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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 MERCHER, 19 MEDI, 2018 am 2:00 y. p.	WEDNESDAY, 19 SEPTEMBER 2018 at 2.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGEFNI	COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGEFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

PLAID CYMRU / THE PARTY OF WALES

John Griffith, Dylan Rees, Alun Roberts, Margaret M. Roberts

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 of Officer in respect of any item of business.

2 MINUTES OF THE PREVIOUS MEETING (Pages 1 - 8)

To present the minutes of the previous meeting of the Audit and Governance Committee held on 24 July, 2018.

3 INFORMATION GOVERNANCE - ANNUAL REPORT OF THE SENIOR INFORMATION RISK OWNER (SIRO) (Pages 9 - 30)

To present the report of the Head of Function (Council Business)/Monitoring Officer.

4 POLICY ACCEPTANCE - YEAR 1 COMPLIANCE DATA (Pages 31 - 42)

To present the report of the Head of Function (Council Business)/Monitoring Officer.

5 ANNUAL REPORT: CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2017/18 (Pages 43 - 52)

To present the report of the Head of Function (Council Business)/Monitoring Officer.

6 INTERNAL AUDIT PROGRESS UPDATE (Pages 53 - 64)

To present the report of the Head of Audit and Risk.

7 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS (Pages 65 - 84)

To present the report of the Head of Audit and Risk.

8 STATEMENT OF THE ACCOUNTS 2017/18 AND ISA 260 REPORT (Pages 85 - 254)

- To present the Statement of the Accounts 2017/18.
- To present the report of External Audit on the Financial Statements.

9 REVIEW OF THE AUDIT AND GOVERNANCE COMMITTEE'S TERMS OF REFERENCE (Pages 255 - 266)

To present the report of the Head of Audit and Risk.

10 EXTERNAL AUDIT: THE SERVICE USER PERSPECTIVE - THE WELSH HOUSING QUALITY STANDARD - IOACC (Pages 267 - 280)

To present the report of External Audit.

11 **EXTERNAL AUDIT: ISLE OF ANGLESEY ANNUAL IMPROVEMENT REPORT 2017/18** (Pages 281 - 306)

To present the report of External Audit.

12 **INTERNAL AUDIT CHARTER** (Pages 307 - 318)

To present the report of the Head of Audit and Risk.

13 **FORWARD WORK PROGRAMME** (Pages 319 - 326)

To present the report of the Head of Audit and Risk.

14 **EXCLUSION OF PRESS AND PUBLIC** (Pages 327 - 328)

To consider adopting the following –

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

15 **CORPORATE RISK REGISTER** (Pages 329 - 344)

To present the report of the Head of Audit and Risk.

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AUDIT AND GOVERNANCE COMMITTEE

Minutes of the meeting held on 24 July, 2018

- PRESENT:** Mr Dilwyn Evans (Lay Member) (In the Chair)
- Councillors John Griffith, G.O. Jones, Dylan Rees, Margaret Roberts.
- Lay Member: Jonathan Mendoza
- IN ATTENDANCE:** Head of Function (Resources) and Section 151 Officer
Head of Internal Audit & Risk (MP)
Committee Officer (ATH)
- APOLOGIES:** Councillors Richard Griffiths, R. Llewelyn Jones, (Vice-Chair), Peter Rogers (Chair), Mr Gwilym Bury and Mr Alan Hughes (Wales Audit Office)
- ALSO PRESENT:** Councillor Robin Williams (Portfolio Member for Finance)
-

1. ELECTION OF CHAIR

In the absence of the Chair and Vice-Chair, Mr Dilwyn Evans, Lay Member was elected Chair for this meeting of the Audit and Governance Committee.

2. DECLARATION OF INTEREST

No declaration of interest was received.

3. MINUTES OF THE 27TH JUNE, 2017 MEETING

The minutes of the previous meeting of the Audit and Governance Committee held on 27th June, 2018, were presented and were confirmed as correct.

Arising thereon –

- In response to a question about the review of the Committee's Terms of Reference, the Head of Audit and Risk clarified that as she had been away on leave immediately following the Committee's previous meeting in June, she had not as yet been able to forward a first draft of the revised Terms of Reference to the two Lay Members for them to look through as agreed. However, she confirmed that they would receive a copy in good time for the September meeting when the terms of reference would be formally reviewed by the Committee.
- With reference to the Statement of Accounts 2017/18, the Chair confirmed that he had been provided with information on how the Budget out-turn figures in the narrative section of the Accounts are reconciled to the Comprehensive Income and Expenditure Account in the Financial Statements.

The Committee noted that although the Statement of Accounts is meant to provide electors, local taxpayers, Members of the Council and other interested parties clear information about the Council's finances, in particular the cost of services provided by

the Council in the year, how services were paid for as well as the Council's assets and liabilities at year end, it is not set out in a way that makes the information easy to obtain or understand. The Committee further noted that neither is it easy to deduce from the Financial Statements how the Council is performing financially as regards managing its business in terms of profit and loss, thus limiting the usefulness of the Statement as a tool to hold the Council to account for how it spends public money.

The Head of Function (Resources) and Section 151 Officer said that the Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting which prescribes how the accounts are presented and on the basis of which they are audited by the External Auditor. The Statement as a document has grown in complexity as it accommodates CIPFA requirements becoming less accessible to the lay reader along the way. In terms of accountability, the way the Council organises and manages its business and uses its resources is monitored closely, but the main line of reporting this information is not the accounts but the regular in-year budget monitoring reports which show how each individual service is managing its budget. The Officer said that in terms of the Financial Statements, the introductory narrative report which accompanies the Statement conveys the main messages about the Council's financial performance during the year in line with the budget reports - the narrative commentary may allow some latitude to provide further analysis. The Officer said that the Service will review the contents of the Narrative Report to establish whether this is possible.

4. INTERNAL AUDIT PROGRESS UPDATE

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

The Head of Audit and Risk reported as follows –

- That the two Internal Audit reports were finalised during the period, the one in relation to Deprivation of Liberty Safeguards (DoLS) which was assessed as providing Reasonable Assurance, and the other relating to Audit Certification of the Rent Smart Wales Grant which produced a Substantial Assurance rating.
- That six follow-up reviews of reports with a Limited assurance rating are due over the next six months as outlined in the table at paragraph 13 of the report. Three scheduled for July, 2018 are currently underway.
- That due to the proximity of the previous Audit and Governance Committee meeting, an update on the implementation of Management actions has not been provided for this meeting of the Committee. A detailed report on all outstanding recommendations and issues/risks will be presented to the Committee at its September meeting.
- That although progress in delivering the Internal Audit Operational Plan for 2018/19 has been slow due to completing the 2017/18 Plan and carrying two vacancies and a long-term sickness absence, to date one audit, a Final Account Verification and a grant certification have been completed. The Service is also involved in other work as described in paragraphs 15 and 16 of the report.
- That the Committee's Terms of Reference will be submitted for approval to the September, 2018 meeting before being formally approved through the democratic process.

