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CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

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RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO A LLYWODRAETHU	AUDIT AND GOVERNANCE COMMITTEE
DYDD MAWRTH, 25 GORFFENAF, 2017 am 2 y. p.	TUESDAY, 25 JULY 2017 at 2.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI	COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

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

Dilwyn Evans, 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 JUNE, 2017 MEETING (Pages 1 - 12)

To present the minutes of the previous meeting of the Audit and Governance Committee held on 28th June, 2017.

ARISING THEREON

To receive a verbal report by the Head of Housing Services in relation to the two Limited Assurance audit in relation to the Housing Maintenance Unit in Gaerwen.

3 INTERNAL AUDIT UPDATE (Pages 13 - 20)

To present an update on Internal Audit activities.

4 EXTERNAL AUDIT:PERFORMANCE WORK PROGRAMME UPDATE (Pages 21 - 34)

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

5 ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE (Pages 35 - 46)

To present the Annual Report of the Audit and Governance Committee for 2016/17.

6 ANNUAL TREASURY MANAGEMENT REPORT (Pages 47 - 64)

To receive a report by the Head of Function (Resources)/Section 151 Officer.

7 FORWARD WORK PROGRAMME (Pages 65 - 70)

To submit a report by the Head of Internal Audit and Risk.

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 28 June, 2017

- PRESENT:** Councillor Peter Rogers (Chair)
Councillor R. Llewelyn Jones (Vice-Chair)
- Councillors Richard Griffiths, G.O. Jones, Dylan Rees
Margaret Roberts, Robin Williams
- Lay Members: Dilwyn Evans and Jonathan Mendoza
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Internal Audit Manager (SP)
Senior Internal Auditor (ECW)
Performance Advisor (Improvement) (NE) (for item 3)
Committee Officer (ATH)
- APOLOGIES:** Councillor Alun Roberts
- ALSO PRESENT:** Councillor Llinos Medi Huws (Leader), John Griffith (Portfolio Member for Finance – from item 6 onwards), Chief Executive, Accountancy Services Manager (BHO), Finance Manager (CK) (for item 3), Mr Andy Bruce (Performance Audit Manager – Wales Audit Office), Mr Gwilym Bury (Performance Audit Lead - Wales Audit Office)
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1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 9TH FEBRUARY, 2017 MEETING

The minutes of the previous meetings of the Audit and Governance Committee held on the dates noted below were presented and confirmed as correct –

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

3. STATEMENTS OF ACCOUNTS 2016/17 AND ANNUAL GOVERNANCE STATEMENT

The report of the Head of Function (Resources) and Section 151 Officer incorporating the draft pre-audit Statement of Accounts for the 2016/17 financial year along with the draft Annual Governance Statement 2016/17 was presented for the Committee's consideration.

The Head of Function (Resources) and Section 151 Officer reported that the Council has a statutory duty to approve and publish a Statement of Accounts for each financial year. Before External Audit can commence, the Section 151 Officer is required to sign the Statement of Responsibilities for the Statement of Accounts prior to the statutory deadline of 30th June each year. Whilst the Statement is produced annually to give electors, local taxpayers, Members of the Council, employees and other interested parties information about the Council's finances, it is a technical document and is set out in a form prescribed by accounting regulations and practices.

The Officer referred to and elaborated on the key statements contained within the accounts as follows:

- **The Narrative report** which provides a guide to the most significant matters reported in the accounts including the main influences on the financial statements thereby linking the Council's activities and challenges to how these impact on its financial resources.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this 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. There are items within the Statement which are included due to accounting requirements e.g. depreciation which are then removed from Council Tax setting because as accounting items, they do not relate to how services are funded and are not true costs which affect Council usable balances. The CIES shows a deficit on the provision of services of £8.548m.
- **Expenditure and Funding Analysis** – this shows the information in the CIES but with the accounting adjustments cancelled out (Note 7); this helps to identify usable Council balances without the accounting adjustments. The first column of the Expenditure and Funding Analysis provides the real impact of the year's financial performance on the Council and the HRA's balances and reserves. When the accounting adjustments are cancelled out, the true impact of the Council's cost of services (including the HRA) is reduced to £2.743m for the year giving 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 (MIRS)** – this shows movement in the year to and from the reserves held by the Council divided into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The statement shows the true economic cost of providing the Authority's services and how those costs are funded from the various reserves. The Statement shows that the General Council Reserve reduced by £0.189m for 2016/17 resulting in a total general reserve of £8.687m. The Housing Revenue Account (HRA) generated a surplus of £453k with a total HRA balance at 31 March, 2017 of £7.495m. Earmarked reserves were used as noted above. School balances also reduced (mainly in the secondary sector) resulting in an overall reduction in usable reserves despite a positive financial performance against 2016/17 budgets.
- **The Balance Sheet** – this 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. The Balance Sheet reflects a good financial position at the end of 2016/17 with a net value of £165.811m, a reduction of £8.249m from the previous year mainly due to changes to the financial assumptions used by the pension actuary when calculating the pension net liability. The Council's pension liability has increased from £95.022m to £105.509m.
- **The Cash Flow Statement** – this shows the changes in cash and cash equivalents of the Council during the reporting period. Cash and cash equivalents at the financial year stood at £14.9m. Cash surpluses are invested in different ways in various accounts in accordance with the Treasury Management Strategy as approved by the Council.
- **The Notes to the core Financial Statements** provide more details about the Council's accounting policies, items and figures contained within the statements. The Officer highlighted the notes likely to be of main interest to the Council's stakeholders in reading the statements.
- **The Annual Governance Statement for 2016/17** – this sets out the processes, systems, principles and values according to which the Council conducts its business and activities. The Statement enables the Council to assess whether it has achieved its strategic objectives in 2016/17 as set out in the Corporate Plan.

The Head of Function (Resources) and Section 151 Officer highlighted the key achievements, issues and risks affecting the Council as set out in paragraph 3.3 of the narrative report. In 2016/17, the Council reported an underspend of £326k against planned activity of £124m, and it achieved £3.4m of savings. The impact of an underspend means that the Council added £447k to the General reserves. The Council maintains reserves balances to meet the cost of unforeseen demands and events. Section 3.4.2 of the report refers to the Council's capital expenditure including how the capital programme is funded and the Council's borrowing commitments. At 31 March, 2017, the Authority's Capital Financing Requirement which is a measure of the Council's underlying borrowing need was £134.014m which is well within the Authorised Borrowing Limit of £169m in the Treasury Management Strategy Statement approved by Council.

The Committee considered the information presented and raised the following points –

- The Committee noted that one of the significant changes on the Balance Sheet relates to the Council's pension reserve where the Council's liability has increased by £10.487m. The Committee sought clarification whether this is matter for concern and whether it is likely to have an impact other than on the financial statements in terms of the Council's financial position in the future. The Head of Function (Resources) and Section 151 Officer said that the pension deficit figure relates to the Council's liabilities with regard to the payment of pensions and benefits in future years in the event that the pension fund summarily closes which scenario is very unlikely. The increased pension liability is based on actuarial valuations based on a number of assumptions. The Council's contributions 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's Fund's Actuary. Variations in the Fund's performance are common as investments go up and down according to market conditions. The latest actuarial evaluation determined that there should be no increase in the Council's contribution rate to the Pension Fund as it was considered sufficient to help bring down the deficit over time. The Officer confirmed that the Pension Fund position had improved considerably over the past few years and that professionally he did not consider the deficit to be an issue of immediate concern.
- The Committee sought clarification of whether the Council benchmarks its contributions rates and payments with those of other local authority pension funds. The Head of Function (Resources) and Section 151 Officer said that such information is obtainable from other local authorities' statements of their accounts. The contribution rates vary amongst local authorities and are based not only on the Pension Fund performance but also on historical decisions such as the early release of staff as part of local government reorganisation. Decisions to release staff early means there are fewer staff to contribute to the Fund whilst the liabilities of the Fund increase as more staff draw benefits from it over a longer period.
- The Committee noted that notwithstanding a positive financial performance in 2016/17, there was an overall reduction in the Council's usable reserves. The Committee sought assurance that the Council has sufficient funds in reserve to be able to guard against financial risks and emergencies. The Head of Function (Resources) and Section 151 Officer said that maintaining a healthy reserves balance allows the Council to invest in service transformation and business process improvements with a view to securing ongoing efficiencies; this is the Council's strategy for the utilisation of reserves; it is not considered that reserves should be used routinely to balance the budget or to fund lower Council Tax increases. Whilst as a general rule of thumb, 5% of the net revenue budget is considered to be an acceptable level for the general fund reserves balance, the Council is looking to maintain £6m as a minimum level in order to provide leeway to be able to respond to issues arising such as residual Equal Pay claims and additional pressures on service budgets where annual reductions have left little room for manoeuvre.
- The Committee sought clarification of the role of capital receipts in budget planning and setting. The Head of Function (Resources) and Section 151 Officer said that receipts from the sale of assets are used to reduce the Council's indebtedness or to contribute towards funding new capital investment. For example, the proceeds from the sale of former school buildings are earmarked as a contribution towards the construction of planned new schools. Capital receipts help reduce the Council's level of borrowing.
- The Committee noted that there has been additional investment in Children's Services in 2016/17 and it sought clarification of where the extra funding was derived from. The Head of Function (Resources) and Section 151 Officer said that a better than expected revenue settlement in 2016/17 and 2017/18 has allowed the Council the scope to fund some additional growth; Children's Services have been identified as a priority area for the receipt of additional funding.

It was resolved to note the draft Statement of Accounts 2016/17 prior to its review by External Audit.

NO FURTHER ACTION ENSUING

4. INTERNAL AUDIT ANNUAL REPORT 2016/17

The Annual Report of the Internal Audit Service for 2016/17 was presented for the Committee's consideration. The report provides an analysis of the performance of the services for the period from 1 April, 2016 to 31 March, 2017 and incorporates an assurance statement based on the work of Internal Audit during the year ended March, 2017.

The Internal Audit Manager highlighted the main considerations as follows –

- A schedule of the Service's performance against established targets for the year (Appendix A) shows that the Service achieved 73.85% of the Annual Plan against a target of 80% and an all Wales average performance indicator of 85%. There were 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. The shortfall was due to the factors described in section 3.2.2 of the report.
- The Service completed 48 audits during the year, 4 of which were unplanned, against a planned target of 65 audits. 79.17% of audits were completed within the planned timescale against a challenging performance indicator of 90% and compared to an all Wales average figure of 68%. Achievement of this indicator was affected by 7 projects which exceeded planned targets and which accounted for 97.62 days.
- The performance with regard to recommendations accepted is 98.57%. Out of a total of 279 recommendations issued, there was a failure to agree on 4 which were assessed as being low impact.
- Draft audit reports were issued within 3.59 days against a performance target of 7 days and an all Wales average of 7.2 days.
- Slippage of 258 days occurred in the year that resulted in 23 planned audits not being performed for the reasons outlined in paragraph 3.2.2 of the report. Audit assurance cannot be provided in respect of audits removed from the 2016/17 Plan. These areas for review will be prioritised during 2017/18. A schedule of the actual slippage that occurred in the year is shown under Appendix B to the report.
- All the audits performed during the year have resulted in positive levels of assurance with the exception of the 7 audits listed in paragraph 4.2.2. of the report which were assessed as providing Limited Assurance. These will be followed up during 2017/18.
- A further review of the Risk Management Framework was undertaken during 2016/17 which demonstrated reasonable progress in embedding risk management in the Authority.
- The overall results of the Internal Audit work identified that 81.08% of reviews resulted in a positive assurance opinion (Substantial or Reasonable) and 18.92% resulted in a negative assurance opinion (Limited or Minimal). The 18.92% of reports receiving negative assurance opinions is made up of 7 reports (7 Limited, Nil Minimal).
- A schedule of the 11 follow up audits and their outcome is provided at Appendix E to the report. The table in section 4.4.3 of the report summarises the implementation of High and Medium rated recommendations as at 31 March, 2017. The percentage implementation rate as at 31 March, 2017 was 86% recorded as implemented. All outstanding High and Medium recommendations are documented in Appendix G to the report.
- The Internal Audit 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 counter fraud work.
- 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 Committee is a reasonable assurance based upon the work undertaken during the year that there are no major weaknesses in other than those identified. Qualifications to the Audit opinion are set out in paragraph 3.5.1 of the report and take account of the considerations listed in paragraph 6.1.2.
- 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. The current position with regard to those areas is set out in section 6.5 of the report.

