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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, 5 RHAGFYR am 2:00 y. p.	TUESDAY, 5 DECEMBER 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 21 SEPTEMBER, 2017 MEETING (Pages 1 - 14)

To present the minutes of the previous meeting of the Audit and Governance Committee held on 21 September, 2017.

Arising thereon –

ICT Business Transformation Manager to report on the approach to dealing with the threat of malicious hacking activities.

3 INTERNAL AUDIT UPDATE (Pages 15 - 32)

To present the report of the Audit and Risk Manager.

4 EXTERNAL AUDIT: ANNUAL AUDIT LETTER 2016/17 (Pages 33 - 36)

To present the Annual Audit and Completion of Audit Letters 2016/17.

5 MID-YEAR REVIEW OF TREASURY MANAGEMENT 2017/18 (Pages 37 - 50)

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

6 REVIEW OF RISK MANAGEMENT STRATEGY AND FRAMEWORK (Pages 51 - 74)

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

7 2017/18 FORWARD WORK PROGRAMME (Pages 75 - 80)

To present the report of the Audit and Risk Manager.

AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 21 September, 2017

- PRESENT:** Councillor Peter Rogers (Chair)
Councillor R. Llewelyn Jones (Vice-Chair)
- Councillors Richard Griffiths, Gwilym O.Jones, Dylan Rees, Alun Roberts.
- Lay Members: Dilwyn Evans, Jonathan Mendoza
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer
Head of Function (Council Business)/Monitoring Officer & Designated Senior Information Risk Owner (for items 3 and 4)
Head of Audit and Risk (MP)
Head of Service (Highways) (for item 6)
Senior Auditor (ECW)
Committee Officer (ATH)
- APOLOGIES:** Councillor Robin Williams
- ALSO PRESENT:** Councillor John Griffith (Portfolio Member for Finance), Ian Howse (Engagement Lead: Financial Audit, Deloitte), Gwilym Bury (Performance Audit Lead, Wales Audit Office), Michelle Hopton (Financial Audit Manager, Deloitte), Senior Accountancy Manager (BHO), Finance Manager (CK), Senior Auditor (SAJ)
-

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE 25TH JULY, 2017 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 25th July, 2017 were presented and were confirmed as correct.

Arising thereon –

With regard to the Housing Maintenance Unit and the issues highlighted by an internal audit review regarding the Orchard System which the service uses to manage its housing assets which, the Committee sought further clarification that the system is effective and fit for purpose, the question not having been answered to a sufficient degree at the previous meeting to provide the Committee with the assurance that that is the case.

The Head of Function (Resources) and Section 151 Officer said that the Orchard Housing Management System has been in use for some time and a decision will need to be made either to renew the system or to tender for a new system. This will be dependent on evaluating whether Orchard is still the right system to meet the needs of the Housing Service and the Housing Maintenance Unit going forward. This assessment will take place in the

coming months before a final decision is made with regard to the Housing Management system.

3. INFORMATION GOVERNANCE – ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO)

The report of the Senior Information Risk Owner (SIRO) which provided an analysis of the key information governance issues for the period from 1 April, 2016 to 31 March, 2017 along with current priorities was presented for the Committee's consideration.

The Head of Function (Council Business) and Designated SIRO reported on the salient point as follows –

- That the main statutory driver with regard to Information Governance at the Council is currently the Data Protection Act significant breaches of which can result in large monetary penalties, currently up to a maximum of £500k.
- A considerable amount of audit work, including that of the Information Commissioner's Office (ICO) (2013-14) has highlighted deficiencies in the Council's data protection arrangements. Since 2013, the Council has invested in improving its compliance with the Data Protection Act and now has in place the relevant policies and procedures to support and to demonstrate compliance with the Act.
- The work that has been done to date and is ongoing and will continue in perpetuity. It is being led by the Corporate Information Governance Board which was established in 2014 originally as a project team to respond to the recommendations of the ICO audit from 2013. The Board is now a permanent governance structure and reports to the Senior Leadership Team. A summary of the work which the CIGB has and continues to be engaged with is provided at section 5 of the report.
- This work includes developing an initial version of the Council's Information Asset Register (IAR). The register allows the mapping of information content and information systems as they interact with changes to business requirements and the technical environment and is a key mechanism for understanding an organisation's information holdings and the risk associated with them. Whilst the intention was to undertake further work on the Information Asset Register to assess high risk areas for data breaches, the forthcoming General Data Protection Regulations (GDPR) which will replace much of the existing data protection legislation in May, 2018 requires that work on other aspects of the IAR be prioritised. Guidance from the ICO is to focus on work relating to retention schedules. The Council's retention schedules have now been completed on a service by service basis and will be circulated to Heads of Service. The new legislation will make complying with destruction dates on data held electronically and on paper fundamentally more important so the retention schedules represent a key step in that direction.
- The Council has devised IG policies and procedures over time and they are currently up to date. The Council has implemented a policy management system, Policy Portal which has served as a library of policies since November, 2016. Paragraph 5.3 of the report lists the policies available on the Portal. The system is useful in providing clear version control in terms of which policies are current as well as upcoming review dates. The click to accept function provides assurance that key IG policies are being read, understood and formally accepted by staff. The SLT receives reports on levels of compliance and across the Council these are mixed. Social Services for example are not compliant to a high level and there are ICT issues in relation to Education which means they are not included in the system. These two services because of the nature of the information they hold are considered high risk in terms of data breaches. A pause and review period at the end of the next quarter will give an opportunity to consider what can be done to increase the level of compliance.
- Section 5.6 of the report outlines the training arrangements which the Council has put in place for staff; these include mandatory basic training for all staff which is refreshed

every two years. Compliance levels are at 88%. Training has been highlighted as a significant area in all the reports which the Council has received in relation to IG. An E-Learning platform is about to be launched through which the mandatory training package will also be delivered.

- The number and breakdown of data security incidents reported by the Council is provided in Appendix A to the report. There were 34 incidents during the period covered by the report; of these 33 were classified as Level 0 to Level 1 i.e. near misses or incidents that do not need to be reported to the ICO or other regulators. There was one Level 2 incident which was reported to the ICO. The proportion of Level 0 to Level 1 incidents has risen sharply from 6 in the previous year's report. A significant proportion of the incidents have involved information being sent by email. The SIRO thinks that the increase in Level 1 breaches being reported is due to an encouraging increased awareness of the need to report data security incidents, rather than a worsening of data security.
- Section 5.10 of the report refers to performance against key Performance Indicators.
- Section 6.1 of the report confirms that the Action Plan devised to respond to the recommendations in the Enforcement Notice issued by the ICO in October, 2015 under the Data Protection Act has now been completed and a closure report thereon to the Senior Leadership Team is tabled for September, 2017.
- Internal Audit will undertake an audit of GDPR readiness during October to December, 2017; additionally a matrix is at present being populated to identify the actions that need to be taken to ensure compliance with GDPR by May, 2018. This will be shared with the Senior Leadership Team and then with the Heads of Service.
- In conclusion, the SIRO considers that there is significant documented evidence to demonstrate that –
 - The Council's arrangements for Information Governance and data protection compliance are reasonably effective;
 - Much progress has been made (from a low base) to implement the recommendations of the ICO's audit work, and enforcement activity;
 - The measures required are not yet fully implemented, and where they are implemented, they are not yet sufficiently matured to justify an enhanced level of assurance;
 - To move to a higher level of assurance will require implementation and successful testing of the further steps described in the report;
 - The Council's overall (there being variance between services) data protection compliance remains a medium risk to the Council;
 - Any failure to implement and comply with the GDPR will be a major risk for the Council.

The Committee considered the information presented and raised points as follows –

- The Committee noted that the SIRO is not able to report on the adequacy of the controls and mitigations of information risk currently associated with each critical asset because the Council does not as yet have a complete understanding of the information risks and the mitigations and controls in place. The Committee sought clarification of the steps the Council needs to take to attain a complete understanding of the position with regard to information risk and how it is managed as well as the resource implications of doing so. The SIRO said that gaining this level of understanding is a process involving the steps that are identified in the report; these include the Information Asset Register when populated which will encompass Retention Schedules when completed; notifying the public about the use of personal data by way of privacy notices on documents and undertaking Privacy Impact Assessments when required. These are three key elements that need embedding fully within the Council to enable the SIRO to be satisfied that the

Council is doing as much as it can to understand and manage information risks and the related control environment. The Officer further confirmed that current resources are at present sufficient in the context of the work required; work is also being conducted on a regional level to facilitate consistency and avoid duplication. Whilst the Council Business section is leading on providing the policies and procedures and ensuring that appropriate training is commissioned, there are expectations on services to contribute to the process given that they are best placed to know what information they hold and why and the systems used to manage the information. It is a responsibility that is shared across the Council corporately with Council Business providing support to services to take the necessary action to manage the information risks within their services.

- The Committee noted that Social Services and Education are lagging behind as regards compliance with the Council's Click to Accept policy acceptance system. Given that these two service areas are recognised as being high risk as regards data breaches because of the nature of the information they hold, the Committee sought assurance that action is being taken to improve both services' levels of compliance. The SIRO said that compliance across the Council is 74% with some individual services attaining compliance levels of 90% and over. Compliance levels in Adults' and Children's Services are 60% and 38% respectively. The Education service is not as yet part of the Policy Acceptance System because of ICT issues relating to its shared system with schools for which the policy acceptance process is not relevant. An 8 week pause and review period has started during which a further report will be sent to the SLT and Y Penaethiaid.
- The Committee noted that a high proportion of the Level 0 to Level 1 data security incidents recorded relate to information sent by e-mail. The Committee sought clarification whether this is a matter of human error or a systemic issue that requires input by the ICT service in terms of reviewing the robustness of the e-mail programme. The SIRO said that the principal risk lies in the potential that information is inadvertently shared with unauthorised external parties. The ICO has recommended that the Council considers dispensing with the autocomplete function on its e-mail system. The SLT has asked each service to review its use of autocomplete against the risk of a data breach with the result that whilst two services and two sections have disabled the function the majority of services have not because they find it useful from a business perspective. The next step is to encourage all staff to have their photograph installed on the Outlook e-mail system; a report to that effect is to be presented to the SLT. Alternatively, information regarding the individual's contact number, department etc. can be inserted in the space where a photograph should be. It is believed that this will reduce the risk of data breaches arising from autocomplete.
- The Committee sought clarification of the Council's approach to the risk that data may be compromised by malicious hacking by external parties. The SIRO said that that is a technical matter which comes under the domain of ICT Services rather than that of the SIRO. The ICT service is represented on the Information Governance Board and ICT issues are addressed by the latter.
- With respect to GDPR, the Committee sought assurance that the Council has sufficient resources and capacity to ensure compliance by May, 2018. The SIRO said that with some additional funding which is to be confirmed depending on the exact requirements, the corporate centre will be able to roll out the work to the services; the latter will then have to confirm whether or not they have the resources to implement what they need to do. This will be addressed by the Action Plan to be presented to the SLT and Y Penaethiaid.

The Committee accepted and noted the SIRO's conclusions as to the position with regard to Information Governance at the Council. Whilst the Committee was concerned that the Social Services and the Education Service's level of compliance with the Council's Policy Acceptance system is below expectation, it accepted that Senior Management is aware of

this and is assessing the situation with a view to taking steps to secure improvement in the these services' compliance.

It was resolved to note and to accept the report with the proviso above.

ADDITIONAL ACTION PROPOSED: ICT Service to report back to the Committee on the Council's approach to dealing with the threat from malicious hacking activities.

4. CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2016/17

The report of the Head of Function (Council Business)/Monitoring Officer setting out the issues arising under the Council's Concerns and Complains Policy for the period from 1 April, 2016 to 31 March, 2017 along with a summary of whistleblowing issues notified during the same period was presented for the Committee's consideration. The report included Social Services complaints but only those where the complainant was not a service user. Service user complaints are dealt with under the Social Services Policy – Representations and Complaints Procedure for Children and Adults and are reported annually to the Corporate Scrutiny Committee.

The Head of Function (Council Business)/Monitoring Officer reported as follows –

- That 191 concerns were received and 74 complaints made during the period covered by the report. Of the 74 complaints 3 were not pursued for the reasons outlined meaning therefore that 71 complaints were investigated and formal responses sent to complainants.
- Of the 71 complaints dealt with during the period, 12 were upheld in full; 10 were partially upheld and 48 were not upheld. 24 complaints were referred to the Public Services Ombudsman for Wales (PSOW) but none was accepted for investigation. Of the complaints to the PSOW, 12 had been dealt with through the internal process during 2016/17 whilst the remaining 12 took their complaints directly to the PSOW.
- There has been an increase of 12 in the number of complaints received from the 59 received during 2015/16. Some services have received complaints for the first time; some have received complaints on account of an increase in fees; others are due to a change in policy e.g. the 3 weekly bin collection and charges for new bins introduced by the Waste Management Services. These changes led to an increase in the volume of telephone calls to the service which then resulted in concerns and complaints about the time taken to answer calls.
- The overall rate of responses to complaints issued within the specified time limit of 20 working days is 93%. When responses are late, the service is expected to send a holding response to the complainant to keep them informed of progress; the reasons for the delay and estimated response time.
- A summary of complaints by service is provided in paragraph 8 of the report.
- From an analysis of the above, 21% of the complaints received resulted from escalated concerns; 72% of complaints were made directly to the formal internal process and the remaining 7% were sent to the Council by the PSOW who refused to deal with them until the internal Council process had first been exhausted.
- The Concerns and Complaints Policy places an emphasis on learning lessons from complaints and thereby improving services. Enclosure 1 to the report seeks to explain what lessons have been learnt and any practice which has evolved as a consequence. However, apart from the Waste Management issues reported in the last report and the Waste Management issues this year relating to changes in policy which suggest that any change in policy directly impacting the public should be planned for in advance by services, there are no discernible patterns to the complaints received by the other services. One clear corporate message is the benefit of keeping the complainant informed on the progress of the issues raised.

- Section 10 of the report summarises the complaints made to the PSOW and their outcomes.
- Section 11 of the report summarises complaints about Members. These are reported more fully to the Standards Committee.
- Section 16 of the report provides a summary of whistleblowing complaints reported by services for the period.

It was resolved –

- **To accept that the report provides reasonable assurance that the Council is compliant with the processes required under its Concerns and Complaints Policy and Whistleblowing Policy/Guidance.**
- **To accept and to note the Lessons Learnt at Enclosure 1 to the report without further comment.**
- **To endorse omitting the Compliments data from future reports and that these be left to be reported and discussed at Service Reviews.**
- **To note the recommendation made in the Internal Audit report – Anglesey County Council Ethical Culture – regarding the fact that “the Council does not centrally record its Whistleblowing disclosures” (and) that “there is a risk that the Council will not identify trends and act promptly”, and to note also that this will be a matter for the Senior Leadership Team to decide.**

NO ADDITIONAL ACTION PROPOSED.

5. STATEMENT OF ACCOUNTS AND ISA 260 REPORT

5.1 The report of the Head of Function (Resources) and Section 151 Officer incorporating the final Statement of Accounts 2016/17 was presented for the Committee’s consideration and acceptance.

The Committee was informed that the draft Statement of Accounts was presented for audit on 28 June, 2017. The detailed audit work is now substantially complete and the Auditor’s report has been issued and a small number of amendments to the draft have been incorporated into the accounts.

The statutory deadline for the completion of the audited accounts 2016/17 has again been met. Improvements identified by the previous year’s audit have been implemented and these improvements have continued. All issues raised throughout the audit have been dealt with promptly and in a satisfactory manner. Details of the main amendments to the draft accounts are covered by the Auditor’s report. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts. A summary of the significant amendments to the draft Statement is provided in section 3.2 of the report. The Auditors have made 8 recommendations in relation to accounting and payroll control; 6 recommendations in relation to IT and 7 recommendations in relation to Asset Valuation.