The Committee considered the information presented and responded as follows –

- With regard to the IA review of the Deprivation of Liberty Safeguards, the Committee sought clarification of the costs associated with Doctor assessments.

The Head of Function (Resources) and Section 151 Officer said that a report to the Executive earlier in the year outlined the financial implications of ensuring that the Council meets its DoLS obligations in terms of putting in place a DoLS authorisation for individuals resident in care placements who lack the capacity to consent to their placement in order to ensure that the placement is in their best interests.

Assessments have to be made before authorisation is given including a medical assessment which must be undertaken annually and this incurs costs. There is also a risk of litigation where DoLS assessments are outstanding. As the Authority has a significant number of individuals in both its own care and nursing homes as well as in independent care and nursing homes who require assessment for a DoLS authorisation, the overall cost is therefore high. The Welsh Government provided a funding allocation for this purpose as part of the Revenue Support Grant but this proved to be insufficient.

- With regard to following up on previous Internal Audit reports, the Committee noted that no update is provided to this meeting even though 2 catastrophic risk/issues and 26 major risks/issues were identified as part of the original reviews of the six areas for which a follow up is scheduled. The Committee sought assurance that the Internal Audit Service is satisfied that the reporting timescale is appropriate given the risks/issues arising.

The Head of Audit and Risk confirmed that she was content with the timescales for the following reasons –

- The one Catastrophic risk/issue in relation to the review of Child Care Court Orders under the PLO involved conducting care visits in accordance with the Care Plan. The visits, although they were being undertaken were not necessarily being recorded. As the number of Child Care Court Orders are low, the Internal Audit Service has not been able to establish whether the new visits are being recorded on the system because there has been no requirement for these visits to take place and so nothing for IA to check, hence the July, 2018 date for follow-up.
- Although there are 19 risks/issues recorded as outstanding against the Sundry Debtors review which was a substantial piece of work, Internal Audit has been provided with regular updates on progress by the Service via the electronic recommendation monitoring system so contact is being maintained throughout.
- The one catastrophic risk/issue arising from the review of the Corporate Procurement Framework was in respect of the absence of a Contract Register with Internal Audit not being able to provide assurance that the contracts which the Council hold comply with safeguarding and safety issues or that they provide value for money. A parallel piece of work in relation to ensuring contracts comply with GDPR is being undertaken meaning that services are reviewing contracts from two perspectives. The July second follow-up date is therefore reasonable given the amount of work involved.
- With regard to the Internal Operational Plan for 2018/19, the Committee noted that only 5 days are being allocated in the revised plan to the review of the implementation of the Well-being of Future Generations (Wales) Act 2015 even though it is acknowledged that this is high profile legislation which has a significant impact on the way the Council works. The Committee sought assurance that this is adequate and it sought clarification also as to whether the Council is liable to censure if the way it is implementing the Act is not having the desired effects.

The Head of Audit and Risk said that the review which Internal Audit plans to undertake will take the form of a strategic overview to ascertain what governance

arrangements the Council has put in place initially. The expectations for local authorities' and other public bodies' delivery of the Act are realistic and it is recognised that being a substantial piece of work they will need time to effect the changes which the Act brings about. However, as with other public bodies, the Authority is expected to show that it is responding to the Act. The Officer said that the Wales Audit Office is also carrying out a review of how public bodies in Wales have responded to the Act at the end of the first year of implementation.

The Head of Audit and Risk added that similarly, Internal Audit will be undertaking a strategic overview with regard to Part 9 requirements of the Social Services and Well-being Act which is another piece of high profile legislation having a significant impact on the way the Council works with Part 9 being specifically about partnership working and implementing pooled funding arrangements.

The Head of Function (Resources) and Section 151 Officer said that the Well-being of Future Generations Act has also established a statutory Future Generations Commissioner for Wales who with her team is responsible for monitoring how well public bodies including local authorities, are meeting the well-being objectives they have set out as part of responding to the Act. The Officer said that rather than being prescriptive, the Act is more about changing culture and the way the Council operates requiring it to be able to show that the process for making decisions has regard to the impact of those decisions on future generations. In relation to Part 9 of the Social Services and Well-being Act, the Officer said that for pooled funding arrangements to be effective there needs to be a shared and common understanding of commissioning arrangements as well.

- In response to a question by the Committee about the absence of target reporting dates for most of the planned reviews, the Head of Audit and Risk said that the Operational Plan is a dynamic plan and takes into account the fact that as circumstances change so will the nature and level of the associated risks making it impractical and counter-productive to plan too far ahead. The Operational Plan also needs to be flexible in order to accommodate any emerging risks.

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

ADDITIONAL ACTION: None

5. TREASURY MANAGEMENT ANNUAL REVIEW 2017/18

The Annual Treasury Management Review of Activities Report for 2017/18 was presented for the Committee's consideration and scrutiny in line with regulations under the Local Government Act 2003 and the Council's Treasury Management Scheme of Delegation for 2016/17.

The Head of Function (Resources) and Section 151 Officer reported that the review summarises the position in relation to the Council's capital expenditure, and its borrowing and investment activities during 2017/18. The report also sets out how the Council performed against the Treasury Management Strategy for 2017/18. The Officer referred to the main points of consideration as follows –

- Capital Expenditure and Financing – from a starting budget of £53m the total capital expenditure for 2017/18 was £29m with the underspend being due in the main to slippage on major grant funded projects. The table in paragraph 2.2 of the report

shows that £7m of capital expenditure was financed by borrowing. No long-term external borrowing (i.e. sourced from external bodies such as the Government, through the PWLB or money markets) was taken out during the year but was internally borrowed, with Council cash balances funding this in the short-term in order to reduce interest payments. This is in keeping with the Treasury Management Strategy.