The Internal Audit Manager concluded that overall, she was satisfied that the internal audit work undertaken during 2016/17 allowed her to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's control processes for the areas reviewed. The Officer confirmed that she was satisfied that the work of the external regulators together with the Authority's service performance reviews allowed her to draw a reasonable conclusion that for the 12 months ended 31 March, 2017, the Isle of Anglesey County Council had in place, satisfactory internal control, risk management and corporate governance processes to manage the achievement of the organisation's objectives.

The Committee considered the information presented about the work of the Internal Audit for the year to 31 March, 2017 and the level of assurance that the outcome of that work was able to provide. The Committee noted that as at the time of reporting, only 74% of the Annual Plan had been delivered; the Committee noted further that the audits not undertaken could relate to areas where there might be weaknesses in control arrangements which may pose a risk both as regards the immediate areas concerned and as regards the wider Council. The Committee sought clarification therefore whether the conclusion as to the reasonableness of the assurance which the Council's system of internal control is able to provide can be justified. The Internal Audit Manager said that the Internal Audit approach is risk based. The Council's Corporate Risk Register is the main reference point in shaping the Audit Plan but service risk registers as well as internal and external audit reports are also consulted. The Audit Plan is informed by an accumulated knowledge of the risk environment which helps identify which areas require audit coverage. Any slippage that has to occur will be in relation to lower risk areas.

It was resolved that having considered the information presented both verbally and within the documentation, the Committee is assured that for the 12 months ended 31 March, 2017, the Isle of Anglesey County Council had satisfactory internal control, risk management and corporate governance processes in place to manage and support the achievement of its objectives.

NO FURTHER ACTION ENSUING

5. PUBLIC SERVICES INTERNAL AUDIT STANDARDS (PSIAS) – EXTERNAL ASSESSMENT

The report of the Head of Audit and Risk incorporating the results of the external assessment of the Isle of Anglesey County Council's Internal Audit Service along with an Action Plan to respond to the areas for improvement identified was presented for the Committee's consideration.

The Head of Audit and Risk reported that the PSIAS require 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. The assessment must be conducted at least once every five years by a qualified independent reviewer from outside the organisation, either by a full external assessment or a self-assessment validated by an external reviewer. 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. Denbighshire County Council's Head of Internal Audit was nominated by WCAG to undertake the assessment of the Isle of Anglesey County Council's Internal Audit Service and this was carried out in March, 2017.

The Officer said that whilst the results of the external assessment as conducted by Denbighshire's Head of Internal Audit documented under Appendix A to the report, provides assurance that Anglesey's Internal Audit service generally conforms with the Standards, the external assessor highlights three areas where conformance is partial and raises seven areas for improvement. Most notable is the absence of an audit assurance framework to ensure that Internal Audit's work focuses on key areas. The Internal Audit Service will undertake a complete review of the service's approach and practices in the current financial year with a view to having an assurance framework in place in 2018/19. In addition notwithstanding it was fully compliant at the time of the external assessment, the chief audit executive's additional responsibilities for risk management and insurance as from April, 2017 has jeopardised continued compliance with Standard 1100 in relation to the independence and objectivity of the audit function. However, the PSIAS have also been revised with effect from April, 2017. Standard 1112 in respect of Chief Audit Executive Roles Beyond Internal Auditing now recognises that chief audit executives may have operational responsibilities other than for internal audit. The Internal Audit Charter will be updated to reflect the new arrangements and the revised version will be presented to the Committee in September, 2017.

The Officer confirmed that an Action Plan has been developed to address the areas of partial conformance and those areas identified for improvement and this is appended to the external assessment report. The intention is that for the future the Audit Plan will be risk assessed continually

so that only areas of high risk will be audited meaning that areas of low risk, and with them the occurrence of slippage should taper off .

The Committee considered the information presented and it raised the following points -

- The Committee sought clarification of whether similar standards would be applied to internal audit reports particularly in relation to the implementation of recommendations. The Head of Audit and Risk confirmed that she would reviewing the whole audit approach during the year to include reporting arrangements. The Officer said that performance standards need to be meaningful and that she would consult with the Committee about its expectations and requirements for performance reporting so that it can be assured about the effectiveness of the Internal Audit service in monitoring the adequacy of the Council's system of internal control.
- The Committee noted that as part of the review of Internal Audit, the audit approach would be focussed on identified high risk areas with the result that areas of lower risk would drop off the Audit Plan. The Committee sought clarification of whether there was a danger inherent in this strategy that unreviewed lower risk areas could generate high risks and it asked about the steps being taken to mitigate against this possibility. The Head of Audit and Risk said that in the Assurance Mapping Framework which is designed to identify what assurance is provided and from where that has been obtained, time is a key factor in the sense that the longer an area goes without review, the riskier it becomes. Low risk areas will be picked up eventually because over time they will automatically become higher risk by virtue of not having been reviewed. There are a number of criteria in the risk assessment and Assurance Mapping Framework that are used to establish what areas require audit coverage at the time and this will be updated continually.
- The Committee sought clarification of Internal Audit's approach to fraud and the safeguards it has in place to minimise the risk of losses from fraud. The Head of Audit and Risk said that the Council is a member of the National Fraud Network through which it is alerted to potential acts of fraud. The Council has good relationship with other local authorities with which it conducts meetings to discuss any emerging risks. The Council is also a member of CIPFA. Maintaining these contacts means that the Council is kept well briefed about the risks affecting the sector and this information feeds into the assurance mapping framework thereby enabling timely action to be taken if and when required.

The Performance Audit Manager, WAO said that the nature of fraud risk is changing. Technological developments and the increasing digitisation of services means that organisations that conduct business electronically including councils, are more exposed to the risk of fraud and the losses arising from fraud. However, the Wales Audit Office does pass on to local authority Audit Services any intelligence it has on potential sources of fraud.

It was resolved to accept and to note 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.

NO FURTHER ACTIONS ENSUING

6. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk setting out the progress to the end of May, 2017 with regard to the 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 and an update on specific areas as requested by the Committee was presented for consideration.

The Head of Audit and Risk reported on the following matters –

- The Internal Audit reports recently issued which related to Energy Island (April, 2017 assessed as providing Substantial assurance) Stock Check, Housing Maintenance Unit, Gaerwen (May, 2017 assessed as providing Limited Assurance); Housing Maintenance Unit (May, 2017 assessed as providing Limited Assurance) and the Main Accounting System (May, 2017 assessed as providing Substantial assurance).The Officer referred to the key findings in relation to each of the audits with particular reference to the shortcomings identified in the two Limited Assurance audits. She

confirmed that Internal Audit would be keeping a watching brief over these two areas to ensure compliance with the recommendations made for improving the internal controls.

- Follow up reviews completed in relation to Building Regulation Fees – Inspection and Enforcement and ICT Disaster Recovery. In the case of the former the first follow up in April, 2017 found that little progress had been made in implementing the actions agreed to address the internal audit recommendations. A further follow up review will be undertaken in August, 2017 and the outcome reported to the Committee's September meeting. In the case of ICT Disaster recovery the third follow up review found that little progress had been made in implementing actions to address the internal audit recommendations outstanding from the previous two follow up reviews. A further follow up review will be undertaken in August, 2017.
- Progress on implementing audit recommendations. The service is currently compiling a report on the performance in implementing all outstanding recommendations which will be presented to the Audit and Governance Committee at its meeting in July, 2017.
- Progress in delivering the Internal Audit Operational Plan 2017/18. Due to the slippage of the work from the 2016/17 Annual Plan, work on the 2017/18 Plan has been slow. However, work is currently ongoing in 14 areas as listed in paragraph 6.2 of the report.
- Updates requested by the Audit and Governance Committee with regard to Corporate Safeguarding and the arrangements for implementing of CSSIW's recommendation following its inspection of Children's Services. With regard to the former, early indications are that reasonable progress has been made in implementing the agreed actions and a draft report was issued in 14 June, 2014. The outcome of the follow up review will be reported to the July meeting of this Committee. With regard to the CSSIW inspection report, the Head of Children's Services has reported and presented a Service Improvement Plan to the Corporate Scrutiny Committee and the Executive in March, 2017. Progress on implementing the Service Improvement Plan which incorporates the recommendations made by CSSIW was reported to the Corporate Scrutiny Committee in April, 2017 and this will be a standing item on that Committee's agenda from June, 2017 onwards. Internal Audit is 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.

The Committee considered the information presented and it made the following points –

- The Committee sought clarification of whether the Energy Island Programme as a major cross organisational project is linked to a risk register given that there could be consequential risk to the Council as a partner within the programme. The Internal Audit Manager confirmed that the Energy Island Programme project is included on the Council's Corporate Risk Register.
- The Committee noted that actions recommended by Internal Audit as necessary in order to remedy failings and weaknesses in controls as identified in audit reviews are not always being taken promptly by Management. The Committee noted the length of time which Management was given to implement actions including actions to address basic systemic shortcomings and/or housekeeping issues which should be actioned swiftly – the two audits in relation to the Housing Maintenance Unit in Gaerwen being cases in point. The Committee further noted that Management's responsiveness to internal audit recommendation could be improved – the follow up audits of Building Regulation Fees and ICT Disaster Recovery were noted as examples where "little progress" had been made since the previous follow-up meaning that audit recommendations had not been acted upon fully or in a timely way.
- The Committee, whilst acknowledging that services are often operating under pressure, and that this needs to be borne in mind in considering response times to audit recommendations, nevertheless noted that Management needs to be more robustly challenged for the non-implementation of internal audit recommendations or for inaction over an extended period of time, especially where the level of assurance has been assessed as Minimal or Limited. The Head of Audit and Risk confirmed with regard to the Limited Assurance audit of the Housing Maintenance audit that the Head of Housing Services has committed to addressing the majority of recommendations immediately and that the Committee would be updated on progress at its July meeting.
- The Committee proposed that the Head of Housing Services be called to the Committee's meeting in July to explain how the weaknesses in internal control arose, how the service is delivering on the agreed actions to address the control issues identified in the two audits relating to the Housing Maintenance Unit in Gaerwen and how the service proposes to ensure that the system of control remains effective in future.

- The Committee noted that a report on outstanding audit recommendations is being compiled by Internal Audit. The Committee sought clarification of the current position with regard to outstanding recommendations. The Head of Audit and Risk said that currently, there are 77 reports with outstanding recommendations; of those recommendations, 5 are Red (2 of which have not yet reached their implementation deadline), 30 Amber (14 of which have not reached their implementation deadline), 41 Yellow and 14 Green. From the previous rating system, 10 High recommendations are outstanding, 109 Medium and 115 Low.
- In light of the above information and whilst mindful of the volume of information that it might entail the Committee proposed that as a one-off exercise and to provide it with an overview and context, it be given a schedule of all outstanding internal audit recommendations (including any from those reports where the assurance was assessed as Substantial) and that all those where the risks and/or issues are assessed as Catastrophic or Major be accompanied by a brief summary of background, progress and status. It was suggested that consideration needs to be given to asking Heads of Service to explain unactioned audit recommendations where the risks are classed as Catastrophic or Major.
- The Committee further proposed that in order to remain on top of the situation and to gain an appreciation of issues arising before they are considered in detail, internal audit review reports should be made available to the Committee outside the committee meetings cycle as and when they are issued. To keep the information manageable, and to ensure that the focus remains on the key sources of risk only, the reports provided should be in a summary format and cover reviews where the assurance opinion is Minimal or Limited.
- With regard to the CSSIW inspection report on Children's Services, the Committee sought assurance that the 12 months which it was informed the service had been given to implement the recommendations arising from the inspection was not an overly long timeframe given the significant concerns identified and the high risk nature of the service area concerned. The Committee was informed that 7 recommendations are to be addressed as a matter of priority with the remaining recommendations to be actioned over 12 months. This is the timeframe laid down by the regulator which recognises that implementing some of the recommendations involves introducing new practices and processes which need to embed over a period of time. Monitoring the progress of implementation will be undertaken by Scrutiny.

It was resolved to note the progress made by Internal Audit in terms of its service delivery, assurance provision, reviews completed, and performance and effectiveness and in driving improvement.