5.2 The report of the External Auditor on the audit of the Financial Statements 2016/17 (ISA 260 Report) was presented for the Committee’s consideration.

Mr Ian Howse, Engagement Lead for Financial Audit reported as follows –

- That the draft financial statements for the year ended 31 March, 2017 were received by the Auditors on 12 June, 2017 and that the audit work thereon is now substantially complete. At the date of issue of the audit of financial statements report, the three matters set out in section 6 of the report were outstanding.
- Subject to the satisfactory completion of outstanding work, it is the Auditor General’s intention to issue an unqualified audit report on the financial statements once the

Authority has provided a Letter of Representation based on that set out in Appendix 1 to the report.

- As regards significant issues arising from the audit, there is one prior year uncorrected misstatement which has been discussed with Management but remains uncorrected. It was agreed that it did not require restatement as there would be no material impact on the balance sheet in 2016/17. Further details are provided in Appendix 3 to the report.
- There are misstatements that have been corrected by Management which are drawn to the Committee's attention due to their relevance to its responsibilities over the financial reporting process. These are set out with explanations in Appendix 3.
- The Financial Audit Plan provided information regarding the significant audit risks that were identified during the Auditors' planning process. The table at section 12 of the report sets out the outcome of the Auditors' audit procedures in respect of those risks. The audit was conducted in line with the Financial Audit Plan.
- In the course of the audit, consideration is given to a number of matters both qualitative and quantitative relating to the accounts and any significant issues are reported to Committee. There were no issues arising in these areas this year.
- The Auditors have no concerns about the qualitative aspects of the Council's accounting practices and financial reporting. The Auditors concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- No significant issues were encountered during the audit.
- There were no significant matters discussed and corresponded upon with Management which require reporting to Committee.
- There are no other matters significant to the oversight of the financial reporting process that require reporting to Committee.
- No material weaknesses in internal controls were identified although several areas in which it would be possible to improve control are highlighted.
- There are no other matters specifically required by auditing standards to be communicated to those charged with governance.
- The recommendations arising from the financial audit work are set out in Appendix 4 to the report. Management has responded to them and progress on their implementation will be followed up during next year's audit.

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

- The Committee noted that the preparation of the accounts process had been timely and that the accounts were presented in accordance with the statutory timescale. The Committee noted that thanks are due to the Finance Service's staff for their work in ensuring that the completion of accounts deadline was met.
- The Committee noted that the External Auditors are satisfied with the quality of the Council's accounting practices and financial statements and that it was the Auditors' view that the financial statements are fairly presented and that the disclosures made are clear and unbiased.
- The Committee noted that no major issues arose during the course of the audit.
- The Committee noted that in the accounts, the Teachers' Pension Scheme although technically a defined benefit scheme is stated as being unfunded and that the long term liabilities connected with the scheme are not recognised in the Balance Sheet whereas the liabilities arising from the Local Government Pension Scheme are included in the accounts. The Committee also noted that the liabilities associated with unfunded pension schemes are incorporated within some other organisations' accounts and as it can be a large figure, it sought clarification of whether that should be the case with local authority accounts and the reasons for the difference in treatment. Mr Ian Howse said that the inclusion of pension liabilities in the accounts

depend on whether the scheme is a defined benefit scheme or a defined contribution scheme. Much of local governance accounts is about factors that impact on the contribution made by Council tax payers so adjustments are made to the accounts accordingly. As regards the Local Government pension scheme, the impact on the council tax payer is confined to the cash contribution made by the Council to the fund as an employer – which is a revenue item - which includes the pension deficit reduction plan. All other items in relation to pension liabilities are put into the accounts and then removed as they do not impact on Council Tax setting. With regard to the Teachers' Pension Scheme, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the accounts it is therefore accounted for as a defined benefit scheme. The Council's accounts are consistent with other local authorities as regards the treatment of pensions.

- The Committee sought clarification of aspects of budget performance during the year and whether these are reflected in the accounts as well as the adequacy of the Council's reserve balances. The Head of Function (Resources) and Section 151 Officer said that the accounts reflect actual expenditure; budget performance monitoring and outturn are reported in another format elsewhere. With regard to balances, the Officer confirmed that the Council's General Fund balances are currently at a level above that generally recommended i.e. around 5% of net revenue expenditure. However, there is a risk going forwards that those balances may reduce as the Council seeks to address forecasted over expenditure.

It was resolved –

- **To recommend to the Full Council that it confirms acceptance of the 2016/17 Statement of Accounts.**
- **To approve the Annual Governance Statement 2016/17 and to refer the document to the Leader of the Council and the Chief Executive for their signatures.**
- **To accept the Audit of Financial Statements Report and to note its contents.**

6. INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk which provided an update on Internal Audit's progress with regard to service delivery and reviews completed was presented for the Committee's consideration.

The Head of Audit and Risk reported as follows –

- That 5 internal audit review reports were finalised in the period as detailed in paragraph 3.2 of the reports. Two of the reports – School Transport and Corporate Procurement Framework – Corporate Compliance resulted in a Limited Assurance opinion. The Committee was provided with the full Limited Assurance reports separately to the agenda.
- That follow up reviews of two areas previously assessed as providing Limited Assurance, namely the Housing Maintenance Unit and ICT Disaster Recovery show that the Council has demonstrated good progress in implementing the actions agreed to address the risks identified in areas, and consequently the Housing Maintenance Unit has now been reassessed as providing Reasonable Assurance and ICT Disaster Recovery as providing Substantial Assurance.
- To date, the Internal Audit Service has completed 22% of the Annual Plan with a further 17% currently work in progress. The internal audit approach is being reviewed; additionally, due to changes in corporate fraud arrangements and significant slippage from 2016/17, the resource available to complete the Operational Plan for 2017/18 has

been reduced. The Head of Audit and Risk will undertake a risk assessment during quarter three and audit reviews will be prioritised to ensure resources are targeted to the areas of highest risk.

- The Committee's terms of reference were scheduled to be submitted to this meeting line with the Forward Work Programme. However due to two issues – the scheduling of training on 15 September when Members will have an opportunity to review the terms of reference for appropriateness and the publication of updated CIPFA guidance in November, 2017 it is proposed that the review of the terms of reference be deferred until the Committee's December, 2017 meeting.

The Committee considered the information presented and made the following points:

- The Committee noted with disquietude the number of concerns highlighted by the Limited Assurance review of **School Transport** in relation to the monitoring of contractor compliance; controls over expenditure and income collection. The Committee sought assurance that speedy action is being taken to address the systemic and procedural weaknesses identified so that it can be demonstrated that contractors are fully compliant with contract requirements; that the service is cost-effective and that sound arrangements are in place to ensure that all income due to the Council is being collected.

The Head of Function (Resources) and Section 151 Officer said that the Executive in 2016 allocated £1m from General Balances to address Business process issues within various areas of the Council including school transport. The Education Service in Anglesey along with those of the five other North Wales authorities have signed up to the ONE software system as part of a collaborative procurement exercise. One of the system's modules relates to school transport and utilises information about pupils' addresses and the schools they attend to produce an optimum taxi/bus route which when updated for any changes will reorganise the routes accordingly. Anglesey has not hitherto implemented this module because of resources and data cleansing issues but when implemented it will generate savings because it takes a more scientific approach to how routes are allocated. However, in order for it to work effectively, the database from which it draws information must be up to date and accurate and this will involve data cleansing work. Work was planned before Internal Audit issued its review report so Management was aware of issues with school transport; the Internal Audit review confirms those issues and imposes a formal action plan to address them.

With regard to income collection which it is recognised needs to be improved, the ultimate aim of the Council is to move to a system whereby payments for services are made online in advance. For that to happen the Council needs to upgrade its systems and it is currently planning and working to that end.

The Committee was given the opportunity to question the Head of Service (Highways) on the service's approach to the issues arising. The Officer said that whilst expenditure on school taxis needs to be reviewed, the allocation of contracts for both taxis and buses is based on a competitive tendering process. Additionally, secondary school transport in Anglesey has consistently been the second lowest in Wales as regards cost.

Whilst the Committee took some assurance from the Officer feedback on the issues identified by the Internal Audit review as requiring attention and noted that specific measures have been recommended to rectify those issues particularly around controls and processes, it was of the view that Scrutiny be asked to consider the service issues arising, to formulate an action plan and to report back to this Committee on the outcome of its examination of the matter. Additionally, given that

School transport encompasses two services and input from a number of officers from across those two services, the Committee recommended that the process of implementing the action plan is likely to deliver swifter results if it were project managed by a team to provide oversight of progress.

- The Committee also noted with concern the Limited Assurance review of the **Corporate Procurement Framework – Corporate Compliance**; the Committee sought assurance that action is being taken to improve internal controls and compliance in this area.

The Head of Function (Resources) and Section 151 Officer said that the Corporate Procurement function within the Authority has made significant progress since a fitness check of procurement arrangements at Anglesey was undertaken by KPMG in December 2013 as part of a review of procurement at all 22 Welsh Authorities commissioned by Welsh Government. The major issue which has led to Internal Audit issuing a Limited Assurance opinion in this instance is the absence of a complete central contracts register which holds information about all the contracts the Council enters into and which is then monitored. Whilst the Council does have a corporate contracts register the Officer said that he was not able to provide assurance at this point that it is 100% complete; however the Corporate Procurement Team is currently working with Accountancy and other services to identify the gaps in the register. As well as working on the register, the Team also monitors compliance with procurement regulations and both advises and undertakes work on individual tenders which can take up a lot of team resources. So whilst Management has commenced work to implement the internal audit action plan, it is doing so in a way that current Team resources and demands allow. The remainder of the issues identified by the Internal Audit review are mainly housekeeping matters of a moderate or minor risk.

The Committee accepted the explanation provided by the Head of Function (Resources) and Section 151 Officer and was assured that appropriate action is being taken to respond to the risk and control issues identified by Internal Audit

The Head of Audit and Risk confirmed that follow up audits of both the areas where the assurance has been assessed as limited will take place at the end 6 months and an update report provided to the Committee at that time.

- The Committee sought an update on progress with regard to implementing the recommendations of CSSIW's review of Children's Services. The Head of Audit and Risk said that the governance responsibility for the Action Plan resulting from the CSSIW review lies with the Corporate Scrutiny Committee. Additionally, it was noted that several members of the Audit and Governance Committee are also members of the Children's Services Improvement Panel and/or Corporate Scrutiny Committee which has oversight of monitoring progress on implementing the Children's Services Improvement Plan. Those Members confirmed to the remainder of the Audit Committee that regular detailed reports are made to the Corporate Scrutiny Committee and that progress against the Improvement Plan is currently on track. **The Committee determined in light of this information that it did not therefore require a formal update report.**

It was resolved –

- **To note Internal Audit's latest progress in term of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement and to accept the assurance provided subject to the additional**

action proposed with regard to the IA review report in relation to School Transport.

- **To postpone the review of the Committee's terms and conditions until CIPFA issues its new guidance document.**

ADDITIONAL ACTIONS PROPOSED:

- **The IA review report in relation to School Transport to be referred to Scrutiny for its examination with the recommendation that an Action Plan be formulated and that the Plan be monitored and overseen by a Project Team. The Audit Committee to be informed of the outcome of Scrutiny's examination of the report.**
- **That provision be made in the IA Plan to indicate the date of the Audit Committee meeting to which individual review reports are likely to be presented.**

7. OUTSTANDING AUDIT RECOMMENDATIONS

The report of the Head of Audit and Risk setting out the current outstanding recommendations/risks as at 7 September, 2017 was presented for the Committee's considerations. Details regarding the risk status of each recommendation along with the planned implementation date was provided in Appendix A to the report.

The Head of Audit and Risk reported that the new internal audit approach entails raising issues and risks rather than making recommendations. These are then graded in accordance with the Council's risk management framework so that internal audit work is aligned to the Council's risk appetite. The graph at 3.4 of the report shows that performance in implementing recommendations and/or addressing risks has steadily improved over the last 12 months.

The Committee noted the information presented and the improvement made.

It was resolved to accept and to note the report.

NO ADDITIONAL ACTION PROPOSED

8. INTERNAL AUDIT CHARTER

The report of the Head of Audit and Risk incorporating an updated Internal Audit Charter was presented for the Committee's consideration.

The Head of Audit and Risk reported that the role of the Head of Audit and Risk changed with effect from 1 April, 2017 to include responsibility for risk management and insurance activities. The Public Sector Internal Audit Standards require that the charter describes the safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities. Therefore the charter has been updated and amended to include these safeguards.

The Committee sought assurance that Internal Audit is sufficiently resourced to be able to undertake its responsibilities properly. The Head of Audit and Risk said that it was her role as part of the Service's annual report to provide the Committee with assurance about the Council's internal control arrangements; based on that and the current IA Operational Plan, she was able to provide assurance as to the adequacy of the resources within Internal Audit. However, the service would find it difficult to cope with any reduction in the resources it has at present.

It was resolved to approve the Internal Audit Charter which includes the safeguards to limit impairments of independence or objectivity which may be

caused by the chief audit executive undertaking non-audit activities, namely responsibility for risk management and insurance.

9. FORWARD WORK PROGRAMME

The Committee's Forward Work Programme was presented for review and comment.

Mr Gwilym Bury, WAO Performance Audit Lead informed the Committee that he would be providing an update on the WAO's Performance Work Programme to the Committee's December meeting.

It was resolved to accept the Forward Work Programme subject to the inclusion for the Committee's December meeting of the WAO Performance Work Programme update.

ADDITIONAL ACTION PROPOSED: Internal Audit Manager to update the Forward Work Programme accordingly.

10. EXCLUSION OF PRESS AND PUBLIC

It was resolved to adopt the following provision in considering item 11 on the agenda:

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

11. CHANGES TO COUNCIL TAX RELIEF SCHEME INVESTIGATION ARRANGEMENTS

The report of the Head of Function (Resources) and Section 151 Officer setting out operational changes to the investigation of Council Tax Relief Scheme fraud was presented for the Committee's consideration. The report outlined the background as regards the changes that followed the transfer of responsibility for the investigation of all benefit fraud from the Council to the Department of Work and Pensions Single Investigation Service in November, 2014 and the arrangements the Council made thereafter to continue to investigate Council tax Reduction Scheme fraud offences (as this was not classed as a benefit) and other Council Tax offences. A retirement provided an opportunity to review arrangements following which it was decided to delete the retiree's post; the report outlines the resulting operational changes that were made to continue with the work in relation to the Council Tax Referral Scheme fraud; the National Fraud Initiative and other fraud investigations.

It was resolved to note the operational changes to the investigation of Council Tax Relief fraud and the deletion of a relevant post within Internal Audit.

12. EXCLUSION OF PRESS AND PUBLIC

It was resolved to adopt the following provision in considering item 13 on the agenda:

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

13. CORPORATE RISK REGISTER

The report of the Head of Function (Resources) and Section 151 Officer incorporating the Corporate Risk Register as reviewed and updated to the end of Quarter 1 2017/18 by the Senior Leadership Team was presented for the Committee's consideration.

The Insurance and Risk Manager reported on the following matters –

- The top (red) risks to the Council
- Risks that have fallen out of the Register
- Risks that have been de-escalated in the period since the last report to the Committee in December, 2016 as the residual risk is now deemed to be less than it was when last reported
- Risks newly identified and included within the Corporate Risk Register and the reasons for their inclusion therein.

