorded as implemented.

The report of the Head of Internal Audit also identifies areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of those systems reviewed during the year. The areas will continue to be a concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place; have been embedded; are robust and effective. The current position on these is provided below:-

<b>Significant Issues</b>	<b>governance</b>	<b>Actions identified to address weaknesses</b>
<b>Corporate Framework</b>	<b>Procurement</b> – Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement process is also the weakest element of the Extra Care Housing – Commissioning Arrangements audit	Following the introduction of the new Contract Procurement Rules a review of the Procurement arrangement has been included in the Internal Audit Operational Plan for 2016/17 to provide assurance that the changes will lead to increased compliance with procurement regulation, policy and procedure

<p><b>Corporate Safeguarding</b> – A review of corporate safeguarding arrangements in Welsh Councils published by the WAO in July 2015 recommended councils establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews of the council's safeguarding practices</p>	<p>Although responsibility for safeguarding children and adults has been brought together under Head of Service (Children), safeguarding is 'everybody's business', alluding to our collective responsibility. Some services in the Council are slow to embed safeguarding objectives into the business planning processes and embrace safeguarding as a fundamental part of all aspects of work involving children, young people and vulnerable adults. A follow up of Corporate Safeguarding will be reported to the Audit and Governance Committee on 28 June 2017.</p>
<p><b>Children's Services – Child Care Court Orders under the Public Law Outline</b> – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child</p>	<p>The audit resulted in a limited assurance rating and will be followed up in July 2017.</p>
<p><b>The Care and Social Services Inspectorate Wales (CSSIW)</b> undertook an inspection of service for children in Anglesey during November 2016 and concluded that <i>"management oversight of safeguarding, access and assessment arrangement were insufficient and the pace of change in improving the provision of help, care and support and/or protection for children and families in Anglesey must be accelerated"</i>.</p>	<p>Internal Audit have been requested by the Audit and Governance Committee to provide an update as to the progress made in implementing the resulting improvement plan.</p>
<p><b>Payment Card Industry Data Security Standards (PCI DSS)</b> – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.</p>	<p>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</p>



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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>REPORT TO</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE</b>	<b>28 JUNE 2017</b>
<b>SUBJECT</b>	<b>INTERNAL AUDIT REPORT FOR 2016/17</b>
<b>LEAD OFFICER</b>	<b>HEAD OF INTERNAL AUDIT – MIKE HALSTEAD</b>
<b>CONTACT OFFICER</b>	<b>AUDIT MANAGER - SIONED PARRY</b>
<p><b>Nature and reason for reporting</b> - To comply with the requirements of the UK Public Sector Internal Audit Standards and the CIPFA UK Standards which came into force on 1<sup>st</sup> April 2013, whereby the Head of Internal Audit is required to provide the Audit and Governance Committee with assurance on the whole system of internal control.</p>	

## 1. INTRODUCTION

- 1.1 Under the terms of the Accounts and Audit (Wales) Regulations 2005, the Council is required annually to conduct a review of the effectiveness of its system of internal control. Internal Audit is an integral part of that system, and is a significant contributor to the preparation of the Annual Governance Statement (AGS), which sits alongside the Annual Statement of Accounts.
- 1.2 The CIPFA Public Sector Internal Audit Standards 2013 require the Head of Internal Audit to provide the Audit and Governance Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements. It should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Audit and Governance Committee is a reasonable assurance that there are no major weaknesses in the whole system of internal control.
- 1.3 During the year the Audit and Governance Committee has maintained an overview of the Council's assurance framework by considering the audit opinions on individual pieces of internal audit work, reviewing progress in implementing improvement actions emanating from the AGS and considering the Corporate Risk Register. It has also received assurance from the reports issued by the Authority's external regulators.
- 1.4 The report analyses the performance of the Internal Audit Service for the period 1 April 2016 to 31 March 2017 and contains an assurance statement based on the work of Internal Audit during the year ended March 2017. The report is supported by **Appendices A to H** detailing progress against performance targets for 2016/17 and the planned work (slippage) which has not been achieved during the year.

## 2. RECOMMENDATION

- 2.1 That the Audit and Governance Committee be assured that for the 12 months ended 31 March 2017, Anglesey County Council had satisfactory internal control, risk management and corporate governance processes in place to manage and support the achievement of the Authority's objectives.

### 3. BACKGROUND INFORMATION

#### 3.1 The Role of Internal Audit

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

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

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

#### 3.2 Internal Audit Performance 1/4/16 to 31/3/17

3.2.1 Each year the Council's Internal Audit Service participates in the pan Wales benchmarking against indicators relating to cost and output. The results of the benchmarking exercise for 2016/17 were not available to be included in the Annual Report, but will be reported to the Audit and Governance Committee when they are published.

3.2.2 A schedule of the Service's performance against established targets for the year is attached in **Appendix A** and demonstrates that the Service achieved **73.85%** of the Annual Plan against a target of **80%** and an all Wales average performance indicator of **85%**. However, there are **3** audits which constitute work in progress at the year-end and will demonstrate on completion that **78.46%** of the Annual Plan has been achieved. Progress in delivering the Annual Plan has been reported to the Audit and Governance Committee on a quarterly basis throughout 2016/17 with the shortfall due in main to the following reasons:

- The Annual Plan was based on a staffing level of **5** posts, an Audit Manager and the Head of Internal Audit, which equated to **5.68 staff (FTE)** and **1,542 days** in the plan. However, during the year the staffing levels equated to **4.91 (FTE)**. A period of maternity leave, which commenced on 8 February 2016, has reduced the audit resource by **200 days**. This has naturally impacted on the ability of the Service to achieve the Annual Plan;
- **6** projects commenced in 2015/16 had not been completed as at 31 March 2016 and the work was carried forward into 2016/17 as work in progress; this accounted for **111.55 days**;
- **4** unplanned audit projects were performed which accounts for a further **49.40 days**;
- **7** audit projects exceeded planned targets for various valid reasons accounting for an additional **97.62 days**;

3.2.3 The Service completed **48 audits** during the year, **4** of which were unplanned against a planned target of **65 audits**.

- 3.2.4 Internal Audit aims to offer an efficient and effective service to all its clients and uses a client satisfaction questionnaire at the conclusion of each audit to seek the views of management regarding the quality of the audit service provided. The Service received a **100%** satisfactory response rate from clients during 2016/17, which compares favourably with the Wales average indicator of **99%**.
- 3.2.5 The Service completed **79.17%** of audits within the planned time against a very challenging performance indicator of **90%**. Achievement of this indicator was affected by the **7** projects which exceeded planned targets. However, when compared to the all Wales average figure of **68%** for this indicator, the Service demonstrates its efficiency in achieving a significant percentage of audits within planned timescales.
- 3.2.6 The performance indicator in respect of the number of recommendations accepted by management is **98.57%**. This represents the failure to agree in respect of **4** recommendations out of a total of **279** recommendations made. The recommendations were assessed as being of low impact and did not give cause for concern.
- 3.2.7 The Service performs efficiently in respect of the time taken to issue draft audit reports, with a performance of **3.59 days** against a performance target of **7 days** and an all Wales average of **7.2 days**. The Service took on average **2.05 days** to issue final reports from receiving management responses compared to a target of **2 days** and an all Wales average of **3.4 days**.
- 3.2.8 The Service commenced 2016/17 with **4.91 (FTE)** officers in post compared to a staffing structure of **5.68 FTE**. A Trainee Accountant has been seconded for a period of 6 months to cover maternity leave from January to June 2016. The outsourcing of management from Conwy County Borough Council ended 31 March 2017 due to the permanent appointment of a Head of Internal Audit and Risk as from 1 April 2017.
- 3.2.9 There was a marked improvement in the level of sickness during 2016/17. Sickness accounted for **12 days** absence during 2016/17 compared to an annual target of **45 days** and an actual **117 days** absence during 2015/16.
- 3.2.10 Finally, the performance indicator in respect of staffing costs demonstrates the average cost per directly chargeable audit day is **£240.14** against an all Wales average of **£227**.

### **3.3 Factors Affecting the Extent of Internal Audit Work**

- 3.3.1 Slippage of **258 days** occurred in the year that resulted in **23** planned projects not being performed for the reasons stated in paragraph 3.2.2 above. Audit assurance cannot be provided in respect of the audits removed from the 2016/17 Annual Plan. Internal Audit will prioritise those areas for review during 2017/18. A schedule of the actual slippage that occurred during the year is attached at **Appendix B**.

#### 4. ASSURANCES

4.1 It is my opinion that Anglesey County Council had in place adequate and effective control processes to manage its achievement of the Authority's objectives for the 12 month period to 31 March 2017. However, the assurance is qualified in respect of the **23** audit projects removed from the Annual Plan during 2016/17 for the reasons stated in paragraph 3.2.2. In reaching this opinion various factors were taken into consideration as indicated below.

#### 4.2 Planned Audits Completed During the Year

4.2.1 The Service performed numerous risk based reviews on a broad range of activities during the year. A schedule giving an audit opinion of the adequacy and effectiveness of control processes in respect of all the audit assignments undertaken during 2016/17 is attached in **Appendix C**. The schedule summarises the audit opinions and the number of recommendations made in respect of each area reviewed and briefly indicates the key messages emerging from the audits which form the basis of the assurance given to the Audit and Governance Committee of the overall adequacy and effectiveness of the Authority's governance, risk management and internal control framework for 2016/17.

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

- Housing Benefit Key Controls;
- Corporate Safeguarding;
- Child Care Court Orders under the Public Law Outline;
- Payment Card Industry Data Security Standards;
- Extra Care Housing – Commissioning Arrangements;
- Corporate Procurement Framework – Corporate Compliance; and
- Housing Maintenance Unit.

4.2.3 The audits listed above will be followed up during 2017/18.

4.2.4 A further review of the Risk Management Framework was undertaken during 2016/17, which demonstrated reasonable process in embedding risk management in the Authority.

4.2.5 Second follow up audits were undertaken of Business Continuity and ICT Disaster Recovery and reported to the Audit and Governance Committee on the 9 February 2017. Business Continuity demonstrated good progress in implementing actions to address the audit recommendations and the level of assurance was reassessed as Substantial. The ICT Disaster Recovery follow up confirmed that of the 8 outstanding recommendations in the initial follow up, 1 High level recommendation had been implemented and a further 4 high rated and 3 medium rated recommendations were deemed work in progress. The level of assurance remained Reasonable. A further review of ICT Disaster Recovery will be reported to the Audit and Governance Committee on 28 June 2017.

4.2.6 Internal Audit continued to focus resources into grant related areas during 2016/17 to ensure that the risks presented by the type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed.



4.2.7 The overall results of the Internal Audit work identified **81.08%** of reviews resulted in 'positive' opinions (Substantial or Reasonable) and **18.92%** resulted in 'negative' assurance opinions (Limited or Minimal). The **18.92%** of reports receiving negative assurance opinions is made up of **7** reports (7 Limited, Nil Minimal).

4.2.8 The overall opinion for the systems reviewed is a Reasonable Level of assurance which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended.

### 4.3 Additional Unplanned Work

4.3.1 The Service has performed **4** additional unplanned audits during the year for the reasons stated in **Appendix D**. This accounted for an additional **49.40 days'** work.

### 4.4 Audit Follow-ups and Recommendation Tracking

4.4.1 To comply with CIPFA's Public Sector Internal Audit Standards 2013 a formal follow up process is in operation within the Service to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow up audit will, whenever possible, take place six months after the issue of the final report, with the exception of those audits assessed as providing substantial levels of assurance where follow up work is not performed, in order to maximise audit resource.

4.4.2 A schedule of the **11** follow up audits conducted during 2016/17 is attached at **Appendix E**. It demonstrates the number of recommendations accepted and subsequently implemented by management in each area, together with a revised audit opinion regarding the adequacy of the internal control environment. Further follow up work will be performed in those areas where a significant number of recommendations remain outstanding.

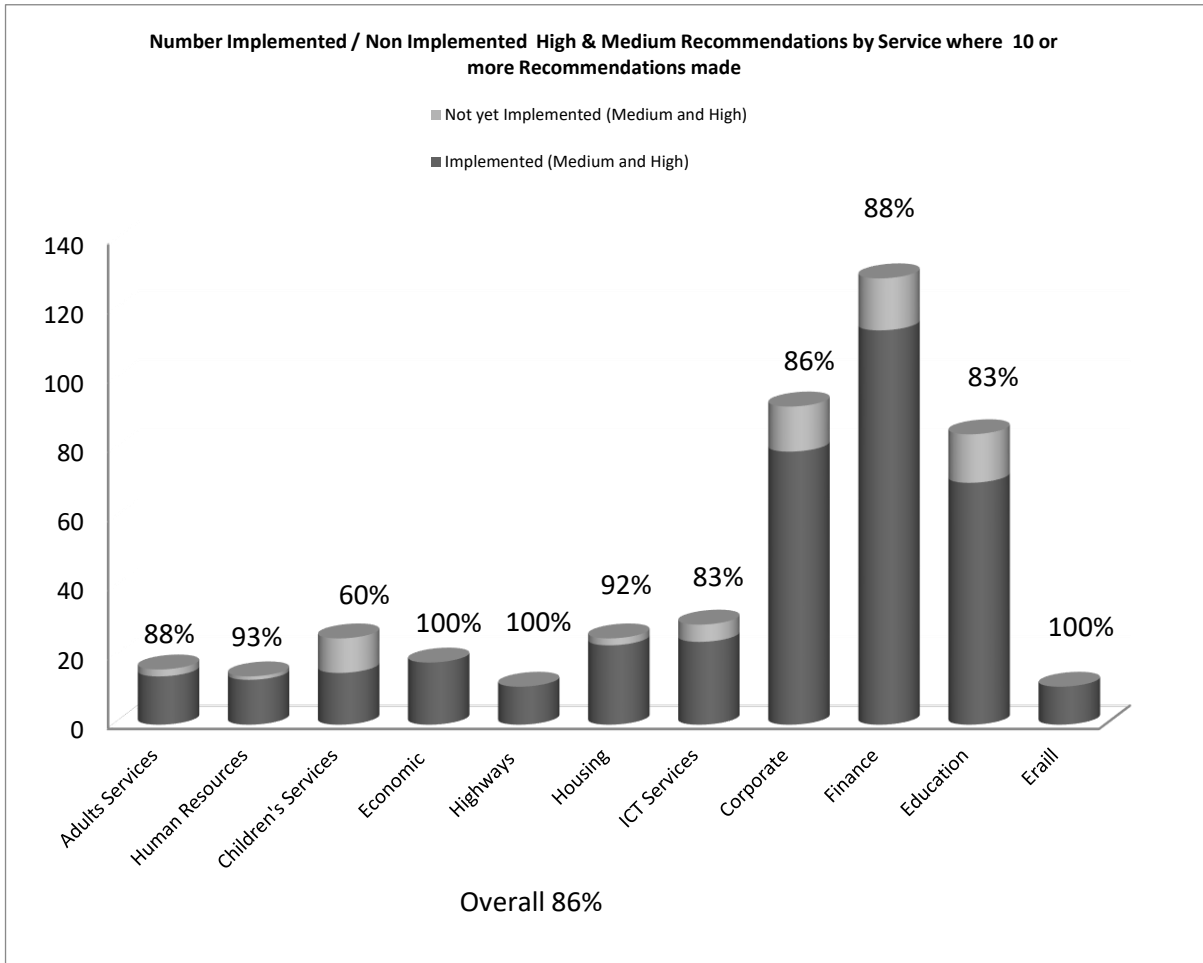
4.4.3 **Table 1** below summarises the implementation of recommendations as at 31 March 2017.

<b>Table 1 - Status of agreed recommendation as at 31-3-2017</b>				
<b>Status</b>	<b>High</b>	<b>Medium</b>	<b>Total</b>	<b>%</b>
Complete	87	305	392	86
Outstanding	20	42	62	14
Total	107	347	454	100

4.4.4 Recommendations are currently rated as red, amber, yellow or green according to the perceived risk as outlined in **Appendix F**. Those rated green are not subject to formal follow up by Internal Audit and are not included in this analysis. The percentage implementation rate as at 31 March 2017 was **86%** of recommendations having been recorded as implemented.

4.4.5 A graph showing the breakdown of recommendation implementation by service is provided in **Table 2** below:

**Table 2**



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

#### 4.5 Referrals

4.5.1 The Service has undertaken **11** investigations, some of which were brought forward from 2015/16. This has accounted for **224.46 days'** work compared to an annual target of **153 days** counter fraud work. Where management issues are identified during the course of referrals, a separate report is issued to management detailing the improvement actions required. An analysis of the types of investigation undertaken during the year and their current status and related outcomes is attached at **Appendix H**.

4.5.2 The Corporate Fraud Officer has also investigated **9** Council Tax Reduction Scheme (CTRS) fraud offences, resulting in **£1,974.38** being recovered. **381** National Fraud Initiative (NFI) data matches have been processed during 2016/17 resulting in savings of **£2,529.42**.

#### 4.6 Performance and Risk Management

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

4.6.2 An Internal Audit review of the Risk Management Framework undertaken during 2015/16 confirmed significant process in embedding risk management in the Authority and provided a 'Reasonable' level of assurance.

- 4.6.3 A follow up audit of the Risk Management Framework undertaken in July 2016 identified that 'Reasonable' progress had been made in implementing the three outstanding recommendations from the 2015/16 audit. One Medium category recommendation was assessed as fully implemented and one low category recommendation was assessed as being no longer applicable. The recommendation assessed as not fully implemented was the result of Service Delivery Plans not being submitted promptly or completely by the Services and that supporting evidence for existing controls to mitigate one of the top five risks was not available.
- 4.6.4 The audit opinion is based on the above findings and the results of the WAO Corporate Assessment performed in 2014/15, which concluded that the Council had improved its previously complex and inconsistent risk management processes.

#### **4.7 Scrutiny Arrangements**

- 4.7.1 The Corporate Assessment by the WAO concluded that the work programmes of the two scrutiny committees are necessarily wide-ranging, but chairs and scrutiny support officers work well together to prioritise, drawing effectively on the Executive's forward work programme. The scrutiny function adds value to the Council's work and provides assurance that the decision-making is robust and adequately informed.
- 4.7.2 Following the WAO report, Good Scrutiny Good Question, the Council commissioned the Centre for Public Scrutiny (CfPS) to undertake a review of scrutiny in the Authority. The review identified that although a number of improvements have been made to the scrutiny function, its potential in assisting the Council achieve its corporate objectives and in strengthening partnership working were not being fully realised. In consultation with CfPS a comprehensive action plan aimed at embedding openness and challenge within the organisational culture has been developed. Internal Audit has placed reliance on this assessment for the purpose of the annual report.

#### **4.8 Significant Events During the Year**

- 4.8.1 There were no significant events during the year, which merit reference in the Annual Report.

### **5. DEFINITION OF AUDIT RECOMMENDATIONS AND OPINIONS**

- 5.1 The Head of Audit is required to provide the Audit and Governance Committee with an opinion on the overall adequacy and effectiveness of the Authority's governance, risk management systems and internal control environment, in compliance with the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The overall opinion is one of the assurances used by the Authority in preparing the Annual Governance Statement required under the Accounts and Audit Regulations.
- 5.2 The audit opinions on the assignments performed during the year to date have been categorised as follows:
- Substantial Assurance
  - Reasonable Assurance
  - Limited Assurance
  - Minimal Assurance

5.3. In support of the audit opinions, the recommendations made during the year have been categorised in accordance with the Corporate Risk Matrix. Definitions of the risk ratings of recommendations and the audit opinions are attached in **Appendix F**.

## **6. OTHER MATTERS**

### **6.1 Qualifications to the Audit Opinion**

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

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

- The results of all audits undertaken during the year ended 31 March 2017;
- The results of follow-up action taken in respect of audits performed during 2016/17 and the monitoring of recommendation implementation during previous years;
- Whether any High or Medium category of recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit and Governance Committee;
- Whether or not any limitations have been placed on the scope of Internal Audit;
- The resource constraints of the Service and what proportion of the organisation's Internal Audit needs have been covered to date;
- The work performed by WAO, Deloitte and other external regulators.

### **6.2 Meeting Internal Audit Needs**

6.2.1 Although the audit needs of the Authority have not been fully met during 2016/17, I am satisfied that Internal Audit has undertaken sufficient work in respect of the control environment to enable the formulation of an overall opinion, although this does not extend to the control environment in respect of the **23** planned audits removed from the Annual Plan during 2016/17.

### **6.3 Acceptance of Recommendations**

6.3.1. The number of recommendations accepted by management is **98.57%**. This represents the failure to agree in respect of **4** recommendations out of a total of **279** recommendations made. The recommendations were assessed as being of low impact and did not give cause for concern.