ACTIONS ENSUING:

- **Head of Audit and Risk on behalf of the Committee to ask the Head of Housing Services to attend the Committee's next Committee in July, 2017 to give an account of the service's response to the two Limited Assurance audit in relation to the Housing Maintenance Unit in Gaerwen and the issues arising.**
- **Head of Audit and Risk to provide the Committee at its meeting in September, 2017 meeting with a schedule of all outstanding internal audit recommendations. Outstanding recommendations assessed as High priority or where the risks/issues arising are assessed as Catastrophic or Major to be accompanied by a summary of background, progress and status.**
- **Head of Audit and Risk to make arrangements to provide the Committee with a summary of internal audit reviews resulting in a Minimal or Limited audit opinion as and when they are issued.**

7. EXTERNAL AUDIT – PRESENTATION ON THE REGULATORY FRAMEWORK

This matter was deferred to a planned training session for Members of the Audit and Governance Committee to be held in September, 2017. Details of the session to be confirmed in due course.

8. EXTERNAL AUDIT: GOOD GOVERNANCE WHEN DETERMINING SIGNIFICANT SERVICE CHANGES – ISLE OF ANGLESEY COUNTY COUNCIL

The report of External Audit on the outcome of its review of the effectiveness of the Council's governance arrangements for determining service changes was presented for the Committee's consideration.

The WAO's Performance Audit Manager reported that the assessment was undertaken during the period September to November, 2016. In order to inform the assessment of the Council's overall arrangements for developing and determining service changes, aspects of decision making arrangements in relation to a range of significant service change proposals were looked at; these included the Smarter Working review, the Residual Waste Management review and the Libraries review. Overall the report is positive with External Audit finding no flaws in the Council's decision making only areas which can be further improved. External Audit concluded that the Council's governance arrangements for decision making on significant service changes are generally effective, but that it recognises that they could be further strengthened. Two proposals for improvement have been made, the one in relation to introducing equality impact assessments at an early stage of the decision making process and to a consistent standard, and the other in relation to developing arrangements for monitoring the impact and benefits of service changes.

The Head of Function (Resources) and Section 151 Officer confirmed that Equality Impact Assessment templates are being reviewed and simplified to ensure better consistency across the Council and, as part of the 2018/19 budget setting process they will be made available to Elected Members at an earlier stage in the process at the Members' budget workshops.

It was resolved to accept and to note the External Audit report including the proposals for improvement.

NO FURTHER ACTIONS ENSUING

9. EXTERNAL AUDIT: ANNUAL IMPROVEMENT REPORT 2016/17 – ISLE OF ANGLESEY COUNTY COUNCIL

External Audit's Annual Improvement Report for 2016/17 in relation to the Isle of Anglesey County Council was presented for the Committee's consideration. The report summarised the work carried out since the last Annual Improvement report including that of the relevant regulators.

Mr Gwilym Bury, Performance Audit Lead – WAO reported that the Council is meeting its statutory requirements in relation to continuous improvements and 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. During the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made as documented in the report. Progress against these proposals as well as those made in national reports (Appendix 3 to the report) will be monitored by External Audit as part of its improvement assessment work.

It was resolved to accept and to note the report by External Audit.

NO FURTHER ACTION ENSUING

10. FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the Committee's Forward Work Programme for the year was presented for the Committee's consideration and review.

The Head of Function (Resources) and Section 151 Officer reported that the work programme has been developed to schedule matters that occur naturally as part of the audit cycle and also to enable the Committee to keep track of issues it has raised during the course of discussions at its meetings and regarding which it requires further assurance; these matters will remain on the work programme until such time as the Committee is satisfied that they have been appropriately addressed.

The Committee noted the following as additional items to be logged onto the work programme as arising from the discussions on this meeting's business –

- Update on the Housing Service's response to addressing the issues raised in the two Limited Assurance audit reviews relating to the Stock Check, Housing Maintenance Unit in Gaerwen and Housing Maintenance Unit, Gaerwen to be made to the Committee's July, 2017 meeting.
- A review of all outstanding internal audit recommendations to be undertaken by the Committee at its September, 2017 meeting.

It was agreed that consideration of the Committee's terms of reference and whether they need to be amended to reflect wider responsibilities as set out by CIPFA be referred initially to the training session.

It was resolved to accept and to note the Forward Work Programme subject to the inclusion of the additional items above.

ACTION ENSUING: Head of Audit and Risk to update the Work Programme accordingly.

**Councillor Peter Rogers
Chair**

DRAFT

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	25 July 2017
Subject:	Internal Audit Update
Head of Service:	Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Author:	Marion Pryor, Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Nature and Reason for Reporting: 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 11 July 2017 on:

- Internal Audit reports issued since 1 June 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 second update report as the new Head of Audit and Risk. I am continuing to conduct 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
Substantial Assurance	<p>Arrangements for governance, risk management and internal control are good.</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>
Reasonable Assurance	<p>Arrangements for governance, risk management and/or internal control are reasonable.</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>
Limited Assurance	<p>Arrangements for governance, risk management and internal control are limited.</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>
Minimal Assurance	<p>Arrangements for governance, risk management and internal control are significantly flawed.</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.
- 4.2. We have finalised three reports in the period, all grant certification work, with 'Substantial Assurance' ratings.

Rent Smart Wales Grant 2016/17 – Grant Certification

Substantial Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	0	Moderate
	0	Minor

- 4.3. The Welsh Government awarded a grant of £12,916 for 2016/17. The purpose of the funding is to enable or support the delivery of activities related to the implementation of Rent Smart Wales.
- 4.4. To comply with the relevant terms and conditions of grant an audit certificate must be signed by the organisation's internal auditor by 30 September 2017. We designed our review to satisfy grant requirements and to provide assurance that clear accounting records are maintained identifying all income and expenditure in relation to the grant.
- 4.5. From our review of the grant controls and records, we could provide assurance that adequate and proper controls and records had been maintained in respect of the grant for 2016/17.
- 4.6. We were also able to confirm that the expenditure claimed was eligible in line with the terms and conditions of the grant and had been fairly stated in the accounts of the Council and in the claim submitted to the Welsh Government.
- 4.7. We made no recommendations.

Education Improvement Grant 2016/17 – Grant Certification

Substantial Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	0	Moderate
	0	Minor

- 4.8. The Welsh Government provides the Education Improvement to support its strategic aims including seeking to ensure that all learners benefit from excellent teaching and learning. The grant aims particularly to improve educational outcomes for all learners and to reduce the impact of deprivation on learning outcomes.
- 4.9. The Welsh Government allocates the grant on a regional basis; the Council is part of GwE – the Regional School Effectiveness and Improvement Service for north Wales, which was awarded Education Improvement Grant funding for 2016/17. Gwynedd County Council, the lead authority, distributes the grant within the partnership and is responsible for submitting the grant claims on behalf of the partner local authorities. The Council was allocated a grant of £3.1m for 2016/17.
- 4.10. As part of the grant terms and conditions, an audit expenditure certification is required. The certificate must confirm that the Council allocated the funding for the purposes of the grant, in line with the grantors' terms and conditions of funding and in line with the Council's existing compliance and audit requirements.
- 4.11. From the review of the grant controls and records, we can provide assurance that the Council maintains adequate and proper controls and records for the Education Improvement Grant for the period 2016/17.
- 4.12. We were also able to provide assurance that the expenditure recorded in relation to the grant was eligible in accordance with grant terms and conditions and was fairly stated in the accounts. The Finance Service has established monitoring processes to adequately and accurately monitor expenditure incurred in relation to the grant and all income received in relation to this grant has been accounted for in the financial ledger.
- 4.13. We did not raise any recommendations.

Pupil Deprivation Grant 2016/17 – Grant Certification

Substantial Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	0	Moderate
	0	Minor

- 4.14. The Welsh Government allocated a grant of £1.6m for 2016/17 to the Council.
- 4.15. From our review of the grant controls and records, we can provide assurance that the Council maintains adequate and proper controls and records in respect of the grant for 2016/17.
- 4.16. We are also able to confirm that our testing provides assurance that the expenditure claimed was eligible in line with the terms and conditions of the grant and has been fairly stated in the accounts of the Council and the claim submitted to the Welsh Government.
- 4.17. We did not raise any recommendations.

5. Follow up of previous Internal Audit reports

- 5.1. Currently, we follow up all reports with an assurance rating of 'Limited' or below.
- 5.2. We are currently compiling a report of the performance in implementing all outstanding recommendations, which we will present to the next Audit and Governance Committee in September 2017.
- 5.3. We have finalised one follow up review in this period.

Corporate Safeguarding – First Follow Up (July 2017)

Reasonable Progress		Original Recommendations ¹	Outstanding Recommendations ²
	Catastrophic		
	Major	7 (High)	
	Moderate	25 (Medium)	6
	Minor		2

- 5.4. We undertook a review of the Council's Corporate Safeguarding Arrangements in September 2016, which resulted in a 'Limited Assurance' rating.
- 5.5. We have assessed five High priority recommendations and 18 Medium priority recommendations as implemented for the purposes of this review.
- 5.6. One High priority recommendation relating to ethical procurement has been addressed in subsequent Internal Audit reviews and monitoring of its implementation will be undertaken during the follow up of these reviews.
- 5.7. The agreed date for implementing four Medium priority recommendations has not yet been reached. Management is in the process of implementing all remaining recommendations.
- 5.8. We will undertake a further follow up review during October 2017 to monitor the progress of implementing the management actions.

6. Progress in delivering the Internal Audit Operational Plan 2017/18

- 6.1. The audit team is busy and work is currently ongoing in 12 areas:

Area of Review	Current Stage	Current Status
Ethical Culture (2016/17 slippage)	Draft report issued 24/05/17	Waiting for a response from services
Housing Benefits (2016/17 slippage)	Fieldwork	Waiting for information from the service

¹ Categorized as High, Medium and Low

² Re-assessed according to the Council's risk management framework

Area of Review	Current Stage	Current Status
Corporate Procurement (2016/17 slippage)	Draft report	Discussing the actions to implement the recommendations with management
Data Protection and Information Governance – Readiness for the new General Data Protection Regulations	Meeting Head of Function to agree scope on 18/07/17	On track
Trading Standards – Civil Registrations	Scope agreed and issued – fieldwork commenced 30/06/17	On track
Council Tax and NNDR	Scope agreed and issued – fieldwork commenced 10/07/17	On track
Sundry Debtors	Scope agreed and issued – fieldwork commenced 10/07/17	On track
School Transport	Discussing draft report and recommendations with service	On track
Creditors	Working papers being prepared	On track
Licensing Services	Scope agreed and issued – fieldwork commenced 30/06/17	On track
Supporting People Programme	Scope and working papers being prepared	On track
Programme / Project Management	Scope and working papers being prepared	On track

- 6.2. 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.

7. Updates requested by the Audit and Governance Committee

- 7.1. At its meeting of 28 June 2017, the Committee requested a progress update on the Housing Service issues discussed during the meeting. Due to the time between meetings, a verbal update will be provided.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit and Governance Committee Update – Isle of Anglesey County Council

Audit year: 2017

Date issued: July 2017

Document reference: 457A2017

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Audit Committee Update

About this document

- 1 This document provides the Audit and Governance Committee of Isle of Anglesey County Council (the Council) with an update on current and planned Wales Audit Office work. It covers financial and performance audit work together with information on the Auditor General's programme of national value-for-money examinations.

Financial audit update

- 2 **Exhibit 1** provides members of the Audit Committee with a brief overview of the financial audit work reported to the Council. Progress against the planned key outputs and milestones from financial audit outputs and milestones, as set out in the draft outline, are summarised in **Exhibit 1**.

Exhibit 1: Delivering the 2016-17 financial audit work

Planned output	Planned start date	Planned reporting date	Report finalised
Audit Deliverables document	February 2017	March 2017	March 2017
Audit of Financial Statements report	June 2017	July 2017	
Opinion on the Financial Statements	June 2017	July 2017	
Whole of Government Accounts	July 2017	September 2017	
Financial Accounts Memorandum	September 2017	October 2017	
Annual Audit Report	October 2016	November 2017	

Performance audit update

- 3 **Exhibit 2** summarises the performance audit work recently completed or underway within the Council – and national reports relevant to local government. **Exhibit 2:** Performance audit work currently underway or planned.