- The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2017/18 capital expenditure financed by borrowing and prior years' capital expenditure funded by borrowing which has not yet been paid for by revenue or other resources.
- The table at paragraph 3.3.4 of the report shows that the Council's CFR for the year which is one of the key prudential indicators (i.e. indicators that set limits on treasury management activity) was £95m for the Council Fund and £41m for the Housing Revenue Account making a total of £136m. When compared to the gross borrowing position as at 31 March, 2018 which stood at £117m, it shows that £19m of the Council's balances has been used to fund capital expenditure. In these circumstances it is expected that in the long-term, borrowing will need to be taken out to replenish the balances.
- The Treasury Management Strategy and policy sets a limit on the CFR which is known as the authorised limit. Once this has been set which for 2017/18 was £169m, the Council does not have the power to borrow above this level. The table at 3.5.3 of the report shows that the Council maintained gross borrowing (£117m) within its authorised limit as well as the operational boundary which designates the expected borrowing position of the Council during the year. However, there may be periods where the actual position is either below or over the boundary; this is acceptable providing the authorised limit is not breached.
- The forecast CRF for 2018/19 and 2019/20 is shown in table 3.4.2 of the report based on the actual capital programme for 2018/19 and the estimated capital financing requirement for 2019/20. As the CFR increases so will the authorised limit and operational boundary accordingly.
- The borrowing and investment figures for the Council at the end of the 2016/17 and 2017/18 financial years are set out in table 4.1 of the report. The Council's debt position at £117.029m is similar to that of the previous year (£117.110m). The Council has £5.993m invested in no notice deposit accounts which pay interest at a rate near the prevailing base rate. All investments were for under a year. Further details are provided in Appendix 1 to the report.
- There was no debt rescheduling during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made re-scheduling unviable.
- The Bank Rate at the start of the financial year was 0.25%; however, this was increased to 0.5% on the 2 November, 2017. This meant that the counterparty organisations' interest rate on the typical call account ranged from 0.10% to 0.40%.
- The expected investment strategy was to keep to shorter term deposits (up to 364 days), although the ability to invest out to longer periods was retained. Cash balances were expected to be up to £26m ranging between £5m and £26m. The budget was set at 0.055% for £15k after adjusting for the higher rates on existing investments. As it turned out, average balances of £14.4m returned £31.2k (0.12%).
- The only borrowing that was made during the year was a £5m borrowing from the Tyne and Wear Pension Fund at an interest rate of 0.33% on a temporary basis for a period of 3 months to help with cash flow management. Upon maturity in January, 2018 the borrowing was rolled over for a further 3 months at an interest rate of 0.50%. At the time of maturity in April, 2018 when the Council starts to receive income from

the RSG, Council Tax etc., the Council's cash balances had increased meaning that the borrowing was no longer required and the debt was repaid.

- The year as a whole was fairly stable with capital expenditure being less than anticipated and the Council funding this by using its own reserves. This is a continuation of the strategy implemented in recent years of internalising borrowing where possible so that borrowing costs are minimised. However, should there be further increases in interest rates, consideration will have to be given to varying the strategy by commencing borrowing whilst at the same time investing the Council's cash balances.

The Committee considered the report and responded as follows –

- The Committee noted that there are limitations on the Council's borrowing with the CFR ensuring that borrowing is not undertaken to support revenue expenditure. The Committee also noted that a point will be reached when it is inappropriate to allow cash balances to reduce further because of the need to maintain a working capital. The Committee sought clarification of the position currently.

The Head of Function (Resources) and Section 151 Officer said that the position with regard to the working capital is reviewed daily to ensure the Council has sufficient cash to meet its ongoing costs with the level set at a sum equivalent to the preferred level of General Fund balances which at around £6m is the level which the Section 151 Officer has assessed as adequate.

- The Committee noted that the Council's greatest monthly outgoings are staff salaries. The Committee sought clarification of whether the monthly figure for salaries is greater or less than £6m.

The Head of Function (Resources) and Section 151 Officer confirmed that the figure is in the region of £6m including NI and pension costs.

- The Committee noted that the Council's Balance Sheet for 2017/18 shows that the Council's cash balances had reduced from £14.940m as at 31 March, 2017 to £7.789m as at 31 March, 2018. The Committee sought assurance that the Council has sufficient funds available should there be an unforeseen call upon them.

The Head of Function (Resources) and Section 151 Officer said that it was his view that the position as at 31 March, 2018 represented the minimum level of cash needed with consideration having been given to taking out borrowing at that point. However, as the new financial year in April was imminent bringing with it new income in the form of the first instalment of the RSG and Council Tax payments thereby boosting the Council's cash flow position, it was decided not to borrow.

It was resolved that the Audit and Governance Committee –

- **Notes that the outturn figures in the report will remain provisional until the audit of the 2017/18 Statement of Accounts is completed and signed off; any resulting significant adjustments to the figures included in the report will be reported as appropriate.**
- **Notes the provisional 2017/18 prudential and treasury indicators in the report.**
- **Accepts the Annual Treasury Management Report for 2017/18 and forwards the report to the Executive without further comment.**

ADDITIONAL ACTION: None

6. FORWARD WORK PROGRAMME

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

It was resolved to accept the Forward Work Programme as presented without amendment.

ADDITIONAL ACTION: None

**Mr Dilwyn Evans (Lay Member)
Chair**

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CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	AUDIT & GOVERNANCE COMMITTEE
DATE:	19 September 2018
TITLE OF REPORT:	INFORMATION GOVERNANCE – SENIOR INFORMATION RISK OWNER’S ANNUAL REPORT FOR 1ST APRIL 2017– 31ST MARCH 2018
PURPOSE OF THE REPORT:	To Inform Members as to the Level of Compliance and Risk
REPORT BY:	SIRO/Monitoring Officer Ext. 2586 lbxcs@ynysmon.gov.uk
CONTACT OFFICER:	SIRO/Monitoring Officer Ext. 2586 lbxcs@ynysmon.gov.uk

1. Purpose of this report

To provide the Audit and Governance Committee with the Senior Information Risk Owner’s analysis of the key Information Governance (IG) issues for the period 1 April 2017 – 31 March 2018 and to summarise current priorities. The report also provides an update on the Council’s progress with its GDPR Implementation Plan; this element of the report spans the period 25 May 2018 to 31 July 2018.

2. Introduction

This report provides an overview of the Council’s compliance with legal requirements in handling corporate information, including compliance with the Data Protection Act 1998; Freedom of Information Act 2000; Regulation of Investigatory Powers Act 2000 (Surveillance) and relevant codes of practice.

The report also includes assurance of on-going improvement in managing risks to information during 2017-2018; and also identifies future plans. It reports on the Council’s contact with external regulators and provides information about security incidents, breaches of confidentiality, or “near misses”, during the relevant period.

This report follows the format of the previous Annual Report. Whereas this report contains an update on the issue of GDPR implementation between the period 31 March - 31 July 2018, it is the intention of the SIRO to retain the focus of future reports on the period of the financial year.

3. Background

IG is the way organisations process and manage information. In its broadest sense, the term covers the whole range of corporately held information, including financial and accounting records, policies, contracts etc. However, for the purpose of this report, IG is

defined as how the Council manages and uses *personal information*; that is information about people, be they service users or employees.

Sound IG provides assurance that the way we deal with personal information is effective, lawful and secure. Legislation places a responsibility on the Council to keep personal information safe and IG provides a means to respond if the security of personal information is compromised.

4. Information Governance at the Council

The Council collects, stores, processes, shares and disposes of a vast amount of information. Specifically, though, holding and using information about people includes inherent risk of loss, damage or inadvertent disclosure. Personal data is also expensive to gather, use and hold, and, when things go wrong, it is expensive to replace. It follows that it should be managed as efficiently as all other valuable Council assets, like people, business processes and infrastructure.

The Council must meet its statutory responsibilities effectively and protect the personal information it holds throughout its life cycle; from creation, through storage, use, retention, archiving and deletion.