### **6.4 Reliance Placed Upon Work by Other Assurance Bodies**

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

## 6.5 Issues Judged Relevant to the Annual Governance Statement

- 6.5.1 The Audit Manager is aware of areas where significant weaknesses in control would prevent the Council placing reasonable reliance on systems of internal control in respect of the work of the Internal Audit service during the year.
- 6.5.2 The areas will continue to be a concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place; have been embedded; are robust and effective. The current position on these is provided below:
- 6.5.3 **Corporate Procurement Framework** – Following the introduction of the new Contract Procurement Rules a review of the Procurement arrangement has been included in the Internal Audit Operational Plan for 2016/17 to provide assurance that the changes will lead to increased compliance with procurement regulation, policy and procedure.
- 6.5.4 Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement process is also the weakest element of the Extra Care Housing – Commissioning Arrangements audit.
- 6.5.6 **Corporate Safeguarding** – A review of corporate safeguarding arrangements in Welsh Councils published by the WAO in July 2015 recommended councils establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews of the council's safeguarding practices.
- 6.5.7 Although responsibility for safeguarding children and adults has been brought together under Head of Service (Children), safeguarding is 'everybody's business', alluding to our collective responsibility. Some services in the Council are slow to embed safeguarding objectives into the business planning processes and embrace safeguarding as a fundamental part of all aspects of work involving children, young people and vulnerable adults. A follow up of Corporate Safeguarding will be reported to the Audit and Governance Committee on 28 June 2017.
- 6.5.8 **Children's Services – Child Care Court Orders under the Public Law Outline** – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child. The audit resulted in a limited assurance rating and will be followed up in July 2017.
- 6.5.9 **The Care and Social Services Inspectorate Wales (CSSIW)** undertook an inspection of service for children in Anglesey during November 2016 and concluded that "*management oversight of safeguarding, access and assessment arrangement were insufficient and the pace of change in improving the provision of help, care and support and/or protection for children and families in Anglesey must be accelerated*". Internal Audit have been requested by the Audit and Governance Committee to provide an update as to the progress made in implementing the resulting improvement plan.
- 6.5.10 **Payment Card Industry Data Security Standards (PCI DSS)** – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements. A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.

6.5.11 **Governance - Compliance with Council Policies** – The Corporate Assessment 2014/15 identified the requirement to embed a culture of consistent corporate working among staff at all levels and to be held account for complying with Council policies. Issues relating to non-compliance with key corporate policies and procedures have been identified in internal audits performed during 2016/17, most notably Corporate Procurement Framework – Corporate Compliance and the Follow Up of HR Policies & Practices for Managing the Workforce.

## 6.6 Compliance with Internal Audit Standards

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

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

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

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

6.6.4 The review conducted in respect of the work performed during 2016/17 has demonstrated compliance with both internal and external standards.

6.6.5 In accordance with the Standards an external assessment must take place at least every five years by a 'qualified, independent assessor or assessment team from outside the organisation.' The Welsh Chief Internal Auditors Group (WCIAG) agreed upon self-assessment with independent external verification and has established the scope of the assessment and a terms of reference. Anglesey's Internal Audit Services' Peer Assessment was undertaken in March 2017 by the Head of Internal Audit, Denbighshire County Council.

6.6.6 The external assessment concluded that the relevant structures, policies and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects.

6.6.7 The external assessor concluded that Anglesey's Internal Audit is effectively managed, with the majority of the Public Sector Internal Audit Standards conformed to and the self-assessment, reported to the Audit and Governance Committee 6 December 2016, already recognising any partial compliance. One area that needs to be strengthened is the development on an audit assurance mapping process to improve the coordination of corporate assurance provided by internal audit, other regulators and other assurance sources, e.g. consultancy reports, scrutiny reports, peer reviews.

## **6.7 Internal Quality Assurance Programmes**

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

- Supervision & direction of staff conducting audit work;
- The use of client satisfaction questionnaires;
- Documented review of all files of working papers and reports by managers;
- An annual appraisal of audit staff resulting in personal development and training action plans;
- The maintenance of the service's Internal Audit Manual;
- Annual self-assessment;
- External assessment every 5 years.

## **7. THE STATEMENT OF ASSURANCE**

### **7.1 Overall Assurance**

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

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

7.1.3 The Head of Internal Audit is required to provide the Audit and Governance Committee with assurance on the whole system of internal control, including the adequacy of risk management and corporate governance arrangements. It should be noted that assurance can never be absolute. The most that Internal Audit can provide to the Audit and Governance Committee is a reasonable assurance that there are no major weaknesses in the whole system of internal control. The matters raised in this report are only those that came to our attention during our internal audit work and are not a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

### **7.2 Audit Opinion**

7.2.1 I am satisfied that the internal audit work undertaken during the year allows me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control processes for those areas reviewed. I am satisfied that the work of the external regulators together with the Authority's service performance reviews allows me to draw a reasonable conclusion that for the 12 months ended 31 March 2017, Anglesey County Council has satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.

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

INTERNAL AUDIT PERFORMANCE TARGETS 2016-17

APPENDIX A

Description	IOAC Actual 2013/14	IOAC Actual at 31/3/15	IOAC Actual at 31/3/16	IOAC Actual at 31/03/17	IOAC 2016/17 Target	Wales Average 2015/16
1. % Planned Audits Completed	81%	92%	60.32%	73.85%	80%	85%
2. Number of Audits	51	46	38	48	65	97
3. % Clients responses 'Satisfied'	100%	100%	100%	100%	100%	99%
4. % Recommendations accepted	100%	100%	98%	98.57%	100%	99%
5. % Implementation of High & Medium Recommendations at Follow up audits	46%	49%	74%	86%	85%	N/A
6. % Audits completed within planned time	N/A	N/A	78.95%	79.17%	90%	68%
7. % Directly chargeable time against total available	N/A	N/A	59.74%	60.37%	70%	67%
8. Average days from closing meeting to issue of draft report	N/A	N/A	6.61 days	3.59 days	7 days	7.2 days
9. Average days between response to draft and final report issue	N/A	N/A	2.41 days	2.05 days	2 days	3.4 days
10. Average actual cost per directly chargeable audit day	£245	£238	£318	240.14	£280	£227
11. No. Audit Staff	5.5	5.6	5.68	5.68	5	8.1
12. % staff leaving	0	0	0	0	0	10%



**APPENDIX B**

**ANGLESEY COUNTY COUNCIL  
INTERNAL AUDIT  
SLIPPAGE 1-4-16 TO 31-03-17**

<b>ASSIGNMENTS</b>	<b>REASON</b>	<b>DAYS</b>	<b>RISK RATING</b>
<b>CORPORATE</b> Contract Audit – Capital Expenditure	Lack of Audit Resources.	20	N/A
Data Protection & Information Governance	Audit undertaken October 2015.	15	Reasonable
Transformation Programme - Smarter Working	To be undertaken 2017/18 following implementation of changes to office accommodation & agile working.	15	One off review
<b>RESOURCES</b> Creditors	Follow Up undertaken January 2016.	10	Reasonable
Sundry Debtors	At the request of the Head of Service – June 2017.	10	Limited
Isle of Anglesey Charitable Trust	Slippage until further notice as governance arrangements changing. Charitable Trust may become Incorporated Company.	10	N/A
<b>COUNCIL BUSINESS</b> Democratic & Members' Services	Lack of Audit Resource.	8	N/A
<b>TRANSFORMATION</b> IT Audit	Lack of Audit Resource.	40	N/A
<b>ECONOMIC &amp; COMMUNITY REGENERATION</b> Environmental Health Studies	WAO report October 2014. This work is being carried out by the CIEH in Wales in conjunction with the Wales Heads of Environmental Health group. Once the Best practice Standards have been adopted the authority will use them as appropriate.	15	Not known
Leisure Function & Performance	Transformation of Leisure Services.	10	Substantial
Project Management Office	Lack of Audit Resource.	10	N/A
<b>HIGHWAYS, WASTE &amp; PROPERTY SERVICES</b> Building Design & Maintenance Services	Lack of Audit Resource.	10	Not known
Engineering & Design Services	Lack of Audit Resource.	10	Not known
Flood Control	Lack of Audit Resource.	10	Not known
<b>Housing</b> Business Unit & HRA Governance	Lack of Audit Resource.	10	Not known

## APPENDIX B

Homelessness Prevention, Allocations etc.	Lack of Audit Resource.	10	Not known
<b>Adult Services</b> Services for the Elderly – Review of Strategy	Lack of Audit Resource.	15	Not known
<b>Lifelong Learning</b> Secondary Schools	3 Schools.	30	Various
<b>TOTAL SLIPPAGE</b>		<b>258</b>	

The above areas of planned audit work were not audited during 2016/17 for the reasons stated. Where relevant the audits not performed during 2016/17 will be prioritised for review in 2017/18.

## Summary of Recommendations and Assurance Levels 1-4-16 to 31-3-17

## APPENDIX C

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
1	DLO Stock Check WIP 2015/16	May 2016	Housing	N/A	<p>An annual stock check was undertaken by the Authority's Internal Audit Service at the BMU Depot on the 28 March 2016. The total closing stock value identified was £134,515.08</p> <p><b>Opinion:</b> Stock records maintained at the Depot were sufficiently accurate and provide a reliable record of the stock levels as at the year-end.</p>	Substantial
2	Housing Benefit Key Controls WIP 2015/16	June 2016	Housing	12	<p>The key findings from the review of Housing Benefit Key Controls are as follows:</p> <ul style="list-style-type: none"> <li>▪ Procedural updates are circulated by e-mail to Housing Benefit staff as appropriate. Relevant forums and various regional meetings are also used to share good practice.</li> <li>▪ The Authority's guidance needs to be updated to ensure it is in-line with DWP's Housing Benefit Overpayment Guidelines issued during February 2015 and subsequently reviewed in July 2015.</li> <li>▪ Evidence was not always found to be kept on claimants' files as expected.</li> <li>▪ A record of decisions made regarding recovery method of overpayment was not kept on file. It is expected that an</li> </ul>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Overpaid Housing Benefit and Excess Council Tax Reduction Recovery form is completed as a record of the trail of decisions taken during the recovery process.</p> <ul style="list-style-type: none"> <li>▪ There are problems when reconciling the amounts authorised to be written off and the actual amount written off on the Northgate SX3 system. There was one instance where the amount written off for an individual claimant was greater than that authorised by the Section 151 Officer.</li> <li>▪ Regular meetings are held to discuss monitoring performance with positive action taken to ensure that accuracy is improved.</li> <li>▪ Further action has been taken to improve overpayment recovery with the equivalent to one full time officer spending their time on overpayments.</li> </ul> <p><b>Opinion:</b> Arrangements for governance, risk management and internal control are limited. An overall Limited Assurance audit opinion resulted from the review with one High category, five Medium category and six Low category recommendations being agreed with management.</p>	
3	Corporate Safeguarding WIP 2015/16	Aug 2016	Corporate	32	<p>In 2014/15 the Wales Audit Office examined the extent to which Councils have put in place, and are operating, effective management and assurance processes and controls for safeguarding.</p> <p>The review recommended 'Internal Audit to include Safeguarding within its annual programme to provide assurance on the</p>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>effectiveness of the Council's Corporate Safeguarding Arrangements'.</p> <p>During 2013/14 the Council brought together responsibility for safeguarding children and adults under one Head of Service (Children). In 2014/15 a Corporate Safeguarding Board was established to ensure that the Council's key duties in relation to safeguarding children, young people and vulnerable adults are being adequately discharged.</p> <p>An audit of the Corporate Safeguarding was undertaken as part of the approved Internal Audit plan for 2016/17.</p> <p>Findings of the review identified:</p> <ul style="list-style-type: none"> <li>• The Corporate Safeguarding Children and Vulnerable adults Policy and Procedure had not been updated to reflect recent statutory guidance including the Social Services and Well-being (Wales) Act 2014, coming into force April 2016, and Keeping Learners Safe guidance (2015);</li> <li>• There was limited evidence of dissemination of information on corporate appointments in relation to safeguarding and identification of senior officers performing designated safeguarding roles within the Council;</li> <li>• Limited use also of the Council's intranet to publicise and promote safeguarding both internally and externally, including reporting on the work of the Corporate Safeguarding Board, linking to relevant policies and action plans, and reinforcing the Council's commitment to</li> </ul>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>safeguarding and promoting the wellbeing of children, young people and vulnerable adults;</p> <ul style="list-style-type: none"> <li>• Although safeguarding objectives were reflected within the service development plans in most cases, it was identified that there was not always alignment with risk registers in terms of accordingly recording safeguarding risk;</li> <li>• Although assurances were received that staff with direct safeguarding duty had undertaken relevant safeguarding training/ refresher training as appropriate, there is a gap in terms of staff in general attending awareness training and specific training for evidence checkers (ID verification for DBS process) designated safeguarding officers outside of Social Services and Schools; safer recruiting training for managers is currently not a mandatory requirement;</li> <li>▪ Limited compliance was evident in relation to the obtaining and checking of references for regulated activity posts pre-interview, and limited in relation to the maintenance of complete records to evidence safeguarding pre-employment checks including references and DBS checks;</li> <li>▪ Some issues identified in relation to the identification of posts requiring DBS disclosure as assessed against DBS eligibility criteria; exceptions identified when assessing compliance with Council DBS policy including DBS for new starters, risk assessment and renewal of check every three years;</li> <li>▪ No corporate policy on the secure handling of information provided by DBS is made available to individuals at the point of requesting them to complete a DBS application form or asking consent to use their information to access any service DBS provides;</li> <li>▪ Some exceptions identified in relation to safeguarding</li> </ul>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>standards within contract arrangements including the absence of specific terms and conditions covering:</p> <ul style="list-style-type: none"> <li>- the requirement for agencies / organisations to have and to comply with safeguarding policies and procedures; and</li> <li>- performance management to ensure compliance with safeguarding policies and procedures as appropriate.</li> </ul> <p><b>Opinion:</b> Arrangements for governance, risk management and internal control are limited. Some services in the Council are slow to embed safeguarding objectives into the business planning processes and embrace safeguarding as a fundamental part of all aspects of work involving children, young people and vulnerable adults.</p>	
	Child Care Court Orders under the Public Law Outline WIP 2015/16	Dec 2016	Children's Services	29	<p>Section 17 of the Children Act 1989 states that it is the general duty of the local authority to safeguard and promote the welfare of children within the authority's area and to promote the upbringing of those children by their families.</p> <p>The removal of a child from its parent is in some cases essential to ensure the safety and wellbeing of a child. The Public Law Outline (PLO) is a protocol attempting to reduce unwarranted delays in family court cases.</p> <p>Key findings from the review are summarised below:</p> <ul style="list-style-type: none"> <li>• The information held on RAISE (the health and social care electronic record system) is unreliable due to:</li> </ul>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>— delays in the uploading of documents</li> <li>— Instances where documents are only uploaded onto the file of one sibling on RAISE when they are relevant to all siblings.</li> <li>— Lack of evidence on RAISE files showing pre-proceedings meetings have been held or of the official letters sent to those with parental responsibility informing them of decisions made in Legal Gatekeeping Meeting and listing the Local Authority's concerns.</li> <li>• Timescales for actions necessary by parents to avoid court proceedings are not recorded in the Letter Before Proceedings</li> <li>• Support worker visits were not always conducted in accordance with the plans to ensure the welfare of the child(ren) whilst remaining in the care of their parents during court proceedings</li> <li>• Not all employees within Children's Services have attended Data Protection Training</li> <li>• The Service has identified the requirement for further training on court skills and have organised an Advanced Competency Based training workshop during the year, which included two days on the topic of "Law, Evidence, Procedure and Best Practice" and a further two days covering court skills and report writing. Managers reported a positive feedback from those who attended the course</li> <li>• Further attempts have been made during the year to improve report writing and evidence gathering skills by</li> </ul>	



	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>advertising for the post of Consultant Social Worker – PLO / Court Specialist who will assist in promoting high quality social work practice and support staff and managers to improve practice in relation to care proceedings. At the time of the audit, the post had been advertised twice, but no one had been appointed.</p> <p><b>Opinion:</b> Arrangements for governance, risk management and internal controls are limited. There are gaps in the process that leave the Service exposed to risks. Management action of high to moderate impact is required.</p>	
	Ysgol Llanerchymedd	May 2016	Lifelong Learning	12	<p>Key findings of an audit of Ysgol Llanerchymedd undertaken as part of the approved Internal Audit periodic Plan for 2016/17 were as follows:</p> <ul style="list-style-type: none"> <li>• Tests conducted on a sample of school meals income, school breakfasts and general income records found them to be accurate and maintained to a satisfactory standard</li> <li>• The school budget is adopted annually by the governing body and financial issues are discussed on a regular basis</li> <li>• The school did not always complete a requisition form in advance of purchase of goods and/or services</li> <li>• The 2015/16 teachers' pay review form had not been returned to the Education Department prior to 1 September 2015</li> </ul>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>The school has not registered with the Information Commissioner in accordance with the Data Protection Act 1988</li> </ul> <p><b>Opinion:</b> An overall Reasonable Assurance audit opinion resulted from the review with two medium category and three low category recommendations being agreed with the head teacher.</p>	
6	Ysgol Tywyn	June 2016	Lifelong Learning	4	<p>Key findings of an audit of Ysgol Tywyn undertaken as part of the approved Internal Audit Plan for 2016/17 were as follows:</p> <ul style="list-style-type: none"> <li>The schools meals record was maintained to a high standard at the school but the level of arrears were not effectively monitored in accordance with the Education Department's Guidelines</li> <li>The school budget is discussed on a regular basis and adopted annually by the Governing Body</li> <li>The school fund account is maintained to an appropriate standard and independently audited on an annual basis. The "School Fund Audit Record" document is presented to the Board of Governors on an annual basis.</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management and internal control are good.</p>	Substantial
7	Ysgol Llandegfan	June 2016	Lifelong Learning	1	<p>Key findings of an audit of Ysgol Llandegfan undertaken as part of the approved Internal Audit Plan for 2016/17 were as follows:</p>	Substantial

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>The schools meals record was maintained to a high standard</li> <li>The school budget is discussed on a regular basis with the Governors and adopted annually by the Governing Body</li> <li>The school fund account is maintained to an appropriate standard and independently audited on an annual basis. The "School Fund Audit Record" document is presented to the Board of Governors on an annual basis.</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management and internal control are good.</p>	
	Ysgol Y Graig	June 2016	Lifelong Learning	5	<p>Key findings of an audit of Ysgol Y Graig undertaken as part of the approved Internal Audit Plan for 2016/17 were as follows:</p> <ul style="list-style-type: none"> <li>The school budget is discussed on a regular basis with the Governors and adopted annually by the Governing Body</li> <li>General income records and music tuition fees were accurate and maintained to a satisfactory standard</li> <li>School meals were not always correctly recorded and the level of arrears should be effectively monitored in accordance with the Education Department's Guidelines.</li> </ul> <p><b>Opinion:</b> An overall Reasonable Assurance audit opinion resulted from the review with one Medium category and four</p>	Substantial