Exhibit 2: Delivering the 2016-17 financial audit work

Topic	Focus of the work	Status
Performance work recently completed		
Isle of Anglesey. Annual Improvement Report 2016	Summary of audit work undertaken at the Council during 2016-17, together with key findings from reports issued by CSSIW, Estyn and the Welsh Language Commissioner.	Published June 2017.
Wales Audit Office national report: Savings Planning in Councils in Wales	Considers whether authorities have robust approaches in place to plan, manage, and deliver the budget savings they are facing, at a pace required to ensure financial resilience.	Published June 2017.

Topic	Focus of the work	Status
Performance work recently completed		
Wales Audit Office national report: An Overview of Governance Arrangements - Betsi Cadwaladr University Health Board	<p>Joint review undertaken by Healthcare Inspectorate Wales and the Wales Audit Office.</p> <p>The review work was designed to:</p> <ul style="list-style-type: none"> • provide clarity on whether the Health Board can demonstrate it is making the necessary improvements; • provide an agreed assessment to assist the Health Board and Welsh Government in ensuring that the interests of citizens and patients are protected; • fulfil our responsibilities as external review bodies to examine progress and outstanding issues, and to report on them clearly and openly; and • support improvement and inform any further required 'turnaround' activities. 	<p>Published June 2017.</p>

Topic	Focus of the work	Status
Performance work recently completed		
Wales Audit Office national report: The 21st Century Schools and Education Programme	<p>We have examined whether the Welsh Government's arrangements for its design and delivery provide a sound basis for the programme now and in the future.</p> <p>We have concluded that the Welsh Government is generally managing the 21st Century Schools and Education Programme well but will need to clarify some detailed expectations and make adjustments in response to proposed changes in approach and funding to get better value from future public sector investment.</p>	Published May 2017
Wales Audit Office local report: Savings Planning	In this review we concluded that whilst the Council has an improving financial planning framework, underdeveloped savings plans may not fully support future financial resilience.	Published March 2017
Wales Audit Office local report: Good Governance when Determining Significant Service Changes	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 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.	Published May 2017.

Topic	Focus of the work	Status
Performance work recently completed		
Wales Audit Office local report: Review of Attendance Management	We concluded that the Council has significantly improved its corporate arrangements to manage sickness attendance by introducing more robust absence policies and procedures.	Published June 2017.
Work currently underway		
Wales Audit Office local report: Review of Welsh Housing Quality Standard	The purpose of this local overview is to determine whether the Council has effective arrangements in place to enable it to continue to meet the WHQS.	Fieldwork during October 2017. Draft local report to Council in December 2017.
Aligning the levers of change review	Work will be through focus groups with staff and Councillors and will be assessing councils against the key characteristics that support change and transformation.	Fieldwork. September 2017. Feedback to CEO and Leader October 2017.
Well-being of future generations. Year one work	We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.	Project brief issued July 2017.

Topic	Focus of the work	Status
Work currently underway		
Wales Audit Office local report. Scrutiny - Fit for the Future	This review will examine the impact of the WFG Act on the work of scrutiny committees	Project brief being drafted
Wales Audit Office local report. Service User Perspective Review	Building on work undertaken on the Addressing Dependency and Demand Local Government Study, this project will test the service-user interface at all authorities. The review will evaluate what it feels like (as a member of the public) to deal with council services, involving a selection of services and scenarios.	Project brief being drafted. To be issued late July 2017.
Annual Improvement Letter 2017	Summary of local performance audit work undertaken at the Council during 2017.	Draft letter: March 2018.
2016-17 Study - Improving wellbeing through housing adaptations	This study will look at housing adaptation services provided by both local authorities and Registered Social Landlords (RSLs). The study will also involve health bodies by examining whether adaptations have speeded up discharge from hospitals or have helped to stop admissions.	Fieldwork complete. Publication October 2017.
2016-17 Study - Strategic commissioning of learning disability services by local authorities	The study will assess how local authorities effectively deliver strategic commissioning. The review will focus on learning disability schemes as a tracer in local authorities.	Fieldwork complete. Publication October 2017

Topic	Focus of the work	Status
Work currently underway		
2016-17 Study - How local government manages demand - Homelessness services	The study will focus on a specific tracer area of homelessness in local authorities using the recent prevention duties placed on local authorities to judge how demand for services is managed	Fieldwork complete. Publication November 2017
2017-18 Study- Using data effectively	This study will primarily focus on the role of local authorities in how effective they are at managing and using data. It will also consider how effective authorities are at accessing and using data held by partners. It is recognised, however, that councils are at very different stages in terms of how they use data. This audit will therefore assess each local authority on their performance identifying how well authorities are currently performing in collecting data, analysing data and using data to support decision making and the use of resources.	Project brief issued June 2017. Publication August 2018.
National report. Public procurement landscape review	Report being drafted	Publication Summer 2017
National report. Waste management (waste prevention)	Report being drafted	Publication Summer 2017

Topic	Focus of the work	Status
Work currently underway		
National report. Supporting People programme	Report being drafted	Publication Summer 2017
National report. Implementation of the NHS Finances (Wales) Act 2014 (integrated medium term planning)	Report being drafted	Publication Summer 2017
National report. NHS Wales informatics services	Report being drafted	Publication Summer 2017
National report. Access to public services with the support of specialist interpretation and translation	Report being drafted	Publication October 2017.

Topic	Focus of the work	Status
Work currently underway		
National report. Preparations for the implementation of fiscal devolution in Wales (follow-on report)	Report being drafted	Publication October 2017.
2017-18 Study- How well do public bodies provide services to rural communities	Given the changing operating environment for local government in delivering services to geographically dispersed communities with less resources, this review will focus on assessing how effective public organisations in Wales are in working together to assess needs, identify priorities, deliver and maintain the provision of key operational services to meet the needs of people in rural communities.	Project brief issued June 2017. A survey is being conducted at major shows in 2018 including Sioe Amaethyddol Ynys Môn. Publication August 2018.
2017-18 Study- Intermediate Care fund.	Project brief being drafted	Project brief being drafted.

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee / County Council
Date:	25 July 2017 / 26 September 2017
Subject:	Annual Report of the Audit & Governance Committee 2016/17 – Chair’s Report
Head of Service:	Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Author:	Marion Pryor, Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Nature and Reason for Reporting: The Audit and Governance Committee is required under its terms of reference to prepare a report to the Council on its activities for the year. This report provides the necessary report to meet this requirement.	

1. Introduction

- 1.1. This report details the activities of the Audit and Governance Committee during 2016/17.

2. Recommendation

- 2.1. That the Audit and Governance Committee endorses the Annual Report of the Audit and Governance Committee for 2016/17 prior to its submission to the meeting of the County Council on 26 September 2017.

3. Background Information

- 3.1. The Audit and Governance Committee is a statutory Committee of the Council. It is a key component of the Council’s governance framework providing independent and high level resource to support good governance and strong public financial management.
- 3.2. The Committee provides to those charged with governance independent assurance 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.

4. Governance

- 4.1. There is a requirement for Welsh local authorities to undertake an annual review of the effectiveness of its system of internal control and governance arrangements with its annual Statement of Accounts.
- 4.2. The Council produced an Annual Governance Statement following widespread consultation and a review of governance processes in the year. The 2015/16 Statement was consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.
- 4.3. The Committee approved the Annual Governance Statement for 2015/16 and referred the document to the Leader of the Council and the Chief Executive, as statutorily required, at its meeting of 21 September 2016.

5. Risk Management

- 5.1. The Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the Council. The Audit and Governance Committee's terms of reference charge it with fulfilling these requirements.
- 5.2. The Committee has continued to support the development of the Risk Management framework within the Council during the year. The Committee approved the Council's Risk Management Policy at its meeting of 27 July 2015 and considered the Council's corporate risks on 26 May 2016 and 6 December 2016.
- 5.3. The Council will review its approach to risk management during 2017/18. The Head of Audit and Risk will update the Committee as required.

6. Financial Accounts

- 6.1. The Committee accepted and noted the Statement of Accounts for 2015/16 subject to the resolution of an outstanding issue as reported by the Head of Function (Resources) and Section 151 Officer.
- 6.2. The Committee delegated the Chair and Vice-Chair the authority to recommend the Statement of Accounts 2015/16 for approval by the Council on receipt of confirmation by the auditors that the issue outstanding on the accounts had been resolved to their satisfaction and they were able to issue an unqualified opinion.
- 6.3. Following the resolution of the outstanding issue, the auditors issued an unqualified opinion on the accounting statements on 30 September 2016, in accordance with the deadline.

7. Treasury Management

- 7.1. In accordance with its terms of reference and the CIPFA Code of Practice for Treasury Management in Public Services (2011), the Committee scrutinised the Council's Treasury Management Strategy for 2016/17 on 6 December 2016 and considered the Annual Treasury Management Review for 2015/16 on 25 July 2016. The Committee forwarded both documents to the Executive without additional comment.
- 7.2. The Committee also received a mid-year report on Treasury Management at its meeting of 6 December 2016 to monitor developments and trends.
- 7.3. As part of the scrutiny of the above reports, the Committee reviewed the Council's risk exposure and its ability to manage risk in relation to its Treasury Management activities.

8. Internal Audit

- 8.1. During 2016/17, the Council had an in-house Internal Audit Team managed under a Service Level Agreement with Conwy County Borough Council from 1 August 2015. This arrangement ended on 31 March 2017 on the appointment of an internal Head of Audit and Risk.
- 8.2. The Committee approved the current Internal Audit Charter at its meeting of 25 April 2015. The Head of Audit and Risk will submit a revised Charter to the Committee in September 2017 for its approval.
- 8.3. The Committee approved the Internal Audit Strategy 2016/17 – 2018/19 and Annual Audit Plan 2016/17 at its meeting held on 15 March 2016. The Audit Manager reported outcomes to each of the Committee's regular meetings as part of the internal audit progress report. Progress reports also include progress of services in implementing internal audit recommendations.
- 8.4. In accordance with the Public Sector Internal Audit Standards, the Head of Internal Audit provided his annual internal audit opinion for 2015/16 based on an objective assessment of the framework of governance, risk management and control to the Committee at its meeting of 26 May 2016.
- 8.5. The Committee considered the Council's internal audit resource at its meeting of 26 May 2016 and tasked the Head of Function (Resources) and Section 151 Officer with raising its concerns with the Senior Leadership Team.

9. External Audit

- 9.1. The Auditor General for Wales is the statutory external auditor of the Council. The Auditor General's role includes examining how the Council manages and spends public money, including how it achieves value in the delivery of public services and on how well the Council plans for improvement.

- 9.2. The Wales Audit Office, on behalf of the Auditor General, undertakes the Performance Work. It reported to the 25 July 2016 meeting on its work and a summary of reports issued by other regulators, namely CSSIW, Estyn and the Welsh Language Commissioner.
- 9.3. Deloitte, on behalf of the Auditor General, undertakes the financial audit work. It reported its intention to issue an unqualified audit report on the financial statements for 2015/16 to the 21 September 2016 meeting.
- 9.4. The Committee has received and considered regular update reports from the Wales Audit Office and Deloitte. This is an important aspect of the Committee's business to ensure that the Council considers all external reports, by either the Audit and Governance Committee or one of the Scrutiny Committees, and that it is taking appropriate action.

10. Countering Fraud and Corruption

- 10.1. The Committee did not receive any fraud and corruption reports during 2016/17.

11. Frequency of Meetings

- 11.1. The Committee's terms of reference require it to meet a minimum of four times per year. During the year, the Committee met formally on eight occasions.
- 11.2. The membership and attendance at meetings during 2016/17 is at [Appendix A](#).

12. Membership

- 12.1. The Committee consists of eight members of the Council, which are politically balanced, plus a maximum of two lay co-opted members appointed by the Committee.
- 12.2. At its meeting of 12 May 2016, the Committee elected Councillor Robert Llewelyn Jones as its Chairperson and Councillor John Griffith as its Vice-Chairperson.

13. Effectiveness

- 13.1. The Committee has worked within its terms of reference, which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit and Governance Committee in monitoring risk management, governance and internal control within the Council.
- 13.2. Actions raised by the Committee and their resolution are detailed at [Appendix B](#).
- 13.3. The Committee's Forward Work Programme for 2017/18 is detailed at [Appendix C](#).