The Committee noted the information and sought clarification of certain aspects in relation to the timeframe for implementing mitigating actions as regards specific risks, and the rationale for actions that are aimed at reducing the impact of some risks rather than the likelihood of their occurring.

It was resolved to note the report and that the Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team.

NO ADDITIONAL ACTION WAS PROPOSED

**Councillor Peter Rogers
Chair**

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	5 December 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
<p>Nature and Reason for Reporting: This reports provides information on work carried out by Internal Audit since the last Committee meeting It also updates the Committee on progress made on specific items that the Committee has requested. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on other Council services and corporate areas.</p>	

1. Introduction

1.1. The report provides an update as at 17 November 2017 on:-

- Internal Audit reports issued since 7 September 2017;
- Follow up of previous internal audit reports;
- Implementation of management actions;
- Progress in delivering the Internal Audit Annual Plan 2017/18;
- Specific updates requested by the Audit and Governance Committee;
- A review of the Committee's terms of reference.

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 and decides whether it needs any further assurance on audit reports.

2.2. That the Audit and Governance Committee approves the postponement of the review of its terms of reference until the Chartered Institute of Public Finance and Accountancy (CIPFA) issues its new guidance document.

3. Internal Audit reports recently issued

3.1. This section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Issues / Risks raised in the report's action plan.

3.2. We have finalised three reports in the period, summarised below:-

Title	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Licensing Services	Substantial	0	0	2	1	3
Council Tax and Non Domestic Rates	Reasonable	0	0	2	1	3
Sundry Debtors	Limited	0	7	9	3	19

Licensing Services

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

3.3. The Council is responsible for the issue and regulation of a number of different types of licence. The Licensing Team is part of the Trading Standards Service, which administers and enforces the licensing of various activities.

3.4. Our review confirmed that the Licensing Team complies with the Council's policies and procedures covering the issue of licences. Its inspections and monitoring arrangements in relation to compliance with licensing criteria and renewal of licences are also effective.

3.5. All income and expenditure is dealt with in accordance with Financial Procedure Rules and budget monitoring and performance management arrangements are effective.

3.6. Procedures employed to ensure safeguarding issues are incorporated into all relevant licensing activity.

- 3.7. The Service has a plan to drive improvement and it has considered the risks to achieving its objectives. The Workplan 2017/18 has defined outline performance requirements and specific targets are set to ensure objectives are met and to drive continuous improvement. Consideration has also been given to long-term planning, community resilience and sustainability in the context of the Well-being of Future Generations Act.
- 3.8. Consequently, taking all these factors into consideration and the minor nature of the risks raised, we are able to provide ‘Substantial Assurance’ on the governance and management of risk and control for Licensing Services.

Council Tax and Non Domestic Rates

Reasonable Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	2	Moderate
	1	Minor

- 3.9. For 2016/17, the Isle of Anglesey County Council collected 97.4% of council tax billed, which equates to the overall collection rate for the whole of Wales according to statistics published by the Welsh Government. The highest collection rate for a Welsh Authority was 98.1% and the lowest was 93.8%.
- 3.10. The Council’s figure for Non Domestic Rates was 97.1% compared to the whole of Wales figure of 97.8%. The highest collection rate in Wales was 99.4% and the lowest 95%.
- 3.11. Our review did not cover system access controls and backups, or the implementation of the ‘Council Tax Premium on Long-Term Empty Homes and Second Homes in Wales’¹, which will be reviewed separately.
- 3.12. Our review confirmed that tax liability and billing are undertaken in accordance with established policies, procedures, laws and regulations and deductions, exemptions and reliefs are granted appropriately.
- 3.13. We identified a couple of moderate risks. Problems were found in the reconciliation of the April 2017 revaluation of non-domestic properties; officers were unable to reconcile the figures until the end of August 2017 and there are currently no reviews of suppressed accounts, which can lead to accounts being

¹ From 1 April 2017, local authorities were able to charge a premium of up to 100% of the standard rate of council tax on long-term empty homes and second homes in their areas. The Housing (Wales) Act 2014 made the legislative changes and the powers given to local authorities are discretionary. Whether to charge a premium on long-term empty homes or second homes (or both) is a decision for each local authority to make.

suppressed for longer than appropriate. Consequently, effective recovery action may not be taken.

- 3.14. Plans are in place to address these risks by January 2018. In addition, the Section is currently undergoing a restructuring process. As part of this, there are plans to improve business continuity and a plan to implement an electronic working environment. E-Billing is also planned for the future to reduce posting costs, although this is not expected to be implemented in time for the 2018 annual bills.
- 3.15. Consequently, taking all these factors into consideration and the moderate nature of the risks raised, we are able to provide 'Reasonable Assurance' on the governance and management of risk and control for Housing Benefits and Council Tax Reduction.

Sundry Debtors

Limited Assurance	Risks / Issues	
	0	Catastrophic
	7	Major
	9	Moderate
	3	Minor

- 3.16. In accordance with the Audit and Governance Committee's resolution with regards 'Limited Assurance' reports, I have provided a copy of the full report to the Members separately.
- 3.17. Sundry Debtors concerns the billing of Council goods and services and the collection and recovery of such debts. The audit highlighted a number of concerns that, collectively, were of such a significance that the audit could only provide a Limited Assurance rating.
- 3.18. Areas of concern include a lack of segregation of duties and inconsistency within the process for administering Home Care debts. Home Care debts are not included in the draft corporate debt recovery policy. Due to the nature of its clients, Home Care debts are difficult to recover as withdrawal of the service due to non-payment is not an option. It is therefore vital that recovery procedures for Home Care debtors are established.
- 3.19. Other risks include a delay in the authorisation of debtor accounts in the system and in the raising and authorisation of debtor invoices, recovery action on outstanding invoices is suppressed without a formal policy in place and there is a lack of monitoring of suppressed accounts.
- 3.20. There are delays in clearing payments from the system suspense code and the ledger holding account into the corresponding systems or against the correct invoice, and also delays in processing cancellations/credit notes and system reconciliations to the general ledger.

3.21. The inefficiencies identified are causing the Income Section to provide a poor level of service to other services and debtors. However, most of the issues raised within the report are due to a lack of resources. Therefore, as the Income Section has recently created a new management post to address these issues and is strengthening both the Income Team and the Recovery Team, the service is confident that the situation will improve over the next six months. The Revenues Manager has provided assurance that processes are in place to improve the current position and these have been highlighted within an action plan.

3.22. A follow up audit will take and a report will be made to this Committee to provide Members assurance that the risks identified by the audit are being addressed.

4. Follow up of previous Internal Audit reports

4.1. Currently, we follow up all reports with an assurance rating of ‘Limited’ or below. Five ‘Limited Assurance’ reports are currently being followed up:-

- Child Care Court Orders under the Public Law Outline;
- Extra Care Housing – Commissioning Arrangements;
- System Controls – Logical Access and Segregation of Duties;
- Payment Card Industry Data Security Standards;
- Corporate Procurement Framework.

4.2. Access to staff and delays in responses to requests for information have delayed the finalisation of the reports in time for this report. However, a verbal report will be given where appropriate.

4.3. We have finalised one review in the period. Although this report had a ‘Reasonable Assurance’ rating and would not normally be the subject of a formally reported follow up, no progress had been made in implementing the management actions at our first follow up visit.

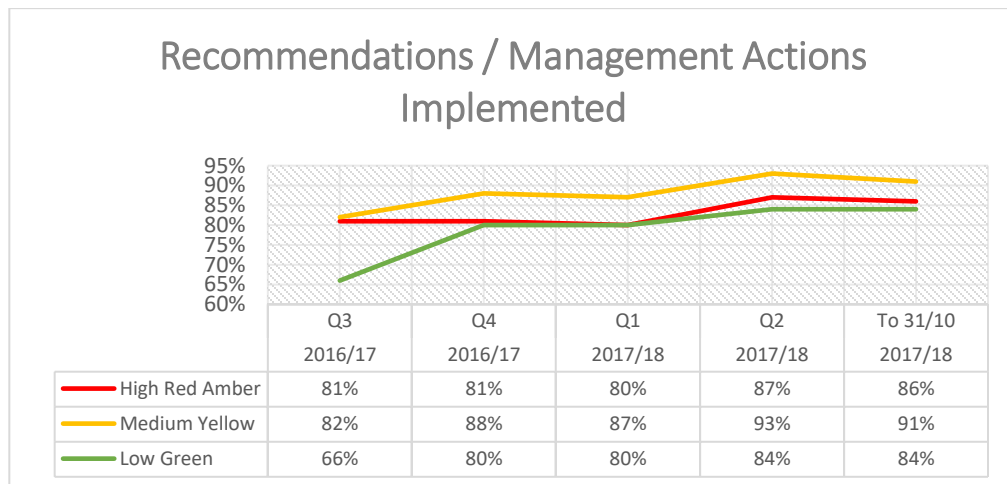
Building Regulations Fees – Inspection & Enforcement Regimes – Second Follow Up

	Original Issues / Risks		Outstanding Issues / Risks	
	Report Date	April 2016	October 2017	
Good Progress	Assurance	Reasonable	Reasonable	
	Catastrophic	0	0	
	Major	1	0	
	Moderate	2	3	
	Minor	1	1	

- 4.4. Our second follow up review confirmed that from the four risks raised, actions have been partially implemented to address all risks and the priority ratings have been re-assessed to take into account the actions implemented to date.
- 4.5. The Building Control team has demonstrated ‘**good progress**’ in implementing the actions agreed to address the risks identified and the rating remains as ‘Reasonable Assurance’ for the arrangements for governance, risk management and/or internal control.

5. Implementation of Management Actions

- 5.1. As part of the new internal audit approach, we have moved away from making recommendations to raising ‘Issues’ and ‘Risks’.
- 5.2. To encourage management to have ownership for the risks, we place the responsibility on them to develop the action to address the issues / risks we have identified.
- 5.3. To provide the Committee with trend information, the graph below highlights the performance in implementing the recommendations / addressing the risks:-



- 5.4. As can be seen, the Council has steadily improved its performance over the last 12 months, with a slight trailing off of performance over the last month.
- 5.5. A more detailed report of all outstanding recommendations and Issues / Risks is made twice a year.

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

- 6.1. The Annual Plan is attached at [Appendix A](#). To date, we have completed 41% of the plan, with a further 31% currently work in progress.

- 6.2. Following the Head of Audit and Risk's commencement in post in April 2017, work has been ongoing to revise and modernise the internal audit approach, including a *Systems Thinking* exercise to identify efficiencies and improve the process and reporting mechanisms. This work continues.
- 6.3. In addition, due to a significant slippage of work from 2016/17, the retirement of the Corporate Fraud Officer and the long-term absence of a Senior Auditor, the resource available to complete the Operational Plan for 2017/18 has been reduced.
- 6.4. Consequently, the Head of Audit and Risk has undertaken a risk assessment with Heads of Service and the Head of Function (Resources) / Section 151 Officer. Audit reviews have been prioritised to ensure resources are targeted to the areas of highest risk.

7. Updates requested by the Audit and Governance Committee

- 7.1. At its meeting of 21 September 2017, the Committee requested the Head of Audit and Risk to update the Forward Work Programme with Mr Gwilym Bury, the Wales Audit Office's Performance Audit Lead's commitment to provide an update on the WAO's Performance Work Programme to the Committee's December meeting.

8. Other Issues

Audit and Governance Committee Terms of Reference

- 8.1. The Committee should periodically review its terms of reference for appropriateness. It last reviewed and approved its terms of reference in February 2015, with approval granted by the Executive in April and the County Council in May 2015.
- 8.2. In accordance with the Committee's Forward Work Programme, the terms of reference were due to be submitted to the Committee's September meeting. However, at this meeting, the Committee approved the postponement of the review of the terms of reference until the Committee's December meeting, following publication of the new CIPFA guidance, anticipated to be November 2017.
- 8.3. However, CIPFA has confirmed it will now publish the new guidance in December 2017. Therefore, it is proposed to postpone the review of the terms of reference until the next Committee meeting, 13 February 2018.
- 8.4. The Committee is asked to approve this postponement.