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					Low category recommendations being agreed with the head teacher.	
9	Ysgol Llanfair PG	June 2016	Lifelong Learning	5	<p>An audit Ysgol Llanfair PG was undertaken as part of the approved Internal Audit Plan for 2016/17.</p> <p>The key findings from the review are as follows:</p> <ul style="list-style-type: none"> <li>• The schools meals record was maintained to a high standard at the school</li> <li>• The school budget is discussed on a regular basis with the Governors and adopted annually by the Governing Body.</li> </ul> <p><b>KEY ACTIONS AGREED</b></p> <ul style="list-style-type: none"> <li>• Order requisitions should be completed before receiving goods</li> <li>• School letting fees should be reviewed on an annual basis</li> <li>• The school to register with the Information Commissioner in accordance with the Data Protection Act 1988.</li> </ul> <p><b>Opinion:</b> An overall Reasonable Assurance audit opinion resulted from the review with two Medium category and three Low category recommendations being agreed with the head teacher.</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
10	Ysgol Esceifiog	June 2016	Lifelong Learning	4	<p>An audit of Ysgol Esceifiog was undertaken as part of the approved Internal Audit Plan for 2016/17.</p> <p>Key Findings from the review are:</p> <ul style="list-style-type: none"> <li>• The schools meals record was maintained to a high standard at the school</li> <li>• The school budget is discussed on a regular basis with the Governors and adopted annually by the Governing Body</li> <li>• The school fund account is maintained to an appropriate standard and independently audited on an annual basis. The "School Fund Audit Record" document is presented to the Board of Governors on an annual basis.</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management and internal control are good.</p>	Substantial
11	Building Regulation Fees – Inspection & Enforcement Regimes	June 2016	Regulation & Economic Development	8	<p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> <li>▪ Building Regulation Charges are not reviewed on an annual basis</li> <li>▪ There are no procedures in place regarding identifying and how to deal with breaches / potential breach of Building Regulations or Procedures regarding the recording of inspection/s</li> <li>▪ No procedures exist outlining the administration of refunds</li> <li>▪ Site visits cannot be recorded within the CIVICA system</li> </ul>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>▪ No formal declaration of interest forms have been completed by officers within the Building Control section</li> <li>▪ No reconciliation is undertaken of invoicing and collection of income to the CIVICA system.</li> </ul> <p><b>Opinion:</b> Arrangements for governance, risk management and internal control are limited. An overall Limited Assurance audit opinion resulted from the review with eight Medium category recommendations being agreed with management.</p>	
12	Planning Application Fees and Charges	Aug 2016	Economic Investment & Regeneration	4	<p>Approximately 1,400 Planning Applications were made during 2015/16 resulting in fee income of £528,386.44.</p> <p>An audit undertaken as part of the Internal Audit plan for 2016/17 identified that the Planning Department has appropriate governance arrangements for managing its Planning Applications.</p> <p>Decisions regarding Planning applications are not always made within the statutory 8-week deadline and there is no public register of all planning applications on the Authority's internet.</p> <p><b>Opinion:</b> Arrangements for governance, risk management and internal control are good.</p>	Substantial
13	Payment Card Industry Data Security Standards Compliance	Aug 2016	Resources	18	<p>The Authority processed 8,200 online transactions and a further 12,400 CHIP and PIN transactions where the cardholder was not present during 2015/16. Between April and July 2016, 6,682 transactions were processed by the Authority to the value of</p>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>£1,238,250.22.</p> <p>The portability and ease of use makes card payments vulnerable to misuse and the Authority should conform to the Payment and Data Security Standards (PCI DSS).</p> <p>Key findings from the review are summarised below:</p> <ul style="list-style-type: none"> <li>• There is no compliance programme to outline how the Authority will meet PCI DSS requirements</li> <li>• The Authority does not produce an annual PCI DSS compliance statement or have defined indicators to measure compliance</li> <li>• The ICT Security and Information Security Policies do not reflect PCI DSS compliance</li> <li>• Formal training is currently not provided to employees within 6 months of commencing in a post responsible for processing card payments</li> <li>• The Authority has not identified and mapped the credit card environment</li> <li>• The Authority has not developed a security control framework in compliance with PCI DSS</li> <li>• Annual self-assessments are not performed</li> </ul> <p><b>Opinion:</b> Arrangements for governance, risk management and internal control are limited. There are gaps in the process that leave the Service exposed to risks. Management action of high to moderate impact is required.</p>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
14	Insurance Arrangements	Nov 2016	Resources	2	<p>The Authority's total insurance settlement for the period 1 April 2016 to 30 September 2016 was £142,442.65 (from claims raised within this period).</p> <p>An audit undertaken as part of the Internal Audit plan for 2016/17 identified that the Resources Department has appropriate governance arrangements for managing the Insurance Service.</p> <p>There is currently no policy documenting procedures regarding returns, timescales and legislation of insurance claims.</p> <p><b>Opinion:</b> Arrangement for the governance, risk management and internal control are good. No significant or material errors were found.</p>	Substantial
15	Out of Hours Standby Arrangements	Dec 2016	Corporate	10	<p>The Council provides a wide range of services to the people of Anglesey. Some services are required to provide cover outside normal office hours to carry out normal duties or respond to emergencies. In some cases, this may be meet legal or statutory responsibilities.</p> <p>Payments made to individual officers in relation to the operation of standby schemes total £96,795.60 for 2015/16 and £47,024.47 in 2016/17 to period 6.</p> <p>Key findings form the review are summarised below:</p> <ul style="list-style-type: none"> <li>The payment scheme for standby duty on the Intranet had not been updated to reflect the latest pay award</li> </ul>	Reasonable



	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>Despite the expectation that all employees undertaking standby duty should receive payment on the same basis following Job Evaluation process, a number of inconsistencies were identified with some individuals continuing to receive proportional standby payment based on historical agreements although working a full rota.</li> <li>Most of the services reviewed maintained and retained sufficiently detailed records to support claims for standby allowances made; it was found however that no records were maintained within one service for out of hours calls received; the Council does not currently utilise call tracking or call recording facilities.</li> <li>Monitoring was not undertaken consistently across all services to assess the degree of value for money in relation to the operation of standby schemes. Effectiveness and efficiency of the standby schemes operated was not routinely reviewed at senior management level.</li> </ul> <p><b>Opinion:</b> Arrangements for governance, risk management and internal controls are reasonable. There is some inconsistency in the application and opportunities still exist to mitigate against further risks.</p>	
16	Extra Care Housing – Commissioning Arrangements	Dec 2016	Adult Services	6	<p>The Extra Care Housing Project is part of a wider programme, the Older Adults Social Care Transformation Programme, which is one of the eight priorities in the Corporate Plan 2013-17.</p> <p>Key findings from the review are summarised below:</p> <ul style="list-style-type: none"> <li>Whilst many of the project documents had been completed as</li> </ul>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>expected, the documentation of the 'lessons learnt' could be improved</p> <ul style="list-style-type: none"> <li>▪ The procurement process was the weakest element of the controls tested. The Procurement Team were not involved in the process until after the invitation to tender had been sent to the Housing Associations. This resulted in non-compliance with regulations and failure to select the most suitable tendering process (negotiated procedure) for the type of project.</li> <li>▪ Early liaison and negotiations with relevant departments, such as Housing Benefits, could have resulted in a stronger planning process and a more robust tender document, providing as much information as possible to potential bidders. This may have prevented some of the problems faced during 2015, in particular the matter over the maximum rent available through Housing Benefit which resulted in the Project Team negotiating with the bidder, which is a breach of procurement regulations of being fair and transparent .</li> <li>▪ Procurement training for project management officers will provide a better understanding of the whole procurement process.</li> <li>▪ Safeguarding element was not included in the agreements for the provision of service at the Extra Care facility.</li> <li>▪ Adult Services experienced a high turnover of staff during the lifetime of the project with the Service being unable to recruit to the post of Transformation Manager for some time. This may have had a detrimental impact on the management of the project.</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management</p>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					and internal control are limited. There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.	
17	Corporate Procurement Framework – Corporate Compliance	Mar 2017	Resources	28	<p>This audit was undertaken as part of the approved Internal Audit plan for 2016/17.</p> <p>Compliance with procurement processes has been recognised as a weakness corporately in previous routine audits and special investigations conducted during 2016/17.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> <li>• The Corporate Procurement Team have a Procurement Improvement Plan and are working towards improving Authority-wide compliance with procurement rules and regulations.</li> <li>• The Authority's Procurement Strategy and Policy was approved by Council on 14 May 2015.</li> <li>• The Contract Procedure Rules (CPRs) are reviewed periodically and set out the basis within which all procurement must take place. The CPRs do not include the OJEU financial thresholds for Public Supplies, Services and Works.</li> <li>• A Procurement Handbook has been developed and provides a practical guide to the procurement process with information about tender thresholds, different procurement processes etc. Information regarding the Authority's tender threshold level was incorrectly stated throughout the document as £25k rather than £30k.</li> <li>• Procurement training was delivered during 2015 and a series of contract management training is planned during 2017. Inconsistencies and errors were noted in the procurement training slides held on the intranet.</li> </ul>	Limited

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<ul style="list-style-type: none"> <li>• Limited use has been made of the Council's intranet to disseminate information and engage procurement champions. The Procurement Strategy and Policy and the Contracts Management Strategy are not held on the intranet or the Policy Portal.</li> <li>• The level of compliance with the Contract Procedure Rules and EU regulations varies throughout the Authority. Although the CPRs state that all contracts of value £25k or greater are to be advertised on Sell2Wales, this was not always found to be the case, one example exceeding the OJEU threshold.</li> <li>• The central contracts register is incomplete and is not available on the Council's intranet to allow for appropriate and timely purchasing decisions prior to the expiry of such contracts.</li> <li>• The Procurement Team have utilised spend and data analytics to identify areas where a procurement exercise may add value for money and ensure compliance with relevant procurement rules and regulations. Procurement exercises have not been undertaken for all areas of contract non-compliance identified.</li> <li>• There is no Sustainability Procurement Policy in place to address sustainable development principles. Sustainability Risk Assessments are not held for contracts valued £25k and above as required by Protocol 3 of the Wales Procurement Policy.</li> <li>• The performance of the Corporate Procurement Team is not currently measured and reported on a corporate level. Key Performance Indicators (KPIs) should be created for the Authority as a whole to strengthen the procurement process and as a measure of whether organisational goals and objectives are being achieved.</li> </ul>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<b>Opinion:</b> Arrangements for the governance, risk management and internal control are limited. There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.	
18	Energy Island	Mar 2017	Regulation & Economic Development	0	<p>This audit was undertaken as part of the approved Internal Audit plan for 2016/17.</p> <p>The Anglesey Energy Island™ Programme is a collective effort between several stakeholders within the public and private sector working in partnership to put Anglesey at the forefront of energy research and development, production and servicing, bringing with it potentially huge economic rewards.</p> <p>The programme is well controlled with robust governance processes. Planning Performance Agreements (PPA) have been formally documented and signed by all parties.</p> <p>Strategic boards have been established for each stakeholder partnership and outcomes monitored and reported on a regular basis.</p> <p>Risks relating to Energy Island along with mitigating actions are identified in both the Corporate and Economic Community Regeneration Service Risk Registers.</p> <p><b>Opinion:</b> Arrangement for the governance, risk management and internal control are good. No significant or material errors were found.</p>	Substantial
19	Ethical Culture	Mar 2017	Corporate	19	<p>An internal audit review of Ethical Culture was undertaken as part of the Internal Audit Plan for 2016/17. The requirement to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities is included under the Public Sector Internal Audit</p>	Reasonable

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>Standards.</p> <p>The key findings from this review, which support an ethical culture are as follows:</p> <ul style="list-style-type: none"> <li>▪ The Council has in place a wide range of policies and rules on standards of behaviour that, together, add up to an extensive range of ethical policies governing the way the Council conducts its business and ensuring fair and transparent governance.</li> <li>▪ The Council's governance arrangements, embodied within the Constitution, include specific formal codes of conduct, protocols and standing orders that have been established to regulate the behaviour of individuals and groups within the authority.</li> <li>▪ Various corporate and HR policies have been established which incorporate ethical expectations, underlining the Council's commitment to ethics and seeking to ensure adherence to ethical principles.</li> <li>▪ There is a renewed focus on corporate health, safety and welfare following a period in which policies had not been subject to regular review, few Health &amp; Safety Liaison Group meetings were held, and where there was limited corporate involvement and overview of health, safety and welfare performance.</li> </ul> <p>However, the following gaps in the framework weaken the Council's ability to promote an ethical culture:</p> <ul style="list-style-type: none"> <li>▪ There is no formal system for the overview of monitoring of contractor health and safety compliance on an ongoing basis and gaining assurance that the ethical values and principles of the Council are reflected in the culture and practice of</li> </ul>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>contractors.</p> <ul style="list-style-type: none"> <li>▪ Service Delivery Plans did not, in all cases, include key actions of compliance with corporate strategies and policies including: <ul style="list-style-type: none"> <li>- Corporate Health &amp; Safety;</li> <li>- Equality &amp; Diversity and;</li> <li>- Implications of the Well-being of Future Generations (Wales) Act 2015, including the sustainable development principle.</li> </ul> </li> <li>▪ The forward contract programme / contracts register is not proactively published on the Council's website to promote open competition and transparent decision-making in accordance with Wales Public Procurement Policy principles.</li> <li>▪ The Council has not developed and adopted a Sustainability policy that brings together the different areas of practice and professional expertise to guide development to sustainable solutions for the benefit of the local community and future generations.</li> <li>▪ Policies outlining the Council's procedures for preventing, detecting, investigating and prosecuting fraud and corruption had not been reviewed and updated and placed on the Policy Portal for easy access.</li> <li>▪ There is no procedure for periodically attesting officers' understanding of and compliance with the code of conduct (and key corporate policies in general) and reinforcing on a regular basis expectations in relation to the need to declare new (and existing) personal interests that may conflict with public duty and register any gifts / hospitality received in relation to the officers' work.</li> <li>▪ The Council has developed a values alignment tool to be implemented within staff recruitment and development</li> </ul>	

	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>processes. Technical issues are being worked through to bring the tool into use.</p> <ul style="list-style-type: none"> <li>▪ The Corporate Communications Strategy (2012-15) had not been reviewed; issues were identified in terms of the effectiveness of the Link internal electronic memo system / Monitor to communicate corporate messages and ensure that the Council's desired ethical culture is embedded within the organisation. There is no process for routinely updating (removing / archiving, as appropriate) website content to ensure that only valid, up to date, consistent and relevant information is displayed.</li> <li>▪ Not all new employees received induction training and there was no process of monitoring either attendance at corporate induction / completion of service induction.</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management and internal control are reasonable.</p>	
20	Housing Maintenance Unit	Mar 2017	Housing	18	<p>This audit was undertaken as part of the approved Internal Audit plan for 2016/17.</p> <p>Key findings from the review are summarised below:</p> <ul style="list-style-type: none"> <li>• A segregation of duties has not been established on the Orchard System. Staff have access to create, amend, complete and cancel entries on the Orchard HMU and have access to resources beyond what is necessary to perform their duties;</li> <li>• A report listing user access and permission rights cannot currently be extracted from the Orchard System for management review;</li> <li>• There are no documented procedures instructing staff on the</li> </ul>	Limited



	Report Title	Date	Service	Total Audit Recommendations	Key Messages	Assurance Level
					<p>use and the permission rights of the Orchard HMU module;</p> <ul style="list-style-type: none"> <li>• Reconciliations of invoices and jobs recorded on the Orchard HMU Module are difficult as there are no common links between the CIVICA payments and the Orchard HMU systems;</li> <li>• The inputting activity evidenced for job completion dates suggests data is being manipulated to achieve performance targets, which compounded with a lack of internal controls in the Orchard system undermines the validity of the performance data. There is a risk that data can be manipulated or misstated resulting in poor decision-making or even in potential fraud;</li> <li>• Explanations for job cancellations are not recorded or authorised;</li> <li>• The Orchard HMU system does not include the staff costs per job. The true costs of each job are not identified, recharged and consequently the trading account is misstated resulting in poor decision-making and value for money analyses;</li> </ul> <p><b>Opinion:</b> Arrangements for the governance, risk management and internal control are limited. There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.</p>	

**ANGLESEY COUNCIL  
INTERNAL AUDIT**

**ANALYSIS OF ADDITIONAL UNPLANNED WORK PERFORMED DURING  
1 APRIL 2016 TO 31 MARCH 2017**

	<b>AREA</b>	<b>NATURE OF THE WORK</b>	<b>AUDIT DAYS</b>
<b>1</b>	Corporate/Lifelong Learning	Review of Education Timesheet Procedure - HR request	3.04
<b>2</b>	Rent Smart Wales	Internal Audit was informed in April 2016 that the Rent Smart Wales Grant Certificate and an Internal Audit Report had to be submitted to WG by 31 October 2016.	7.32
<b>3</b>	Highways Assets Valuations	Audit of Highways Asset systems to in preparation for the change in the CIPFA Code and the way in which highways infrastructure is valued from depreciated historic cost to depreciated replacement cost which would have a significant increase on the value of assets in the balance sheet. CIPFA at its meeting on March 8th, decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.	30.54
<b>4</b>	Public Sector Internal Audit Standards External Assessment	Work undertaken in preparation for an external assessment by Head of Internal Audit at Denbighshire County Council.	8.50
	<b>TOTAL DAYS</b>		<b>49.40</b>

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## SCHEDULE OF FOLLOW UP AUDITS 2016/2017

	Description	Audit Date	Follow up Date	No. Recs	Recs Outstanding & WIP	High	Medium	Low	Original Audit Opinion	Revised Audit Opinion
1	Schools Recommendations – Ysgol Pentraeth Follow Up	Mar 15	Jun 16	11	6 (3 WIP)	0	6	0	Reasonable	Reasonable
2	Schools Recommendations – Ysgol Henblas Follow Up	Sept 14	Jun 16	5	2 (2 WIP)	0	1	1	Substantial	Substantial
3	Schools Recommendations – Ysgol Bodorgan Follow Up	Aug 15	Jun 16	19	7	0	6	1	Reasonable	Reasonable
4	Risk Management Framework – Follow Up	Sept 15	Jun 16	3	1	0	1	0	Reasonable	Reasonable
5	Sundry Debtors Follow Up	April 15	Jun 16	18	9 (3 WIP)	0	6	3	Limited	Limited
6	Ysgol Cemaes – Follow Up	Oct 15	Jul 16	14	5 (1 WIP)	0	3	2	Limited	Reasonable
7	Partnerships – Follow Up	Feb 16	Dec 16	6	4 (2 WIP)	3	1	0	Limited	Reasonable
8	Affordable Housing, Houses into Homes & Bridging Loan Scheme – Follow Up	Dec 15	Dec 16	18	9 (6 WIP)	3	3	3	Limited	Reasonable
9	ICT Disaster Recovery Arrangements – Second Follow Up	Mar 16	Dec 16	8	7 (6 WIP)	4	3	0	Reasonable	Reasonable
10	Business Continuity – Second Follow Up	Mar 16	Dec 16	5	2 WIP	1	1	0	Reasonable	Substantial
11	Human Resources Policies & Practices for Managing the Workforce – Follow Up	Feb 16	Mar 17	12	10 (2 WIP) (5 new recs)	1	4	5	Limited	Reasonable

**RISK MATRIX and ASSURANCE RATINGS**

**APPENDIX F**

<b>LIKELIHOOD</b>	Event is almost certain to occur in most circumstances	>70%	Almost Certain	A					
	Event likely to occur in most circumstances	30-70%	Likely	B					
	Event will possibly occur at some time	10-30%	Moderate	C					
	Event unlikely and may occur at some time	1-10%	Unlikely	D					
	Event rare and may occur only in exceptional circumstances	<1%	Rare	E					
					5	4	3	2	1
					Insignificant	Minor	Moderate	Major	Catastrophic
Service					No impact to service quality, limited disruption to operations	Minor impact on service quality, minor service standards are not met, short term disruption to operations	Significant fall in service quality, serious disruption to service standards	Significant impact on service quality, multiple service standards not met, long term disruption to operations	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations
Reputation					Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional & national condemnation
Financial Cost (£)					< £50k	£50k - £250k	£250k - £750k	£750k - £3m	>£3m
<b>IMPACT</b>									

<b>LEVELS OF ASSURANCE</b>	<b>DEFINITION</b>	<b>MANAGEMENT INTERVENTION</b>
<b>SUBSTANTIAL ASSURANCE</b>	Arrangements for governance, risk management and internal control are good. <b>No significant or material errors were found.</b>	No or only low impact management action is required. Findings, which are easily addressed by line management.
<b>REASONABLE ASSURANCE</b>	Arrangements for governance, risk management and/or internal control are reasonable. <b>Some inconsistency in application and opportunities still exist to mitigate against further risks.</b>	Management action of moderate to low impact is required. Findings are containable at service level.
<b>LIMITED ASSURANCE</b>	Arrangements for governance, risk management and internal control are limited. <b>There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.</b>	Management action of high to moderate impact is required. Findings that need to be resolved by heads of service and SLT may need to be informed.
<b>MINIMAL ASSURANCE</b>	Arrangements for governance, risk management and internal control are significantly flawed. <b>Key controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.</b>	High impact management action is required in a number of areas. Weaknesses in control that require the immediate attention of SLT with possible Cabinet intervention.