14. Chair's Remarks

- 14.1. The former Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year and to those Council employees who have attended and contributed to the meetings. The former Chair takes this opportunity to thank all the staff within the Finance and Internal Audit Services whose staff he has found most helpful at all times.
- 14.2. The former Chair would take the opportunity to remind the Council of the importance of the work of the Committee, which is even more relevant in the current economic situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.
- 14.3. The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2017/18.

**COUNCILLOR ROBERT LLEWELYN JONES
FORMER CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE
25 JULY 2017**

Appendix A – Frequency of Meetings and Attendance

Members	Meetings								Number of Meetings Attended
	12/05/16	26/05/16	27/06/16	25/07/16	21/09/16	06/12/16	09/02/17	28/03/17	
Cllr R.LI.Jones (Chair)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Cllr John Griffith (Vice-Chair)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Cllr Jim Evans	Yes	Yes	Yes	Apology	Yes	Apology	Yes	Yes	6
Cllr R O Jones	Yes	Apology	Apology	Apology	Apology	Did not attend	Apology	Apology	1
Cllr Dafydd Thomas	Yes	Apology	Yes	Yes	Yes	Yes	Yes	Yes	7
Cllr Alun Mummery	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	8
Cllr Peter Rogers	Did not attend	Apology	Yes	Yes	Yes	Apology	Yes	Yes	5
Cllr Nicola Roberts	Yes	Did not attend	Did not attend	Yes	Yes	Yes	Apology	Did not attend	4
Mrs Sharon Warnes	Apology	Yes	Yes	Yes	Yes	Yes	Yes	Yes	7
Mr Richard Barker	Apology	Yes	Yes	Yes	Yes	Apology	Apology	Yes	5
Total for Committee	7	6	8	8	9	6	7	8	59

Appendix B – Progress on Actions Raised by the Committee 2016/17

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
26/05/16	4	ICT Disaster Recovery arrangements	To provide the Committee with an update on progress in respect of addressing issues in relation to ICT Disaster Recovery.	ICT Business Continuity and Support Manager	Ongoing	Updates: 27/06/16 25/07/16 21/09/16 Committee continues to monitor progress – see 09/02/16 Item 5	Green
26/05/16	4	The adequate resourcing of the Internal Audit Service	To follow up with the Senior Leadership Team the Committee's concerns	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
26/05/16	4	Internal Audit to provide a summary update of specific areas of concern	To incorporate within the quarterly reporting process to Committee a summary update on specific areas of concern to include the status of actions, the responsible officers and the timeline for completion.	Head of Function (Resources) and Section 151 Officer / Internal Audit Manager	Immediate	Actioned	Green

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
26/05/16	8	Review of Lay Member Appointments	To extend the appointment of the two existing Lay Members of the Audit and Governance Committee to May 2017.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
26/05/16	8	Review of Lay Member Appointments	That as from May, 2017, the period of appointment for Lay Members appointed to the Committee be fixed at 5 years to coincide with the length of time between the Council's elections and that members so appointed are able to serve more than one term either consecutively or at any time.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green
25/07/16	3	ICT Disaster Recovery Back-up System	To provide the Committee with a summary document of how the back-up system would operate in a disaster scenario.	ICT Service and Performance Management Manager	21/09/16	Actioned	Green

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
25/07/16	4	A clear and accurate picture of the position of services with regard to implementing audit recommendations.	To raise with the SLT the importance of effective and timely communication by Management in providing a clear and accurate picture of the position of services with regard to implementing audit recommendations.	Head of Function (Resources) and Section 151 Officer	21/09/16	Actioned	Green
21/09/16	5	Internal Audit of Corporate Safeguarding – referral to the Corporate Scrutiny Committee	Findings of internal audit review of Corporate Safeguarding to be referred for scrutiny by the Corporate Scrutiny Committee.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned by a Panel of the Corporate Scrutiny Committee on 17/10/16	Green
09/02/17	5	Final Update on ICT Disaster Recovery	The Committee to receive a final update on ICT Disaster Recovery in June 2017 to enable it to be satisfied that the residual actions have been completed.	ICT Service and Performance Management Manager	28/06/17	ICT Service and Performance Management Manager to be invited to attend the meeting of 25/07/17	Amber

Meeting Date Raised	Min. Ref.	Matter Raised	Action Required	Responsibility for Action	Date Action Required	Current Status	RAG Status
28/03/17	7	Council's response to the CSSIW inspection report on Children's Services	An update on the position with regard to responding to the CSSIW inspection report on Children's Services.	Internal Audit Manager / Head of Audit & Risk	28/06/17	Committee provided with assurance that the Council has arrangements in place to respond to the CSSIW report	Green
28/03/17	8	Qualifying criteria for appointment of Lay Members	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.	Head of Function (Resources) and Section 151 Officer	Immediate	Actioned	Green

Appendix C – Forward Work Programme 2017/18

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
May 2017							Election of Chairperson and Vice-Chairperson
June 2017	Draft Statement of Accounts & Annual Governance Statement	IA Annual Report for 2016/17	Progress Report				
July 2017		Update Report	Progress Report	Treasury Management Annual Report on 2016/17 Activity			Annual Report of Committee – Chair's Report
September 2017	Recommend for Approval of Council the Statement of Accounts and Annual Governance Statement	Update Report	Receive Report on Accounts to those charged with Governance (ISA 260)		Annual Review of Risk Management Strategy Review of Corporate Risk Register	Progress made on External Regulatory Reports	

Date	Accounts	Internal Audit	External Audit	Treasury Management	Risk Management	Governance	Other
December 2017		Update Report	Progress Report	Scrutiny of Mid-Year Report on Treasury Management Activity in 2017/18		Annual Review of the Audit and Governance Committee's Terms of Reference Annual Health & Safety Report	Annual Report on Fraud and Corruption Annual Review of Audit Committee Effectiveness & Counter Fraud Arrangements
February 2018		Internal Audit Strategy and Annual Plan 2018/19 for approval Update Report	Progress Report	Treasury Management Strategy 2018/19 including Prudential Indicators	Corporate Risk Register	Progress made on External Regulatory Reports	

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	25 JULY 2017
SUBJECT:	ANNUAL TREASURY MANAGEMENT REVIEW FOR 2016/17
PORTFOLIO HOLDER(S):	COUNCILLOR JOHN GRIFFITH
LEAD OFFICER(S):	R MARC JONES
CONTACT OFFICER(S):	GARETH ROBERTS/CLAIRE KLIMASZEWSKI (EXT. 2675/1865)
Nature and reason for reporting	
<p>To comply with regulations issued under the Local Government Act 2003 and with the Council's Treasury Management Scheme of Delegation for 2016/17 (Appendix 8 of the Treasury Management Strategy Statement 2016/17). In accordance with the Scheme of Delegation, this report is due to be presented to the Executive and then the full Council once it has been scrutinised by this Committee.</p>	

Summary

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2016/17, the minimum reporting requirements were that the full Council should receive the following reports:-

- an annual treasury strategy in advance of the year (received on 10 March 2016);
- a mid-year treasury update report (received on 28 February 2017);
- an annual review following the year describing the activity compared to the strategy (this report).

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

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

In order to support the scrutiny role of the members of the Audit Committee, Member training on treasury management issues was undertaken during November 2016.

During 2016/17, the Council complied with its legislative and regulatory requirements. The key data for actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:-

Data for actual prudential and treasury indicators	2015/16 Actual £000	2016/17 Original £000	2016/17 Actual £000
Capital expenditure			
• Non-HRA	16,369	38,665	28,033
• HRA	27,607	14,236	8,607
• Total	43,976	52,901	36,640
Total Capital Financing Requirement:			
• Non-HRA	84,291	95,748	91,515
• HRA	43,365	43,529	42,499
• Total	127,656	139,277	134,014
Gross borrowing	110,744	164,000	117,110
External debt	110,744	164,000	117,110
Investments			
• Longer than 1 year			-
• Under 1 year	10,983	14,600	13,319
• Total	10,983	14,600	13,319

Other prudential and treasury indicators are to be found in the main body of this report. The Section 151 Officer also confirms that borrowing was only taken out for capital purposes and the statutory borrowing limit (the authorised limit) was not breached.

The financial year 2016/17 continued the challenging investment environment of previous years, namely low investment returns.

RECOMMENDATIONS

The Committee is recommended to:-

- (i) Note that the outturn figures in this report will remain provisional until the audit of the 2016/17 Statement of Accounts is completed and signed off; any resulting significant adjustments to the figures included in this report will be reported as appropriate;
- (ii) Note the provisional 2016/17 prudential and treasury indicators in this report;
- (iii) Consider the annual treasury management report for 2016/17 and pass on to the next meeting of the Executive with any comments.

Appendices:

- Appendix 1 - Summary Portfolio Valuation as at 31 March 2017
- Appendix 2 - Credit ratings of investment counterparties and deposits held with each as at 31 March 2017
- Appendix 3 - Credit ratings of investment counterparties and deposits held with each as at 3 July 2017
- Appendix 4 - A Commentary by Capita Asset Services on the Economy, Investment and Borrowing Rates

Background papers :

- Treasury Management Strategy Statement 2016/17
- Prudential and Treasury Indicators 2016/17
- Treasury Management Mid-Year Review Report 2016/17
- Capital Outturn Report 2016/17

1. INTRODUCTION

This report summarises the following functions / activities / outcomes in financial year 2016/17:-

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

2. THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2016/17

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

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

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

	2015/16 Actual (£m)	2016/17 Estimate (£m)	2016/17 Actual (£m)
Non-HRA capital expenditure	16	39	28
HRA capital expenditure	28	14	9
Total capital expenditure	44	53	37
Non-HRA financed in year	16	39	28
HRA financed in year	28	14	9
Non-HRA capital expenditure financed by borrowing	2	9	11
HRA capital expenditure financed by borrowing	21	0	0

3. THE COUNCIL'S OVERALL BORROWING NEED

3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2016/17 capital expenditure financed by borrowing (see above table), and prior years' capital expenditure funded by borrowing which has not yet been paid for by revenue or other resources. The above table shows that £11m of Council fund capital expenditure is financed from borrowing. The actual external borrowing taken out was £6.2m at a reduced rate for the 21st Century Schools projects. The remaining £4.8m was internally borrowed, with Council balances funding this in the short-term to reduce interest payments. However, the expectation is that in the longer term the borrowing will need to be taken out to replenish Council balances.

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

3.3 Reducing the CFR

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

3.3.2 The total CFR can also be reduced by:-

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

3.3.3 The Council's 2016/17 MRP Policy (as required by WG Guidance) was approved as part of the Treasury Management Strategy Report for 2016/17 on 10 March 2016.

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

CFR: Council Fund	2015/16 Actual (£m)	2016/17 Budget (£m)	2016/17 Actual (£m)
Opening balance	86	91	84
Add capital expenditure financed by borrowing (as above)	2	9	11
Less MRP/VRP*	(4)	(4)	(4)
Closing balance	84	96	91

CFR: HRA	2015/16 Actual (£m)	2016/17 Budget (£m)	2016/17 Actual (£m)
Opening balance	44	44	43
Add unfinanced capital expenditure (as above)	-	-	0
Less MRP/VRP*	(1)	(1)	(1)
Closing balance	43	43	42

* Includes voluntary application of capital receipts

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

3.4 Gross borrowing and the CFR

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

	31 March 2016 Actual (£m)	31 March 2017 Budget (£m)	31 March 2017 Actual (£m)
Gross borrowing position	110.7	161.0	117.1
CFR	127.7	139.3	134.0

3.4.1 As part of the financing of capital expenditure for 2016/17, internal borrowing was used to finance the gap between available resources (capital receipts, capital grants, capital contributions and revenue contributions) and the capital expenditure. It was decided, in light of current and projected market interest rates and counterparty credit risks, to continue internalising borrowing, in the short-term at least. This means that instead of borrowing externally for all of the Council's borrowing requirement, the Council has instead used its own Council reserves to fund part of its capital programme. However, in March 2017, the Council took out a loan from the PWLB of £6.2m. This was at a preferential rate of 2.2%, specifically for the 21st Century Schools projects for the year. The majority of this loan (£4m) is supported borrowing funded by Welsh Government.