Annual Internal Audit Plan 2017/18

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
AUTHORITY WIDE REVIEWS (CORPORATE)										
1	Corporate	Capital Expenditure	Cyclical IA	Draft	December 2017		15	15	14	
2	Corporate	Corporate Procurement Framework	IA Assessed Risk	Complete	September 2017	Limited	10	6	6	
3	Corporate	Data Protection & Information Governance - General Data Protection Regulations - Readiness	Corporate Risk YM13 ICO Report	Draft	February 2018		15	15	6	
4	Corporate	ICT Disaster Recovery	Corporate Risk YM10	Complete	September 2017	Substantial	10	6	6	
5	Corporate	Risk Management	Cyclical IA	Deleted	n/a	n/a	10	0	0	Overview conducted in 2017 with Insurance & Risk Manager, SLT and Penaethiaid. Review in 2018/19.
6	Corporate	Corporate Safeguarding	Corporate Risk YM12	Complete	July 2017	Reasonable	20	20	20	
7	Corporate	Transformation Programme - Smarter Working	Section 151 Officer Request				15	15	0	
8	Corporate	Ethical Culture	PSIAS Requirement	Complete	September 2017	Reasonable	20	16	16	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
9	Corporate	Social Services and Well-being Act - Part 9 requirements	New legislation	Scoping	n/a		20	3	0.75	Extension from WG to implement pooled budgets. Therefore watching brief only with view to undertake audit in 2018/19.
10	Corporate	Programme/Project Management	CEO Request - SLT Objective	Fieldwork	February 2018		15	15	1.75	
11	Corporate	Corporate Health & Safety	Audit Concern	Scoping	February 2018		15	15	1	
HEAD OF FUNCTION - RESOURCES & SECTION 151 OFFICER										
12	Resources	Council Tax & NDR	Key Financial System	Complete	December 2017	Reasonable	20	20	19	
13	Resources	Fixed Asset Register & Capital Accounting	Key Financial System	Deleted	n/a	n/a	10	0	0	Work undertaken by external audit. Some overlap with Capital Expenditure audit. Audit deleted.
14	Resources	High Level Controls for Key Financial Systems	Key Financial System	n/a		n/a	10	0	0	Days transferred to Sundry Debtors due to issues identified. Key financial systems have been covered individually except for Treasury Management, which has been green for a number of years.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
15	Resources	Housing Benefit & Council Tax Reduction Scheme	Key Financial System	Complete	September 2017	Reasonable	15	23	23	Excess days transferred from contingency
16	Resources	Main Accounting System	Key Financial System	Complete	June 2017	Reasonable	10	7	7	
17	Resources	Income - Payment Card Industry Data Security Standard	Key Financial System	Fieldwork	February 2018		15	15	7	
18	Resources	Petty Cash/Imprest Accounts	Key Financial System				10	10	0	
19	Resources	Sundry Debtors	Key Financial System	Complete	December 2017	Limited	10	27	26.5	Days transferred from Key Financial Systems and contingency due to issues identified.
HEAD OF FUNCTION - COUNCIL BUSINESS & MONITORING OFFICER										
20	Business	Democratic & Member Services - Members' Allowances	Service not audited for significant time	Deleted	n/a	n/a	8	0	0	Discussed with Monitoring Officer - not a risk. Days transferred to GDPR Readiness audit.
21	Business	Legal Services	Service not audited for significant time	Deleted	n/a	n/a	6	0	0	Discussed Risk Register with Monitoring Officer - all actions on track. Days transferred to GDPR readiness audit.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
HEAD OF FUNCTION - TRANSFORMATION										
22	Transformation	Data Centres	Fundamental to Council's Operations	Deleted	n/a	n/a	10	0	0	Postponed until 2018/19. Contingency planning covered under ICT Disaster Recovery audit.
23	Transformation	Active Directory	Fundamental to Council's Operations	Deleted	n/a	n/a	15	0	0	Postponed until 2018/19. Not a priority.
24	Transformation	Network Security Audit (Cyber Security)	Fundamental to Council's Operations				15	15	0	
HEAD OF REGULATION & ECONOMIC DEVELOPMENT										
25	Economic Development	Economic Development Function	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Audit deleted.
26	Leisure	Leisure Function & Performance	Annual Delivery Document 2016/17 - Head of Service request				15	15	0	
27	Planning	Strategy & Support Team	Head of Service request	Deleted	n/a	n/a	10	0	0	Not a high priority for Head of Service and not in risk register. Audit deleted.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
28	Trading Standards	Civil Registration	Service not audited for significant time	Complete	September 2017	Substantial	10	10	10	
29	Regulation	Licensing Services	Service not audited for significant time	Complete	December 2017	Substantial	10	17	17	Excess days transferred from contingency. Not audited before and significant amount of legislation to consider.
HEAD OF HIGHWAYS, WASTE & PROPERTY SERVICES										
30	Highways	Car Park Services & Enforcement	Service not audited for significant time	Deleted	n/a	n/a	15	0	0	New pilot in place with external organisation for car parking enforcement. Delay audit until 2018/19 to have time for pilot to produce results. Other enforcement (dog fouling and littering) separate contract. Also move into 2018/19.
31	Highways	Engineering & Design Services	Service not audited for significant time	Deleted	n/a	n/a	15	0	0	Scaling back of service and not a high priority area for Head of Service. Not in risk register.
32	Property	Estate & Property Management	Service not audited for significant time				15	15	0	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
33	Highways	Highways & Civil Engineering	Service not audited for significant time				15	15	0	
HEAD OF HOUSING										
34	Housing	Housing Rents - Readiness for Welfare Reform (Universal Credit)	Key Financial System	Scoping	February 2018		15	17	11.25	
35	Housing	Affordable Housing, Housing into Homes & Bridging Loan Scheme	Corporate Business Plan	Scoping	February 2018		15	15	4	
36	Housing	Supporting People Programme	Service not audited for significant time	Scoping	February 2018		15	15	3.25	
HEAD OF ADULT SERVICES										
37	Adults	Deprivation of Liberty (DOLs)	Risk of Litigation in relation to Outstanding DOLs Assessments	Scoping			15	15	0.25	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
38	Adults	Direct Payments	Head of Service request				0	15	0	Head of Service concerns around the governance and controls around expenditure. Priority area. Days transferred from Joint Service Delivery and Management audit.
39	Adults	Joint Service Delivery & Management in relation to older people services with Health Board	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Days transferred to Direct Payments audit.
40	Adults	Services for the Elderly - Home Care Contracts	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Days transferred to contingency.
HEAD OF CHILDREN'S SERVICES										
41	Children's	Corporate Parenting Strategy - Plant Mewn Gofal Invest to Save – Maethu	External Assurance				15	10	0	
HEAD OF LEARNING										
42	Learning	Secondary Schools - 6th Form Funding - Ysgol Syr Thomas Jones	Cyclical Review	Deleted	n/a	n/a	10	0	0	Not a high risk area. Audit deleted.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
43	Learning	Primary Schools - Thematic Reviews - Schools Income Collection	Head of Service request				20	20	0	
44	Learning	School Sickness Absence	Head of Service request				20	0	0	
45	Learning	School Transport	Head of Service request	Complete	September 2017	Limited	20	26	26	Excess days transferred from contingency. Significant issues identified.
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)										
		Follow Up Work					35	70	56.75	Several limited assurance reports. Significant amount of work being undertaken to clear old outstanding recommendations, particularly in schools.
		General Counter Fraud Work, National Fraud Initiative, referrals and enquiries					155	80	77	Days reduced due to deletion of Corporate Counter Fraud Officer post.
		Referrals:								
46	Referral	CSSIW Report - Governance around Action Plan	Request from Audit & Governance Committee	Complete	June 2017	n/a	0	2	2	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
47	Referral	Payroll Overpayment	Request from Accountancy Services Manager	Fieldwork	February 2018		0	5	4	
48	Referral	Registration of Financial Charges	Request from Section 151 Officer	Fieldwork	February 2018		0	10	4.5	
49	Referral	After School Club - Fund Irregularities	Request from Learning Services	Draft	February 2018		0	15	13	
		Closure of Previous Year's Work					20	20	20	
		Grant Certification:					35	0	0	
50	Grant	School Uniform Grant	Request from Accountancy	Complete	December 2017	Substantial	0	3	3	
51	Grant	Rent Smart Wales Grant	Request from Accountancy	Complete	July 2017	Substantial	0	10	10	
52	Grant	Education Improvement Grant	Request from Accountancy	Complete	July 2017	Substantial	0	3	3	
53	Grant	Pupil Development Grant	Request from Accountancy	Complete	July 2017	Substantial	0	6	6	
		Corporate consultancy					55	35	28	
		Audit & Governance Committee, including training for members					23	40	35.75	
		Management Review					0	40	29.5	Days transferred from Management
		Contingency					120	3	0	
		TOTAL				70%	1057	790	518.25	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
NON CHARGEABLE DAYS (NON-PRODUCTIVE)										
		Risk & Insurance					50	50	7.5	
		General Administration					70	60	51.75	
		Personal Development & Review, 1:1 & Team Meetings					8	25	17	Insufficient allocation.
		Management, including liaison with External Audit and audit plan preparation					75	35	29.25	Days transferred to Management Review.
		Annual Leave (164), including statutory leave (41) and special leave (90)					245	295	224.75	Days amended due to retirement of Corporate Counter Fraud Officer and special leave and resignation of Senior Auditor.
		Sick Leave					45	10	9	Good sickness record in the team - days transferred to training.
		Training and Development for staff, including induction and Welsh lessons					10	65	60.25	Insufficient allocation - days transferred from sickness allocation and contingency.
		TOTAL					503	540	399.5	
							1560	1330	917.75	

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Agenda Item 4

Archwilydd Cyffredinol Cymru Auditor General for Wales

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Reference	IH16-17
Date	17 November 2017
Pages	1 of 2

Dr Gwynne Jones
Councillor Llinos Medi
Council Offices
Llangefni
Anglesey
LL77 7TW

Dear Gwynne and Ieuan

Annual Audit Letter – Isle of Anglesey County Council 2016-17

This letter summarises the key messages arising from the Auditor General for Wales's (Auditor General's) statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires the Auditor General to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and

- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 29 September 2017 the Auditor General issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Auditor General's report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in the Audit of Financial Statements report on the 21 September 2017. The Auditor General does not need to bring anything to your attention in this letter.

The Auditor General is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The Auditor General's consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

The Auditor General issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017.

To date my work on behalf of the Auditor General on the certification of grant claims and returns has not identified significant issues that would impact on the 2017-18 accounts or key financial systems.

The financial audit fee for 2016-17 is expected to be in accordance with the agreed fee set out in the Annual Audit Plan.

Yours sincerely



Ian Howse
For and on behalf of the Auditor General for Wales



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Reference	ICH1617
Date	28/11/2017
Pages	1 of 1

Dear Isle of Anglesey County Council,

**Audit of Accounts and Annual Returns 2016/2017
Notice of Certification of Completion of the Audit**

I am pleased to be able to advise you that the audit of your Authority's accounts for the year ended 31 March 2017 has been completed. I have not had to issue a report in the public interest under Section 22 of the Public Audit (Wales) Act 2004.

May I draw your attention to:

- Regulation 13 of the Accounts and Audit (Wales) Regulations 2014, which requires the Authority to give notice by advertisement and on its website that the audit has been concluded and that the statement of accounts is available for inspection by local government electors; and
- Regulation 27 of the Accounts and Audit (Wales) Regulations 2014, which require audited bodies to publish the annual audit letter as soon as is reasonably possible after it is received and to keep copies available for purchase by any person on payment of a reasonable sum.

Yours sincerely

Anthony Barrett

On Behalf of the Auditor General for Wales

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT COMMITTEE
DATE:	05 DECEMBER 2017
SUBJECT:	TREASURY MANAGEMENT MID-YEAR REVIEW REPORT 2017/18
PORTFOLIO HOLDER(S):	COUNCILLOR J GRIFFITH
HEAD OF SERVICE:	MARC JONES (EXT. 2601)
REPORT AUTHOR:	GARETH ROBERTS
TEL:	01248 752675
E-MAIL:	GarethJRoberts@anglesey.gov.uk
LOCAL MEMBERS:	n/a

1. Introduction

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:-

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Background

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an Annual Treasury Management Strategy Statement, which includes the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:-

- An economic update for the first part of the 2017/18 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A summary of activity since Quarter 2;
- A look ahead to next year; and
- A review of compliance with Treasury and Prudential Limits for 2017/18.

3. Economic Update

3.1 The Council's treasury advisers provided an economic update shortly after the end of the first quarter, and can be found in Appendix 1. They have also recently provided the following interest rate forecast:-

	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019
Bank Rate (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.50
5yr PWLB rate (%)	1.50	1.60	1.70	1.70	1.80	1.80	1.90
10yr PWLB rate (%)	2.20	2.30	2.30	2.40	2.40	2.50	2.50
25yr PWLB rate (%)	2.90	2.90	3.00	3.00	3.10	3.10	3.20
50yr PWLB rate (%)	2.70	2.70	2.80	2.80	2.90	2.90	3.00

3.2 The Council's treasury advisers recently provided a commentary alongside the interest rate forecast above. This commentary can be found in Appendix 2.

3.3 The projected investment income is currently in line with the budget for 2017/18.

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by this Council on 28 February 2017. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. The Council's Capital Position (Prudential Indicators)

5.1 This part of the report is structured to update:-

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.2 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure in comparison to the capital budget.

Capital Expenditure	2017/18 Original Estimate	Position as at 30 September 2017	2017/18 Current Estimate
	£'000	£'000	£'000
Council Fund	38,510	7,430	22,020
HRA	12,870	4,220	11,490
Total	51,380	11,650	33,510

5.2.1 The current estimate for capital expenditure is behind the original estimate mainly due to the New Highways to Wylfa being delayed until the next financial year, and the Holyhead Strategic Infrastructure still awaiting WEFO funding and it is not anticipated that any significant capital expenditure will be incurred this financial year. A full breakdown on the planned capital expenditure for 2017/18, is provided in the Capital Budget Monitoring Report, presented to the Executive on 27 November 2017.

5.3 Changes to the Financing of the Capital Programme

5.3.1 There are no significant changes to the financing of the capital programme to report at this stage.

5.3.2 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original funding of the capital programme, and the expected funding arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Financing	2017/18 Original Estimate £'000	2017/18 Revised Estimate £'000
Capital Grants	23,610	11,360
Capital Receipts	2,870	3,100
From Reserves	750	460
Revenue Contribution	10,210	8,920
Supported Borrowing	3,510	2,090
Unsupported Borrowing	8,870	6,580
Loan	1,000	1,000
Underspend from 2016/17	560	0
Total	51,380	33,510

5.4 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

5.4.1 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

5.4.2 Prudential Indicator – Capital Financing Requirement

5.4.2.1 We are currently slightly below the original forecast Capital Financing Requirement due to the forecast underspend in the 21st Century schools programme, meaning less borrowing will be undertaken in 2017/18.

5.4.3 Prudential Indicator – External Debt/the Operational Boundary

	2017/18 Original Estimate £000	2017/18 Revised Estimate £000
Prudential Indicator – Capital Financing Requirement		
CFR – Council Fund	100,080	96,370
CFR – HRA	41,650	41,650
Total CFR	141,730	138,060
Net movement in CFR	7,720	4,010

	2017/18 Original Estimate £000	2017/18 Estimate Borrowing Position £000	Amount Within The Boundary £000
Prudential Indicator – External Debt/the Operational Boundary			
Borrowing	162,000	118,010	43,990
Other long term liabilities	3,000	Nil	3,000
Total debt 31 March	165,000	118,010	46,990

5.5 Limits to Borrowing Activity

5.5.1 The first key control over the treasury activity is a prudential indicator to ensure that, over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2017/18 Original Estimate £000	CFR Position at 30 September 2017 £000	2017/18 Revised Estimate £000
Gross borrowing	141,730	111,430	138,060
Plus other long term liabilities	Nil	Nil	Nil
Gross borrowing	141,730	111,430	138,060
CFR (year-end position)	141,730	n/a	138,060

5.5.2 It is not envisaged that there will be any difficulties for the current year in complying with this prudential indicator.

5.5.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members, currently £170m. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2017/18 Original Indicator	Current Borrowing Position as at 30 September 2017 £'000
Borrowing	167,000	111,430
Other long term liabilities	3,000	Nil
Total	170,000	111,430

6. Investment Portfolio 2017/18

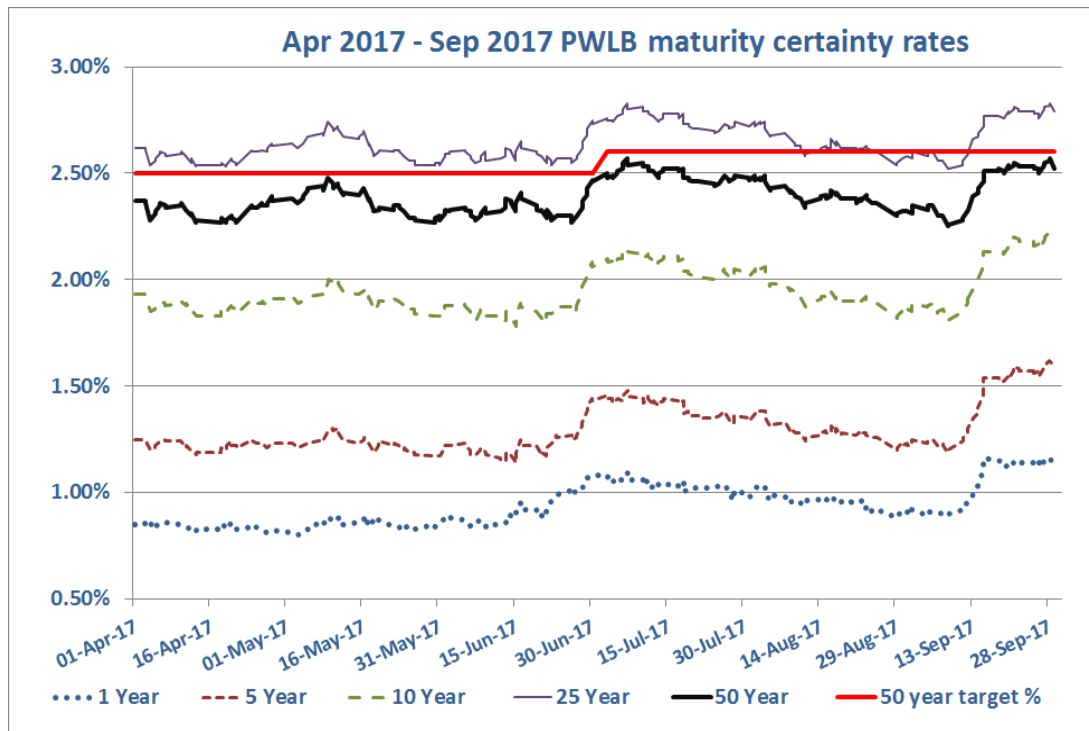
6.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

- 6.2 The Council held £9.4m of investments as at 30 September 2017 (£13.3m at 31 March 2017) and the investment portfolio yield for the first six months of the year was 0.15%. A full list of investments as at 30th September 2017 can be found in Appendix 4. A summary of the investments and rates can be found in Appendix 3.
- 6.3 The approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.
- 6.4 The Council's budgeted investment return for 2017/18 is £0.015m and performance for the year to date exceeds the budget, with £0.013m received to the end of Quarter 2.
- 6.5 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.
- 6.6 During the first six months of 2017/18, a fixed term investment matured from the London Borough of Barking & Dagenham for £5m on the 22 May 2017. This investment was recalled and placed in one of our call accounts.
- 6.7 Investment Counterparty criteria - The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

7. Borrowing

- 7.1 The projected capital financing requirement (CFR) for 2017/18 is £138.1m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has projected year end borrowings of £118.0m and will have used £20.1m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.
- 7.2 No borrowing was undertaken during the first half of this financial year. However, it is anticipated that borrowing will need to be undertaken during the second half of the financial year.
- 7.3 During the first six months of the financial year, two separate Long Term Loans with the PWLB matured. The first loan for £2.5m matured on 06/06/17, and the interest rate on this loan was 3.25%. The second loan for £3.0m matured on 17/07/17, and the interest rate on this loan was 10.375%. These repayments were made from existing cash balances and no new loans were undertaken to fund the repayment.
- 7.4 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. We are using the information in the graph to assist with any future borrowings. Although the rates have recently started to move up, we are still not borrowing long term. We will borrow short term to ensure adequate cash balances, and keep the situation under review taking advice from our Treasury advisors:-

PWLB certainty rates 1 April 2017 to 30 September 2017



8. Debt Rescheduling

8.1 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

9. Activity since Quarter

9.1 Since Quarter 2 ended, the authority has arranged to borrow £5m from Tyne & Wear Pension Fund South shields. The borrowing will take place from 20/10/17 until 19/01/18 at a rate of 0.33%. This decision is in line with our current borrowing strategy of only borrowing longer term when we require the funding and not to borrow simply to take advantage of low borrowing rates as the cost of carry (difference between the interest paid and the investment return) is too high.