High, Red and Amber Rated Internal Audit Recommendations Outstanding as at 31/03/2017

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
<b>Corporate</b>						
1	System Controls - Logical Access and Segregation of Duties 1961 2014/15	<p>8.3 In line with best practice and the Council's Financial Procedure Rules the following segregation of duties should be applied in the following Council systems:</p> <p>Debtors &amp; Ledger – Cashier's access levels to the debtor system and ledger should be reviewed to ensure that appropriate segregation of duties is maintained between those receiving income and those recording income.</p> <p>Reconciliations, including debtor system, cash receipting and bank reconciliation should be reviewed by an independent employee to ensure accuracy.</p> <p>Adjustments/credit notes/write offs to debtors should be reviewed and approved by an employee who does not have responsibility for recording these transactions.</p> <p>Creditors – The Supplier amendments report should be reviewed by a supervisory level employee who does not have access to perform changes to supplier details, recording of invoices, approving invoices and authorising payments.</p> <p>Payroll / HR Establishment – functions should be restricted to officers who do not have access to process payroll or those establishment records set up by payroll must be reviewed by an independent employee to ensure integrity. The officer responsible for executing the payroll run should be independent from processing payroll to ensure to ensure integrity is maintained. Exception reports should be run and checked by a supervisory level (independent) employee back to source documents. The variance reports should be</p>	08/09/14	31/12/15 – changed from 31/12/14	Head of Resources.	<p>Officer Review – For the financial systems the responsibility to ensure adequate segregation of duties will be included in appropriate job descriptions following the scheduled restructuring of the Finance Service.</p> <p>Debtors / Ledger / Creditors – The implementation concerning the financial system will be part of the CIVICA relaunch.</p> <p>Payroll – Establishment and Payroll duties to be segregated within Payroll system following liaison between S151 Officer and Head of Profession – HR.</p> <p>Asset Register has been completed.</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		checked by a supervisory level employee (independent) to ensure accuracy. Access rights of all HR / Payroll system users should be reviewed to ensure appropriateness, in particular the officer responsible for reconciling payroll and reviewing.				
2	Corporate Policies 1761 2011/12	Review and implement the Corporate Policies Report 1761 2011/12.	07/10/14	29/04/16 – changed from 31/12/14	Head of Democratic Services	<p>Update 23/02/16 – Work progressing following decision in October 2015 to allocate funding. Negotiations ongoing with provider regarding contract.</p> <p>Update 30/06/16 - Contract signed with supplier 01/03/16. Training for systems administrators to be delivered in July 2016. Progress reports submitted to SLT in May 2016 and 7 key policies identified by SLT for policy acceptance during first 12 months. Implementation of policy acceptance process to commence in September 2016.</p> <p>Quarterly reports on policy acceptance levels to be submitted to SLT (dates to be agreed) and also annual report to Audit &amp; Governance Committee.</p> <p>Update 02/09/16 – The Authority has conducted an appropriate tendering exercise for a policy management solution. Contract was signed 1<sup>st</sup> of March. 3 policies on Information Governance were recognised to be of priority for the first phase of implementation of the system – 1 will be introduced per month. The SLT has received a further report and have decided to prioritise 7 policies to be accepted in the first 12 months (September 2016 onwards) – the first 3 will be in relation to Data Protection, 2 will be in relation to Health &amp; Safety, 1 on Absence Management and 1 on Language Standards. SLT will review priorities annually. Administrators for the system have been recognised and have received training on 12 July 2016. The system is now available to the administrators who are in the process of loading policies on the system. The intention is to present the system to staff as a library of corporate policies which is an useful resource of information before introducing the need to accept policies (testing) on the small</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						<p>number of areas recognised by the SLT.</p> <p>Update 31/10/16 – Information to be circulated via y Ddolen to explain Policy Portal.</p> <p>26/01/17 – Policy Portal available to staff as an electronic library since 24/11/16. Next phase is implementation of policy acceptance requirement. Pilot under way in HR. Gaps in service details in outlook address book need to be addressed before policy acceptance can be implemented. Heads of Service to be provided with details where action required.</p>
3	Corporate Safeguarding Arrangements 053 2016/17	2.5a In cases of exception noted, Heads of Service should ensure that safeguarding objectives are incorporated into the business planning process to embed safeguarding as a fundamental part of all aspects of work involving children, young people and vulnerable adults.	09/09/16	31/03/17	Business Planning and Programme Manager	To be co-ordinated by Business Planning and Programme Manager
4	Corporate Safeguarding Arrangements 053 2016/17	2.5b Heads of Service should ensure risk registers are aligned to the business plan and safeguarding risk identified accordingly within all service risk registers with mitigating actions recorded and monitoring of progress undertaken in accordance with the Corporate Planning Performance Management Framework. Schools should develop risk registers to formally identify and record safeguarding risk and the mitigating controls applied to manage this risk.	09/09/16	30/09/16	Business Planning and Programme Manager	<p>*Schools external regulators ensure that appropriate procedures for safeguarding are in place across all sectors – primary, secondary and special education. Indeed, schools with exceptional educational standards would be subject to special measures immediately should the procedures for safeguarding be, in any way, defective.</p> <p>Schools complete self-assessments for Estyn Inspection purposes and annual self-assessments on safeguarding arrangements are required to be submitted annually to the Education Department; no requirement for schools to formulate safeguarding risk registers has ever arisen from any Inspection and there is currently no regional or national requirement for this.</p> <p>To be co-ordinated by Business Planning and Programme Manager.</p> <p>Update 04/11/16 – In line with the CPPMF service delivery plans for 16/17 have been drafted to include responsibilities surrounding safeguarding. Risk registers for those services are being monitored</p>



Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						quarterly to gain assurances associated risks are also managed.
5	Business Continuity Management Follow Up 081 2016/17	4.1 The Corporate Business Continuity Plan should incorporate Building Recovery Management arrangements.	17/01/17	31/03/17	Head of Democratic Services	Re-iterated from Business Continuity Management 007 2015/16 Original Target date: 31/12/15
<b>Finance</b>						
6	Affordable Housing, Houses into Homes, Bridging Loan Scheme Follow Up 079 2016/17	6.2a Interest accrued from the payments of interest owing and the accrued interest on the borrowing from the Bridging Loan Scheme should be recovered under the terms and conditions stated in the Plot 22, Nant Y Pandy, Llangefni facility agreement.	07/12/16	07/12/16	Revenues & Benefits Manager	Re-iterated from Affordable Housing Report 025 2015/16 (14/12/15). Original target date: 31/12/15
7	Solar Panels – Penhesgyn IVC Facility 071 2016/17	1.3 The Head of Service should be reminded that the Authority's Contract Procedure Rules must be followed, specifically that no expenditure can be committed unless provision for it has been made in the revenue or capital budgets, so protecting the Authority's reputation and ensuring that the Council cannot be deemed liable for financial loss of a third party in relation to implied / actual financial commitment relating to contract arrangements.	04/10/16	31/12/16	Head of Resources	
8	Partnerships – Governance Arrangements Follow Up 077 2016/17	3.2a As intended, the Risk & Insurance Manager to contact the 10 strategic partnerships to request a copy of partnership risk registers and ascertain and assess arrangements in place within each partnership to address identified risks. The outcome of this exercise to be reported to Audit & Governance Committee in accordance with the Committee's responsibility for reviewing the risk profile of partnerships and assurances that action is being taken in risk related issues relating to significant partnerships.	21/12/16	31/03/17	Risk & Insurance Manager	Target date subject to any committee rescheduling that may be necessary in light of the Election in May 2017.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
<b>ICT Services</b>						
9	PCI DSS Compliance 066 2016/17	3.3 A process to assess and record the impact of change to ICT infrastructure on PCI DSS components should be developed as part of the approval and acceptance of change management.	21/09/16	31/10/16	IT Service and Performance Management Manager	
10	PCI DSS Compliance 066 2016/17	3.4 The Authority should test PCI DSS compliance of any new software as part of the development and acceptance regimes.	21/09/16	30/09/16	IT Service and Performance Management Manager	
11	PCI DSS Compliance 066 2016/17	3.6 Network scans should be undertaken on a quarterly basis by an approved scanning vendor in accordance with PCI Security Standards Council PCI Quick Reference Guide 11.2.	21/09/16	30/09/16	IT Service and Performance Management Manager	
12	ICT Disaster Recovery Arrangements Follow Up	1.4d Services should ensure that regular test restore of system and data backups of their systems and data is carried out to ensure the integrity and completeness of backups.	17/01/16	31/03/17	Assistant Chief Executive	Re-iterated from ICT Disaster Recovery Arrangement 2004 2014/15. Original target date: 31/12/15 To be implemented by Service Managers with advice and support from ICT Division. Assistant Chief Executive to instruct Heads of Services.
<b>Adults Services</b>						
13	Out of Hours Standby Arrangement 073 2016/17	1.2a Services should ensure that standby schemes are operated in accordance with the Council's 'Standby, On call and Call out' policy and that rates claimed for standby duty reflect the current payment scheme rates.	15/12/16	31/12/16	Head of Adults Services	
14	Out of Hours Standby Arrangement 073 2016/17	3.2 In accordance with the Council's Smarter Working programme services should review current arrangements for the operation of standby schemes to ascertain whether arrangements employed continue to be effective and provide	15/12/16	31/12/16	Head of Adults Services	

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		<p>value for money.</p> <p>A regular standby system should only operate where there is a consistent and sustained requirement to provide services / response outside of core hours.</p>				
<b>Children Services</b>						
15	Child Care Court Orders under the PLO 044 2016/17	11.2 It should be ensured that support worker visits are conducted in accordance with the plan to ensure the welfare of a child/children whilst remaining in the care of their parents during court proceedings.	27/01/17	31/03/17	Support Service Manager	<p>Support work team leader to ensure all cases requiring support worker have detailed plan, outlining aim, timescales and review mechanism. Support work team leader to devise mechanisms of ensuring compliance with plans by support workers.</p> <p>Team Leader and Team Managers to agree process of above and system to highlight non-compliance / engagement.</p>
16	Child Care Court Orders under the PLO 044 2016/17	12.1 It should be ensured that all documents are added to RAISE accurately, promptly and cloned to relevant siblings' files.	27/01/17	31/03/17	Service Manager Operations	
17	Child Care Court Orders under the PLO 044 2016/17	5.1 Timescales for the actions necessary by parents to avoid proceedings should be stated in the Letter Before Proceedings.	27/01/17	31/03/17	Service Manager Operations	Team Managers to review, update PLO contract to ensure template identifies timescales.
18	Child Care Court Orders under the PLO 044 2016/17	7.2 The Care Proceedings, Public Law Outline and Legal Matter 2016 should be adhered to when conducting pre-proceedings meetings, by stating timescales and review dates for relevant actions.	27/01/17	31/03/17	Service Manager Operations	Team Managers to ensure review dates to be included in contract of expectations template.
19	Child Care Court Orders under the PLO 044 2016/17	10.1 A formal template of Letter Before Proceedings, which informs parents that decision, has been made to initiate court proceedings should be developed and shared with all relevant officers to ensure relevant information is included.	27/01/17	28/02/17	Service Manager Operations	Team Managers to review template for letter alongside legal advisor input.
20	Child Care Court Orders under the PLO 044 2016/17	10.2 Letters Before Proceedings (where a decision has been made to initiate Court proceedings) should be signed by the Team Manager. A copy should be sent to the Social Worker and Legal Section and a copy kept on child(ren)'s files on	27/01/17	28/02/17	Service Manager Operations	<p>This is called notice of intention to issue. Need to be template letter.</p> <p>TM/Legal to complete letter template.</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		RAISE.				Template to be launched and uploaded onto RAISE.

**Medium and Yellow Rated Internal Audit Recommendations Outstanding as at 31/03/2017**

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
<b>Corporate</b>						
21	Information Governance 009 2015/16	1.2b Managers should review running contracts involving a third party contractor processing personal data on behalf of the Council to determine whether a Data Processing Agreement should be imposed on the contract.	21/10/15	30/09/15	Corporate Information Officer	<p>Update 10/02/16 – Work has commenced on this issue, however recommendations from the Information Commissioner's Office in respect of procurement of services will require a wider review of the data protection safeguards required in the procurement of services involving personal data. The review required by the ICO is time sensitive- this needs to be done before the recommendation can be completed. The target date should be amended.</p> <p>Update 15/06/16 - No progress as efforts are currently directed towards ensuring DPA is included in all relevant new/ future contracts. However, the Corporate Information Officer has been in meetings with the Procurement section and is hoping to present a report to the SLT regarding a checklist for contracts in the near future.</p> <p>Update 25/08/16 – The Corporate Information Officer has sought advice from the Procurement Solicitor whether the DPA is adequate or requires revision.</p>
22	Information Governance 009 2015/16	1.2c SIRO should ensure that all 'Category 1' contracts operated by the Council are covered by DP Agreements in accordance with ICO recommendations.	21/10/15	30/09/15	Corporate Information Officer	<p>Update 15/06/16 - This recommendation is the responsibility of the Information Asset Owners/ Penaethiaid. The SLT have received a report to raise awareness of this issue. A checklist is in the process of being completed as a tool to ensure important elements are not missed when drawing a contract.</p> <p>Update 25/08/16 – The Corporate Information Officer has sought advice from the Procurement Solicitor whether the DPA is adequate or requires revision.</p> <p>Update 21/10/16 – Work on revising the DPA has commenced.</p>
23	Information Governance 009	1.4a IAOs responsible for remote sites (leisure centres, social services establishments etc.) should	21/10/15	30/06/16 – changed	Corporate Information	10/2/16 – Progress with this recommendation has been delayed because capacity has been diverted to

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
	2015/16	review personal data management systems and on site storage facilities to be able to provide assurance on the appropriateness of the measures in place for the secure storage, movement, retention and disposal of such records.		from 31/01/16	Officer	implementing the ICO's Enforcement Notice. This item will be picked up by the Corporate Information Governance Board in due course.
24	Risk Management Framework & Top 5 Risks Follow Up 062 2016/17	6.1 Heads of Services should ensure that Service Delivery Plans are submitted promptly and within deadline with all sections completed including links to Risk Registers.	27/07/16	31/03/17	Business Planning & Programme Manager	Re-iterated from Risk Management Framework & Top 5 Risks 011 2015/16. Original target date: 31/03/16 The SLT have agreed to instruct adherence to corporate timelines for Service Delivery Plan. Business Planning & Programme Manager to remind Service of timelines Autumn 2016.
25	Corporate Safeguarding Arrangements 053 2016/17	1.1c The Lifelong Learning Child Protection Policy and Recruitment Policy should be updated to reflect the 'Keeping Learners Safe' guidance published in January 2015; implications of the Social Services and Well-being (Wales) Act 2014 should be incorporated into the policy once guidance from the Welsh Government is published.  References to Council policies on Safe Recruitment should also be updated.	09/09/16	31/10/16	Head of Learning	
26	Corporate Safeguarding Arrangements 053 2016/17	3.1c Heads of Service should ensure that Designated Safeguarding Officers within their services have received training to ensure role is effectively delivered.	09/09/16	31/03/17	Assistant Chief Executive	Update 29/03/17 – Officers who lead on safeguarding matters within Social Services, Education and the Economic and Regulation Services have received general training on safeguarding matters. The Training Team receive nominations from different services so training sessions are offered.
27	Corporate Safeguarding Arrangements 053 2016/17	4.1d Schools should review their policies to include the requirement for references to support recruitment decision and secure alignment with corporate policy.	09/09/16	31/03/17	Head of Learning	
28	Partnerships – Governance Arrangements Follow Up 077	1.1 Additional guidance / resources intended to be provided as Toolkit attachments, including template agreement, to be drafted by 31/12/16 and made available on the Council's website following formal	21/12/16	31/03/17	Assistant Chief Executive	Amended from original recommendation in Partnerships – Governance Arrangements 003 2015/16.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
	2016/17	approval.				
<b>Finance</b>						
29	Affordable Housing, Houses into Bridging Scheme 2015/16	4.1b Reconciliations of the commuted sums should be carried out on a monthly basis to ensure that these are complete and have been accurately recorded.	14/12/15	31/12/16	Finance Manager	
30	Council Tax 036 2015/16	3.2c Forms for notification of single occupancy status and changes in circumstances should be made available on the Council's website / should include a declaration that the information provided is correct.	30/03/16	24/12/16 – changed from 30/06/16	Revenues Supervisor	Integrating e-Forms to Northgate systems identified as priority within SDP - Victoria forms developed and intended to be fully functional by June 2016. The above summary to be addressed as part of a wider project of placing numerous electronic forms on our web-site. This has become more of an urgent requirement in light of the impending opening of Cyswllt Môn, whose staff may eventually direct customers to complete the appropriate forms on-line. We aim to have a comprehensive suite of forms on our web-site which will hopefully reduce the time that staff have to spend with customers, and also empower those customers to take control of providing information or applying for services, discounts, exemptions etc. themselves.
31	Sundry Debtors Follow Up 051 2015/16	3.1a Recovery action should be taken in line with the Council's Sundry Debtor Billing, Collection and Recovery Policy.	20/06/16	31/12/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 30/04/15
32	Sundry Debtors Follow Up 051 2015/16	3.1b Sundry debtor accounts subject to recovery suspension should be reviewed on a regular basis and a time limit set for services to answer customer queries before the income is removed from service income codes.	20/06/16	31/12/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 30/06/15
33	Sundry Debtors Follow Up 051 2015/16	3.2a Aged invoice reports should be run on a regular basis in order to identify any trends and also to evaluate the effectiveness of the collection and recovery of outstanding debts within the Authority.	20/06/16	31/12/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 30/09/15

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
34	Sundry Debtors Follow Up 051 2015/16	3.2b Outstanding invoices remaining on the old Sundry Debtor system should be fully progressed to final outcome.	20/06/16	16/12/16 – changed from 30/09/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 31/10/15 Update 31/10/16 – Service desk job number 17567 has been set up to accomplish this task with a date of mid-December 2016 to be completed.
35	Sundry Debtors Follow Up 051 2015/16	3.4 The following procedures should be introduced in order to provide additional controls over account suppressions:  The CIVICA facility to set appropriate time limits on suppressions should be used in all cases.  Reason for suppression of recovery action should be appropriately recorded within the system notes facility.  A report of all suppressions should be reviewed by a relevant officer on a regular basis in order to ensure that all reasons for suppressions are on-going.  Documentation in support of suppressions should be retained on file giving reason for suppression including the name and signature of the officer authorising the suppression .	20/06/16	31/12/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 30/06/15
36	Sundry Debtors Follow Up 051 2015/16	4.1 The Sundry Debtors system and the General Ledger should be reconciled on a monthly basis promptly from period end.	20/06/16	31/12/16	Revenues & Benefits Manager	Re-iterated from Sundry Debtors 1982 2014/15 Original target date: 30/04/15
37	Non-Domestic Rates 037 2015/16	3.2 In view of current resources, management should assess the level of assurance and associated risk for each category of relief / exemptions operated and make resources accordingly available if necessary to ensure that targets for visits of exempt / void properties can be met thereby minimising any potential loss of revenue to the Council.	30/03/16	31/03/17 – changed from 01/09/16	Revenues & Benefits Manager	Will be addressed as part of the re-structuring process currently being undertaken; Enquiry Officer on secondment will be returning to the section with effect from 01/04/16; Funding for new Enquiry post agreed by the Executive in relation to the administration and enforcement of the new Council Tax premium.  Update 31/10/16 – Council Executive on 17/10/16 agreed to fund new permanent Enquiry Officer post from April 2017 to be paid from additional income raised from CTAX premiums. Current temporary lower



Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						graded post to be funded from contingency during rest of 2016/17. New structure currently being implemented and Enquiry Officer roles amended to be Revenue and Benefit specific not generic as previous. Review 31/03/17.
38	Insurance Arrangements 074 2016/17	1.1.2 Insurance policy / strategy should be produced documenting procedures regarding returns, timescales and legislation insurance claims. The policy should be regularly reviewed and updated as and when required or when significant changes and developments happen and should be approved by a senior manager.	15/11/16	31/03/17	Insurance & Risk Manager	
39	Insurance Arrangements 074 2016/17	3.1.7 It should be ensured that insurance recharge premiums are raised promptly in accordance with the leasing agreement.	15/11/16	31/12/16	Revenues & Benefits Manager	
40	PCI DSS Compliance 066 2016/17	A record of all employees with responsibilities for processing card payments and attendance at formal PCI DSS training sessions should be maintained.	21/09/16	31/03/17	Revenues & Benefits Manager	
<b>Housing</b>						
41	Homelessness 1868 2014/15	3.1 The key duties of the post of Accommodation Officer including arranging annual inspections of premises used to provide Bed & Breakfast or emergency accommodation for homeless applicants should be formally re-allocated.	23/12/14	30/10/15 – changed from 31/03/15	Principal Housing Officer	<p>As part of Licencing Conditions B&amp;Bs are inspected by Environmental Health.</p> <p>This action was put on hold until the new Housing Options Team were appointed, commencement date 10/08/15 – this action falls within the remit of the Solutions Officers (1 post still needs to be allocated). Officers currently in training.</p> <p>Use of B&amp;Bs will also now be influenced by the 'suitability' criteria as referred to in the Housing Wales Act 2014, which became effective 27/04/15.</p> <p>Procedures to be implemented with Housing Options Manager to ensure compliance include:</p> <ul style="list-style-type: none"> <li>• formalise inspection procedure (both annual &amp; routine inspections)</li> </ul>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						<ul style="list-style-type: none"> <li>• create database of all B&amp;Bs used to include property &amp; room description, amenities &amp; facilities available within each of the premises.</li> </ul> <p>Update 08/08/16 – B&amp;Bs still in use have been inspected by respective Local Authorities (some are located out of County).</p> <p>Due to staffing capacity within the Housing Options Team and the absence of an officer in the post of Private Landlord Liaison Officer this action has not been carried out. However officers are familiar with the premises and facilities within the premises in use. Additional resource will be available from September 2016 allowing focused attention to be targeted on this area.</p>
42	Homelessness 1868 2014/15	6.5 Management should re-introduce formal checks to verify that Bed and Breakfast accommodation paid for continues to be occupied to ensure that only valid payments are made.	23/12/14	30/10/15 – changed from 31/01/15	Principal Housing Officer	<p>Involves routine checks of B+B premises.</p> <p>This aspect of management of the B+B accommodation has not been addressed due to staffing pressures within the homelessness team (as was) and the preparation for the implementation of the Housing (Wales) Act 2014.</p> <p>This action forms part of the role of the newly restructured Housing Options Team and these duties will be tasked to the Solutions Officers within the team.</p> <p>Update 08/08/16 - Use of B+B's has been significantly reduced. Due to staffing capacity within the Housing Options Team and the absence of an officer in the post of Private Landlord Liaison Officer this action has not been carried out. However officers are familiar with the premises and facilities within the premises in use. Additional resource will be available from September 2016 allowing focused attention to be targeted on this area.</p>
<b>ICT Services</b>						
43	Main Accounting 040 2015/16	2.2.2 Password control should reflect the Authority's ICT policy on the logical access control	18/04/16	31/12/16	ICT Business Transformation	