3.4.2 The internal borrowing strategy has now been implemented throughout each of the last six years. As a result of continuing with this strategy in part, the gap between CFR and external borrowing increased during 2016/17 by £6.4m. The gross borrowing of £117.1m at 31 March 2017 is less than the forecast CFR for the following two years.

	Actual 2016/17 (£m)	Estimated 2017/18 (£m)	Estimated 2018/19 (£m)
Capital Financing Requirement	134	139	141

Source: Treasury Management Strategy 2017/18

3.5 The other debt related indicators are:

3.5.1 The authorised limit - the authorised limit is the “affordable borrowing limit” required by section 3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2016/17 the Council maintained gross borrowing within its authorised limit.

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

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

	2014/15	2015/16	2016/17
Authorised limit	£127.0m	£165.0m	£166.0m
Maximum gross borrowing position	£89.6m	£110.7m	£117.1m
Operational boundary	£122.0m	£126.0m	£161.0m
Financing costs as a proportion of net revenue stream – CF	5.79%	6.06%	6.09%
Financing costs as a proportion of net revenue stream – HRA	14.60%	13.83%	£18.56%

4. TREASURY POSITION AS AT 31 MARCH 2017

4.1 The Council’s debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity in accordance with the Treasury Management Strategy 2016/17. The borrowing and investment figures for the Council as at the end of the 2015/16 and 2016/17 financial years are as follows:-

	31 MARCH 2016			31 MARCH 2017		
	£'000	Average Rate (%)	Average Maturity (yrs)	£'000	Average Rate (%)	Average Maturity (yrs)
Debt	110,741	5.72	24.9	117,110	5.25	22.7
CFR	127,656			134,014		
Over / (under) borrowed	(16,915)			(16,904)		
Fixed term investments (all < 1 year, managed in house and fixed rate)	5,000	0.50		5,000	0.35	
No notice investments (all managed in house)	11,209	0.35		8,319	0.15	
Total Investments	16,209	0.40		13,319	0.22	

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

4.2 Borrowing is further broken down by maturity as:-

	31 MARCH 2016		31 MARCH 2017	
	£m	% of total	£m	% of total
Total borrowing	110.7	100	117.1	100
Under 12 months	0.0	0.0	5.5	4.7
12 months and within 24 months	5.5	4.97	5.1	4.3
24 months and within 5 years	14.5	13.1	9.6	8.2
5 years and within 10 years	4.2	3.79	5.6	4.8
10 years and above	86.5	78.14	91.3	78.0

4.3 There was no debt rescheduling during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

4.4 Part of the Council's deposits are held in no notice deposit accounts which pay interest at rates near the prevailing base rate, £8.3m at 0.15% on 31 March 2017 (31 March 2016 11.2m at 0.35%). There was one loan to another local authority for £5m at the interest rate of 0.35%. All investments were for under 1 year.

5. TREASURY STRATEGY FOR 2016/17

5.1 The expectation for interest rates within the strategy for 2016/17 anticipated low but rising Bank Rate (starting in quarter 1 of 2017), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis and Brexit promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

5.2 In this scenario, the treasury strategy was to postpone borrowing, where possible, to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

5.3 During 2016/17, there was major volatility in PWLB rates, with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3 and then partially easing back towards the end of the year.

6. INVESTMENT OUTTURN FOR 2016/17

6.1 Investment Policy – the Council's investment policy is governed by Welsh Government investment guidance, which has been implemented in the annual Treasury Management Strategy Statement approved by the Council on March 10 2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

6.2 The Bank Rate remained at its historic low of 0.5% in the first quarter of the year. However, the UK Referendum to leave the EU created an economic shock in the short-term and continuing uncertainty and dampening down of the economy throughout the year. In August 2016, the Bank of England reduced the bank base rate from 0.50% to 0.25% in order to mitigate the decline in the economy. This led to counter-party organisations reducing rates on investments and the typical call account rates dropped from 0.25% to 0.15% and lower.

6.3 The expected investment strategy was to keep to shorter term deposits (up to 364 days) although the ability to invest out to longer periods was retained. Loans to other local authorities were also made to reduce risk but to try to increase return with the extremely low rates available. Cash balances were expected to be up to £30m, ranging between £9m and £30m. The budget was set at 0.50% or £150k after adjusting for the higher rates on existing investments. As it turned out, average balances of £19.1m returned £54k (0.18%). The lower than budgeted average cash balance was partly the result of continuing to internalise borrowing. The lower than budgeted return was due to worse than anticipated rates of return on investments following Brexit, with rates continuing to fall throughout the year. The interest receivable budget has been revised for 2017/18 to a more realistic budget to reflect the lower interest rates and returns on investment.

7. INVESTMENT SECURITY AND CREDIT QUALITY

7.1 No institutions in which we had made investments had any difficulty in repaying investments and interest on time and in full during the year.

7.2 During 2016/17, credit ratings remained poor across the range of our usual counterparties and worsened following the EU referendum leave outcome. Since late 2008, it has been challenging to place deposits with appropriate counterparties. This is more challenging since the referendum as the banks etc have borne the brunt of the economic shock due to uncertainty around the future of financial markets. In December 2008, the Council's approval was obtained to extend flexibility with counterparties to deal with market changes; this included the ability to invest all our surplus funds with central government if necessary. The list was further widened in April 2010 to include nationalised and partly nationalised institutions and this list was clarified in March 2013 in relation to nationalised and part nationalised UK banks for the 2014/15 criteria. Previous decisions had extended flexibility for investing with local authorities. Appendix 2 shows the institutions where the Council's deposits were held as at 31 March 2017 and their ratings. 2017/18 Treasury Management Strategy Statement includes the ability to invest in AAA money market investments due to the very limited pool of counterparties that comply with the Council's counterparty criteria.

7.3 The practical effect of these policies was as follows: during the year we continued to use no notice accounts with major high street institutions (Santander, HSBC, RBS and Bank of Scotland) for day to day cash flow. In addition, £5m was placed on a short-term loans basis to two other local authorities during the year. This was to increase return while also reducing risk.

8. ACTIVITY DURING 2016/17

8.1 There was limited significant Treasury Management activity during the year. Investments were made to ensure risks were low but the Council maximised returns by also making loans to other local authorities while also using traditional call accounts. The Council borrowed £6.2m from the PWLB in March 2017 at a low rate of 2.2% for the 21st Century Schools projects. The UK referendum in June 2016 had an impact on investment returns as discussed above.

9. ACTIVITY SINCE 2016/17

- 9.1** The UK referendum result on 23 June 2016 to leave the European Union continues to create uncertainty and still impacts on UK bank ratings. The majority of the Council's deposits are held in banks which have been downgraded. However, their short and medium term ratings are still within the appropriate ratings approved in the Treasury Management Strategy 2016/17. The status of the banks and the Council's deposits are under constant review to ensure that the Council's risks are minimised. The Council is reducing risk and maximising return by providing loans to other local authorities and also investing in AAA money market when relevant. This spreads the type of investments the Council has and reduces the reliance on the small number of banks the Council can invest in.
- 9.2** More recently, the result of the election in June 2017 and the failure of any party to secure a majority may also lead to economic uncertainty and, as a result, impact on treasury management activities in 2017/18.
- 9.3** On May 22nd 2017, a £5m investment with the London Borough of Barking and Dagenham matured, and was repaid to the Isle of Anglesey County Council.
- 9.4** On June 6th 2017, a loan to the value of £2.5m matured and was repayed in full to the PWLB.

10. CONCLUSION

- 10.1** A review of the Treasury Management performance for 2016/17 is provided above. The year was fairly stable, with the most significant activity being a loan from PWLB amounting to £6.2m for 21st Century Schools projects. Investment returns reduced to an all time low due to the cut in the bank base rate from a seven year 0.50% to 0.25%. The Council held appropriate cash balances at all times though the low interest rate meant that the returns were low. However, this is consistent with the Treasury Management Strategy 2016/17 where the key objectives were low risk and ensuring there is sufficient cash to pay the Council's creditors, etc. The financial position of the Council's financial instruments as at 31 March 2017 is shown in Appendix 1.

**Summary Portfolio Valuation
As at 31 March 2017**

FINANCIAL ASSETS	Nominal / Principal (£)	Fair Value (£)
Cash (interest bearing accounts) (1)	8,319,288	8,335,758
Fixed Term Deposits (2)	5,000,000	5,003,075
 FINANCIAL LIABILITIES		
CCC	116,684,478	173,549,156
PWLB loan – Annuity	250,597	408,548
 Counterparties		
(1) Cash (interest bearing accounts)		
Santander	2,941,049	
Bank of Scotland	5,278,012	
HSBC	100,134	
RBS	<u>93</u>	
	8,319,288	
(2) Fixed Term Deposits		
London Borough of Barking and Dagenham	5,000,000	

ATODIAD / APPENDIX 2

Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 31 Marwth 2017 *
Credit ratings of investment counterparties and deposits held with each as at 31 March 2017*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuron / Deposit £'000	Hyd (Galw tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O/I)/ Period (From - To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating ***	Graddfa Tymor Byr Fitch Short Term Rating ***	Graddfa Tymor Hir Moody's Long Term Rating ***	Graddfa Tymor Byr Moody's Short Term Rating ***	Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating ***	Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating ***	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
Lloyds Banking Group plc	Bank of Scotland plc	5,278	Galw/ Call	n/a	0.15	A+	F1	A1	P-1	A	A-1	Coch – 6 mis/ Red - 6 months
HSBC Holdings plc	HSBC Bank plc	Dim/Nil	Galw/ Call	n/a	0.01	AA-	F1+	Aa2	P-1	AA-	A-1+	Oren – 12 mis / Orange – 12months
Santander Group plc	Santander UK plc	2,941	Galw/ Call	n/a	0.15	A	F1	Aa3	P-1	A	A-1	Coch - 6 mis / Red – 6 months
Royal Bank of Scotland group plc	The Royal Bank of Scotland plc	Dim/Nil	Galw/ Call	n/a	0.10	BBB+	F2	A3	P-2	BBB+	A-2	Glas – 12 mis/ Blue – 12 months
Royal Bank of Scotland group plc	National Westminster Bank plc	100	Galw/ Call	n/a	0.01	BBB+	F2	A3	P-2	BBB+	A-2	Glas – 12 mis/ Blue – 12 months
N/A	London Borough of Barking and Dagenham	5,000	Tymor Sefydlog/ Fixed Term	20/2/17- 22/5/17	0.35	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Ceir y Rhestr Meini Prawf Gwrthbartion yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2016/17 / The Counterpart Criteria can be found at Appendix 6 of the 2016/17 Treasury Management Strategy Statement.

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

ATODIAD / APPENDIX 3

Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 03 Gorffennaf 2017 *
Credit ratings of investment counterparties and deposits held with each as at 03 July 2017*

Grŵp Bancio/ Banking Group	Sefydliad/ Institution	Adneuron / Deposit £'000	Hyd (Galw tymor sefydlog) / Duration (Call / Fixed Term**)	Cyfnod (O/I)/ Period (From - To)	Graddfa Dychweliad/ Rate of Return %	Graddfa Tymor Hir Fitch Long Term Rating ***	Graddfa Tymor Byr Fitch Short Term Rating ***	Graddfa Tymor Hir Moody's Long Term Rating ***	Graddfa Tymor Byr Moody's Short Term Rating ***	Graddfa Tymor Hir Standard & Poor's (S&P) Long Term Rating ***	Graddfa Tymor Byr Standard & Poor's (S&P) Short Term Rating ***	Lliw Sector/Hyd Awgrymiedig/ Sector Colour / Suggested Duration
UK	N/A					AA	N/A	Aa1	N/A	AA	N/A	N/A
Lloyds Banking Group plc	Bank of Scotland plc	4,104	Galw/ Call	n/a	0.15	A+	F1	A1	P-1	A	A-1	Coch - 6 mis/ Red - 6 months
HSBC Holdings plc	HSBC Bank plc	Dim/Nil	Galw/ Call	n/a	0.01	AA-	F1+	Aa2	P-1	AA-	A-1+	Oren - 12 mis / Orange - 12months
Santander Group plc	Santander UK plc	7,457	Galw/ Call	n/a	0.15	A	F1	Aa3	P-1	A	A-1	Coch - 6 mis / Red - 6 months
Royal Bank of Scotland group plc	The Royal Bank of Scotland plc	4,021	Galw/ Call	n/a	0.10	BBB+	F2	A2	P-1	BBB+	A-2	Glas - 12 mis / Blue - 12months
Royal Bank of Scotland group plc	National Westminster Bank plc	100	Galw/ Call	n/a	0.01	BBB+	F2	A2	P-1	BBB+	A-2	Glas - 12 mis / Blue - 12months
Total Deposits 19/06/17		15,682										

* Ceir y Rhestr Meini Prawf Gwrthbartion yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2017/18 / The Counterpart Criteria can be found at Appendix 6 of the 2017/18 Treasury Management Strategy Statement.