10. Plans for next year

10.1 At its next meeting in February, this Committee will consider the plans for borrowing for the next financial year. The initial plan for 2018/19, as outlined in the Capital Strategy approved by the Executive at its meeting on 30 October 2017 is:-

- to use the required sum from the available general supported borrowing allocation of £2.192m, and £2.558m of specific supported borrowing for the 21st century schools programme; and
- to borrow £3.433m on an unsupported basis for the 21st century schools programme.

11. Additional updates

11.1 **Revised CIPFA Codes** - The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November. A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

11.2 MIFID II - The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. There are two options available to the council, either to opt up to professional status, or to remain as retail clients. If the authority decides to opt up to professional status this would allow access to money market investments, which are permitted under the strategy, however, under this status the council has less protection for its Treasury Management investments. Upon opting up, the Council also must have £10m in its investment portfolio at some point during the year and are required to achieve a minimum amount of transactions per quarter. If the council remains as retail clients, it can still access all of its current investments types such as call accounts, but it would not be able to access money markets. Following discussions with the Council's Treasury Management Advisors, the Council can achieve the required criteria for professional status and have therefore taken the decision to opt for the professional status.

12. Recommendation

12.1 To consider the content of the report and forward any comments onto the Executive.

Diweddariad ar yr Economidd hyd yma a'r rhagolygiad/ Economic Update**1. United Kingdom (UK)**

After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. . The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

2. European Union (EU)

Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter (2.3% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

3. United States of America (USA)

Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

4. China

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

5. Japan

Japan is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

Sylwadau ar y rhagolygon diweddaraf ar raddfeydd llog/Commentary on the latest interest rates forecasts

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate “over the coming months”. It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018. The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK’s main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Crynodeb Benthycyca a Buddsoddi – Chwarteroedd 1 a 2 2017/18
Borrowing and Investment Summary – Quarters 1 and 2 2017/18

	30 Medi / Sept 2017		30 Mehefin / June 2017	
	£m	% (talwyd ar fenthycyca a derbyniwyd ar fuddsoddiad) / (paid on borrowing and received on investment)	£m	% (talwyd ar fenthycyca a derbyniwyd ar fuddsoddiad) / (paid on borrowing and received on investment)
Benthycyca – graddfa sefydlog Borrowing – fixed rate	111.4	5.15	114.4	5.29
Benthycyca – graddfa amrywiol Borrowing – variable rate	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – galw hyd at 30 diwrnod Deposits – Call to 30 days	9.4	0.15	15.7	0.14
Adneuon – Tymor sefydlog < 1 bl. Deposits – Fixed Term < 1 year	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Adneuon – Tymor sefydlog 1 bl. + Deposits – Fixed Term 1 year +	Dim / Nil	d/b / n/a	Dim / Nil	d/b / n/a
Cyfanswm Adneuon Total Deposits	9.4	0.15	15.7	0.14
Cyfartaledd Adneuon yn y Chwarter Highest Deposits in the Quarter	19.0	d/b / n/a	26.0	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Lowest Deposits in the Quarter	8.8	d/b / n/a	13.3	d/b / n/a
Cyfartaledd Adneuon yn y Chwarter Average Deposits in the Quarter	17.6	0.16	20.8	0.16

Ni dorwyd unrhyw un o'r dangosyddion trysorlys yn ystod hanner cyntaf y flwyddyn.
None of the treasury indicators were breached during the first half of the year.

Graddfeydd Credyd Gwrthbartion buddsoddi a'r adneuron a ddelir gyda phob un ar 30 Medi 2017*
Credit ratings of investment counterparties and deposits held with each as at 30 September 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	1,591	Galw/ Call	n/a	0.15	A+	F1	Aa3	P-1	A	A-1	Coch - 6 mis/ Red - 6 months
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
The Royal Bank of Scotland Group plc	The Royal Bank of Scotland plc	2	Galw/ Call	n/a	0.10	BBB+	F2	A2	P-1	BBB+	A-2	Glas - 12 mis / Blue - 12 months
National Westminster Bank Ltd	National Westminster Bank Ltd Cash Manager A/c	334	Galw/Call	n/a	0.01	BBB+	F2	A2	P-1	BBB+	A-2	Glas - 12 mis / Blue - 12 months

* Ceir y Rhestr Benthycu Cymeradwyedig yn Atodiad 6 o'r Datganiad Strategaeth Rheoli Trysorlys 2017/18/Strategaeth Buddsoddi Blynnyddol/ The Approved Lending List can be found at Appendix 6 of the 2017/18 Treasury Management Strategy Statement / Annual Investment Strategy

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

Approved countries for investments

Based upon lowest available sovereign credit rating

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

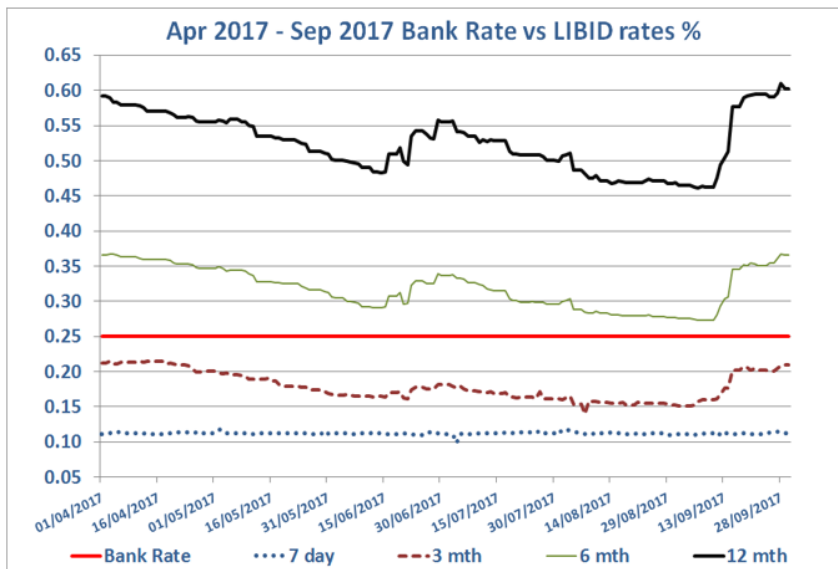
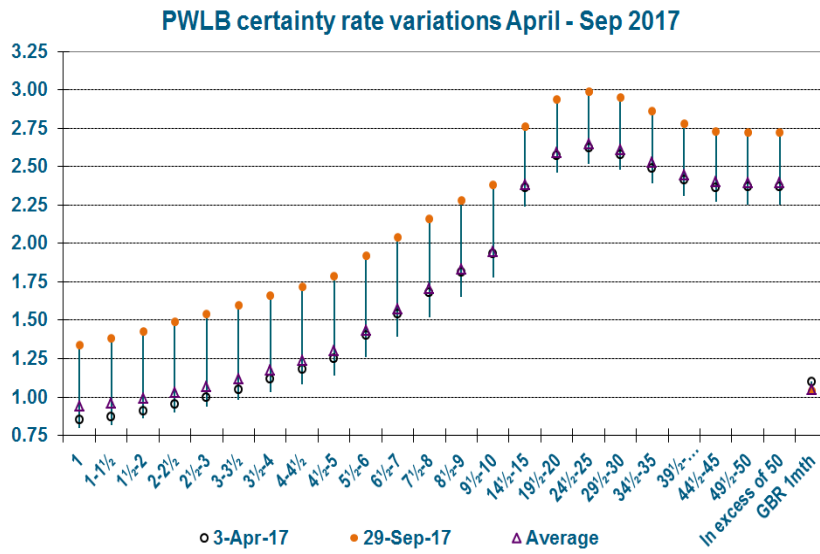
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ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT AND GOVERNANCE
DATE:	5 DECEMBER 2017
TITLE OF REPORT:	REVIEW OF RISK MANAGEMENT STRATEGY AND FRAMEWORK
HEAD OF SERVICE:	Marc Jones, Head of Function (Resources) / Section Officer 01248 752601 MarcJones@ynysmon.gov.uk
REPORT AUTHOR: TEL: E-MAIL:	Julie Jones, Risk and Insurance Manager 01248 752609 juliejones@ynysmon.gov.uk
<p>Nature and Reason for Reporting: The Audit and Governance Committee's Terms of Reference require it to review the development, operation and embedding of risk management within the Council including making reports and recommendations to the Council on the adequacy of those arrangements. In addition, the Council's Risk Management policy requires the Audit and Governance Committee to review the appropriateness of its risk management and assurance processes. This report provides a review of the processes for the Audit and Governance Committee to consider.</p>	

Introduction

1. The Council's Executive approved the Risk Management Policy in May 2015. The policy identifies that the Audit and Governance Committee has a responsibility for reviewing the appropriateness of the risk management and assurance processes in place. Together with the associated Risk Management Guidance, the policy forms the basis of the Council's approach to managing risks. These documents are appended to this report for information.

Review of the Risk Management Strategy and Framework

2. It is prudent to review the appropriateness of these documents periodically in order to provide this Committee with an overview of the appropriateness of the risk management process. The Head of Audit & Risk and Risk & Insurance Manager undertook a review during quarter 2, in conjunction with the SLT and Penaethiaid.
3. The review found the process itself to be standard and in line with those of other organisations. It did however appear that the processes were not fully embedded into the Council's working practices, resulting in the process being a tick-box paper exercise as opposed to an essential tool for effective and informed decision-making.
4. According to the established processes, each Service is required to review and submit their service risk registers quarterly. Any red or amber risks are then referred to SLT so that they can be considered for inclusion on the Corporate Risk Register. Services were also asked for an update on any mitigating actions which need to be implemented in order to control corporate risks. The review found that not all services were presenting these updates, and that information which was submitted added little value and was often out of date. To improve this situation it has been agreed that responsibility for requesting updates and Service risk registers passes from the Performance Team to the Risk & Insurance Manager and that the Risk & Insurance Manager also meets with each Head of Service at least every six months to discuss their risks.

5. The review found that a procedure had been established for the SLT to review the Corporate Risk Register quarterly in accordance with the Risk Management Policy and Guidance. Whilst this procedure had been implemented, it had slipped for a period which meant that the SLT had not reviewed the Corporate Risk Register during the first half of 2017. In order for risk management to become fully embedded, SLT should consider any risks associated with each issue presented to them and ensure that these are captured in the relevant risk register (corporate, service, partnership or project). To address this, SLT have agreed that the Risk & Insurance Manager should attend SLT at least once every three months to assist them in reviewing the Corporate Risk Register. This will allow the Risk & Insurance Manager to present the Corporate Risk Register to this Committee and the Executive / SLT Business Meeting twice a year.
6. The review also found that Members and Officers are not always fully informed of the risks involved when taking decisions. This is because the section on Standard committee report template to note risks is rarely completed and there is no mechanism for these to be commented on or considered for inclusion on the appropriate risk register. During discussions with SLT, it was felt that a review of the committee report template was required to consider this and other issues. In the meantime, guidelines are being prepared on what should be included in the Risk section.
7. Finally, the review noted that although senior and middle managers had received training on risk management in 2014, no training had been offered to elected Members. Arrangements are therefore being made to provide training for elected Members. Similarly, Heads of Service have been asked to comment on the type of training that would benefit them and their managers in order that suitable training can be delivered.
8. Since the review, the actions noted in paragraphs 5 and 6 above have been implemented. Each Service presented an updated Service Risk Register at the end of quarter 2, which allowed an updated Corporate Risk Register to be presented to and discussed at SLT on 6 November 2017. The Risk & Insurance Manager has also met with three Heads of Service or attended their management teams to discuss their risks, with arrangements in hand to meet with two further heads of Service and their management teams before Christmas.

Recommendation

9. The Committee is requested to note the content of this report and take assurance that although there remains work to be done to fully embed risk management throughout the Council, progress has been made and is continuing.

Risk Management Policy

Context

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

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

Vision

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

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

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

Objectives

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

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

Principles

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

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

Roles and Responsibilities

The key roles and responsibilities are:

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

Risk Management Procedures

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

Risk Management Guidance

1. Introduction

1.1 Background

In its Risk Management Policy the Council recognises that there are risks involved in all our activities and that we have a duty to manage these in a balanced, structured and cost effective way. The process for managing risk is considered an integral part of our management and decision making processes, and contributes to the achievement of our objectives.

1.2 Purpose

The purpose of this document is to help manage risk and seek compliance with the policy statement. It is a guide to our approach to managing risk and how and where to apply it in the council.

1.3 Definition

“Risk” is the uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events. Our definition for risk is ‘an event that, should it occur, would impact our ability to successfully achieve our objectives’.

Risks are often confused with issues. An **“issue”** refers to the consequences of an event that has already occurred and management mitigation actions are underway or planned.

1.4 Regulatory Requirements

The Wales Programme for Improvement (WPI) 2010 requires all local authorities in Wales to secure continuous improvement by taking a more proactive role in the delivery of their functions at strategic and operational level. The production of service based Risk Registers and a Corporate Risk Register are important elements of the WPI requirements.

The council is required to publish an Annual Governance Statement which includes an assessment of the council’s risk management and internal control mechanisms and their effectiveness in practice.

2. Roles and responsibilities

Roles and responsibilities for risk management in the council are as below.

2.1 Chief Executive & Senior Leadership Team (SLT)

Under the leadership of the Chief Executive, SLT are responsible for the effective management of risk across the council. This is done through:

- Ensuring that Risk Management procedures remain fit for purpose and effectively implemented.
- Championing a culture of risk management within the council.
- Ensuring that the Corporate Risk Register is accurate and that risks are being well managed and properly considered in corporate decision making.
- Reviewing risk registers with Heads of Service as part of regular supervision meetings to ensure that the risks remain relevant, that emerging risks are identified, and that actions are completed.