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		where possible for non-network users.			Manager	
<b>Children's Services</b>						
44	Child Care Court Orders under the PLO 044 2016/17	11.1a The Agency Decision Maker process should be looked at in an effort to shorten the process.	27/01/16	31/03/17	Permanency Consultant Social Worker	
45	Child Care Court Orders under the PLO 044 2016/17	11.1b A deputy should be appointed as Agency Decision Maker in the absence of the Head of Service.	27/01/16	31/03/17	Permanency Consultant Social Worker	
46	Child Care Court Orders under the PLO 044 2016/17	14.1a A request should be made to the Human Resources Team for officers to attend the Information Governance training if they have not already done so.	27/01/16	31/03/17	Service Manager Operations	Service Manager Operations to ensure training took place on 02/17 and all managers attended.
47	Child Care Court Orders under the PLO 044 2016/17	14.4a Password requirement on RAISE should be enforced to be at least 7 characters in length, contain a mix of upper and lower case letters and also a mix of letters and numbers. If this is not possible, users should be instructed to ensure their password meet these requirements.	27/01/16	31/03/17	Service Manager Operations	Quality Assurance Team are to draft basic guidelines
<b>Human Resources</b>						
48	HR Policies and Practices for Managing the Workforce Follow Up 078 2016/17	8.1b Sickness co-ordinators should ensure sickness information is entered in to the Northgate system promptly.	27/03/17	31/03/17	Head of Profession – Human Resources	HR to issue reminder to co-ordinators.
<b>Education</b>						
49	Cash – Ysgol Llanfairpwll 032 2015/16	1 If the system of cash collection via lockable post boxes within each classroom at Llanfairpwll Primary School proves successful then consideration should be given to adopting this system as best practice in all primary schools on the Island to ensure that school monies can be deposited securely.	24/02/16	30/09/16	Education Officer	Education Officer (Primary Schools) and Head teacher to consider bringing this matter to the attention of other Head teachers via Strategic Group to raise awareness / share lessons learned from this experience.  Update 31/10/16 – Education Officer to share Ysgol Llanfairpwll's experiences with the Strategic Group and then to all schools on the basis of Ysgol

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						Llanfairpwll's feedback, which are: <ol style="list-style-type: none"> <li>1. Are there lockable post boxes in the classes? Yes</li> <li>2. If yes, are they effective? ~YES VERY EFFECTIVE</li> <li>3. Should we promote them to all schools? YES</li> <li>4. If not, for what reason? You need to buy good quality ones, which comes at a cost to the school.</li> </ol>
50	Ysgol Gynradd Bodedern 029 2015/16	5.6.1 The Governing Body should formally appoint a school fund auditor, which should be recorded in the meeting minutes.	29/02/16	31/10/16	Head Teacher	
51	Ysgol Gynradd Bodedern 029 2015/16	5.7.1 The school should register with the Information Commissioner in accordance with the Data Protection Act 1988.	29/02/16	31/03/16	Head Teacher	
52	Ysgol Talwrn 029 2015/16	4.6.1 A risk assessment should be undertaken to identify risks associated with responding to the security alarm.	15/03/16	31/03/16	Head Teacher	
53	Ysgol y Graig 056 2016/17	4.1.1 The Head Teacher should ensure that the Education Service procedures for dealing with school meal arrears are complied with in order to ensure that arrears are effectively managed and not allowed to escalate to a problematic level.	14/06/16	30/09/16	Head Teacher	The implementation of the online payments system in September 2016 should lessen the amount of arrears. The School will employ a school's maintenance officer from September 2016 to assist with the monitoring of arrears.
54	Ysgol Llanfair PG 057 2016/17	4.5.1 Driver records should be updated annually and every member of staff required to complete a form – Declaration for Drivers of Council or Private vehicles.	15/06/16	30/06/16	Head Teacher	
55	Follow-up of School Audits (Ysgol Bodorgan) 050 2015/16	3.1.10 Budgetary matters should be regularly discussed by the governing body. It is recommended that Finance is included on the agenda of every meeting to ensure there is an opportunity for discussion and the Finance Sub-Committee report to the governing body on a regular basis.	15/06/16	31/07/16	Head Teacher	New recommendation. Update 14/03/17 – Acting Head Teacher to ensure Finance is part of the agenda for each meeting.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
56	Follow-up of School Audits (Ysgol Bodorgan) 050 2015/16	3.1.18 The Governing Body Constitution should comply with the relevant statutory requirements.	15/06/16	30/06/16	Head Teacher	Re-iterated from recommendation 4.7.1 in the 2013/14 audit report (1918 2013/14). Original target date 31/01/14.  Update 14/03/17 – 1 short due to lack of interest, but 1 parent recently put forward and will be discussed in next meeting.
57	Follow-up of School Audits (Ysgol Henblas) 050 2015/16	3.2.2 It should be ensured that the register of Supply Teachers is complete and reconciled to the budgetary reports to ensure accuracy of the accounts.	15/06/16	31/07/16	Head Teacher	Re-iterated from recommendation 4.2.1 in the 2014/15 audit report (1959 2014/15). Original target date 31/10/14.
58	Follow-up of School Audits (Ysgol Henblas) 050 2015/16	3.2.5 The school should ensure full compliance with the Authority's Fleet and Driver Management Procedures.	15/06/16	31/07/16	Head Teacher	Re-iterated from recommendation 4.5.1 in the 2014/15 audit report (1959 2014/15). Original target date 30/09/14.
59	Follow Up of School Audits 050 2015/16	3.3.10 The Education Service should monitor the governing body membership returns and ensure that each category of governor is represented and that the level of representation is consistent with guiding principles; any variance should be should be followed up to ensure that there are appropriate governing arrangement in each school.	15/06/16	31/12/16	Head of Learning	New recommendation.
60	Follow Up of Ysgol Cemaes 065 2016/17	4.1.1 The Head Teacher should ensure that the Education Service procedures for dealing with school meal arrears are complied with in order to ensure that arrears are effectively managed and not allowed to escalate to a problematic level.	19/09/16	23/09/16	Head Teacher	Re-iterated from Ysgol Cemaes audit report 028 2015/16  Original implementation date: 31/01/2016.
61	Follow Up of Ysgol Cemaes 065 2016/17	4.2.1 Ordering requisitions should be completed before receipt of an invoice or goods. In cases of an emergency, a verbal order may be raised and relevant documentation completed the next working day.	19/09/16	19/09/16	Head Teacher	Re-iterated from the Ysgol Cemaes audit report 028 2015/16  Original target date: 31/01/2016.
62	Follow Up of Ysgol	4.2.2 All relevant boxes on the requisitions form	19/09/16	19/09/16	Head Teacher	Re-iterated from the Ysgol Cemaes audit report 028

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
	Cemaes 065 2016/17	should be completed before any invoice is paid in accordance with the specified procedures to ensure appropriate certification and a complete audit trail. In cases of an emergency a verbal order may be raised and relevant documentation completed the next working day.				2015/16 Original target date: 31/01/2016.

**SUMMARY OF SPECIAL INVESTIGATIONS - 1 APRIL 2016 TO 31 MARCH 2017**

Job No.	Type of Incident	No. of Days	Comment / Result
055.16/15	Theft of cash, Ysgol Llanerchymedd	7.36	Keys to the community hall and Mudiad Meithrin classroom were stolen from the home of one of the Mudiad's organisers. No loss of cash to the authority, but cash in excess of £500 was stolen from the Mudiad. Police have concluded their enquiries and no suspect was identified. Advice given to the headteacher regarding safeguarding the school and contents. Keys to the community part of the school are now held by the caretaker, headteacher and official key holder only.
052. 5/16	Mon Community Transport Time Sheet (MCT) referral	4.73	Referral from Highways and Property regarding the possibility of a member of MCT staff falsifying his time sheets for financial gain. Enquiries have shown that whilst the staff member may have maximised his hours he did not exceed his contracted hours for which he was paid regardless therefore there was no criminal financial loss the Authority. There may be management issues and these are in the process of being dealt with by Highways and Property. There is also a separate enquiry regarding staff relationships, which are being dealt with by the department and HR. The matter referred to Audit has been addressed.
	Receipting of Planning Applications	2.43	Concern raised that compliment slips were being issued in lieu of receipts at the Planning Department. Enquiries have confirmed that the monies received following the issue of such slips had been recorded and banked correctly. Advice given that in future an official receipt form should be issued. Matter Closed.
	Primary School Crime Prevention report	13.65	Following a number of incidents of theft/loss of cash at Primary Schools a crime prevention and best practice appraisal is being carried out, with the view of producing a report for the Education Department outlining improvements and best practice that could be considered by the Primary Schools within the Authority.
071.16/17	Solar Panels – Penhesgyn IVC Facility	12.77	Referral from the Section 151 Officer relating to a schedule of costs and losses submitted to the Council by a company in respect of a project to install solar photovoltaic systems at Penhesgyn.
084.16/17	Heating Engineers	9.59	Concerns raised that external heating engineer may have invoiced for work not carried out. Following the investigation, it became apparent that the problem regarding invoicing was as a result of employee error at the company. The employee has since resigned. Due to the failure of the company keeping track of invoices and work carried out, Housing Services have decided to cease using the company for a period of 12 months. Recommendations were made to Housing with relation to random checks of work carried out by external contractors and also to address an issue with persons who may have an interest in any external company closing off work and invoices for those companies. All recommendations have been accepted.

**SUMMARY OF SPECIAL INVESTIGATIONS - 1 APRIL 2016 TO 31 MARCH 2017**

088.16/17	Smallholdings Contracts	22.84	Concerns raised regarding the allocation of contracts to one contractor. Following the investigation there was nothing to suggest that anything untoward had taken place with the awarding of the contracts to the one contractor. However some procedural deficiencies were identified and recommendations made these are yet to be agreed upon.
8	Disposal of Asset	37.91	Review of the process supporting the disposal of an Authority's asset. Procedural deficiencies have been identified and recommendations made are yet to be agreed.
9, 10, 11	Others ongoing/continuous. HB/CTR, RIPA, NFI	113.18	Various HB checks prior to referring to DWP for investigation. RIPA consultation with other authorising officers and policy reviews into non-RIPA authorisation, i.e. the policy regarding surveillance and observations into matters that are not core functions such as disciplinary matters and minor criminal matters, which do not fall within the meaning of the act. This is ongoing in consultation with the Council Data Control Officer. Ongoing 2014/15 NFI exercise updating results. Also preparing for 2016/17 exercise, checking data sets and Fair Processing Notices. The 2016/17 NFI exercise is under way there are 3,097 matches in total with 779 recommended matches. There are 1,057 Duplicate Creditors matches, however only 113 of these are recommended, of 30 already examined there are no issues; there are 549 Blue Badge to DWP deceased list matches of which 515 are recommended. However having carried out an initial sift it would appear that the majority of the matches are as a result of the external Blue Badge Information System (BBLIS), not being updated. It is from this list that the matches are created; the internal list seems to have been updated. Cyswllt Mon and Social Services will be carrying out further checks on the list. The issue of not updating the BBLIS is not confined to this authority. There are a number of ongoing CTRS fraud investigation ongoing as a result of the NFI data match exercise.
<b>TOTAL DAYS</b>		<b>224.46</b>	



ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to:</b>	<b>Audit and Governance Committee</b>
<b>Date:</b>	<b>28 June 2017</b>
<b>Subject:</b>	<b>Public Sector Internal Audit Standards – External Assessment Report and Action Plan</b>
<b>Head of Service:</b>	<b>Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 <a href="mailto:marcjones@ynysmon.gov.uk">marcjones@ynysmon.gov.uk</a></b>
<b>Report Author:</b> Tel: E-mail:	<b>Marion Pryor, Head of Audit and Risk 01248 752611 <a href="mailto:marionpryor@ynysmon.gov.uk">marionpryor@ynysmon.gov.uk</a></b>
<b>Nature and Reason for Reporting:</b> In accordance with the Public Sector Standards, to consider the report issued following the external assessment of the Internal Audit service by the former Head of Internal Audit, Denbighshire County Council and the Head of Audit and Risk’s Action Plan developed to respond to the improvement areas identified.	

## 1. Introduction

- 1.1. The Public Sector Internal Audit Standards requires the chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments.
- 1.2. A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity’s conformance with the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.3. The assessment must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation, by either a full external assessment or a self-assessment validated by an external reviewer. This requirement was effective from 1 April 2013.

## 2. Recommendation

- 2.1. That the Audit and Governance Committee notes the results of the external assessment of the Internal Audit service and the Head of Audit and Risk’s Action Plan developed to address the improvement areas identified.

### 3. Background Information

- 3.1. The Welsh Chief Auditors Group (WCAG) has collaborated to undertake a peer review approach to the external assessment, with a self-assessment validated by an external reviewer.
- 3.2. The key benefit to this approach is cost. Evidence gathered by the WCAG show costs for a full external assessment at around £15K and a validated assessment at approximately £11k. In addition, the approach is in keeping with the promotion of collaborative working arrangements.
- 3.3. The Section 151 Officer supported this approach.
- 3.4. The WCAG nominated Denbighshire County Council to undertake the external assessment of Isle of Anglesey County Council's Internal Audit service, which was undertaken during March 2017.
- 3.5. Isle of Anglesey County Council is nominated to undertake the external assessment at Pembrokeshire County Council, which has been agreed for December 2017.

### 4. Results of the External Assessment

- 4.1. The Denbighshire County Council Head of Internal Audit's report is attached at **Appendix A**. It details conformance with the *Standards* and provides assurance that Anglesey County Council '**Generally Conforms**' with the *Standards*, summarised below:

Standard	Conformance
Definition of Audit Risk	Generally Conforms
Code of Ethics	Generally Conforms
<b>Attribute Standards</b>	
1000 Purpose, Authority and Responsibility	Partially Conforms
1100 Objectivity and Independence	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Programme	Generally Conforms
<b>Performance Standards</b>	
2000 Managing the Internal Audit Activity	Partially Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Partially Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms

- 4.2. The external assessor raised seven areas of improvement for consideration, which are detailed in the Action Plan at the end of the report.
- 4.3. Most notable is the absence of an audit assurance framework to ensure that Internal Audit's work focuses on key areas. This would help to ensure that all corporate areas, services, programmes, projects, risks etc. are identified and 'audit risk-assessed' to inform planning of internal audit work. The Internal Audit service will undertake a complete review of the service's approach and practices in this financial year, with an assurance framework in place for 2018/19.
- 4.4. In addition, although fully complying with PSIAS at the time of the external assessment, the chief audit executive's additional responsibilities for risk management and insurance, with effect from 1 April 2017, jeopardised continued compliance in relation to independence and objectivity of the audit function. However, the *Standards* were also revised, with effect from 1 April 2017. Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing was revised and for the first time, the *Standards* recognise that chief audit executives may have roles and responsibilities other than internal audit. The Head of Audit and Risk will brief the Audit and Governance Committee and update the internal audit charter to reflect the new arrangements.
- 4.5. The Head of Audit and Risk has assessed the impact of the areas of '*Partial Conformance*' and developed actions, with timescales, to address these and the other areas for improvement raised. These are detailed in the Action Plan. The Section 151 Officer supports these actions.

# External Quality Assessment

Name of the organisation:	Anglesey County Council		
Name of the internal audit function:	Internal Audit Service		
Date of the internal audit evaluation:	March 2017	Date of the previous internal audit evaluation:	N/A
Title of the designated Chief Audit Executive:	Head of Internal Audit Head of Internal Audit and Risk	Name of the designated Chief Audit Executive:	Mike Halstead (to 31 March 2017) Marion Pryor (from 1 April 2017)
Name of the committee that is responsible for audit matters and to whom the Chief Audit Executive reports: (When the standards say “board”, who does that mean in the organisation)	Audit & Governance Committee	Reporting line of the Chief Audit Executive: (When the standards say senior management, who does that mean)	Head of Function (Resources) & Section 151 Officer
Review team: Ivan Butler, Head of Internal Audit, Denbighshire County Council			

# External Quality Assessment

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# External Quality Assessment

**Generally Conforms** means the evaluator has concluded that the relevant structures, policies and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the service has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

**Partially Conforms** means the evaluator has concluded that the internal audit service is making good-faith efforts to comply with the requirements of the individual *Standard* or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the service and may result in recommendations to senior management or the board of the organisation.

**Does Not Conform** means the evaluator has concluded that the internal audit service is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual *Standard* or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the service's effectiveness and its

# External Quality Assessment

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potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the *Standard* to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.

# External Quality Assessment

		Assessment
	<u><a href="#">Definition of Internal Auditing</a></u>	
<b>Reference</b>	<b>Code of Ethics</b>	
1	Integrity	
2	Objectivity	
3	Confidentiality	
4	Competence	
<b>Reference</b>	<b>Attribute Standards</b>	
1000	Purpose, Authority and Responsibility	
1010	Recognising Mandatory Guidance in the Internal Audit Charter	
1100	Independence and Objectivity	
1110	Organisational Independence	



# External Quality Assessment

		Assessment
1111	Direct Interaction with the Board	
1112	Chief Audit Executive Roles Beyond Internal Auditing	
1120	Individual Objectivity	
1130	Impairment to Independence or Objectivity	
1200	Proficiency and Due Professional Care (The sum of <i>Standards</i> 1210–1230)	
1210	Proficiency	
1220	Due Professional Care	
1230	Continuing Professional Development	
1300	Quality Assurance and Improvement Programme (The sum of <i>Standards</i> 1310–1320)	
1310	Requirements of the Quality Assurance and Improvement Programme	
1311	Internal Assessments	
1312	External Assessments	

# External Quality Assessment

		Assessment
1320	Reporting on the Quality Assurance and Improvement Programme	Green
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	Green
1322	Disclosure of Non-conformance	Green
<b>Reference</b>	<b>Performance Standards</b>	
2000	Managing the Internal Audit Activity (Sum total of <i>Standards</i> 2010 - 2060)	Green
2010	Planning	Green
2020	Communication and Approval	Green
2030	Resource Management	Green
2040	Policies and Procedures	Green
2050	Coordination and Reliance	Yellow
2060	Reporting to Senior Management and the Board	Green
2070	External Service Provider and Organisational Responsibility for Internal Audit	Green

# External Quality Assessment

		Assessment
2100	Nature of Work (Sum of <i>Standards</i> 2110 - 2130)	
2110	Governance	
2120	Risk Management	
2130	Control	
2200	Engagement Planning (Sum of <i>Standards</i> 2201-2240)	
2201	Planning Considerations	
2210	Engagement Objectives	
2220	Engagement Scope	
2230	Engagement Resource Allocation	
2240	Engagement Work Programme	
2300	Performing the Engagement (The sum of <i>Standards</i> 2300-2340)	
2310	Identifying Information	

# External Quality Assessment

		Assessment
2320	Analysis and Evaluation	Green
2330	Documenting Information	Green
2340	Engagement Supervision	Green
2400	Communicating Results (Sum of <i>Standards</i> 2410–2440)	Green
2410	Criteria for Communicating	Green
2420	Quality of Communications	Green
2421	Errors and Omissions	Yellow
2430	Use of ‘conducted in conformance with the International Standards for the Professional Practice of Internal Auditing’	Green
2431	Engagement Disclosure of Non-conformance	Green
2440	Disseminating Results	Green
2450	Overall Opinions	Green

# External Quality Assessment

		Assessment
2500	Monitoring Progress	
2600	Resolution of Senior Management's Acceptance of Risks	
Improvement Action Plan		

## Improvement Action Plan

Ref No.	PSIAS Ref.	Improvement Area	Proposed Action	Responsibility	Timescale
1.	Definition 2010	Although complying with PSIAS, consideration should be given to whether three-year planning is effective and worthwhile. Is IA really able to focus on what will matter to the organisation in three years' time? The rate of change in local government suggests a maximum of one-year planning and perhaps even less.	The Head of Audit and Risk will implement a one-year plan, which will be revised quarterly. It will be adopted under the new approach to audit planning utilising a new assurance mapping process.	Head of Audit and Risk	In place for 2018/19
2.	1000 1010	While generally conforming to PSIAS requirements, the service has already identified improvements to be incorporated into the revised IA Charter, which needs to clearly state the mandatory nature of the PSIAS and elaborate on the nature of consultancy engagements to differentiate these from IA work.	The Head of Internal Audit and Risk will review and update the Internal Audit Charter and submit to the September 2017 meeting of the Audit and Governance Committee.	Head of Audit and Risk	September 2017