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

1. The Economy and Interest Rates

The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum. By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro. In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would look through near term supply side driven inflation, (i.e. not raise Bank Rate), caused by sterling's devaluation, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook, however, is dependent on domestically generated inflation, (i.e. wage inflation), continuing to remain subdued despite the fact that unemployment is at historically very low levels and is on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 by the end of March 2017 in response to increasing concerns around inflation.

USA. Quarterly growth in the US has been very volatile during 2016 but a strong performance since mid-2016, and strongly rising inflation, prompted the Fed into raising rates in December 2016 and March 2017. The US is the first major western country to start on a progressive upswing in rates. Overall growth in 2016 was 1.6%.

EU. The EU is furthest away from an upswing in rates; the European Central Bank (ECB) has cut rates into negative territory, provided huge tranches of cheap financing and been doing major quantitative easing purchases of debt during 2016-17 in order to boost growth from consistently weak levels, and to get inflation up from near zero towards its target of 2%. These purchases have resulted in depressed bond yields in the EU, but, towards the end of 2016, yields rose, probably due at least in part to rising political concerns around the positive prospects for populist parties and impending general elections in 2017 in the Netherlands, France and Germany. The action taken by the ECB has resulted in economic growth improving significantly in the eurozone to an overall figure of 1.7% for 2016, with Germany achieving a rate of 1.9% as the fastest growing G7 country.

On the other hand, President Trump's election and promise of fiscal stimulus, which are likely to increase growth and inflationary pressures in the US, have resulted in Treasury yields rising sharply since his election. Gilt yields in the UK have been caught between these two influences and the result is that the gap in yield between US treasuries and UK gilts has widened sharply during 2016/17 due to market perceptions that the UK is still likely to be two years behind the US in starting on an upswing in rates despite a track record of four years of strong growth.

Japan struggled to stimulate consistent significant growth with GDP averaging only 1.0% in 2016 with current indications pointing to a similar figure for 2017. It is also struggling to get inflation up to its target of 2%, only achieving an average of -0.1% in 2016, despite huge monetary and fiscal stimulus, though this is currently expected to increase to around 1% in 2017. It is also making little progress on fundamental reform of the economy.

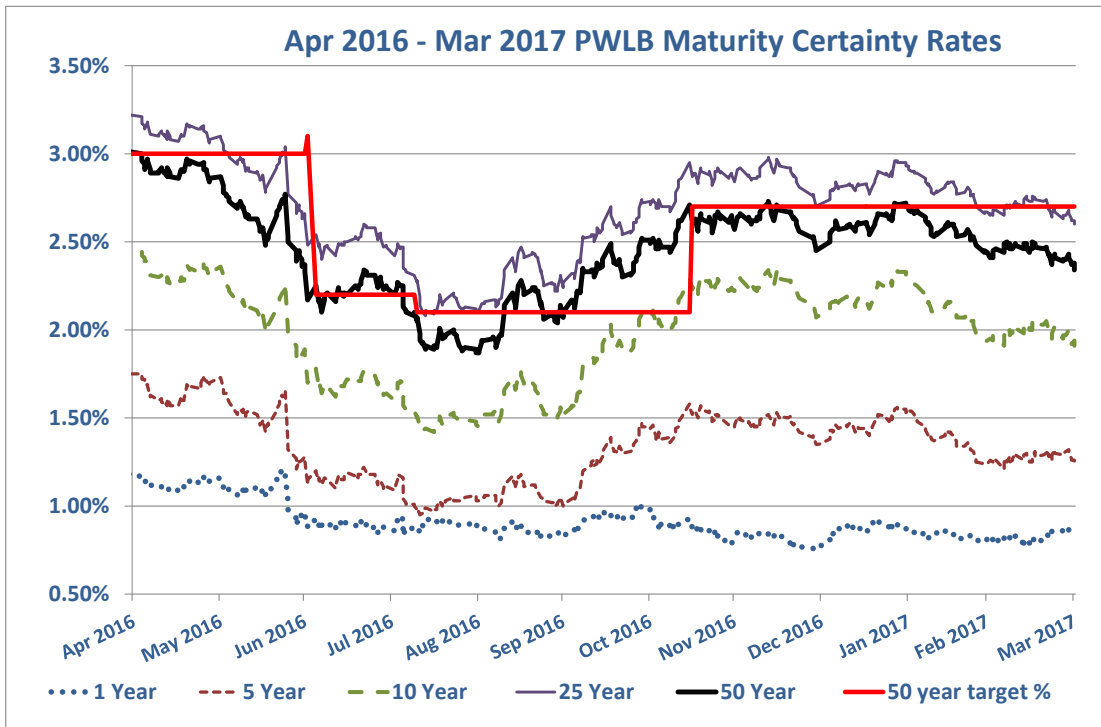
China and emerging market counties. At the start of 2016, there were considerable fears that China's economic growth could be heading towards a hard landing, which could then destabilise some emerging market countries particularly exposed to a Chinese economic slowdown and / or to the effects of a major reduction in revenue from low oil prices. These fears have largely subsided and oil prices have partially recovered so, overall, world growth prospects have improved during the year.

Equity markets. The result of the referendum, and the consequent devaluation of sterling, boosted the shares of many FTSE 100 companies which had major earnings which were not denominated in sterling. The overall trend since then has been steeply upwards and received further momentum after Donald Trump was elected President as he had promised a major fiscal stimulus to boost the US economy and growth rate.

2. Borrowing Rates in 2016/17

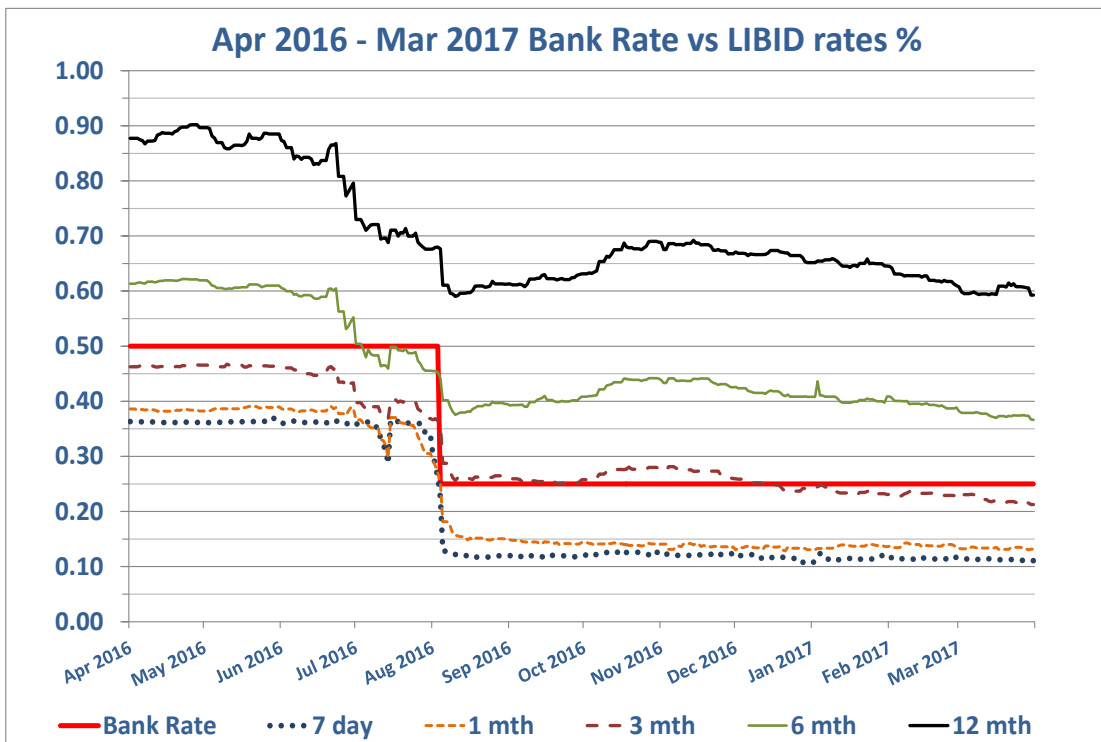
PWLB certainty maturity borrowing rates

During 2016-17, PWLB rates fell from April to June and then gaining fresh downward impetus after the referendum and Bank Rate cut, before staging a partial recovery through to December and then falling slightly through to the end of March. The graphs and table for PWLB rates below and in appendix 3, show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.

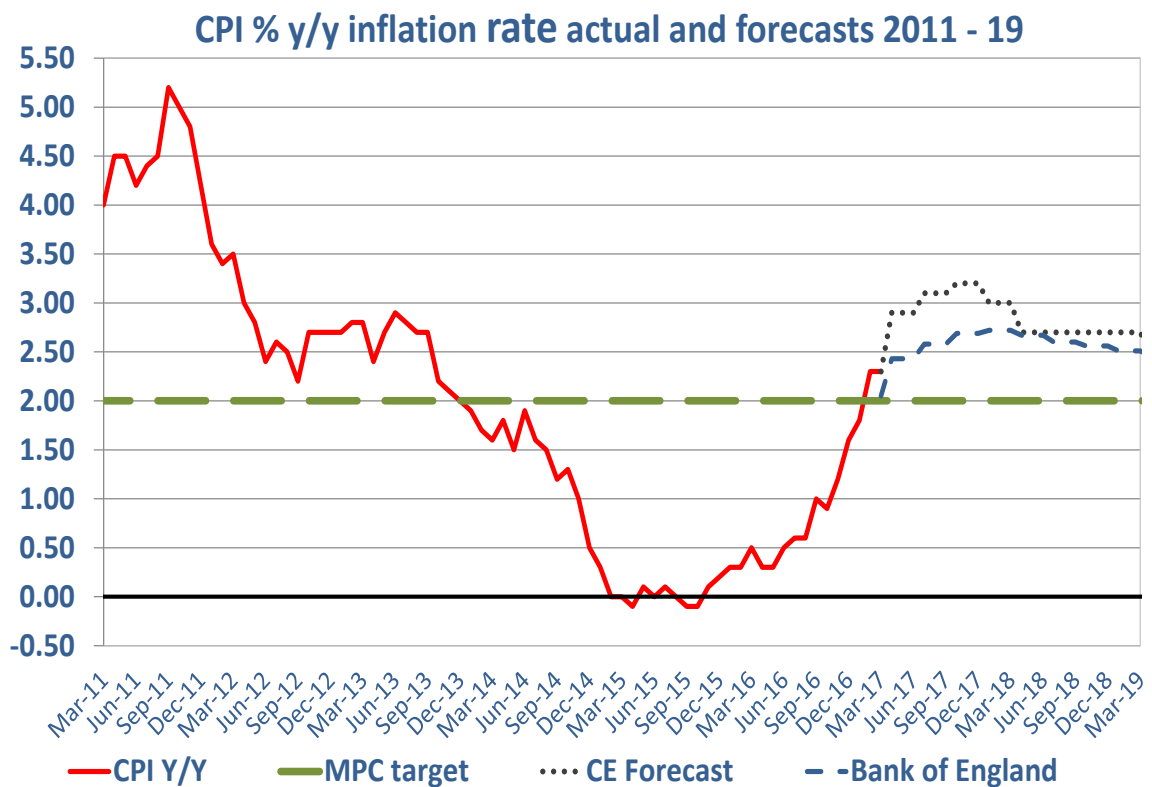
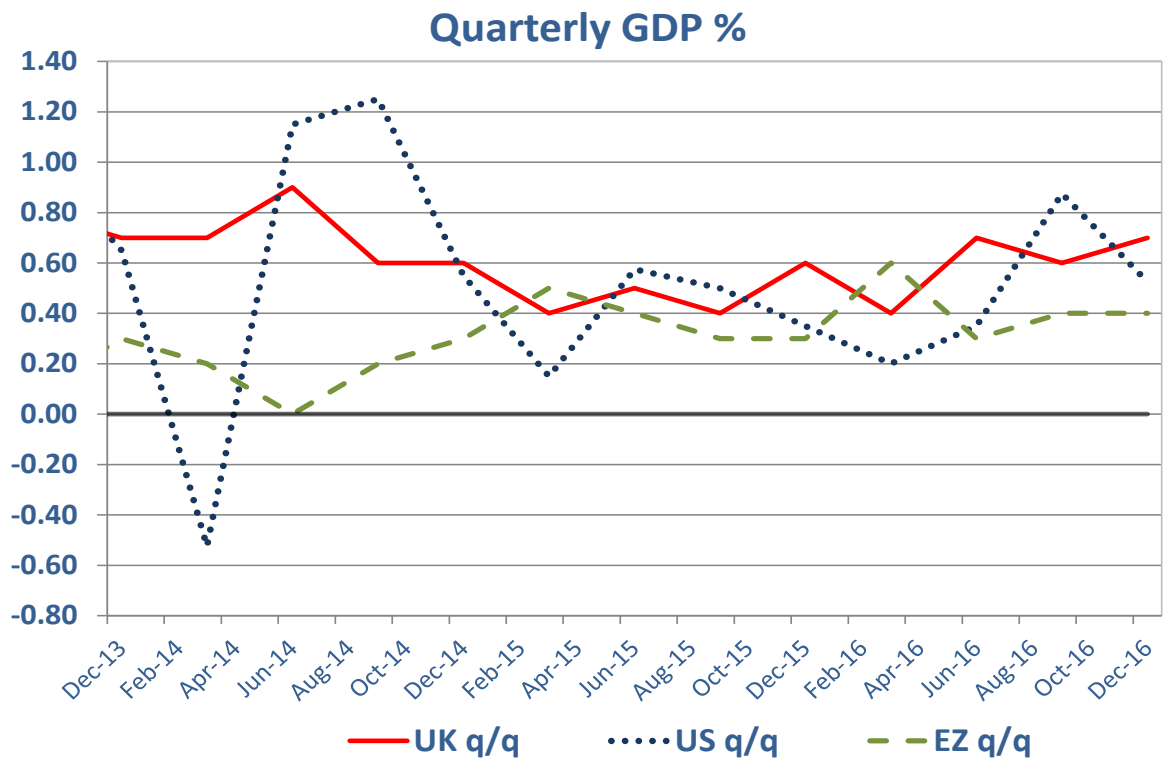