2.2 Heads of Service & Pennaethiaid

Each Head of Service is responsible for:

- Implementing Risk Management in their area of responsibility.
- Regularly identifying and evaluating the significant risks faced by their area of responsibility and taking action to ensure these are managed as effectively as possible.
- Monitoring and escalating information in a timely manner.

Collectively the Pennaethiaid are responsible for supporting the Chief Executive and SLT to manage Corporate Risks.

2.3 Elected Members

All Members have a responsibility to:

- Good governance in the delivery of services to the local community and therefore overseeing that council officers follow an effective risk management process in place;
- Ensure that risks are considered as part of the decision making process;
- Understanding the corporate risks that the council faces, and being aware of how these risks are being managed;
- Raising risks not already identified (for the attention of the officers)

In addition Members who sit on the Executive, Audit, and Corporate Scrutiny Committees have the following specific responsibilities:-

2.3.1 Executive Committee

- Hold the Chief Executive and SLT to account for implementing effective fit for purpose procedures to manage risk;
- Approve the Risk Management Policy and Risk Appetite;
- Oversee the Corporate Risk Register, ensuring that it is accurate and that risks are being managed effectively;
- Ensure that adequate resources are available to manage risk.

2.3.2 Audit Committee

Responsible for reviewing the appropriateness of the risk management and assurance processes which are in place. To do this it will:

- Review and endorse the Risk Management Policy and Guidance
- Monitor and comment on the management and control of the Corporate Risk Register.

2.3.3 Corporate Scrutiny Committee

- Major critical risks within the portfolio of Executive Members
- Ensuring that any associated risks have been considered when scrutinising decisions taken by the Executive.

2.4 Corporate Planning and Performance Management Team

The Corporate Planning and Performance Management Team will support services in the effective implementation of the risk management process. The team ensures that identified risks are being appropriately addressed by the implementation of effective measures to mitigate risks incorporating principles of performance management and internal control.

2.5 Risk & Insurance Manager

- Ensure that an appropriate risk management framework is in place, which is fit for purpose and is implemented consistently across the council.

- Responsible for the ongoing development and co-ordination of this risk management framework, and for the consolidation of risk management information for reporting purposes.

2.6 Internal Audit

The Internal Audit function provides independent assurance on the effectiveness of the internal control procedures and mechanisms in place to mitigate risks across the council. It also offers independent challenge to ensure the principles and requirements of managing risk are consistently adopted throughout the council. Internal Audit will use information from the risk management framework to inform their risk-based audit plan.

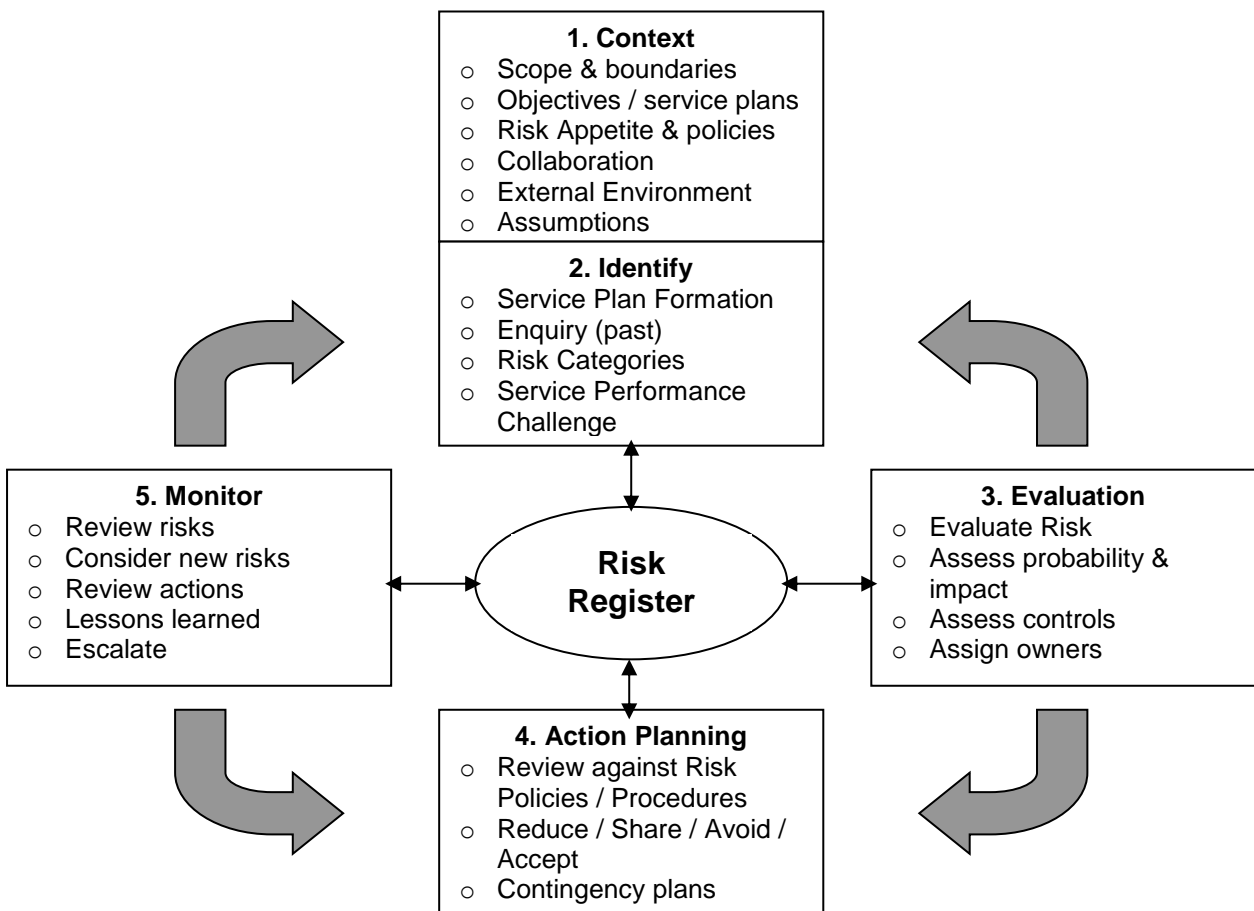
2.7 All staff

All staff have a responsibility for identifying risks as well as opportunities in performing their day to day duties and taking appropriate action to both manage risk, or ensure that a responsible person is made aware.

3. The Risk Assessment Process

The process for identifying, assessing, managing and monitoring risk is an integral part of the management process. Key to the successful delivery of our objectives is the continual identification and assessment of risk and appropriate mitigating actions are. The changing external environment and the decisions made in the course of running the council will continuously alter the status of identified risks and new risks emerging. Figure 1 shows an overview of the risk assessment process.

Figure 1 – Risk Assessment Process



The risk register (appendix 5) is how we document our risks. Its purpose is to provide a consistent method for capturing risk information. Its main purpose is to help ensure we take action where we need to.

3.1 Context

The first step is to review the context to ensure that all relevant information is considered. The following should be considered:

- Scope of the activities to be assessed (e.g. corporate, service, collaboration or project) and the associated objectives or goals (e.g. corporate plans, service delivery plan, terms of reference and project objectives).
- Impact of the changing environment, both external and internal. Externally may include political, regulatory, economic, legislative and community changes. Internally may include changing a process, service expectations, capabilities or partners.
- The level of risk the council is prepared to take in relation to the activities in question.

Action Required
<ul style="list-style-type: none">• When reviewing their risks each service (corporate or other area) should review the context for the risk assessment. This should be done in accordance with the Corporate Planning & Performance Management Framework and when major changes take place.• Before conducting a project risk assessment the context should be reviewed.

3.2 Identifying Risks

Having reviewed the context, risks need to be identified. All risks which impact on the objectives in question should be captured, whether they are under the Council’s control or not. Opportunity is a positive side to risk that should not be overlooked and can be captured as a potential missed opportunity. All identified risks should be recorded on the relevant risk register, assigned a unique reference, and a risk owner.

There are many ways to identify risks including workshops to brainstorm ideas, individual or small meetings, looking at past experience and records.

Finding the right words to properly define a risk is important in order that it is clear what the risk is. A good guide is that we can look back and say whether the risk event has occurred or not. It is advisable to start a description with “The risk that...”, or “The risk of...” and not use a short phrase which could be open to interpretation, e.g. “The risk that failure of the XXX IT system results in significant disruption to service provision” as opposed to “IT failure”. Objective should not be rewritten to make them a risk and issues should not be included in the risk register.

To ensure that a consistent, holistic approach is taken across the council a framework of risk categories is used (see appendix 2). This provides a common language to help the review, analysis and consolidation of risk information across the council. The risk categories are also a useful aide memoir for informing risk identification (e.g. are there areas in the categories that have not been considered?)

Action Required
<ul style="list-style-type: none">• All identified risks should be assigned an owner, a unique reference number, and recorded on the relevant risk register.

3.3 Risk Evaluation

Having identified a risk we need to assess the causes, the potential consequences / impact and how effectively it is being managed. The causes determine the likelihood,

whilst the consequences determine the impact. It is the management of the cause(s) and consequence(s) that determines how well a risk is controlled (control effectiveness). This in turn determines what further actions may be necessary.

3.3.1 Risk Measurement

Risk is measured in terms of impact and likelihood against agreed criteria. The criteria we use are ‘semi-quantitative’, which means they are more than a simple high, medium and low approach. This provides a more objective assessment and allows risks to be both prioritised and escalated consistently. Prioritisation helps us decide where to focus our risk management efforts.

The impact of a risk is measured in five broad bands, from insignificant to catastrophic and the likelihood from rare to almost certain. When assessing likelihood it should be based on an appropriate time frame, generally over the Service Delivery Plan period but extending in line with longer-term plans if necessary. For projects the project timeframe should be used.

The combination of impact and likelihood results in a **risk exposure** rating of critical, major, moderate or minor. It is this exposure level that tells us whether or not we need to take further action or need to escalate the risk.

Action Required

- All identified risks should be measured by impact and likelihood.

The risk assessment criteria used are shown in figure 2 below (see appendix 3). A slightly different set of risk assessment criteria are used for Projects and these are outlined in Appendix 4.

Figure 2 – Risk Assessment Criteria

LIKELIHOOD	Event is almost certain to occur in most circumstances	>70%	Almost Certain	A						
	Event likely to occur in most circumstances	30-70%	Likely	B						
	Event will possibly occur at some time	10-30%	Possible / Moderate	C						
	Event unlikely and may occur at some time	1-10%	Unlikely	D						
	Event rare and may occur only in exceptional circumstances	<1%	Rare	E						
					5	4	3	2	1	
					Insignificant	Minor	Moderate	Major	Catastrophic	
Service / Operations		No impact to service quality, limited disruption to operations			Minor impact on service quality, minor service standards are not met, short term disruption to operations		Significant fall in service quality, serious disruption to service standards		Significant impact on service quality, multiple service standards not met, long term catastrophic interruption to operations	
Reputation		Public concern restricted to local complaints			Minor adverse local / public / media attention and complaints		Serious adverse local or minor adverse regional or national media public attention		Serious negative regional or national criticism	
Financial Cost (£)		< £50k			£50k - £250k		£250k - £750k		£750k - £3m	
					IMPACT					

Corporate Risk Severity Key

	Minor	Risk easily managed locally – no need to involve management
	Moderate	Risk containable at service level – senior management and SLT may need to be kept informed
	Major	Intervention by SLT and / or Executive Committee involvement
	Critical	Significant SLT and Executive Committee intervention

The financial impact descriptors are set at a corporate level of materiality as appropriate. It is recognised that in each service the materiality may be lower than at a corporate level, however a single corporate set of criteria are used.

A number of different descriptors are provided to help estimate the risk impact – service / operations, reputation and financial cost. The purpose of multiple descriptors is that whilst it is not always easy to estimate the risk impact quantitatively, it is sometimes possible to compare to a qualitative statement (e.g. “regional or national media public criticism”).

In addition to the qualitative likelihood descriptors some guidance probabilities are given, these can be also considered as frequency of occurrence where 1% is equivalent to the likelihood of a 1 in a 100 year event occurring in the next year, 10% is a 1 in 10 year event, and 50% is a 1 in 2 year event, etc.

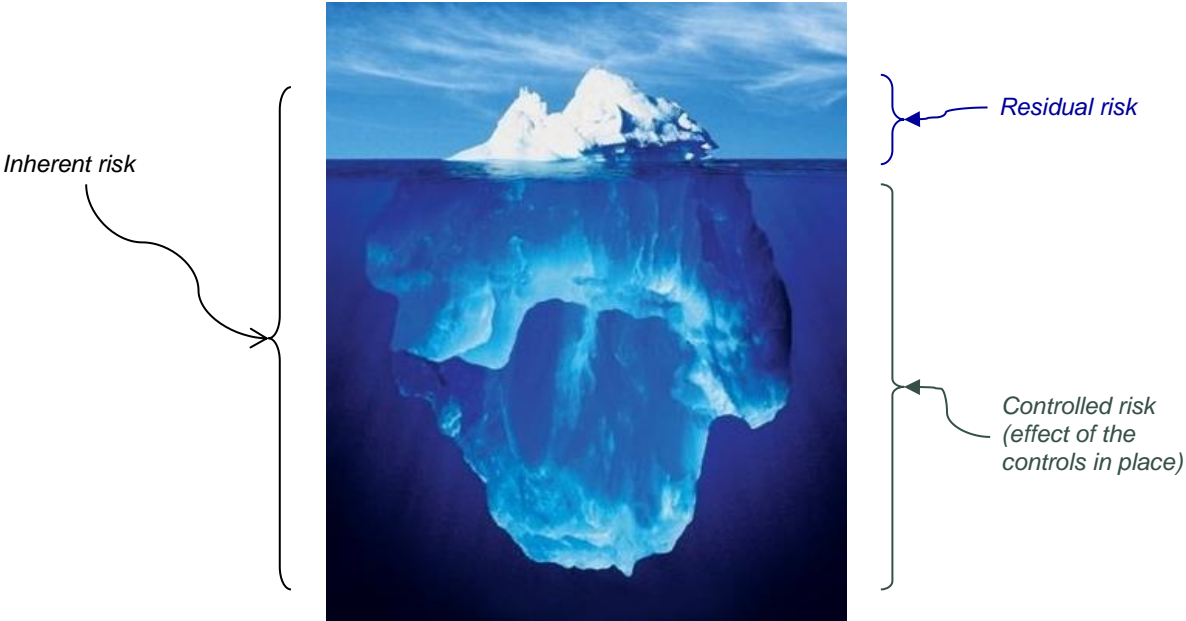
These are to be used as a guide and to provide consistency – they are not meant to be exact descriptors. If the impact of the risk falls into the 3 impact criteria, score using the highest of the three.

3.3.2 Inherent and Residual Risk

The risk impact and likelihood are both assessed on an inherent and a residual basis. **Inherent Risk** is the score given to the risk ignoring the effect of or considering a major failure of existing controls and before any actions to mitigate the risk have been put in place. **Residual Risk** is the risk as it currently stands with existing controls in place.

Although the residual risk may be low, the inherent risk could be high because of the importance of the controls in place to manage the risk. The relationship between the inherent and residual risk is represented in the inherent risk iceberg below.

Figure 3 – Inherent Risk Iceberg



Action Required

- All identified risks should be measured on an inherent as well as residual basis.

3.3.3 Controls Evaluation

In assessing residual risk existing controls are taken into consideration. Existing controls are those controls already in place not those we plan to put in place. The effectiveness of each control in managing the risk, in terms of design and operating effectiveness need to be considered. Design effectiveness refers to how well the control is designed to manage the risk, while operating effectiveness refers to how well a control operates against this design. If a control is assessed as being less or more effective than it actually is then the residual risk will have been over or under estimated.