The main statutory driver for the period of the report was the Data Protection Act 1998; significant breaches of which may result in monetary penalties. Additionally, if data about individuals is wrongly shared or disclosed, thereby causing them harm (distress and/or tangible damage) they are entitled to compensation.

It is useful to explain at this point that a considerable amount of audit work, including that of the Information Commissioner's Office (2013-2014) has highlighted deficiencies in the Council's data protection arrangements. Since 2013, the Council has invested in improving its compliance with the 1998 Act and now has in place the relevant policies and procedures to support compliance with the Act.

It is considered good practice to have a SIRO to provide direction and leadership at a senior level. This role is undertaken here by the Head of Function (Council Business) and Monitoring Officer. In order to address information risk, a **Corporate Information Governance Board (CIGB)** was established in November 2014, chaired by the SIRO. This Group is an appropriate forum for addressing IG issues. It receives reports on how well each Service is performing in key information management areas. It assesses risk, and recommends and monitors remedies to mitigate risks to information assets owned by the relevant Heads of Service. The CIGB may report matters directly to the Council's Senior Leadership Team.

Other IG roles within the Council include:

- **Corporate Information Governance Manager (Data Protection Officer post 25 May 2018)**
- **Corporate Information and Complaints Officer**
- **Information Asset Owners** - Heads of Service who 'own' the assets and are responsible for making sure their information assets properly support the business, and that risks and opportunities connected with it are monitored and acted upon (included within revised job descriptions);

- **Information Asset Administrators** – nominated officers who ensure that policies and procedures are followed, recognise actual or potential security incidents, and maintain the information asset registers (included within revised job descriptions);
- **Internal Audit**

5. Key Organisational Information Risks and Controls

Non-compliance with protection legislation is likely to be the primary information risk for the Council and therefore this report does not refer to the adequacy of the controls and mitigations of non-personal information risk.

To this end, much progress has been made to develop awareness about personal data risk in order to introduce mechanisms to manage the risk in accordance with best practice and in anticipation of data protection reform.

The Council has identified risks around personal data in its corporate and service risk registers.

The Council recognises that harm and distress to individual(s), financial penalties, enforcement action, adverse publicity, and loss of confidence in the Council are risks associated with its personal data assets.

The Council also recognises the following risks to the security of its information:

- **negligence** or **human error**;
- **unauthorised** or **inappropriate access**, including processing confidential personal data without a legal basis;
- **loss** or **theft** of information or equipment on which information is stored;
- **systems** or equipment **failure**;
- **unforeseen circumstances** such as fire, flood and other environmental factors;
- **inappropriate access**, viewing information for purposes other than specified / authorised;
- **unauthorised access**, using other people's user IDs and passwords;
- **poor physical security**;
- **inappropriate access controls** allowing unauthorised use;
- **lack of training** and awareness;
- **hacking** attacks;
- **'blagging'** offences where information is obtained by deception.

In addition to technical and physical measures to protect the Council's information, the following main technical and organisational safeguards are in place against information risks:

- suitable **IG Policies** and procedures (as required by the data protection legislation at the time);
- a complete **Information Asset Register**;
- suitable **data protection training** (under the 1998 Act) provided to staff on a rolling basis;
- **encrypted ICT** equipment;

- appropriate **service level lessons learnt logs**;
- **data security incident recognition and reporting procedures**, including an investigation and incident-severity analysis methodology;
- **IG KPIs** are gathered and reported to the CIGB every quarter;
- appropriate **IG key roles** identified, designated and trained;
- Council **services are procured** in a data protection compliant way;
- Privacy by Design principles are incorporated into project management methodologies;
- participation in the Welsh Government's **Wales Accord on the Sharing of Personal Information** (WASPI) in order to ensure that sharing of personal data is lawful and proportionate.

Some of the most important and current issues were/are:

5.1 The General Data Protection Regulation.

Part A: Period of the report (to 31 March 2018).

The period covered by the SIRO report saw the development of the Council's plans to implement the General Data Protection Regulation (GDPR). Although the GDPR and the Data Protection Act 2018 would come into force after the period of the report, this issue became the primary information risk for the Council, so it is appropriate to provide information about the work undertaken up to 25 May 2018 and a separate update for the period 25 May to 31 July 2018.

During the period of the SIRO report, the Council's Legal Services developed its approach to what the legislation would look like in operation by designing a suitable programme of work in the form of a Corporate Plan. The Plan was developed from analysis of the GDPR, advice issued by the European Data Protection Board and various drafts of the UK Data Protection Bill. The absence of formal guidance from the ICO, the UK data protection Regulator, was disappointing. The Corporate Plan identified 75 major action points, representing a considerable body of work.

The 75 action points were then summarised into a Five-Stage Plan, intended to assist the Council's Services to work towards compliance with the new legislation. The first stage of the Plan was rolled out in November 2017. The five stages of the Plan were introduced incrementally so that Services had the opportunity to manage the implementation in stages. The stages were:

Stage 1	Tell People how we use their data
Stage 2	Know what we do and why
Stage 3	Keep accurate evidence for as long as it's needed
Stage 4	All our policies and processes will be compliant
Stage 5	Training

The headings of the stages mask the complexity of the tasks required to implement the Plan. The new legislation required the development of processes, in addition to policies, which impact on the way the Council operates and how it interacts with its customers and others. The Five Stages provided a sound foundation for implementation and operation of

the legislation. All work carried out by each Service was saved to a separate dedicated drive within the Council Network.

The GDPR introduces more stringent and prescriptive compliance challenges, underpinned by a more punitive regulatory environment with serious regulatory penalties of up to the UK equivalent of €20 million euros, possible litigation and serious reputational harm.

However, rather than an enhanced level of potential fines, the real risk to the Council is that the scope of activities for which the Council may be fined is broadened. This shift can be described as being from enforcement by the ICO for breaches of security to enforcement for non-compliance with the rights of data subjects. In particular, as the Council is not only responsible for compliance, it must also be able to demonstrate compliance with the data protection principles. Therefore, the Corporate Plan, summarised in five stages, was intended to establish a culture of monitoring and accountability regarding the Council's processing of personal data.

Part B: GDPR implementation since 31 March 2018 (up to 31 July 2018).

The Council's preparations for the GDPR were audited by the Council's Internal Auditors during April 2018 and a final report was issued on 16 May 2018. The report concluded that there was limited assurance regarding the Council's preparations for GDPR. Work to implement the five stages of the Plan were ongoing at the time of the audit.

The Internal Audit report of 16 May 2018 does not refer to the Council's obligations with regard to the UK Data Protection Act 2018, however the SIRO wishes to report on its implementation, as it is key legislation. The Council's compliance with the Data Protection Act 2018 is set out below.

In the period following the publication of the Internal Audit report, the Council's Plan has been completed as follows.

Stage 1.