3. Investment Rates in 2016/17

After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.

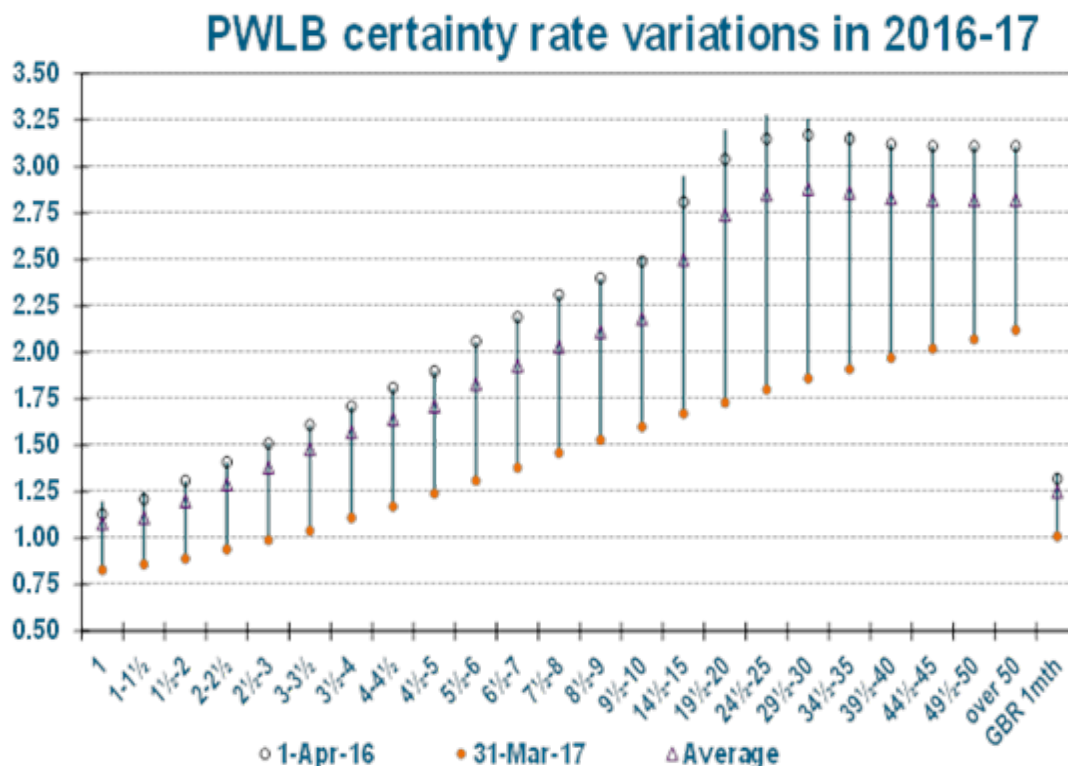


4. Other Graphs



5. Borrowing and investment rates

The PWLB rates are based on the maturity debt certainty rate.



	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
1/4/16	1.130%	1.160%	1.330%	1.470%	1.620%	2.310%	3.140%	2.950%	1.310%
31/3/17	0.830%	0.860%	0.990%	1.110%	1.240%	1.600%	1.800%	2.070%	1.010%
High	1.200%	1.250%	1.460%	1.630%	1.800%	2.510%	3.280%	3.080%	1.350%
Low	0.760%	0.800%	0.840%	0.880%	0.950%	1.420%	2.080%	1.870%	1.040%
Average	0.928%	0.961%	1.104%	1.226%	1.361%	2.007%	2.724%	2.494%	1.150%
Spread	0.440%	0.450%	0.620%	0.750%	0.850%	1.090%	1.200%	1.210%	0.310%
High date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016	20/05/2016
Low date	20/12/2016	15/03/2017	10/08/2016	10/08/2016	10/08/2016	10/08/2016	12/08/2016	30/08/2016	30/11/2016

	1 Year	5 Year	10 Year	25 Year	50 Year
1/4/16	1.13%	1.62%	2.31%	3.14%	2.95%
31/3/17	0.83%	1.24%	1.60%	1.80%	2.07%
Low	0.76%	0.95%	1.42%	2.08%	1.87%
Date	20/12/2016	10/08/2016	10/08/2016	12/08/2016	30/08/2016
High	1.20%	1.80%	2.51%	3.28%	3.08%
Date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Average	0.93%	1.36%	2.01%	2.72%	2.49%

6. Money market investment rates 2016/17

	7 day	1 month	3 month	6 month	1 year
1/4/16	0.363	0.386	0.463	0.614	0.877
31/3/17	0.111	0.132	0.212	0.366	0.593
High	0.369	0.391	0.467	0.622	0.902
Low	0.107	0.129	0.212	0.366	0.590
Average	0.200	0.220	0.315	0.462	0.702
Spread	0.262	0.262	0.255	0.256	0.312
High date	27/5/16	21/6/16	10/5/16	22/4/16	26/4/16
Low date	28/12/16	21/12/16	30/3/17	31/3/17	10/8/16

SOURCE CAPITA 2017



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

FORWARD WORK PROGRAMME

25 July 2017

Contact Officer:	Marion Pryor
	Head of Internal Audit & Risk
E-Mail:	MarionPryor@ynysmon.gov.uk
Telephone:	01248 756211

Date	Subject	Responsible Officer (including e-mail address)
<p>25 July 2017 21 September 2017 To be confirmed 13 February 2018</p>	<p>Internal Audit Update</p> <ul style="list-style-type: none"> • An update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. 	<p>Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk</p>
<p>25 July 2017 21 September 2017 To be confirmed 13 February 2018</p>	<p>External Audit Progress Report</p> <ul style="list-style-type: none"> • An update on External Audit's work: <ul style="list-style-type: none"> ○ Performance Audit ○ Financial Audit 	<p>Performance Audit Lead – Wales Audit Office Gwilym.bury@audit.wales</p> <p>Financial Audit Manager – Deloitte cedge@deloitte.co.uk</p>
<p>25 July 2017</p>	<p>Progress Update on Housing Issues</p> <ul style="list-style-type: none"> • Update as requested by members of the Committee at meeting of 28 June 2017 	<p>Head of Housing Services ShanWilliams@ynysmon.gov.uk</p>
<p>25 July 2017</p>	<p>Annual Treasury Management Report 2016/17</p> <ul style="list-style-type: none"> • The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2016/17. 	<p>Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk</p>
<p>25 July 2017</p>	<p>Annual Report of the Audit & Governance Committee – Chair's Report</p> <ul style="list-style-type: none"> • The Committee are asked to approve the Chair's Report for submission to the County Council meeting of 26 September 2017 	<p>Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk</p>
<p>21 September 2017</p>	<p>Outstanding Internal Audit Recommendations</p> <ul style="list-style-type: none"> • A report of all outstanding internal audit recommendations 	<p>Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk</p>

Date	Subject	Responsible Officer (including e-mail address)
21 September 2017	Annual Review of the Risk Management Strategy and Framework	Insurance & Risk Manager JulieJones@ynysmon.gov.uk
21 September 2017 13 February 2017	Corporate Risk Register <ul style="list-style-type: none"> To consider the corporate risks detailed in the Register. 	Insurance & Risk Manager JulieJones@ynysmon.gov.uk
21 September 2017 13 February 2018	Progress made on External Regulatory Reports <ul style="list-style-type: none"> 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. 	Programme, Business Planning & Performance Manager GethinMorgan@ynysmon.gov.uk
21 September 2017	Housing Benefit and Council Tax Benefit Investigations <ul style="list-style-type: none"> The report will set out the details of the claims successfully investigated by the Benefits Investigation Team. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk
21 September 2017	Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2016/17 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: <ul style="list-style-type: none"> approve the Annual Finance and Governance Report 2016/17, including the Statement of Accounts 2016/17, receive the Appointed Auditor's report on the accounts and the ISA 260, and to approve the Final Letter of Representation. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk

Date	Subject	Responsible Officer (including e-mail address)
5 December 2017	Mid-year Report on Treasury Management for 2017/18 <ul style="list-style-type: none"> • CIPFA's Treasury Management Practice Reporting requirements and management information arrangements recommend that local authorities should, as a minimum, report the treasury management position mid-year. The Committee is requested to note the current position on investments and borrowing. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk
5 December 2017	Audit and Governance Committee Terms of Reference <ul style="list-style-type: none"> • A review of the Committee's terms of reference 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk
13 February 2018	Internal Audit Strategy and Annual Plan 2018/19 <ul style="list-style-type: none"> • 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. 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
13 February 2018	Treasury Management Strategy 2018/19 and Actual Prudential Indicators for 2018/19 <ul style="list-style-type: none"> • CIPFA's Treasury Management Practice Reporting requirements and management information arrangements recommend that local authorities should, as a minimum, report annually on their treasury management strategy and plan, before the start of the year. • The report will cover the actual Prudential Indicators for 2018/19 in accordance with the requirements of the Prudential Code. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk

Future Items		
June 2018	<p>Draft Report of the Head of Function (Resources) / S151 Officer regarding the Annual Finance and Governance Statement 2017/18</p> <ul style="list-style-type: none"> The Audit and Governance Committee is requested to comment on the content of the draft Annual Finance and Governance Report 2017/18 and contribute to the evaluations, conclusions and recommendations proposed to further develop or strengthen elements of the Council's governance arrangements during 2018/19. 	<p>Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk</p> <p>Programme, Business Planning & Performance Manager GethinMorgan@ynysmon.gov.uk</p>
June 2018	<p>Internal Audit Annual Report 2017/18</p> <ul style="list-style-type: none"> 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. The Committee is asked to note the report from the Head of Internal Audit & Risk on the conclusion of the internal audit work carried out during 2017/18. 	<p>Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk</p>

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