Action Required

- For the controls identified consider their effectiveness in managing the risk, and ensure that the risk impact and likelihood properly reflects this.

3.4 Action Planning

A major purpose of risk assessment is to determine the need for, and extent of, any further control measures needed to mitigate the risk identified. Generally where the residual risk exposure is 'critical' or 'high' then further action is necessary. Where the exposure is 'moderate' careful consideration should be given to need for and extent of any further mitigating actions. Where no further mitigating action is not needed the rationale for this should be documented. Given that our objective is not to eliminate all risk from the organisation, then generally 'low' risks do not automatically require further action, and there may be occasions where it is appropriate to consider taking more risk.

Actions should be developed with defined ownership and timescales. When the risk assessment is conducted alongside the business planning process actions should be integrated into the Service Delivery Plan.

There are normally four options for improving the management of a risk and they fall into the following categories:

3.4.1 Tolerate

There will be some risks where the current control measures in place are sufficient to reduce the likelihood and impact of risk (residual) to a tolerable level, and that there is no need to do more or it is not cost effective to try and manage it any further.

3.4.2 Treat

The most frequent course of action will be to treat the risk, to take actions to reduce the likelihood or impact of the risk or both. Addressing the cause of a risk generally affects the likelihood (e.g. preventative measures such as improved training). Addressing the consequences generally affects the extent of the potential impact (e.g. contingency plans for alternative service providers).

3.4.3 Transfer

This involves transferring or sharing the risk with another party through such actions as outsourcing or insurance. There is normally some financial cost / benefit associated with this (e.g. premiums for insurance). Outsourcing or entering into partnerships may allow certain risks to be transferred but will inevitably bring new and different risks which have to be managed.

3.4.4 Terminate

In some instances the best alternative option is to terminate the activity that is generating the risk. In practice this can be difficult for the council given the number of statutory functions we undertake. However many authorities have stopped providing a non-statutory service due to the risks surrounding their operation.

Action Required

- Determine whether further action is necessary, design it and allocate owner and timeframe.

3.5 Monitoring

The monitoring of risks is a normal management activity and should be integrated as part of normal line management responsibilities. Risk Management is not a one off exercise – it needs to be an integral part of the way we work. Progress in managing risks will be monitored and reported so that losses are minimised and intended actions are achieved.

Action Required

- Regularly monitor risks at the relevant level depending upon their importance. The minimum requirements for reviewing risk is set out in the Corporate Planning & Performance Management Framework (see appendix 6).
- Completed Risks should be supported by evidence of completion and archived.

4. Risk Reporting

In addition to normal management monitoring a regular cycle of risk reporting is in place, as represented in figure 4 below.

Figure 4 – Risk reporting process



4.1 Reporting Arrangements

Regular internal reports will enable senior managers and Members to be fully aware of the extent of the risks and the changes occurring to them.

Internal reporting arrangements provide different levels of the council with the most appropriate information. These arrangements allow:

- Regular monitoring of the corporate and service risk identification and prioritisation process as an integral part of the existing Corporate Planning & Performance Management Framework arrangements.
- Regular reports to the Executive on the Council's corporate and strategic risks.
- Annual reports to the Audit Committee on the effectiveness of the risk management framework.
- Regular reports to Members on progress in the management of key risks, including the implementation of action plans.





The Risk & Insurance Manager will assist services to prepare service and corporate risks for consideration of inclusion within the Corporate Risk Register template. All information to be included within the template will have been monitored via the Corporate Planning & Performance Management Framework. All service risks will

have been agreed and endorsed by the relevant Portfolio Member(s). All corporate risks will have been agreed and endorsed by SLT and the Executive.

4.1.1 Escalation

The following escalation criteria are provided (using the risk assessment criteria) to describe required management intervention depending upon the risk exposure. These criteria are set at corporate level and are not intended to suggest that a 'moderate' risk (at corporate level) is not important to a particular service (at service level) and might require further actions or monitoring at that service level.

Figure 5 – Escalation Criteria Key

	Minor	Risk easily managed locally – no need to involve management
	Moderate	Risk containable at service level – senior management and SLT may need to be kept informed
	Major	Intervention by SLT and / or Executive Committee involvement
	Critical	Significant SLT and Executive Committee intervention

Action Required

- Escalate risks in accordance with the escalation criteria.
- Major or Critical Risks identified outside the normal Corporate Planning & Performance Management arrangements which need escalating should be reported to SLT via the Risk & Insurance Manager. All other risks should be reported through the normal management process.

4.2 Risk Register

The risk register (see appendix 5) is how we document and report risks and actions to manage them and should be kept up-to-date and regularly discussed as part of the management process.

Risks with minor inherent risks do not have to be added to the risk register as they are not of significant concern in terms of likelihood or impact. Risks with minor residual risk but moderate, major or critical inherent risk do need to be included as any failing on the effectiveness of the existing controls could be of concern.

5. Application of the Risk Assessment Process

5.1 Corporate Planning & Performance

The Corporate Planning & Performance Framework provides key periods at which we review and revise our objectives, it is therefore logical to also review our key risks and how we manage them at the same time. Risk refers to those events that may impact our ability to achieve our objectives therefore business planning presents the opportunity to be forward looking and pro-active in our risk management.

Within our planning process (e.g. business cases, service delivery plans) it is necessary to consider:

- What we need to do in the year(s) ahead to deliver our plans, and the risks of not doing these things?
- What might go wrong, with significant impact, in our plan, and how we would spot it in a timely manner?
- External risks and identified those it is realistic for us to plan for?

Action Required

- Risk assessment should be conducted as part of business planning and included in the Service Delivery Plan. Risk registers should be updated by services to reflect any changes arising from this.
- In monitoring the Service Delivery Plan during the year risks should also be reviewed.

5.2 Business as Usual

The day-to-day management of risk is a line management responsibility. In practice while risk management should be applied in day-to-day decision-making there are specific times when progress against objectives and the outcome of operational decisions are reviewed. It is at these points that a formal discussion of risk should happen and at which point the risk registers should be updated to reflect this. Discussion, review and reporting of risk should take place at regular management and team meetings. Key risks and action progress are reviewed at these meetings as determined by the severity of the risk.

Each service and partnership is expected to maintain an up-to-date risk register. It is left to the service to decide whether it also records its risk assessment and maintains risk registers at business unit level. This will depend on the size, complexity and range of activities in the service.

Action Required

- Service risks should be regularly reviewed as part of business as usual processes (e.g. regular management meetings) and new or emerging risks considered.
- An up-to-date Service Risk Register must be maintained by the service.
- Services can decide if business unit risk registers are needed.
- Self assess

5.3 Projects

Projects have clearly defined objectives, including scope, timeline and budget and it is therefore an obvious step to identify, assess and manage risk as part of projects. The risk assessment process is essentially the same as for business as usual.

Resource invested in reducing risk in the early stages of a project is resource well invested. Risks incurred during the project have to be diagnosed and fixed, and will add to costs. The rate of increase in the cost of risk is often exponential, and risks that can be reduced or eliminated during the start-up phase will pay a generous dividend in limiting the total project cost. It is better to identify and manage risks at the start-up phase of the project than to allow a contingency on a basis that things are bound to go wrong, but we don't know what!

The financial risk assessment criteria are changed to reflect each project (see appendix 4)

Action Required

- Risk assessment should be conducted as part of all projects. Risk registers should be established at start-up and maintained through the project lifecycle;
- The effective management of project risks should be considered as part of the project post implementation reviews.

5.4 Partnerships

A partnership is defined as “a joint working arrangement where the partners are otherwise independent bodies, agree to co-operate to achieve a common goal of community cohesion and to achieve it, create an organisational structure or process and agreed process”

One important aspect of governance is the management of risk and partnership working brings with it a number of risks that need to be managed. Decisions to enter into partnerships should be based on a sound understanding of the risks and challenges, as well as the anticipated benefits.

There are two aspects to risk management in partnership working:

a. Outside looking in – the risks to the Council by being part of the partnership

Risks to the Council should be identified at the inception stage and incorporated into the Partnership business case. If the Partnership proceeds then the risks identified, together with any mitigating actions, should be included in the relevant Service risk register. The responsibility for ensuring that the risk management process is followed lies with the relevant organisational managers and Portfolio Holders who’s remit the Partnership falls under.

b. On the inside – the risks to the Partnership

In order to provide members of a partnership with assurance each Partnership should establish its own arrangements for managing risk. If the lead organisation has a tried and tested risk management strategy and methodology, consideration should be given to applying this to the Partnership.

Although not a requirement, partners are encouraged to use the risk register format and Risk Assessment Criteria used by the Council.

Action Required
<ul style="list-style-type: none">• Risks to the Council should be identified at the inception stage and incorporated into the Partnership business case.• Risks to the Council / Service of being part of a partnership should be reflected in the Corporate / Service risk register.• Each partnership must have their own risk register and each partner should have sight of the risk register at least once a year.

Appendix 1 – Risks and Issues

Risks are often confused with issues.

“Risk” is ‘an event that, should it occur, would impact our ability to successfully achieve our objectives’. A risk is a potential event or future uncertainty.

An **“issue”** refers to the consequences of an event that has already occurred and management mitigation actions are underway or planned.

The difference therefore is that a risk has not happened but an issue has already happened.

Examples of risks and issues are included below:

Risk	Issue
The risk of an employee being seriously injured at work following a slip, trip or fall	The condition of the building is poor and does not make the service look professional
The risk of failure of the payroll system results in staff not being paid	There is a lack of investment in IT systems
The risk that future settlements from Welsh Government to the Council destabilise the Council’s financial standing	Budget cuts mean that current financial commitments cannot be met

Issues and objectives should not be rewritten to make them a risk.

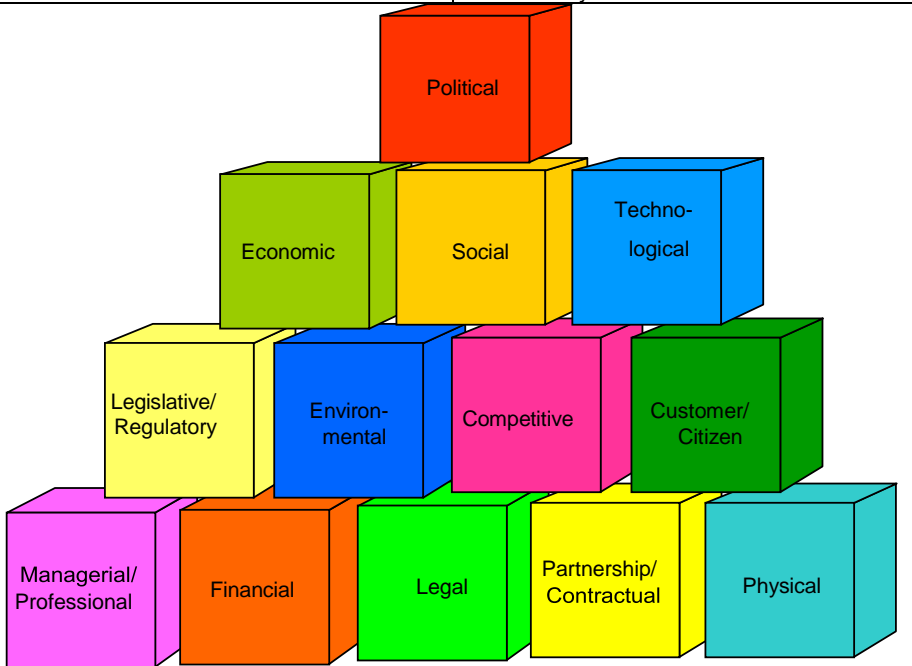
Appendix 2 - Risk Categories

Risk categories focus on the source of risk, and are intended to be used as a set of prompts to consider scenarios that will give rise to consequences that will impact on specific objectives.

Successful risk categorisation can be compared to an effective medical evaluation. If the doctor asks: "How do you feel?" the patient might say, "Fine." But the examination is much more revealing if the doctor asks: "How do your knees feel? How about your lungs? Any back pain?" With these questions, the patient will begin to think specifically about his or her body parts.

The categories used by this Council are included in the table below, and are based on categories used by other councils; consideration of how useful each prompt will be for shaping the thoughts of those identifying risk, and practical attempts at applying these categories to the risks that services have identified.

Political	Economic	Social
<p>Arising from the political situation</p> <ul style="list-style-type: none"> • Change of Government Policy • Delivery of Local Policy & Strategic Priorities • Change of local policy or priorities. • Unfulfilled promises to electorate • Political make-up • Stability of political situation. • Election cycles • Decision-making structure • Meddling/abuse (fraud, corruption, lack of strategic focus) • Leadership issues. • Reputation Management • Response to innovation/modernisation. 	<p>Arising from the national, local and organisation specific economic situation</p> <ul style="list-style-type: none"> • Treasury – Investments, Reforms. • Borrowing, lending situations, investments and interest rates. • Budgetary position. • Key employment sectors (e.g. over reliance on key employers). • Poverty indicators. • Demand predications (e.g. on demand led services like benefits, social care). • Competition between suppliers and the effect on service/pricing. • General/regional economic situation. • Unrecorded liabilities • Value/cost of capital or assets. • Impact of civil emergency (e.g. flood). • Council Tax levels 	<p>Arising from the national and local demographics and social trends.</p> <ul style="list-style-type: none"> • Social changes – needs, expectations and attitudes • Demographic profile (age, race, etc). • Residential patterns and profile (e.g. temporal, commuter belt, state of housing stock, public/private mix). • Health statistics/trends. • Leisure and cultural provision. • Crime statistics/trends. • Children at risk. • Older people. • Employment. • Life-long learning. • Regeneration. • Disadvantaged groups or communities.
Legislative/Regulatory	Environmental	Competitive
<p>Arising from current and potential legal changes and the organisation's regulatory information.</p> <ul style="list-style-type: none"> • New legislation – National and European Law. • New regulations • Exposure to regulators – e.g. auditors/inspectors, intervention. • Responsiveness to criticism. • CPA, ESTYN, CSSIW, JAR and APA. • CAA – Annual Risk Assessment, Use of Resources (UoR), Direction of Travel (DoT) • LAA – statutory duty to cooperate, targets, performance and annual report. • Children's Trust • European Directive – Procurement • CCA – Emergency Preparedness, Business Continuity • Section 17 – Crime & Disorder Act 1998 • Equality – RRA, RED, DSA, EER, GRA 	<p>Arising from inherent issues concerned with the physical environmental.</p> <ul style="list-style-type: none"> • Nature of environment (urban, rural, mixed). • Land use – green belt, brown field sites. • Waste disposal and recycling issues. • Exposure to drainage problems/flooding/erosion/subsidence/ landslip. • Impact of civil emergency (e.g. flood) • Traffic problems/congestion. • Planning, Transportation. • Pollution, emissions, noise. • Climate change • Energy efficiency 	<p>Arising from the organisation's competitive spirit and the competitiveness of services, etc.</p> <ul style="list-style-type: none"> • Position in league tables. • Relationships with neighbours and partners, e.g. competitive or collaborative. • Plaudits held/sought, e.g. Beacon Council status. • Success in securing funding. • Nature of service provision. • Competition for service users. e.g. car parks. • Bids for Government funds. • Cost, quality, value for money. • Public against Private Sector or Other Agency.