This stage was called ***Tell People how we use their data***. It was intended to implement the obligations of the Council regarding *lawfulness, fairness and transparency*. The key outputs were the development of suitable privacy notices which satisfied the legislation's requirements to be specific and detailed yet understandable to their intended audiences.

The privacy notices produced by the Services are published on the Council's website and, where necessary, on paper forms. The privacy notices were subject to corporate quality assurance during July 2018. This review also looked to the evidence of the completed record of personal data processing created as part of **Stage 2** to establish whether the necessary purposes, lawful grounds for processing and references to appropriate data subject rights were represented on the privacy notices.

The Data Protection Officer is satisfied that all Council Services have now met this requirement of the Plan. As part of its ongoing work, the Council will create a digital archive of privacy notices as an evidential record of its compliance over time. .

Stage 2.

This stage was called ***Know what we do and why***. This stage involved the creation of the Article 30 Record of Processing Activities (ROPA). This stage implemented the GDPR *accountability* principle. In addition, it facilitated compliance with the *purpose limitation* and *storage limitation* principles of GDPR. The Council's ROPA is an essential element in its compliance with the accountability principle of the GDPR. The ROPA details all the Council's personal data processing activities, including the lawful grounds for the processing.

The ROPA is not intended to be a static document. Therefore, assurance will be sought from the Services that their elements of the ROPA reflect their current personal data processing activities. As part of ongoing work, the ROPA will be reviewed to examine where the Council makes use of legitimate purposes as a lawful ground for processing. Eventually, it is also intended to insert links from the ROPA to individual information sharing protocols.

The substance of the Council's ROPA was subject to corporate quality assurance in July 2018. The conclusions of the review were that all the Council's Services have now made an adequate contribution to the Council's ROPA. All Services have now met this requirement of the Plan.

Stage 3

This stage was called ***Keep accurate evidence for as long as it's needed***. This stage involved the development of a corporate data retention schedule. Identifying suitable data retention periods and examining existing practices is a key element of the storage limitation principle of GDPR. The stage was informed by the outputs of the first two stages of the Plan. Also, the retention periods identified by this stage of the plan helped to quality assure the first two stages.

All the Council's Services have adopted agreed retention periods for the personal data processed as part of their activities. As all the Council's services have now complied with this stage, assurance can be given that the Council has implemented this element of the Plan. However, ongoing operational compliance will be part of future work.

Stage 4

This stage was called ***all our policies and processes will be compliant***. This stage required the development of mandatory data protection policies and mandatory processes. In order to successfully implement the stage, it was recognised that guidance on the mandatory policies and processes would be necessary in order to embed the processes in the working culture of the Council. The GDPR and Data Protection Act 2018 required the review of all the Council's existing Information Governance policies.

Policies and Guidance

The Council was required to develop and adopt new policies to respond to the broader extent of the GDPR, particularly in the area of data subject rights. In addition, it is necessary to support key data protection policies with additional resources and guidance. Policies are published on the *Porth Polisi* and supporting resources are made available on the Council's Intranet.

The Data Protection Act 2018 also mandates specific policy statements relating to the Council's functions which are not covered by the GDPR. The Processing of Special Categories Policy, for example, is required by the 2018 Act and enables the Council to lawfully process special categories of personal data such as criminal records information and also to undertake processing of personal data as part of its law enforcement functions.

The following policies have been developed and published:-

Data Protection Policy

Data Subject Access – guidance notes for staff

Corporate Privacy Notice

Website Privacy Policy

Data Processing Agreement Guidance

Data Protection Impact Assessment Policy

Personal Data Security Incidents Policy

Personal Data Security Incidents Investigation Guidance

Personal Data Security Incidents Reporting Form

Data Processing Policy (appointing processors)

Data Retention Schedules Guidance notes for staff

Data Subject Access Policy

Processes and procedures

In addition to policies, which set out what organisations ought to do, the legislation also specifies that organisations must have certain important processes in place. In keeping with the legislation's emphasis on evidence of accountability, the Council is required to maintain

records of the mandatory processes. The legislation establishes the requirement for data protection impact assessments; data breach reporting; data protection compliant contracts when the Council appoints processors to undertake processing activities on its behalf. The Record of Processing Activity, which is discussed above, is a mandatory requirement.

The Council has implemented all mandatory requirements, supported where necessary with guidance, including:

Initial DPIA Assessment;

Data Protection Impact Assessment (DPIA) and guidance for its completion;

Data Processing Agreement Template and guidance for its completion;

A Data Breach investigation process and letter templates

Stage 5

Training

It should be noted that the Council has mandated data protection training for its staff since 2013. As discussed above, the changes to data protection legislation represent an evolution rather than a revolution of approach. The GDPR specific training builds on an existing knowledge base.

The training stage of the Plan addressed the GDPR specific training needs of the Council and its elected Members. Training provides the Council with assurance that its staff understand the requirements of data protection as it affects them and the Council's service users. This is important, as the level and adequacy of training is a safeguard against data security incidents occurring and also mitigation if an incident must be reported to the Information Commissioner.

Evidence of training, in combination with evidence of policy acceptance, provides a measurable assurance for the Council.

The Council's approach to data protection training is commonly adopted by medium sized and large organisations; namely using e-learning and, where more advanced training is necessary, an additional level of classroom based training. An e-learning module suitable for all staff was introduced in May 2018. This will be supplemented by classroom training for those identified by their Heads of Service as requiring a higher level of training

The take-up of the e-learning module by the Council's services to 31 July 2018 is shown below.

	Completed	Number of staff	Percentage of staff
Adults	68	475	14.32%
Children's	89	112	79.46%
Corporate Transformation	72	81	88.89%
Council Business	32	32	100%
Housing	117	131	89.31%
Learning	71	168	42.58%
Economic	150	315	47.62%
Highways, Property and Waste	75	329	22.80%
Resources	73	94	77.65%
Total as at 31 July 2018	747	1737	43%

Development of Advanced training

It is recognised that some roles within particular services present a greater opportunity to breach data protection law. This is because the nature of their duties involves processing sensitive personal data, often in bulk. The concept of data protection risk has been viewed in the past as being commensurate with seniority within the organisation; the more senior, the greater the data protection risk associated with the role.

The approach now adopted by the Council represents a shift towards a more realistic acknowledgement that risk sits with some roles because of the nature of the duties and not seniority. This model recognises administration staff within some services as demonstrating a greater data protection risk than the Council's Chief Executive; which reflects the experience of the SIRO regarding the number of data protection security incidents reported. Therefore, the Council's Services have nominated key staff for further training. As of 31 July 2018, 118 staff have been nominated for additional training. A training brief has been developed and suitable trainers are being sourced by HR.

Unfortunately, bilingual training tailored for elected Members was not developed in Wales and English only training was developed in England. Therefore, no training for elected Members was provided during the period. However, it is intended to provide access to the e-learning module on GDPR for Members in September 2018. (i.e. the training already available to staff)

GDPR Policy acceptance

As already mentioned, policy acceptance is a safeguard for the Council because it provides evidence that staff have read and understood the policy. The Council's Data Protection

Policy was made mandatory for acceptance between 4/6/2018 and 2/7/2018 and the acceptance rate was 83%. The Data Protection policy remains open for acceptance.