# External Quality Assessment

Ref No.	PSIAS Ref.	Improvement Area	Proposed Action	Responsibility	Timescale
3.	1100 2010 2050	Although complying with PSIAS, an audit assurance framework would be useful to ensure that IA's work focuses on key areas. This will help to ensure that all corporate areas, services, programmes, projects, risks etc. are identified and 'audit risk-assessed' to inform IA's planning. This will also ensure that there are no assurance gaps and that there is not over-assurance in any areas.	As above, the Head of Internal Audit and Risk will implement an audit assurance framework to ensure that internal audit's work focuses on key areas.	Head of Audit and Risk	In place for 2018/19

# External Quality Assessment

Ref No.	PSIAS Ref.	Improvement Area	Proposed Action	Responsibility	Timescale
4.	1112	Although currently fully complying with PSIAS, continued compliance in relation to independence and objectivity of the audit function will require the new CAE to declare to the Audit & Governance Committee a conflict of interest and non-compliance with PSIAS 1130.A2.	<p>The PSIAS were revised, with effect from 1 April 2017. Most noteworthy among the revisions is the new Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing. For the first time, the standards recognise that heads of internal audit may have roles and responsibilities other than internal audit. While the new standard and the public sector interpretation acknowledge this, the standard’s focus is on safeguards to limit any impairment to independence that might arise. The public sector interpretation states that safeguards must be approved and periodically reviewed by the board (usually the audit committee).</p> <p>The Head of Audit and Risk will brief the Audit and Governance Committee on the safeguards and update the internal audit charter to reflect the new arrangements.</p>	Head of Audit and Risk	September 2017



# External Quality Assessment

Ref No.	PSIAS Ref.	Improvement Area	Proposed Action	Responsibility	Timescale
5.	2040	Although compliant with PSIAS, the audit manual is a lengthy document and may need to be revised once the new CAE is in post. Consideration should be given at this point to developing an interactive guidance document for easier reference and updating when changes are needed.	A total review of the internal audit approach and practices will be undertaken during 2017/18. The Head of Audit and Risk will review the content and format of the Audit Manual following successful implementation of the new approach, but will be a lower priority.	Head of Audit and Risk	September 2018
6.	2201	The Assignment Planning Sheet, although comprehensive, does not include the resources allocation (days) for the project. This is shown in the Audit Plan but, when scoping the project, it is possible that this may change, so needs to be recorded on the Audit Planning Sheet.	As part of the review of the internal audit approach and practices, the Head of Audit and Risk will review all standard documentation and ensure it is PSIAS compliant. In the meantime, the resource allocation is now included in the current Assignment Planning Sheet.	Head of Audit and Risk	April 2017

# External Quality Assessment

Ref No.	PSIAS Ref.	Improvement Area	Proposed Action	Responsibility	Timescale
7.	2421	The IA Manual should include guidance in the event that a final IA report contains a significant error or omission and needs to be amended.	Although there is a quality assurance process in place to minimise the risk of an error or omission, if a final communication contains a significant error or omission, the Head of Audit and Risk will communicate corrected information to all parties who received the original communication. This will be detailed in the updated Audit Manual when it is reviewed, but also highlighted to staff during the next team meeting.	Head of Audit and Risk	June 2017 September 2018

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	<b>Audit and Governance Committee</b>
<b>Date:</b>	<b>28 June 2017</b>
<b>Subject:</b>	<b>Internal Audit Update</b>
<b>Head of Service:</b>	<b>Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 <a href="mailto:marcjones@ynysmon.gov.uk">marcjones@ynysmon.gov.uk</a></b>
<b>Report Author:</b> Tel: E-mail:	<b>Marion Pryor, Head of Audit and Risk 01248 752611 <a href="mailto:marionpryor@ynysmon.gov.uk">marionpryor@ynysmon.gov.uk</a></b>
<b>Nature and Reason for Reporting:</b> This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. It also updates the Committee on progress made on specific items that the Committee has requested.	

## 1. Introduction

1.1. The report provides an update as at the end of May 2017 on:

- Internal Audit reports issued since 1 April 2017
- Follow up of previous Internal Audit reports
- Progress in delivering the Internal Audit Annual Plan 2017/18
- Specific updates requested by the Audit and Governance Committee

## 2. Recommendation

2.1. That the Audit and Governance Committee notes Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.

## 3. Background

3.1. This is my first update report as the new Head of Audit and Risk. I am currently conducting a review of the internal audit service and its approach, including reporting formats. Therefore, this report format will likely change following consultation with our stakeholders and, in particular, the Section 151 Officer and the Audit and Governance Committee.

3.2. We provide an opinion on the overall level of assurance for each individual internal audit assignment. This takes into account the expectations of senior management and other stakeholders and is supported with sufficient, reliable and relevant information. In reaching a conclusion, we use the following definitions:

### Definition of Assurance Rating

Level of Assurance	Definition	Management Intervention
<b>Substantial Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>good</b>.</p> <p>No significant or material errors were found.</p>	<p>No or only low impact management action is required.</p> <p>Findings, which are easily addressed by line management.</p>
<b>Reasonable Assurance</b>	<p>Arrangements for governance, risk management and/or internal control are <b>reasonable</b>.</p> <p>Some inconsistency in application and opportunities still exist to mitigate against further risks.</p>	<p>Management action of moderate to low impact is required.</p> <p>Findings are containable at service level.</p>
<b>Limited Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>limited</b>.</p> <p>There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.</p>	<p>Management action of high to moderate impact is required.</p> <p>Findings that need to be resolved by heads of service and SLT may need to be informed.</p>
<b>Minimal Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>significantly flawed</b>.</p> <p>Key controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.</p>	<p>High impact management action is required in a number of areas.</p> <p>Weaknesses in control that require the immediate attention of SLT, with possible Executive intervention.</p>

#### 4. Internal Audit reports recently issued

- 4.1. This section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Recommendations raised in the report's action plan.

##### Energy Island – April 2017 (2016/17 slippage)

<b>Substantial Assurance</b>	<b>Risks/ Issues</b>	
	<b>0</b>	<b>Catastrophic</b>
	<b>0</b>	<b>Major</b>
	<b>0</b>	<b>Moderate</b>
	<b>0</b>	<b>Minor</b>

- 4.2. The Anglesey Energy Island™ programme is a collective effort between several stakeholders within the public and private sector working in partnership to put Anglesey at the forefront of energy research and development, production and servicing, bringing with it potentially huge economic rewards. The Council's Economic Development Unit manages the programme.
- 4.3. The objective of the Energy Island programme is to be a vehicle for employment growth and development opportunities. The programme manages risks, stakeholders, benefits, resources and quality. All these aspects need to inter-relate to form an organised approach for the programme.
- 4.4. The audit was designed to provide assurance that appropriate governance arrangements ensure that the purpose and outcomes of the partnership and framework are achieved, which are monitored on a regular basis to mitigate the risks associated with working within a framework and in partnership.
- 4.5. We concluded that effective governance arrangements exists:
- a Strategic Board exists
  - risks have been assessed and mitigating actions identified
  - a 'Memorandum of Understanding' exists and has been signed by all parties
  - procurement complied with the Council's formal contract procedure rules and was advertised on the Sell2Wales site
  - budget management is effective
- 4.6. No risks / issues were raised.

## Stock Check, Housing Maintenance Unit, Gaerwen – May 2017

<b>Limited Assurance</b>		<b>Risks / Issues</b>
	n/a	<b>Catastrophic</b>
	n/a	<b>Major</b>
	n/a	<b>Moderate</b>
	n/a	<b>Minor</b>

- 4.7. This review is carried out annually to provide assurance that the stock figures were accurate for year-end accounting purposes.
- 4.8. On completion of the appropriate checks, we concluded that the stock records maintained at the depot were insufficiently accurate and did not provide a reliable record of the stock levels at the year-end. Due to the type of audit, we did not raise any recommendations. However, we sought clarification from the Head of Housing that action was in hand to address the situation.
- 4.9. Briefly, the Council entered into a procurement exercise to commission a single supplier 'Managed Stores' to assist in the delivery of its repairs and maintenance programme.
- 4.10. Following a competitive tender process through Sell2Wales, the Council awarded a contract with a provisional handover date of June 2016. However, although operational and ICT requirements progressed well, problems emerged around the TUPE provisions and, in particular, the liabilities around the Local Government Pension Scheme. In May 2017, following much dialogue and following advice from the Council's Legal Department, the Head of Housing rejected the offer, which ended the proceedings mutually.
- 4.11. The Head of Housing is currently reviewing the options available to the Council.

## Housing Maintenance Unit – May 2017 (2016/17 slippage)

<b>Limited Assurance</b>		<b>Risks / Issues</b>
	1	<b>Catastrophic</b>
	9	<b>Major</b>
	6	<b>Moderate</b>
	2	<b>Minor</b>

- 4.12. The Housing Maintenance Unit is based in the Gaerwen Depot. It provides maintenance and repairs services for the Council's social housing. The

maintenance and repairs are managed on the Housing Orchard system, which was the focus of our audit.

- 4.13. The system allows jobs to be created and allocated to relevant operatives. The operatives update jobs remotely using a hand-held device. Once jobs have been completed and updated on the system, the system automatically generates invoices to be recharged to the Council.
- 4.14. Our 'Limited Assurance' judgement was primarily based on the risks surrounding the controls within the system. Staff have access to create, amend, complete and cancel entries on the system and have access to resources beyond what is necessary to perform their duties. A separation of these duties is fundamental to ensure accurate and full recording of transactions.
- 4.15. Testing highlighted that the inputting activity for job completion dates suggests data is being manipulated to achieve performance targets and explanations for cancellations are not routinely recorded or authorised. The risk is further compounded by the inability to produce a report listing user access and permission rights and a lack of documented procedures to instruct staff on the use and the permission rights of the system.
- 4.16. The system does not include staff costs per job and so the true costs of each job are not identified and recharged. Consequently, the trading account is misstated resulting in poor decision-making and value for money analyses.
- 4.17. A reconciliation of invoices received with jobs recorded on the system is also problematic as there is no interface between the financial system and the Orchard system.
- 4.18. The lack of internal controls in the Orchard system undermine the validity of the data. There is a risk that officers can manipulate or misstate data resulting in poor decision-making and performance management or potential fraud.
- 4.19. We developed an Action Plan in conjunction with the Head of Housing. Management plan to address the majority of recommendations immediately, with plans for the service to address the remainder by March 2018.

**Main Accounting System – May 2017 (2016/17 slippage)**

	Risks / Issues	
<b>Reasonable Assurance</b>	<b>0</b>	<b>Catastrophic</b>
	<b>0</b>	<b>Major</b>
	<b>2</b>	<b>Moderate</b>
	<b>0</b>	<b>Minor</b>

- 4.20. This review assessed the Finance Service's controls to manage the Council's main accounting system and the processes in place to verify its accuracy.
- 4.21. Testing confirmed that the Finance Service properly manages and maintains the main accounting system. Evidence supported that:
- the Accounting Team processes interfaces to schedule and appropriate controls exist for checking balances to ensure all input transactions are valid and accurately implemented
  - accountability for maintaining the system and system users is in place and the team maintains an adequate segregation of duties
  - the system maintains an appropriate audit trail to ensure that all transactions are traceable to source, date and time
  - procedures for month-end and the operation of accountancy function for year-end closures exist
  - for the purpose of year-end closure accounts preparation, in the absence of the Income Section performing the debtors' system reconciliation, the Accounting Assistant in the Accountancy Section reconciled the debtors system to the general ledger to ensure that there were no material errors in the general ledger and found no material errors.
- 4.22. However, we identified the following moderate risks:
- The Income Officer does not promptly clear the unidentified income in the income suspense account. In the past, the income suspense account has been cleared annually. However, this delay in clearing the account delays other accounting processes being implemented promptly.
  - The ICT service undertakes data and system backups on a daily basis. However, the service has not tested backups to ensure data and the system can be accurately and promptly restored in a disaster scenario.
  - Balances from the payroll debts interface fail to appear on the debtors' system daybook and are debited to the Sundry Debtors Control holding account. The Senior Accountant believes the balances are not corrected in the system when undertaking its routine reconciliations. If not corrected, the system continues to present an issue and there is a risk of potential misstatement in the accounts. We have not raised a recommendation but will review the process in our review of the Debtor system, scheduled for June 2017.



- 4.23. We developed an Action Plan in conjunction with the Accountancy Services Manager, who plans to address the recommendations by December 2017.

## 5. Follow up of previous Internal Audit reports

- 5.1. Most of our Internal Audit reports identify risks and control weaknesses. To ensure we carry out our work in accordance with the Council's risk appetite we assess the risks we identify against the Council's risk management framework and rate recommendations as catastrophic, major, moderate or minor.
- 5.2. In conjunction with management, we develop an Action Plan for management to record the proposed action to address the risks we have identified. Management agrees actions to address the risks, including responsibilities and timescales.
- 5.3. We follow up the action taken to monitor progress and report progress to the Section 151 Officer and the Audit and Governance Committee.
- 5.4. We assess each follow up according to the progress made in implementing the management actions:

<b>Progress in implementing recommendations</b>	<b>Consideration of fundamental recommendations</b>	<b>Consideration of significant recommendations</b>	<b>Consideration of minor recommendations</b>
<b>Good Progress</b>	None outstanding	Medium category recommendations outstanding are in the process of being implemented	Low category recommendations outstanding are in the process of being implemented
<b>Reasonable Progress</b>	High category recommendations outstanding are in the process of being implemented	Medium category recommendations outstanding are in the process of being implemented	Low category recommendations are in the process of being implemented
<b>Little Progress</b>	Unsatisfactory progress has been made	Unsatisfactory progress has been made	Unsatisfactory progress has been made

- 5.5. Currently, we follow up all reports regardless of the assurance level we have provided. Due to reducing resources and the implementation of a more risk-based prioritisation, going forward, this will be reviewed.
- 5.6. We are currently compiling a report of the performance in implementing all outstanding recommendations, which will be presented to the next Audit and Governance Committee in July 2017.

5.7. In the meantime, we have completed two follow up reviews:

**Building Regulations Fees – Inspection and Enforcement (First Follow Up) April 2017**

Little Progress		Original Recommendations <sup>1</sup>	Outstanding Recommendations
	Catastrophic		
	Major		
	Moderate	3	3
	Minor	2	2

- 5.8. A review of the Council’s Building Regulations Fees – Inspection & Enforcement arrangements was conducted in August 2016, which resulted in a ‘Reasonable Assurance’ rating.
- 5.9. The Building Control Service provides advice, support, plans checking and site inspections in compliance with Building Regulations for the construction industry, residents, other professionals and internal customers.
- 5.10. For the purposes of this follow up review, the manager responsible for the implementation of recommendations was interviewed to determine the status of agreed actions.
- 5.11. The Team Leader Building Control confirmed that from five recommendations made, none had been implemented to date. A suggestion to purchase a module within CIVICA was made. However, it was explained that a new system is being introduced (Arcus) and will be used to manage inspections. Recommendations assessed as not fully implemented have been reiterated.
- 5.12. We assessed that the Building Control Service has demonstrated ‘little progress’ in implementing actions agreed to address the audit recommendations. However, the Team Leader Building Control has provided assurances that the majority of recommendations will be addressed by the end of July 2017.
- 5.13. We will undertake a further follow up review during August 2017 to monitor the progress of implementing the management actions.

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<sup>1</sup> Categorized as High, Medium and Low

## ICT Disaster Recovery – Third Follow Up (June 2017)

Little Progress		Original Recommendations <sup>2</sup>	Outstanding Recommendations <sup>3</sup>
	Catastrophic		
	Major	8 (High)	0
	Moderate	5 (Medium)	2
Minor		(Low)	4

- 5.14. We undertook a review of the ICT Disaster Recovery Plan and a report was issued in July 2015 with a 'Minimal Assurance' rating as the ICT Service had taken little action to address recommendations from a previous review. Since then, two follow up reviews have been undertaken on its progress, issued in March 2016 January 2017 respectively. Both reported progress made, resulting in a 'Reasonable Assurance' rating. All progress reports have been reported to the Audit and Governance Committee, which has continued to request the latest follow-up/progress report.
- 5.15. The last review in January 2017 reported three high and three medium-rated recommendations outstanding.
- 5.16. We have assessed that the ICT Service has demonstrated 'little progress' in implementing actions agreed to address the audit recommendations. However, the ICT Management Team have provided assurances that the majority of recommendations will be addressed by the end of July 2017. Two remaining actions fall under the responsibility of Property Services, which will be implemented by the end of March 2018.
- 5.17. We will undertake a further follow up review during August 2017 to monitor the progress of implementing the management actions.

## 6. Progress in delivering the Internal Audit Operational Plan 2017/18

- 6.1. Due to the slippage of the work from the 2016/17 Annual Plan, work on the 2017/18 Annual Plan has been slow.
- 6.2. However, the audit team is busy catching up and work is currently ongoing in 14 areas:

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<sup>2</sup> Categorized as High, Medium and Low

<sup>3</sup> Re-assessed according to the Council's risk management framework

- Corporate Safeguarding – First Follow-up
  - Corporate Procurement (2016/17 slippage)
  - Ethical Culture (2016/17 slippage)
  - Housing Benefits (2016/17 slippage)
  - Data Protection and Information Governance
  - Trading Standards – Civil Registrations
  - Council Tax and NNDR
  - Sundry Debtors
  - School Transport
  - Rent Smart Wales Grant 2016/17 certification
  - Creditors
  - Education Improvement Grant 2016/17 certification
  - Licensing Services
  - Pupil Deprivation Grant 2016/17 certification
- 6.3. The Head of Audit and Risk will review and amend the Annual Plan during the year to ensure the coverage remains relevant and risk-based. Changes will be reported to the Audit and Governance Committee at each meeting.
- 6.4. Despite the slow start, the service will complete enough work to allow the Head of Audit and Risk to provide an annual audit opinion at the end of the financial year.

## **7. Updates requested by the Audit and Governance Committee**

- 7.1. At its meeting of 28 March 2017, the Committee requested progress updates on specific items:

### **Corporate Safeguarding Internal Audit Report**

- 7.2. We are in the process of carrying out a follow up review of the Corporate Safeguarding internal audit report published in September 2016. The original review resulted in a 'Limited Assurance' rating.
- 7.3. Within the original report, seven 'High' priority, and 25 'Medium' priority recommendations were made.
- 7.4. Managers responsible for the implementation of recommendations have been interviewed to determine the status of the agreed actions. Where appropriate, we have also conducted audit testing to confirm the controls in place.
- 7.5. Early indications are that reasonable progress has been made in implementing the agreed actions and a draft report was issued on 14 June 2017. We will report

the results of the follow up review to the July meeting of the Audit and Governance Committee.

### **ICT Disaster Recovery**

- 7.6. The result of our follow up work in this area is reported in section 5 above.

### **Children's Services – CSSIW Report**

- 7.7. The Care and Social Services Inspectorate Wales (CSSIW) issued a report in March 2017 following an inspection of the Children Services. This report contained 14 recommendations, seven of which are considered as a priority. Due to the significant concerns identified, CSSIW will consider a re-inspection within 12-18 months.
- 7.8. The Audit and Governance Committee requested assurance from the former Audit Manager that there are processes in place to ensure that the CSSIW recommendations are addressed.
- 7.9. On the 13 and 20 of March 2017, the Head of Children's Services presented a report to Corporate Scrutiny Committee and the Executive, respectively. An action plan was also presented which contained the actions recognised as part of the Service Improvement Plan. A cross-reference is made where relevant to the recommendations made in the CSSIW report. All actions had responsible officers assigned to them and a deadline for completion. It was resolved by the Executive that the Service Improvement Plan incorporates the recommendations arising from the CSSIW report.
- 7.10. The Head of Children's Services presented a progress report on the Children Service Improvement Plan to Corporate Scrutiny Committee on 10 April 2017. Progress against the Improvement Plan will be monitored in monthly meetings chaired by the Assistant Chief Executive (Governance and Business Process Transformation), where lead officers will be expected to complete a highlight report on their active work for each meeting. A high level Gantt chart will be used to track progress and deadlines. Monthly meetings are currently planned to be held with CSSIW and a draft monitoring timescale has been developed.
- 7.11. The monitoring of progress of the Children's Services Improvement Plan is a standing item on the agenda of the Corporate Scrutiny Committee from June 2017 onwards.
- 7.12. We are therefore able to provide assurance to the Audit and Governance Committee that Children's Services have a process in place to ensure the

monitoring of the Service Improvement Plan, which has incorporated the recommendations from the CSSIW report.

# Elected Member Induction

Introduction to the Auditor General for Wales and the Wales Audit Office  
Cyngor Sir Ynys Môn. Isle of Anglesey County Council.