Professional/Managerial	Financial	Legal
<p>Arising from the need to be managerially and professionally competent.</p> <ul style="list-style-type: none"> • Views arising from peer reviews – e.g. IdeA, consultancy reviews, internal audit, etc. • Professional/managerial standing of key officers. • Stability of officer structure/management teams. • Competency and capacity – Organisational and Individual. • Key staff changes and personalities. • Turnover, recruitment and retention, talent management & succession planning. • Change – implementation and management. • Training and development • Partnership working • Management frameworks & processes – efficient, effective. • Profession specific issues. • Mission, Vision and Values 	<p>Arising from the financial planning and control framework</p> <ul style="list-style-type: none"> • Financial situation of authority. • Level of reserves. • Budgetary policy and control. • Delegation of budget and financial disciplines. • Monitoring and reporting systems. • Control weaknesses – anti fraud & corruption • Income & Revenue • Grants & External funding • Insurance – adequacy of covers, level of self-funding, deductibles, etc. • Capital • Interest rates, inflation, income tax, etc. • Efficiency, invest in priorities, disinvestments non-priority areas. 	<p>Arising from changes to legislation and/or possible breaches of legislation.</p> <ul style="list-style-type: none"> • Legal challenges, judicial review • Adequacy of legal support. • Boundaries of corporate & personal liabilities. • Sufficient reserves to defend legal challenge or unrecorded liabilities. • Reputation Management • Partnerships – Legal Liabilities, contractual liabilities.
Partnership/Contractual	Technological	Customer/Citizen
<p>Arising from partnerships and contracts.</p> <ul style="list-style-type: none"> • Key partners – from public, private and voluntary sectors. • Accountability frameworks and partnership boundaries. • PFI schemes. • Large scale projects involving joint ventures. • Outsourced services. • Relationship management • Procurement arrangements/contract renewal policy. • Performance of partnerships/contractors • Business Continuity – Partner/Contractor arrangements. • Change - Change control, exit strategies. • Capacity and Capability – increase to deliver priorities. • Reputation management • Legal liabilities, contractual liabilities. 	<p>Arising from technological change and the organisational technological situation.</p> <ul style="list-style-type: none"> • Technological strategy • Technological change/advance – capacity to deal with change/advance. • Current use of/reliance on technology. • Current or proposed technology partners. • State of architecture. • Obsolescence of technology. • Current performance and reliability. • Security and standards, e.g. back up, recovery, confidentiality. • Technological demand – customer needs and expectations • Failure of key system or key technological project. • Technological support for innovation. • Procurement of best technology and sustainability of system. 	<p>Arising from the need to meet current & changing needs or expectations of customers and citizens.</p> <ul style="list-style-type: none"> • Customer Care • Extent and nature of consultation with/involvement of community, e.g. community groups, local businesses, focus groups, citizens' panels, etc. • Demographics – analysis, understanding. • Relationship with community leaders, tenant groups and 'opposition' groups. • Visibility of services e.g. refuse collection, street cleaning, etc. • Service delivery – response, feedback, complaints, compliments. • Reputation Management – Public and media communication • Outcomes for area - LAA (outcomes, targets, etc). • Community cohesion
Physical		
<p>Arising from physical hazards or possible gains associated with people, land, buildings, vehicles, plant and equipment.</p> <ul style="list-style-type: none"> • Assets - Nature and state of asset base including record keeping. • Commitment to health, safety and wellbeing of staff, partners and the community. • Risk assessments. • Accident and incident record keeping. • Maintenance practices. • Business Continuity • Security – staff, assets, buildings, equipment, plant, machinery, vehicles • Assets – purchase, leasing, sales, rent, revenue, income, maintenance. • HR Strategy – training, development, health, etc. 		

Appendix 3 – Risk Assessment Criteria





LIKELIHOOD	Event is almost certain to occur in most circumstances	>70%	Almost Certain	A					
	Event likely to occur in most circumstances	30-70%	Likely	B					
	Event will possibly occur at some time	10-30%	Possible / Moderate	C					
	Event unlikely and may occur at some time	1-10%	Unlikely	D					
	Event rare and may occur only in exceptional circumstances	<1%	Rare	E					
					5	4	3	2	1
					Insignificant	Minor	Moderate	Major	Catastrophic
Service / Operations					No impact to service quality, limited disruption to operations	Minor impact on service quality, minor service standards are not met, short term disruption to operations	Significant fall in service quality, serious disruption to service standards	Significant impact on service quality, multiple service standards not met, long term disruption to operations	Catastrophic fall in service quality and key service standards are not met, long term catastrophic interruption to operations
Reputation					Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media public attention	Serious negative regional or national criticism	Prolonged regional & national condemnation
Financial Cost (£)					< £50k	£50k - £250k	£250k - £750k	£750k - £3m	>£3m
					IMPACT				

Corporate Risk Severity Key

	Minor	Risk easily managed locally – no need to involve management
	Moderate	Risk containable at service level – senior management and SLT may need to be kept informed
	Major	Intervention by SLT and / or Executive Committee involvement
	Critical	Significant SLT and Executive Committee intervention

Appendix 4 – Project Risk Assessment Criteria

LIKELIHOOD	Event is almost certain to occur in most circumstances	>70%	Almost Certain	A					
	Event likely to occur in most circumstances	30-70%	Likely	B					
	Event will possibly occur at some time	10-30%	Possible	C					
	Event unlikely and may occur at some time	1-10%	Unlikely	D					
	Event rare and may occur only in exceptional circumstances	<1%	Rare	E					
					5	4	3	2	1
					Insignificant	Minor	Moderate	Major	Catastrophic
Time / Objectives /Scope					Insignificant increase to project time. Barely noticeable impact on project scope or objectives	<5% increase to project time. Minor impact on project scope or objectives	5% - 20% increase to project time . Major impact on project scope or objectives requiring SRO approval	20% - 50% increase to project time. Impact on project scope or objectives unacceptable to SRO	>50% increase to project time. Project fails to meet objectives or scope
Reputation					Trust recoverable with little effort or cost	Trust recoverable at modest cost with resource allocation within budgets	Trust recovery demands cost authorisation beyond existing budgets	Trust recoverable at considerable cost and management attention	Trust severely damaged and full recovery questionable and costly
Financial Cost (£)					Insignificant increase to project cost.	<5% increase to project cost.	5% - 20% increase to project cost.	20% - 50% increase to project cost.	>50% increase to project cost.
IMPACT									

Severity	Management intervention
 Minor	Report the new risk through the Highlight Report and Risk Register at the next meeting of the Project Board. Project Manager to monitor and manage the risk through the normal risk arrangements.
 Moderate	Email the new risk to the SRO for agreement of the mitigating actions. Report the through the Highlight Report and Risk Register at the next meeting of the Project Board. Project Manager to monitor and manage the risk through the normal risk arrangements.
 Major	Email the new risk to the SRO for agreement of the mitigating actions before emailing to the Project Board for agreement. Project Manager to monitor and manage the risk providing weekly updates to the SRO.
 Critical	Email the new risk to the SRO for agreement of the mitigating actions before emailing to the Project Board for agreement. SRO to alert the SLT of the risk at their next meeting. Project Manager to monitor and manage the risk providing weekly updates to the SRO.

Appendix 5 – Risk Register Template

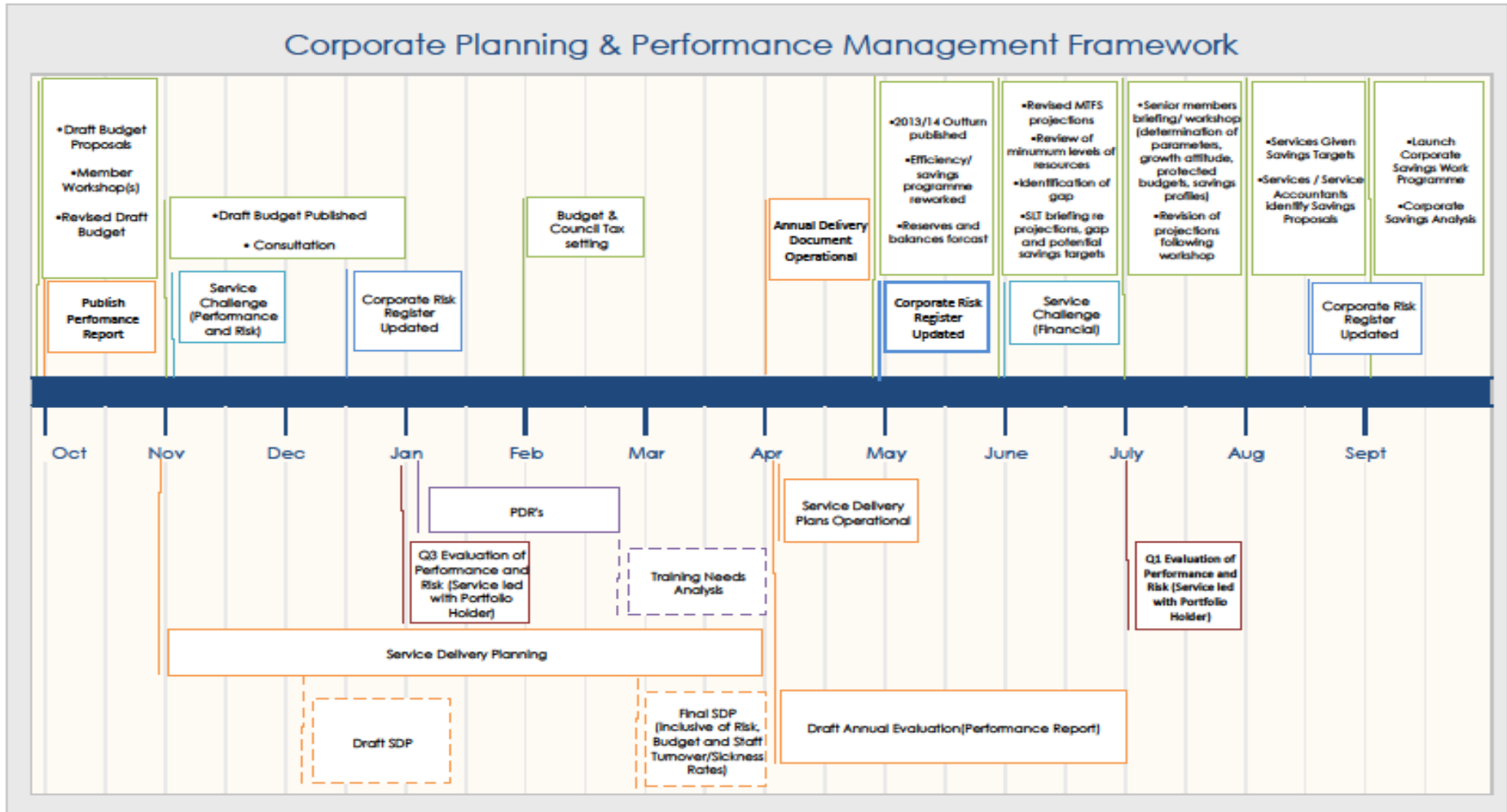
Please note the following is an outline only. A full risk register template is available as a separate Microsoft Excel document.

<Enter Service Name>

Updated: DD.MM.YY

Risk ID	Risk	Impact / Consequences	Risk Owner	Inherent Risk			Existing Controls	Residual Risk			Additional Action Required			Review Frequency
				Likelihood	Impact	Score		Likelihood	Impact	Score	Action	Responsible Officer	Target Date	

Appendix 6 – Corporate Planning & Performance Management Framework



Appendix 7 – Glossary of Terms

Control – an existing process, policy, practice or other action that acts to minimize negative risk or enhance positive opportunities. The word ‘control’ can also be applied to a process designed to provide reasonable assurance regarding the achievement of objectives.

Event – occurrence of a particular set of circumstances. An event can be certain or uncertain. An event can be a single occurrence or a series of occurrences.

Impact – outcome or impact of an event. There can be more than one impact from one event. Impacts can range from positive to negative. Impacts can be expressed qualitatively or quantitatively. Impacts are considered in relation to the achievement of objectives

Issue – refers to the consequences of a risk are already with us and management mitigation actions are underway or planned. In a project environment an issue is a point or matter in question or in dispute, or a point or matter that is not settled but is under discussion or over which there are opposing views or disagreements.

Likelihood – describes the extent to which an event is likely to occur. Likelihood can be expressed qualitatively or quantitatively. Probability or frequency may be used in describing a risk.

Risk – an event that, should it occur, would impact our ability to successfully achieve our business objectives. Risk is a measure used to describe the uncertainty surrounding an event and its potential impact.

Residual risk - risk remaining after consideration of existing controls and their effectiveness.

Inherent risk - risk before consideration of existing controls and their effectiveness.

Target risk – future risk level expected after planned risk mitigation actions are completed.

Project - a temporary structure that is created for the purpose of delivering one or more business products according to an agreed business case in an agreed time frame and with a set budget.

Risk assessment - the overall process of risk identification, analysis, action planning and reviewing.

Risk Register – the document where we record our risks.

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CYNGOR SIR
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ISLE OF ANGLESEY
COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

FORWARD WORK PROGRAMME

5 December 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)
5 December 2017 13 February 2018	Internal Audit Update <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. 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
5 December 2017 13 February 2018	External Audit Progress Report <ul style="list-style-type: none"> • An update on External Audit's work: <ul style="list-style-type: none"> ○ Performance Audit ○ Financial Audit 	Performance Audit Lead – Wales Audit Office Gwilym.bury@audit.wales Financial Audit Manager – Deloitte cedge@deloitte.co.uk
5 December 2017	Review of the Risk Management Strategy and Framework <ul style="list-style-type: none"> • In accordance with its terms of reference, the Audit and Governance Committee is required to keep under review the Risk Management Strategy for the Council. 	Insurance & Risk Manager JulieJones@ynysmon.gov.uk
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
13 February 2018	Review of the Audit and Governance Committee's Terms of Reference <ul style="list-style-type: none"> • The Audit and Governance Committee should periodically review its terms of reference for appropriateness, with consideration given to sector guidance and the needs of the Council. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk

Date	Subject	Responsible Officer (including e-mail address)
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
13 February 2018	Corporate Risk Register <ul style="list-style-type: none"> In accordance with its terms of reference, the Audit and Governance Committee is required to review the Corporate Risk Register and, where appropriate, request a response from management on actions to manage risks. 	Insurance & Risk Manager JulieJones@ynysmon.gov.uk
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

Future Items

Date	Subject	Responsible Officer (including e-mail address)
April 2018	Annual Report of the Audit & Governance Committee – Chair’s Report <ul style="list-style-type: none"> The Committee are asked to approve the Chair’s Report for submission to full Council 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk
June 2018	Draft Report of the Head of Function (Resources) / S151 Officer regarding the Annual Finance and Governance Statement 2017/18 <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. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk Programme, Business Planning & Performance Manager GethinMorgan@ynysmon.gov.uk
June 2018	Internal Audit Annual Report 2017/18 <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. 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
July 2018	Annual Treasury Management Report 2017/18 <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 2017/18. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk

Date	Subject	Responsible Officer (including e-mail address)
September 2018 February 2019	Outstanding Internal Audit Recommendations <ul style="list-style-type: none"> A report of all outstanding internal audit recommendations 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
September 2018	Internal Audit Charter <ul style="list-style-type: none"> Annual review of the Internal Audit Charter will be submitted to the Committee for approval 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
September 2018 February 2019	Corporate Risk Register <ul style="list-style-type: none"> In accordance with its terms of reference, the Audit and Governance Committee is required to review the Corporate Risk Register and, where appropriate, request a response from management on actions to manage risks. 	Insurance & Risk Manager JulieJones@ynysmon.gov.uk
September 2018 February 2019	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
September 2018	Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2017/18 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 2017/18, including the Statement of Accounts 2017/18, 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

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