5.2 Information Asset Register

An Information Asset Register is the key mechanism for understanding an organisation's information holdings and the risks associated with them. The register allows the mapping of information content and information systems as they interact with changes to business requirements and the technical environment. The Council's CIGB developed the first version of the Council's Information Asset Register in accordance with best practice. The Information Asset Register captured information about the Council's information assets relating to a broad range of systems.

Development of the Council's Information Asset Register, to identify the main risks associated with each of the Council's business critical systems and assets had been tabled for further development. However, resources have had to be diverted to developing the Council's GDPR Article 30 Record of Processing Activities (ROPA), which builds on the Information Asset Register but has as its focus the processing of data about individuals. (The Information Asset Register is broader) The ROPA is a statutory requirement, therefore the intention is to prioritise the maintenance and development of the Article 30 ROPA. Therefore, the SIRO proposes not to report on the Information Asset Register in future reports but, rather, to provide updates on the development of the ROPA.

5.3 Key IG Policies and Governance

Policies are a key safeguard and are an important element in the Council's IG arrangements. The Council's Heads of Service, in their roles as IAO's, have a singular role in embedding and maintaining policies around the use and handling of information which will improve the quality and consistency of information management across the Council.

Key IG policies are available on the Council's Policy Portal, supported with resources on the Council's Intranet. The policies are reviewed and updated by the CIGB. This work is timetabled and will always be subject to an ongoing programme of review. This section and 5.4 below relate to the period 1 April 2017 – 31 March 2018. For further information about policies developed as part of GDPR implementation see 5.1 above.

5.4 Policy Acceptance ('Click to Accept')

The link between policy acceptance (i.e. system to evidence training, understanding and implementation) and good practice in data protection is clear. The Information Commissioner highlighted this element in the 2013 audit report, and again in 2015, when the Council was asked to ensure that it had procedures for gathering, collating and demonstrating that its staff had accepted key policies. It was also a recommendation from Wales Audit Office in their Annual Improvement Report of 2014-15 dated 1st December 2015.

The Council implemented its policy management system, *Policy Portal*, which served as a library of policies since November 2016. The policy acceptance function was introduced in April 2017. *Policy Portal* provides assurance that key IG policies are being read, understood and formally accepted by individual members of staff. The engagement of the Council's staff

with the *Policy Portal* demonstrates that it has been a success. Moreover, the availability of the Policy Portal has made the task of monitoring data protection compliance post 25 May 2018 significantly easier.

During the period covered by the SIRO report, the Clear Desk Policy, Records Management Policy, and Data Classification Policy were mandatory policies for acceptance by the Council's staff. This ensures that employees are clear about the Council's expectations of them with are regard to information security.

Acceptance rates for the mandatory policies are shown below:

Clear Desk Policy	95 % of users accepted
Records Management Policy	95 % of users accepted
Data Classification Policy	95 % of users accepted

The Policy Portal relies on the Council's Active Directory (AD), and now includes around 1000 active users, following the inclusion of the Learning Service.

The Portal's reliance on the AD has been recognised as a compromise from the outset and this Committee has previously raised concerns that staff who are not AD users are not included in the process. The number of staff who do not have Active Directory accounts is estimated at around 686, including:

Adults Services	Home Carers; Re-ablement; Care Homes; Day Services; Canolfan Byron, Supported Living	350
Children's Services	Specialist Support Workers	21
Learning	Libraries, Youth Workers, Relief Staff	85
Highways, Waste and Property	Cleaners (including schools), Môn Community Transport, Recycling Centres	190
Regulation and Economic Development	Cleaners, café staff, coaching staff	40

AD users with email accounts occupy Microsoft Client Access Licences which are expensive. In addition, the provision of any IT equipment to facilitate access, such as laptops, would also have cost implications. Whilst providing AD accounts for all staff would be technically possible, it would likely be too costly and therefore not a current priority.

5.5 Privacy Impact Assessments

During the period of the SIRO's report Privacy Impact Assessments (PIAs) were a tool to help organisations identify the most effective way to comply with their data protection obligations. An effective PIA allows organisations to address problems at an early stage, reducing the associated costs and damage to reputation which might otherwise occur. Conducting a PIA was not a legal requirement of the Data Protection Act 1998 representing good practice on the recommendation of the ICO.

During the period of this report **no** PIA's were completed. However, under the new data protection regime, Data Protection Impact Assessments (DPIAs) are a mandatory requirement. The Council's arrangements for conducting DPIAs has been discussed above. It is a statutory requirement for the Council's Services to seek the advice of the Data Protection Officer about the circumstances in which DPIAs are required.

5.6 Training (1 April 2017 – 25 May 2018)

As this report covers the period when a GDPR specific e-learning module was introduced which superseded the corporate IG training, please see the report on the implementation of Stage 5 of the Corporate Plan.

5.7 Personal Data Flows and Information Sharing

During the period covered by this report, in addition to maintaining Information Asset Registers, IAOs were required to understand and document data flows in and out of the organisation. This is largely done by means of the Wales Accord on Sharing of Personal Information (WASPI) information sharing protocols, which are good practice and a means of identifying whether information is being transferred outside the UK and EEA, contrary to the Data Protection Act 1998, then in force. WASPI information sharing protocols (ISPs) identify risks to the security of information and mitigations that are in place. Assured ISPs are published on the Wales Accord on Sharing of Personal Information Website.

The Council also participates in the Quality Assurance process of WASPI ISPs through the North Wales Information Governance Group.

With the advent of the new data protection regime, the importance of information sharing protocols as a safeguard is increased. It is timely, therefore, that the WASPI framework has been entirely revised in response to the new legislation. One benefit of the revised documents and templates is that they are less complex and more flexible. It is anticipated that the Council can now make greater use of the WASPI framework in order to evidence its information sharing. Information sharing will be recorded on the Council's ROPA and reported to the Committee in future reports.

5.8 Data Security Incidents

During the period covered by the SIRO report, the Council's IG arrangements complied with the Information Commissioner's Guidance on reporting data security incidents that breached the Council's statutory duty to protect personal data. Under the 1998 Act, there was no legal duty to report breaches to the Information Commissioner. Information relating to the period after 31 March will be reported in a future report.

The Council has therefore established a Data Security Incident Methodology for identifying, investigating and reporting data security incidents. A corporate log is maintained and service logs are also in operation. Additionally, the Council has developed a tool for assessing the severity of data security incidents. The tool enables the SIRO to assess, in 3 steps, the severity of a data security incident by attributing weight to specific factors relating to the scale and sensitivity of incidents. Incidents are scored as Level 0, Level 1, or Level 2.