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Date: June 2017  
Author: Gwilym Bury

Agenda Item 7

# Some Questions

- What do you know about the Wales Audit Office/ Deloittes?
- Which, if any, pieces of our work have you heard about?
- What do you think is the role of the Auditor General for Wales/ Wales Audit Office?



# Who are we? – Auditor General for Wales

## The Auditor General for Wales

- Huw Vaughan Thomas – The Auditor General for Wales (AGW)
- Supported by the Wales Audit Office (WAO)
- Independent of the National Assembly for Wales
- Held accountable by the Public Accounts Committee
- Many powers arise from the Government of Wales Act 2006

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# Who are we? – the Wales Audit Office

## Wales Audit Office

- Created 1 April 2005 following merger of the National Audit Office and Audit Commission in Wales
- 250 staff at offices throughout Wales
- Wide public sector coverage
- Our aim is to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes



## Who are we? – Summary of our roles

- The AGW is the auditor of most of the Welsh public sector
- He is the auditor of the Welsh Government and related bodies eg Natural Resources Wales, NHS bodies in Wales and local government bodies in Wales
- Audits public bodies' accounts and has examination and study powers
- The WAO is a statutory board with nine members which monitors and advises the AGW in relation to his work. The WAO provides resources, including staff, to enable the AGW to carry out his work

## Other inspection bodies in Wales

- ESTYN. Her Majesty's Chief Inspector of Education and Training in Wales. Inspects education quality and standards. The word Estyn is a Welsh word meaning 'to reach out' and 'to stretch'.
- CSSIW. Care and Social Services Inspectorate in Wales. Regulate and inspect to improve adult care, childcare and social services for people in Wales
- Comisiynydd y Gymraeg. Welsh Language Commissioner. The Commissioner's main functions include: promoting the use of the Welsh language; and working towards ensuring that the Welsh language is treated no less favourably than the English language by imposing duties on some organisations to comply with standards relating to the Welsh language

# Comissioners in Wales

- Children's Commissioner for Wales
- Older People's Commissioner for Wales
- Future Generations Commissioner for Wales – Well-being of Future Generations (WFG) Act
- Public Services Ombudsman for Wales – complaints about public services and independent care providers in Wales

# Who are we? Our work

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**Financial Audit**

**Performance Audit**



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

## **Other areas of work:**

- Investigations team
- Correspondence
- Public Interest report
  - Good Practice

## Who are we ? – The audit team

Role	Name	Responsibility
Auditor General for Wales	Huw Vaughan Thomas	Appointed Auditor
Engagement Lead Performance Audit	Huw Rees	Quality and overall delivery of performance audit work
Engagement Director	Derwyn Owen	Quality and overall delivery of audit work
Engagement Lead – Financial Audit. Deloitte	Ian Howse	Senior Officer managing the financial audit
Financial Audit Managers. Deloitte	Clare Edge and Michelle Hopton	Leads and co-ordinates financial audit delivery
Performance Audit Manager	Andy Bruce	Managing the performance audit
Performance Audit Lead	Gwilym Bury	Leads and co-ordinates performance audit delivery

# AGW's audit functions: Local government

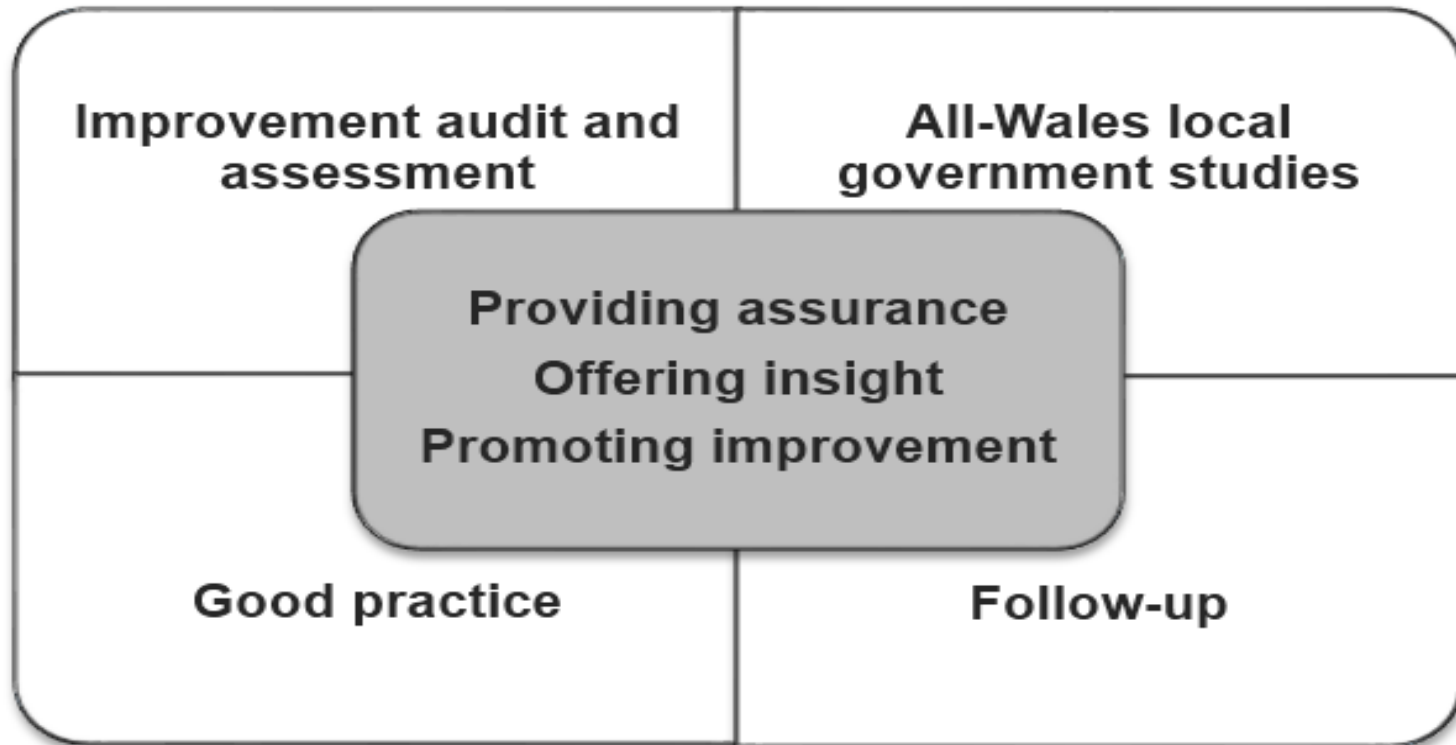
- Examines accounts, but also considers whether body has made proper arrangements for securing economy, efficiency and effectiveness (commonly known as value for money) in its use of resources
- Answers questions from electors and responds to objections at audit (following public inspection of accounts)
- Under the Local Government (Wales) Measure 2009 undertakes audit of local authority improvement planning and performance reporting, improvement assessment and special inspections
- Must do studies for improving value for money, and may do other studies on provision of services
- New duties under WFG Act



## Access rights of the AGW

- Essentially, whenever the access is *necessary* to exercise the auditor's functions from the point of view of the auditor, the auditor will have a right of access.
- If access is necessary for an audit or inspection, auditors will have a right to access:
  - Confidential information, such as submissions to ministers
  - Personal information as defined by the Data Protection Act 1998
  - Information that is subject to legal privilege
  - Personal information and sensitive personal information that may otherwise be subject to protection under the European Convention on Human Rights
  - Information held by third parties
  - Electronic files and IT systems

# Our local government performance audit work



# What do we do? – Performance Audit

- **Improvement Assessment**
  - Annual Assessments of a Council's arrangements to secure continuous improvement/improvement report
  - All-Wales thematic and local risk-based performance audits to review performance and track improvement over time
  - Provide feedback via presentations and local reports, outlining key findings, with recommendations or proposals for improvement
- Certify the **Improvement Plan** and **Annual Performance Report**
- Publish an **Annual Improvement Report (AIR)** for each council
- Publish **National Reports** on local government and wider public sector issues

# What do we do? – Financial Audit

## Audit of the financial statements

- Accounts are prepared in accordance with the relevant Accounting Standards
  - International Audit Standards (ISA) requirements
  - Concept of ‘materiality’
  - ‘True and Fair view’ opinion
  - Properly prepared
- Annual Governance Statement is presented in accordance with guidance and is consistent with our knowledge

## Grant claim certification

- Determine if claims or returns are fairly stated
- Prepared in accordance with terms and conditions



# Comparisons with Internal Audit

## Internal Audit

- Reports to Accounting Officer
- Work programme determined by management and approved by Audit Committee
- Focussed work on all areas of risk for body

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## External Audit

- Scope of work usually within legislation or at auditors' discretion for value for money work
- WAO are statutory auditors
- Work programme determined by WAO based on risks to the audit opinion or specific areas of study

**But....ensure good communication and sharing of knowledge to avoid duplication**



# The AGW and the Well-being of Future Generations (Wales) Act

## The AGW...

- Must carry out examinations of public bodies to assess the extent to which they have acted in accordance with the sustainable development principle when a) setting well-being objectives and b) taking steps to meet those objectives
- Must carry out such an examination at least once in a five-year period
- Must report on the results of the examinations to the National Assembly



# The WFG Act – what we are doing in 2017-18

- Year One Commentary
  - Gathering information on how the 44 bodies subject to the Act are responding to it in the first year and identifying some examples of notable emerging practice with the aim of providing some early insight and supporting improvement
  - Will lead to a national report in early 2018
- Pilot work
  - Working with a selection of individual bodies and one Public Service Board to develop and test new methods that can be used to audit the SD principle and discharge the AGW's responsibilities under the Act in future years



# Reporting arrangements

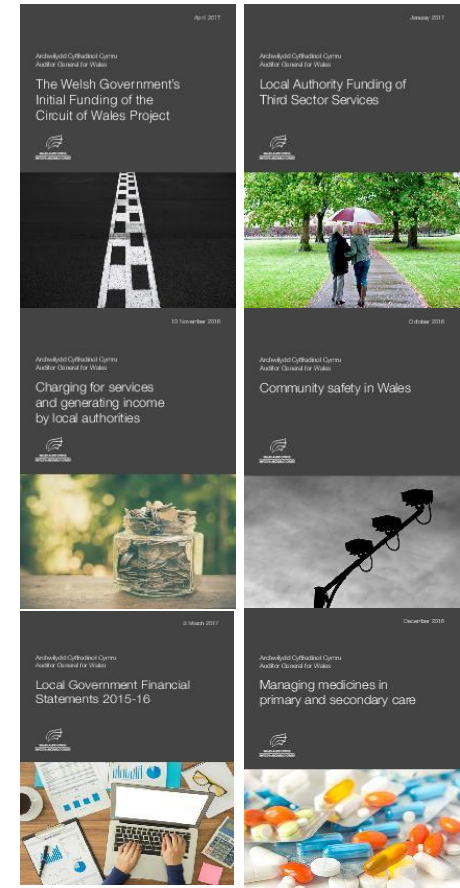
- We expect reports to be taken to a public committee/forum in a timely manner
- Reports usually presented to Audit Committee
- Some reports are presented to scrutiny committees
- A few reports such as the Annual Improvement Report are usually reported to Full Council



# Examples of Recent AGW/WAO reports

- Local Government Financial Statements 2015-16 (March 2017)
- The Welsh Government's Initial Funding of the Circuit of Wales Project (April 2017)
- Local Authority Funding of Third Sector Services (January 2017)
- Charging for services and generating income by local authorities (November 2016)
- Community safety in Wales (October 2016)
- Managing medicines in primary and secondary care

All of the above reports can be accessed on [www.audit.wales](http://www.audit.wales)



# Annual Audit Plan

- A joint Financial audit/Performance audit plan produced in March 2017 that sets out:
  - Our proposed work in Isle of Anglesey County Council
  - When the work will be undertaken
  - How much the work will cost
  - Who will undertake it

# 2017-18 work programme: Performance Audit

- Improvement audit and assessment work
- Service user perspective review
- WFG Year One Commentary
- WFG Scrutiny review
- Local work to be agreed
- National Local Government studies 2017-18 –
  - Using data effectively
  - How well do public services provide services to rural communities
  - Intermediate Care Fund

# 2017-18 work programme: Financial Audit

- **Financial accounts work:**
  - Audit of Financial Statements Report
  - Opinion on Financial Statements
  - Whole of Government Accounts submission
- **Annual Audit Report – finalised November 2017**
- ***Grant Certification work***

Helping public services improve by sharing knowledge and practices that work

- Committed to improving public services across Wales by identifying and sharing good practice
- Run events and online webinars where stakeholders can exchange knowledge face to face and share resources on line, including:
  - financial management
  - public sector staff
  - governance
- All outputs and case studies are available for free via our website



**and finally....**



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***...we're happy to provide help and  
guidance on your role as  
an Audit committee member...***

**Any questions?**



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WALES AUDIT OFFICE  
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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Good Governance when Determining Significant Service Changes – **Isle of Anglesey County Council**

Audit year: 2016-17

Date issued: May 2017

Document reference: 275A2017

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](mailto:info.officer@audit.wales).

The team who delivered the work comprised Andy Bruce and Non Jenkins under the direction of Jane Holownia.

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The Council's governance arrangements for decision making on significant service changes are generally effective, but it recognises that they could be further strengthened.

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# Summary report

## Summary

- 1 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities'<sup>1</sup>.
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 3 From April 2016 councils are required to comply with the Well-being of Future Generations (Wales) Act (WFG Act) and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the WFG Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'<sup>2</sup>. This legislation emphasises the importance of effective governance in achieving well-being goals.
- 4 The focus of this review is on the effectiveness of the Isle of Anglesey County Council's (the Council) governance arrangements for determining service changes. We define service change as any significant change in delivering services and/or any significant change in how services are experienced by external service users. Changes could include the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.
- 5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'Delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, to inform our assessment of the Council's overall

<sup>1</sup> CIPFA/SOLACE, **Delivering Good Governance in Local Government: Framework 2007**

<sup>2</sup> Welsh Government: **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**

arrangement for developing and determining service changes we looked at aspects of decision making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:

- Smarter working review:
- Residual waste management review: and
- Libraries review.

- 6 We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.
- 7 In this review we concluded that **the Council’s governance arrangements for decision making on significant service changes are generally effective, but it recognises that they could be further strengthened.**

## Proposals for improvement

### Exhibit 1: Proposals for improvement

The table below sets out the areas for improvement identified through our review.

Proposals for improvement
Strengthen governance arrangements by: <ul style="list-style-type: none"><li>P1. introducing equality impact assessments at an early stage of the decision making process and to a consistent standard to help the Council analyse its proposals for service change more effectively; and</li><li>P2. developing arrangements for monitoring the impact and benefits of service changes, including explicitly stating what will be monitored, where this will be monitored and who will be responsible for doing so.</li></ul>

# Detailed report

## The Council's governance arrangements for decision making on significant service changes are generally effective, but it recognises that they could be further strengthened

### The Council has a clear vision and strategy for determining service change proposals

- 8 The Council has a clear framework for determining service change proposals, which is linked to its vision, Corporate Plan 2013-17 and latest Improvement Plan.
- 9 The Council's framework for determining service change is influenced by its service challenge process, which is conducted twice per year across all services. The service challenge process focuses on a particular service's performance, financial situation and any proposals to make service changes including potential impact on the public or users. The Council's Service Challenge Panel (SCP) administers the service challenge process and consists of senior officers and members, including portfolio holders for the service. The SCP challenges heads of service on proposed changes to service provision including asking three key questions – what the service will continue to do?; what the service will stop doing?; and what the service will change to make efficiencies?
- 10 Significant service changes are project managed by one of two of the Council's transformation boards, which include a senior responsible officer, project officer and members. More specialised staff, such as the Monitoring and Section 151 officers, support the transformation boards. The transformation boards are responsible for monitoring progress through to the implementation stage, but the Council's Cabinet makes the final decision on any service change.
- 11 Service change decisions take account of cross-cutting issues such as equalities, sustainability and Welsh Language implications reflecting the Council's desire to promote its communities, the Welsh language and sustainability of resources within the county.
- 12 The Council sets clear objectives for service changes and outlines the key reasons for such changes from an early stage, including reducing costs that stem from budget cuts and the service challenge process. Objectives such as improving service quality for users, reducing liability and risks associated with services and the continued sustainability of services are included. Some examples include:
  - changes through the smarter working review is helping to change working culture and practices to achieve efficiency targets, whilst improving front line

service and access to customers, which has been recognised by [Good Practice Wales](#)<sup>3</sup>;

- service changes to residual waste collection to increase public recycling rates while reducing waste which goes to landfill, so meeting Welsh Government targets; and
  - the library services review based on objectives of maintaining services at a reduced cost but maintaining the Welsh public library standards<sup>4</sup>.
- 13 Members and officers clearly know the importance of balancing short-term needs while safeguarding the ability to meet longer-term objectives. However, the Council's approach to meeting its responsibilities under the Well-being of Future Generations (Wales) Act 2015, including acting in accordance with the sustainable development principle in setting objectives for service changes at the Council, is still developing.

### Decision making roles are understood but processes for the Council's transformation boards and scrutiny committees could cause some duplication

- 14 Roles and responsibilities for service change decision making have evolved since the creation of the transformation boards and boundary changes to Council wards, which reduced the number of members from 40 to 30. In the last two years, the Council has restructured its Senior Leadership Team and the number of heads of service have reduced by nearly half. Despite the changes, members and senior officers continue to demonstrate a good understanding of their individual roles and responsibilities in the decision making process for service change. Each committee operates within the scope of its role. However, the subsequent reduction of members and their continued commitments to roles in the Cabinet, Shadow Cabinet and various committees, including scrutiny, has increased their workload. Therefore, some members attend both the transformation boards and scrutiny committees. This is not a significant issue and the transformation boards can address potential issues before proposals proceed to formal scrutiny and Cabinet. However, there is some repetition of discussions at scrutiny meetings. The Council is aware of the issue and is presently conducting a review of its governance procedures.
- 15 Senior officers regularly engage with, and provide support to, members involved in service change decision making, including transformation boards and scrutiny committees. Draft proposals and reports on service change are subject to legal and

<sup>3</sup> Good Practice Wales is a single access online portal to Welsh Public Services good practice and knowledge

<sup>4</sup> The Welsh public library standards measure the performance of library services across Wales

financial comment from officers prior to advancing further through the decision making process.

- 16 The Council is still at an early stage of revising its governance arrangements to address the requirements of the WFG Act, but has amended its reporting templates accordingly.

### **Business cases for service change provide a good range of information but the longer term impact of proposals could be better defined**

- 17 The Council considers a reasonable range of options for service change. Options range from significant to minor changes to services. Depending on the nature of the service change, some options are developed in consultation with service users, stakeholders, communities, Council staff and the voluntary sector (Medrwn Môn). Of the business cases we reviewed, most were comprehensive and described in detail a number of alternative options. Members consider they are provided with appropriate information and a good range of options to inform their decisions on service change. However, some members indicated the longer term impact of service changes could be better defined and, from our survey, some stakeholders and officers believe the Council does not sufficiently consider the long-term impact of service changes.
- 18 The criteria used to appraise service change is generally consistent and considers the balance between cost and benefits to the public. The criteria include defining the objectives for change, information on service standards and quality, potential risks, financial aspects, and the sustainability of the service.
- 19 Appropriate information is given to members on the range of options to inform their decisions on service change. If issues that are more technical arise, members are supported through workshops, guidance and advice from officers.
- 20 The Council has arrangements to enable scrutiny and challenge of service change proposals and options appraisal processes. This starts early in the process at service challenge meetings and subsequently, through the transformation boards. When the decision is made to proceed, the options are subject to formal scrutiny before proceeding further, and there are examples of robust challenge to some service proposals.
- 21 As officers are involved in the service challenge panels and transformation boards, they have suitable opportunities to liaise with members on proposals and options appraisals.
- 22 Decisions regarding service change proposals are recorded with minutes and reports to Council, Cabinet, and scrutiny committees available on the Council's website. Discussions at full Council meetings are webcast and historical papers are also accessible via the website and can be requested in different formats.