- **Level 0** are categorised as near-misses.
- **Level 1** confirmed data security incident but **no** need to report to ICO and other regulators.
- **Level 2** confirmed data security incident that **must** be reported to ICO and other regulators (as appropriate).

During the period of the report it was not yet clear whether major revision of the Council’s methodology was required in order to comply with the GDPR. However, after 25 May 2018, a new policy and process were developed in order to comply with the requirement to report data protection breaches to the ICO. The scoring methodology is no longer used because the key factor is now risk to the rights and freedoms of data subjects.

The number of incidents recorded by the Council is provided in **Appendix A**. It is evident that the proportion of Level 0 – Level 1 incidents had decreased (from 33 in the previous report). A significant proportion of the incidents have involved information being sent by email.

5.9 IG Key Performance Indicators (KPIs)

During the period of the report, the Council monitored specific IG KPIs; some on a monthly, and others on a quarterly, basis. It also publishes its [access to information data](#) on its website on a quarterly basis.

<i>Indicator Reference</i>	<i>Indicator</i>	<i>Measure + Results for 2017/2018</i>	<i>Description</i>
Q1	Subject Access Request compliance	Number of requests received = 22 requests responded to Number of responses sent w/n 40 days as a % = 91% (20 out of 22)	People have the statutory right to access their own personal data that is held by an organisation within a specific time period. It is essential that all services correctly identify SARs so that they may be logged.
Q2	Data security incidents	Number of data security incidents (including near misses) = 20 19 near misses and 1 matter reported to the ICO	Principle 7 of the DPA states that organisations must have “Appropriate technical and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.” In practice, this means we must have appropriate security to prevent the personal data we hold from being accidentally or deliberately compromised. Recording information about the number of data security incidents is essential.
Q3	Access Rights	Number of leavers = 77	It is essential that the access rights of all members of staff who leave the authority

<i>Indicator Reference</i>	<i>Indicator</i>	<i>Measure + Results for 2017/2018</i>	<i>Description</i>
		number of leavers whose access rights revoked no later than the final day of work as % (Physical access and ICT) = 100%	are revoked no later than the final day of work.
Q4	Privacy Impact Assessment completion	Number of new projects where PIA's are required number of PIA's completed as a % = None Reported	The Council's Project Management Methodology requires that PIAs are undertaken whenever a new project is considered – see Proposed Business Case Template. http://monitor.anglesey.gov.uk/corporate-resource/programme-and-project-management/programme-project-and-task-documentation-templates/
Q5	Privacy Notice Compliance	Number of Privacy Notices completed = number of Privacy Notices copied to CIO as a % None Reported	Privacy Notices are required by the law as part of fair processing. People have a right to know why their personal information is being gathered, used and shared

Information about the number of Freedom of Information Act 2000 complaints investigated by the Information Commissioner is provided in **Appendix B.** In addition, the Council also holds, at the request of complainants, Internal Reviews of its responses under FOIA; this information is also provided at **Appendix B.**

The Council also investigates complaints made to it about data protection matters; further information is provided in **Appendix C.**

Subject access, the fundamental right under the Data Protection Act 1998 to access their own personal information, is an important element of IG. Subject Access Requests (SARS) are often complex and resource intensive. Information about the number of Subject Access Requests and the Council's compliance is provided in **Appendix D.** The majority of SARS are received by Social Services and are complex to process. Whereas Social Services have, as a consequence of the complexity of the requests, sometimes struggled to meet the statutory deadline under the 1998 Act, the new legislation provides that the time for compliance is extended for complex requests.

6. Regulatory Oversight

Oversight of aspects of IG is provided by a number of regulators, reflecting the legislation and codes of practice which relate to it. The Council is required to routinely report to the regulators on a number of issues and, where required to do so, on an ad-hoc basis, in respect of certain matters. The regulators are listed below.

6.1 Information Commissioner

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA) later the Data Protection Act 2018 and the GDPR; the Freedom of Information Act 2000; the Privacy and Electronic Communications Regulations; the Environmental Information Regulations; the Re-use of Public Sector Information Regulations; the INSPIRE Regulations. The Information Commissioner has power to assess any organisation's processing of personal data against current standards of 'good practice'.

6.2 The Office of Surveillance Commissioners and Investigatory Powers Commissioners Office

The Office of Surveillance Commissioners (OSC) (to 31 August 2017) and thereafter the Investigatory Powers Commissioners Office (IPCO) oversees the conduct of covert surveillance and covert human intelligence sources by public authorities in accordance with the Police Act 1997 and the Regulation of Investigatory Powers Act 2000 (RIPA). The RIPA regime aims to ensure that directed surveillance is carried out in a way which is compliant with human rights. This is achieved through a system of self-authorisation by senior officers who have to be satisfied that the surveillance is necessary and proportionate; the self-authorisation must then be judicially approved.

The Council's processes and practitioners were last inspected by the OSC during August 2015 and were found to be satisfactory. The OSC commended the Council's procedure which ensures that its authorising officers are not based within the service applying for authorisation. The OSC recommended that minor changes were made to the Council's Policy and these were made immediately after the recommendations were received.

The Council did not use RIPA at all during the relevant period..

6.3 Office of Surveillance Camera Commissioner

The Office of Surveillance Camera Commissioner (OSCC) oversees compliance with the surveillance camera code of practice. The office of the Commissioner was created under the Protection of Freedoms Act 2012 to further regulate CCTV. The Council completed the OSCC's self-assessment toolkit in December 2015. A Surveillance Camera policy was developed in January 2018, but has not been implemented due to the capacity intensive implementation of GDPR.

7. Conclusions

The SIRO considers that there is significant documented evidence to demonstrate that:

- the Council's arrangements for IG and data protection compliance are reasonably effective;

- the Council has successfully met the challenge of implementing the new data protection legislation and it operates in a compliant way;
- the Council has processes in place to demonstrate compliance to the ICO and it complies with the GDPR's accountability principle;
- Data protection remains, and is likely to always remain, a medium risk to the Council because of the sensitivity of the personal data it processes, which varies between the Services

The number of incidents recorded by the Council during the period 2017-2018

Data security incidents (17/18): 20 incidents		
Level 0 – Level 1 (near miss or confirmed as a data security incident but no need to report to ICO and other regulators = 19 incidents		
Level 2 incidents (data security incident that must be reported to the ICO and other regulators (as appropriate). = 1 incident		
Category Level 0 -1	Number	Details
Disclosed in error	12	5 x emails sent using autocomplete function 5 x post sent to incorrect addresses 2 x incorrect version of form published on internet
Lost data/hardware	1	data put in HQ box but never received by the Service
Non-secure disposal	1	data left in locked drawer in a cabinet in building sold by the Council
Other	5	2 x post sent to officer without Service included in the address and received by incorrect officer 2 x internal mail sent to Social Services without being marked official sensitive 1 x issue relating to social media
Category 2	Number	Details
Other	1	Temporary worker e-mailed work to home computer – ICO closed the case following initial consideration as the Council had taken appropriate action

The number of Freedom of Information Act Internal Reviews undertaken during 2017-2018 and the number of complaints to the ICO processed by the Council during the period.