## The Council has clear procedures that encourage stakeholders to engage in decision making and is acting to strengthen its engagement arrangements

- 23 Consultation and engagement has steadily improved over the last few years and the Council's arrangements enable opportunities for stakeholders and the public to engage and provide feedback on proposed service changes. All significant service changes are developed with public, stakeholder and Council staff involvement. From the sample of service changes we reviewed, all were developed from the Council's Corporate Plan 2013-17 which included engagement from the public, stakeholders, staff, and members.
- 24 The Council has agreed a public consultation protocol with Medrwn Môn who provide external engagement expertise and support voluntary and community groups on the island. Through this partnership, Medrwn Môn has developed a joint Engagement and Consultation Board (Board) with the Council and adopted the Community Voice principles<sup>5</sup> of engaging with hard to reach communities. The Board has representation from across the Council, including officers and elected members, Community Voice and Medrwn Môn staff. The Council has adopted the [National Principles for Public Engagement](#)<sup>6</sup> to help engage more effectively with the public and stakeholders in general.
- 25 The Council engages with stakeholders following the identification of potential service changes and takes into account the Council's equality duty in relation to engagement. However, it is not entirely clear how robust engagement captures all diverse groups potentially affected, although there are examples where the Council effectively involves some groups in service change proposals such as the work with Community Voice.
- 26 Equality impact assessments are conducted to appraise the anticipated impact of service change proposals but vary in quality from thorough and wide ranging to those more limited in their scope. However, the Council is aware that equality impact assessments could be strengthened, including introducing them earlier into the service change process. The Council, is however, considering a number of options to help improve service change decision making which embed the requirements of the 2011 Equality Act and the WFG Act.
- 27 The Council's Strategic Equality Plan published in April 2016 includes its arrangements to identify and collect relevant equality information. It highlights engaging with protected groups in assessing the likely impact of any policies and

<sup>5</sup> Community Voice is the project to increase the engagement of individuals and communities in the design and delivery of public services on Anglesey

<sup>6</sup> The National Principles for Public Engagement are an overarching set of principles aimed at Public Service organisations across all sectors in Wales and developed by Participation Cymru.

practices that the Council is proposing, reviewing or revising. The Council has identified a number of listed groups who are considered as representative of one or more of the protected groups. It is working with Medrwn Môn to continue to develop the approach and ensure it complies with the duty to engage appropriately.

- 28 In the service changes we looked at, decision making arrangements enable opportunities for stakeholders and the public to engage and provide feedback. The consultations are signposted and accessible on the Council's website and from our survey most partners agree the Council engages them when determining significant service changes.
- 29 Consultations relating to service change are initially well publicised by the Council, both on its website and through a range of other media in Anglesey. When any potential service change enters the formal scrutiny and governance stages, minutes, agendas and reports from committees which discuss service change and information regarding consultation exercises are available online and signposted.

### **The Council monitors the impact of its service change decisions but could do more to review and reflect on the benefits following implementation**

- 30 The Council has identified the general direction and some performance measures it needs for monitoring the delivery, performance and financial impact of service changes. Monitoring and evaluation arrangements are included in service change proposals and are regularly reported and presented to the transformation boards and the Senior Leadership Team.
- 31 The Council's Constitution sets out who is responsible for monitoring service changes. The Head of Corporate Transformation is accountable for the leadership and delivery of the Council's transformation programme of work, but each service change has a senior responsible officer who is accountable for monitoring the impact or benefits of decisions.
- 32 All significant service changes have business plans, which explain the arrangements for monitoring decisions through the transformation boards and Senior Leadership Team. Most service change plans explain how the Council expects to monitor success, with explicit success criteria appropriate and proportionate to the individual service change. The Council acknowledges that while it devotes much time to preparing proposals and implementing service changes it spends less time evaluating their impact. Whilst the Council intends all its departments to review and evaluate the outcomes of changes, there is not always sufficient resource or time available for them to thoroughly review and reflect.
- 33 Suitable monitoring arrangements are in place to manage savings. Cabinet and Council reports explain how financial savings will be monitored and reported and arrangements are in place to monitor the realisation of anticipated budget savings.

## The council annually reviews the effectiveness of its decision making arrangements and is aware of areas where it can improve

- 34 The Council is aware of its strengths and weaknesses and is open to advice from external regulators to help improve its arrangements. The Annual Governance Statement clearly sets out how the Council operates and the process for policy and decision making. The Constitution was recently updated in December 2016 to reflect the changes introduced following the 2013 Local Government Elections, the requirements of the Local Government (Wales) Measure 2011 and the changes following the senior leadership restructure. The Council plans to revisit its Constitution as decision making arrangements evolve.
- 35 The Annual Governance Statement includes a summary of the actions the Council is undertaking to improve its governance including decision making for service changes. The Council changed the structure and operation of the scrutiny process reducing five scrutiny committees to two. It also reorganised its transformation boards to reflect its revised scrutiny model. Twice-yearly service challenge meetings were introduced along with major changes to the Senior Leadership Team and heads of service structure to simplify decision making arrangements and improve accountability. The Council has recently commissioned the [Centre for Public Scrutiny](#) to review their current scrutiny arrangements including their transformation programme.
- 36 The Council is aware of the risks in determining service changes and includes risk within the monitoring reports for individual service changes and reports to the transformation boards.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2016-17 Isle of Anglesey County Council

Issued: June 2017

Document reference: 337A2017



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Gwilym Bury and Andy Bruce under the direction of Huw Rees.

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**Auditor General for Wales**  
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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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# Summary report

## 2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Isle of Anglesey County Council's (the Council) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.



## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, and publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2016-17

### Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Governance</b>			
May 2017	<p><b>Good governance when determining service changes</b></p> <p>Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council's governance arrangements for decision making on significant service changes are generally effective, but it recognises that they could be further strengthened.</p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> <li>the Council's governance arrangements for decision making on significant service changes are generally effective, but it recognises that they could be further strengthened;</li> <li>the Council has a clear vision and strategy for determining service change proposals;</li> <li>decision making roles are understood but processes for the Council's transformation boards and scrutiny committees could cause some duplication;</li> <li>business cases for service change provide a good range of information but the longer term impact of proposals could be better defined;</li> <li>the Council has clear procedures that encourage stakeholders to engage in decision making and is acting to strengthen its engagement arrangements;</li> <li>the Council monitors the impact of its service change decisions but could do more to review and reflect on the benefits following implementation; and</li> <li>the Council annually reviews the effectiveness of its decision making arrangements and is aware of areas where it can improve.</li> </ul>	<p>Strengthen governance arrangements by:</p> <p>P1 Introducing equality impact assessments at an early stage of the decision making process and to a consistent standard to help the Council analyse its proposals for service change more effectively.</p> <p>P2 Developing arrangements for monitoring the impact and benefits of service changes, including explicitly stating what will be monitored, where this will be monitored and who will be responsible for doing so.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
December 2016	<p><b>Annual audit letter 2015-16</b> Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>the Council complied with its responsibilities relating to financial reporting and use of resources;</li> <li>the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources;</li> <li>the audit of the accounts has been completed on 30 September 2016; and</li> <li>work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.</li> </ul>	None
March 2017	<p><b>Savings planning</b> Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<p>Whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience.</p> <p>We came to this conclusion because:</p> <p><b>Savings achievement 2015-16</b></p> <ul style="list-style-type: none"> <li>The Council has reported achievement of 82% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered.</li> </ul> <p><b>Financial planning arrangements</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><b>Savings Plan 2016-17</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> <li>developing an Income Generation/ Charging Policy;</li> <li>developing indicative savings plans to cover the period of the MTFP;</li> <li>embedding the requirements of the Wellbeing of Future Generations (Wales) Act 2015;</li> <li>improving the links between its Corporate Plan and MTFP; and</li> <li>strengthening arrangements to monitor the progress of unachieved savings in future years.</li> </ul>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
<b>Review of Absence Management</b>			
May 2017	<b>Review of Attendance Management</b> Review of the Council's Attendance Management arrangements.	The Council has significantly improved its corporate arrangements to manage attendance by introducing more robust absence policies and procedures. We came to this conclusion because: <ul style="list-style-type: none"> <li>the Council has strengthened its policies and procedures for managing attendance;</li> <li>the Council has prioritised attendance management and has strengthened its approach which is robust and challenging; and</li> <li>the Council's management of Council staff attendance has significantly improved and it is proactive in holding schools to account for attendance management.</li> </ul>	P1 In order to provide the necessary challenge to schools with regard to their attendance management arrangements, the Council should continue to ensure that it has the capacity to provide each school with monthly comparative data on teacher and non-teacher absence rates and provide each school with the necessary support and guidance to implement attendance management arrangements.  P2 The Council should consider schools' attendance performance in its quarterly reports to the Executive and Corporate Scrutiny Committee on Council services.
June 2016	<b>Wales Audit Office annual improvement plan audit</b> Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None
November 2016	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Reviews by inspection and regulation bodies</b>			
March 2017	<b>Care and Social Services Inspectorate Wales (CSSIW)</b> <b>Inspection of Children's Services</b>	<p>The report can be accessed via this link:  <a href="#">Inspection of Children's Services: Isle of Anglesey County Council</a></p> <p><b>Findings</b></p> <p>A. Access Arrangements</p> <p>We found that access arrangements to preventive and statutory services were established and offered bilingually. Eligibility criteria for team around the family services were well embedded and shared with partners. However, the local authority's information, advice and assistance services and prevention arrangements were insufficiently developed. The council was responsive where there was an immediate indication that a child was at risk but the understanding of thresholds between partners and children's services was inconsistent. Multi agency work to address this was urgently needed. Referral information received from partners was poor. Children's services were diligent in respect of collecting missing information but analysis of (re)referrals was variable and too often cases that should have progressed to an assessment did not do so. All staff were clearly committed to improving the lives of the children and families they worked with, but the duty &amp; assessment team did not have sufficient capacity, experience or senior management support to effectively deliver good quality outcomes for children and families. Management oversight of decision making was insufficient.</p>	<p><b>Recommendations</b></p> <p>Recommendations as a priority:</p> <ol style="list-style-type: none"> <li>1. The authority should progress its commitment to developing a framework for the provision of preventive work with children and families that will deliver an integrated service and provide early help and support that effectively delays the need for care and support.</li> <li>2. Effective, multi-agency quality assurance systems and training arrangements should be established to ensure that thresholds for assessment to statutory children's services are understood by staff and partners and are consistently applied; this should include the development of a multi-agency child protection thresholds protocol incorporating recent Welsh Government guidance.</li> <li>3. Senior leaders in social services and the police should continue to work proactively together to ensure improvements to the quality, consistency and timeliness of child protection enquiries.</li> </ol>

Issue date	Brief description	Conclusions	Proposals for improvement
		<p>B. Safeguarding and assessment</p> <p>The quality and timeliness of child protection enquiries was inconsistent. The process for organising strategy discussions was not effective and did not routinely include information from all relevant partners. New arrangements had been confirmed and urgent action was required to ensure that these were clearly understood, implemented consistently and that as a result unacceptable delays to child protection enquiries were avoided in future. Assessments were of a variable quality; where they were good there was evidence of utilising a range of information to inform the risk analysis. Social workers made persistent attempts to elicit the children's wishes and feelings and some good use was made of informal advocacy to support children to make best use of support offered. However, good social work practice reflected in the content of some assessments was undermined by the limited range of resources available to support work with children and families and lack of sufficiently experienced and stable operational management and staff across the long-term child care teams. Frequent changes in social worker resulted in a loss of impetus that impacted on engagement with families. Although most assessments were shared with children and families, lack of effective engagement resulted in them not being sufficiently clear about the purpose of the help, care and support and/or protection they received. The quality of recording throughout the assessment</p>	<p>4. The council should continue to support senior leaders to improve their knowledge and understanding of the complexities and risks involved in delivering children's services to assure themselves, partners, staff and communities that their responsibilities are discharged to maximum effect.</p> <p>5. A robust workforce strategy should urgently be developed to include short, medium and long term aims for recruitment and retention of social workers.</p> <p>6. Arrangements for team managers and senior practitioners should be reviewed to ensure capacity to effectively and consistently provide management oversight of decision making, challenge and direction for staff across the service; a leadership and development programme should be made available to build resilience.</p> <p>7. Senior leaders should take steps to improve the frequency, consistency and quality of front line staff supervision; an assurance mechanism must be implemented to ensure compliance and quality.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
		<p>process was poor and consequently hampered those taking over a case from swiftly understanding the needs and risks associated with children and families. This was of particular significance given the high level of churn within the workforce. Management oversight of the quality of assessment was insufficiently robust in terms of challenge and quality control.</p>	<p>Recommendations over the next 12 months:</p> <ol style="list-style-type: none"> <li>8. Strong political and corporate support for children's services must continue to ensure the service improvements needed are prioritised and the pace of improvement accelerated and sustained.</li> <li>9. Multi-agency arrangements should be established to strengthen operational plans to support effective co-ordination of statutory partners' completion of Joint Assessment Frameworks.</li> <li>10. The quality of assessments and plans should be improved to ensure that they are consistently of a good quality, with a clear focus on the needs, risks and strengths of children and families, and that desired outcomes, timescales and accountabilities for actions are clear.</li> <li>11. The quality and consistency of record keeping should be improved; all staff and managers should ensure that their records are of good quality, are up to date and are systematically stored.</li> </ol>

Issue date	Brief description	Conclusions	Proposals for improvement
			<p>12. The local authority and partners should work together to develop a cohesive approach to the collection and analysis of information about the needs of communities, that includes the voices of children and families. This should be used to inform the shaping of strategic plans to achieve effective alignment of service delivery between information, advice and assistance services, the preventive sector and statutory services.</p> <p>13. Performance management and quality assurance arrangements, including scrutiny of service demand and routine auditing of the quality of practice, needs to be embedded so that managers at all levels have timely, relevant and accurate performance and quality assurance information to enable them to do their jobs effectively and to deliver improvements.</p> <p>14. Caseloads and reports regarding the quality of workers' performance should be continuously monitored to ensure there is sufficient capacity for workers to engage effectively with children and their families.</p>



# Appendix 1

## Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2

## Annual Audit Letter

Dr Gwynne Jones  
Councillor Ieuan Williams  
Council Offices  
Llangefni  
Anglesey  
LL77 7TW

Reference: IH15-16

Date issued: 1 December 2016

Dear Gwynne and Ieuan

### Annual Audit Letter – Isle of Anglesey County Council 2015-16

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 30 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 21 September 2016. I do not need to bring anything to your attention in this letter.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

**I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2016.**

**My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.**

The financial audit fee for 2015-16 is currently being discussed with the Section 151 Officer due to additional work needed to complete the audit.

Yours sincerely

**Ian Howse**

**For and on behalf of the Auditor General for Wales**

# Appendix 3

## National report recommendations 2016-17

### Exhibit 2: national report recommendations 2016-17

Date of report	Title of review	Recommendation
August 2016	<a href="#">Financial Resilience of Local Authorities in Wales 2015-16</a>	<p>In our report of 2014-15 (<b>The Financial Resilience of Councils in Wales</b>, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> <li>• developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans;</li> <li>• aligning other key strategies such as workforce and asset management plans with the MTFP;</li> <li>• developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget;</li> <li>• categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and</li> <li>• ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned.</li> </ul> <p>R2 Local authorities should develop corporate income generation and charging policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop key performance indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p>

Date of report	Title of review	Recommendation
October 2016	<a href="#">Community Safety in Wales</a>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better coordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services;</li> <li>• ensuring performance information covers the work of all relevant agencies; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny.</li> </ul> <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> <li>• developing plans and priorities for community safety;</li> <li>• agreeing priorities for action; and</li> <li>• reporting performance and evaluating impact.</li> </ul>

Date of report	Title of review	Recommendation
November 2016	<a href="#"><u>Charging for Services and Generating Income by Local Authorities</u></a>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> <li>• regularly reporting any changes to charges to scrutiny committee(s);</li> <li>• improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;</li> <li>• benchmarking and comparing performance with others more rigorously; and</li> <li>• providing elected members with more comprehensive information to facilitate robust decision making.</li> </ul> <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>

Date of report	Title of review	Recommendation
January 2017	<a href="#">Local Authority Funding of Third Sector Services</a>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third sector bodies in developing their working practices, we recommend that local authority and third sector officers use the <a href="#">Checklist for local authorities effectively engaging and working with the third sector</a> to:</p> <ul style="list-style-type: none"> <li>• self-evaluate current third sector engagement, management, performance and practice;</li> <li>• identify where improvements in joint working is required; and</li> <li>• jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation.</li> </ul> <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

## AUDIT & GOVERNANCE COMMITTEE

### FORWARD WORK PROGRAMME

28 June 2017

Contact Officer:	Marion Pryor
	Head of Internal Audit & Risk
E-Mail:	<a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
Telephone:	01248 756211

Date	Subject	Responsible Officer (including e-mail address)
28 June 2017	<b>Draft Report of the Head of Function (Resources) / S151 Officer regarding the Annual Finance and Governance Report 2016/2017</b>	<b>Head of Function (Resources) / S151 Officer</b> <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
28 June 2017	<b>Annual Governance Statement Action Plan 2015/16</b> To report on the progress made in relation to the recommendations contained within the Annual Governance Statement Action Plan 2015/16.	<b>Programme, Business Planning &amp; Performance Manager</b> <a href="mailto:GethinMorgan@ynysmon.gov.uk">GethinMorgan@ynysmon.gov.uk</a>
28 June 2017	<b>Internal Audit Annual Report 2016/17</b> The Public Sector Internal Audit Standards requires the chief audit executive to deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.  A report from the former Audit Manager on the conclusion of the internal audit work carried out during 2016/17.	<b>Audit Manager</b> <a href="mailto:SionedParry@ynysmon.gov.uk">SionedParry@ynysmon.gov.uk</a>
28 June 2017 25 July 2017 21 September 2017 5 December 2017 13 February 2018	<b>Internal Audit Update</b> An update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.	<b>Head of Internal Audit &amp; Risk</b> <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>

Date	Subject	Responsible Officer (including e-mail address)
28 June 2017	<b>Internal Audit Progress Update on specific items:</b> <ul style="list-style-type: none"> <li>• Corporate Safeguarding</li> <li>• ICT Disaster Recovery</li> <li>• Children's Services – CSSIW Report</li> </ul>	<b>Head of Internal Audit &amp; Risk</b> <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
28 June 2017	<b>Public Sector Internal Audit Standards (PSIAS) – External Assessment and Action Plan</b> To consider the report issued following the external assessment by the former Head of Internal Audit, Denbighshire County Council and the Head of Audit and Risk's Action Plan developed to respond to the improvement areas identified.	<b>Head of Internal Audit &amp; Risk</b> <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
28 June 2017	<b>Annual Governance Statement 2017/18</b> The Audit and Governance Committee is requested to comment on the content of the draft Annual Governance Statement 2016/17 and contribute to the evaluations, conclusions and recommendations proposed to further develop or strengthen elements of the Council's governance arrangements during 2017/18.	<b>Programme, Business Planning &amp; Performance Manager</b> <a href="mailto:GethinMorgan@ynysmon.gov.uk">GethinMorgan@ynysmon.gov.uk</a>
25 July 2017 13 February 2017	<b>Corporate Risk Register</b> To consider the corporate risks detailed in the Register.	<b>Insurance &amp; Risk Manager</b> <a href="mailto:JulieJones@ynysmon.gov.uk">JulieJones@ynysmon.gov.uk</a>
21 September 2017 13 February 2018	<b>Progress made on External Regulatory Reports</b> The Audit and Governance Committee is requested 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.	<b>Programme, Business Planning &amp; Performance Manager</b> <a href="mailto:GethinMorgan@ynysmon.gov.uk">GethinMorgan@ynysmon.gov.uk</a>

Date	Subject	Responsible Officer (including e-mail address)
21 September 2017	<p><b>Half Yearly Report on Treasury Management for 2017/18</b></p> <p>The report will detail the Council's position with regards compliance with its Treasury Management Strategy and Investment Strategy. The Audit and Governance Committee is requested to note the current position on investments and borrowing.</p>	<p><b>Head of Function (Resources) / S151 Officer</b>  <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a></p>
21 September 2017	<p><b>Treasury Management Activity and Actual Prudential Indicators for 2017/18</b></p> <p>The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2017/18. The report also covers the actual Prudential Indicators for 2017/18 in accordance with the requirements of the Prudential Code.</p>	<p><b>Head of Function (Resources) / S151 Officer</b>  <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a></p>
21 September 2017	<p><b>Housing Benefit and Council Tax Benefit Investigations</b></p> <p>The report will set out the details of the claims successfully investigated by the Benefits Investigation Team.</p>	<p><b>Head of Function (Resources) / S151 Officer</b>  <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a></p>
21 September 2017	<p><b>Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2016/2017</b></p> <p>The Audit and Governance Committee is charged with approving the accounts on behalf of the Council. The Audit and Governance Committee is therefore required to:</p> <ul style="list-style-type: none"> <li>• approve the Annual Finance and Governance Report 2016/17, including the Statement of Accounts 2016/17,</li> <li>• receive the Appointed Auditor's report on the accounts and the ISA 260, and to</li> <li>• approve the Final Letter of Representation.</li> </ul>	<p><b>Head of Function (Resources) / S151 Officer</b>  <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a></p>

Future Items		
<p><b>March 2018</b></p>	<p><b>Internal Audit Strategy and Annual Plan 2018/19</b>  The Public Sector Internal Audit Standards 2017 requires the chief audit executive to present the Internal Audit Strategy and Annual Plan to the Audit and Governance Committee for approval.</p>	<p><b>Head of Internal Audit &amp; Risk</b>  <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a></p>

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