Three stage process:-

Stage 1: FOI requests received and responded to.

Stage 2: Internal Review - if requestors are unhappy with the original response they may request an Internal Review (appeal) which must be undertaken by the Council's Corporate Information Governance Manager.

Stage 3: Information Commissioner (ICO) - if the original response is upheld at the Internal Review stage then they may take the matter to the ICO who will assess whether or not to investigate.

Freedom of Information Act requests for Internal Review (17/18)
<p>In 2017/18, the Council received/answered 7527 questions under the Freedom of Information Act 2000.</p> <p>Of these only 5 resulted in requests for an Internal Review and in all cases the original responses were confirmed at Internal Review.</p>
Freedom of Information Act Appeals to the ICO (17/18)
<p>3 appeals were lodged with the ICO in this period.</p> <p>1 - as a result of dissatisfaction with the Internal Review but the Council's original decision and Internal Review was upheld by the ICO.</p> <p>1 – original request not responded to within timescale and was reported to the ICO. Council then had 10 working days to respond and this was done.</p> <p>1 – appeal against refusal – withdrawn by complainant</p>

Appendix C

Information about the number of data protection complaints made to the Council during 2017 – 2018 by individuals about its processing of their personal information.

Data Protection Act Complaints to the Council (17/18)
2 DPA complaints were made and investigated: 1 related to inadvertent disclosure of an email address – explanation and apology provided and informed of right of appeal. Nothing further known. 1 related to statements provided in relation to a civil court case – not upheld but complainant informed of right of appeal. Nothing further known.

Appendix D

Information about the number of data protection Subject Access Requests and the Council's compliance during 2017 - 2018.

Subject Access Requests and compliance (17/18)
22 SARs were received/answered
91% responses sent within the 40 day deadline (20 of the 22)

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Isle of Anglesey County Council	
Report to:	Audit and Governance Committee
Date:	19 September 2018
Title:	Policy Acceptance – Year 1 Compliance Data
Report by:	Lynn Ball, Head of Function (Council Business / Monitoring Officer)
Purpose of Report:	To inform the Audit and Governance Committee of compliance levels across the Council.

1.0 Background

The Council's policy management system - the Policy Portal - was made available to staff as an electronic library in November 2016. Policy acceptance requirements began on 24 April 2017.

It was reported to this Committee at its meeting on 21 September 2017 that the Policy Portal would provide the SIRO with assurance that key Information Governance policies are being read, understood and formally accepted by individual members of staff.

The following policies were first subject to click to accept between April 2017 and June 2018, as determined by the Council's Senior Leadership Team (SLT):

1. Clear Desk Policy
2. Records Management Policy
3. Data Classification Policy
4. Managing Absence Policy
5. Display Screen Equipment Policy
6. Health and Safety: Roles and Responsibilities
7. Welsh Language Standards

Appendix 1 to this report gives details of compliance levels for the above policies for all services apart from the Learning service. A decision was taken in April 2017 not to include the Learning service as the service's IT group contained school-based staff for which the process was not relevant. This issue has since been addressed and the Learning service was first included in the corporate process in July 2018, when the Council's Data Protection Policy was made available for acceptance.

The first seven policies referred to in this report will be assigned gradually to the Learning service over the coming months.

The data in this report is based on the information available as at **24 July 2018**.

2.0 Monitoring compliance

Compliance reports, on a service-by-service basis, are submitted to the SLT at the end of the 6-week acceptance periods assigned for each policy. All policies remain available for acceptance after the closing dates so that users who have not completed a policy on time, for whatever reason, are able to catch up. The weekly email reminders generated by the Policy Portal automatically list all outstanding policies for each user. In addition, as the Portal synchronises with the Council's Active Directory (AD) overnight, any new users added to service groups are included automatically within 24 hours.

All Heads of Service also have direct access to the Portal to monitor compliance within their own services.

3.0 Compliance Levels

Appendix 1 sets out compliance levels for each policy released for acceptance, both across the Council and by service, as at 24 July 2018 (with the exception of the Learning service). Average compliance for all policies across the Council is 95%, compared with an average of 79% at the end of the six-week acceptance period set for each policy. All services have attained high levels of compliance, apart from Adult Services.

This Committee noted on 21 September 2017 that Social Services and Learning were lagging behind other Council services and sought assurance that action was being taken to improve compliance levels. The current position is outlined below:

Compliance in Children's Services has improved significantly, with an average compliance rate of 99% as at 24 July 2018, compared with an average of 57% at the end of the six-week acceptance periods.

Adults Services attained an average compliance rate of 78% as at 24 July 2018 which, whilst lagging behind the other services, is an improvement on the 63% compliance average at the end of the six-week acceptance period set for each policy. It is understood that a number of the service's community-based staff with e-mails may have limited access to their Active Directory accounts. The service will need to ascertain the extent of any problems and consider what measures it can take to facilitate access in order to improve compliance.

As noted in 1.0, the Learning service has been part of the corporate process since July 2018 and will be required to catch up by accepting the first seven policies over the coming months. This will be in addition to accepting the second round of policies as they are released for acceptance.

4.0 Staff without access to the Policy Portal

The Policy Portal relies on the Council's Active Directory (AD), and now includes around 1000 active users, following the inclusion of the Learning Service.

The Portal's reliance on the AD has been recognised as a weakness from the outset and this Committee has previously raised concerns that staff who are not AD users are not included in the process. The number of staff who do not have Active Directory accounts is estimated at around 709, including:

Adults Services	Home Carers; Re-ablement; Care Homes; Day Services; Canolfan Byron, Supported Living	350
Children's Services	Specialist Support Workers	21
Learning	Libraries, Youth Workers, Relief Staff, Seasonal Assistants, Cleaner	94
Highways, Waste and Property	Cleaners (including schools), Môn Community Transport, Recycling Centres, Cycling Trainers, School Crossing Patrols	204
Regulation and Economic Development	Cleaners, café staff, coaching staff	40

AD users with email accounts occupy Microsoft Client Access Licences which are expensive. In addition, the provision of any IT equipment to facilitate access, such as laptops, would also have cost implications. Whilst providing AD accounts for all staff would be technically possible, it would be too costly and is not considered – now, or in the foreseeable future - to be a corporate priority.

The Portal is capable of facilitating access by creating manual accounts. This option would require all non-AD users to provide their personal email addresses to enable them to access the system. This approach has already been taken to facilitate access to the Council's electronic Payroll system. The process was time-consuming and was met with some initial reluctance. It is therefore anticipated that requesting personal email addresses to facilitate policy acceptance is likely to be met with a similar response.

It is therefore concluded that, whilst widening the scope of the Portal to include non-AD connected staff is possible, the rollout would require significant resource and planning that goes beyond the original remit of the system.

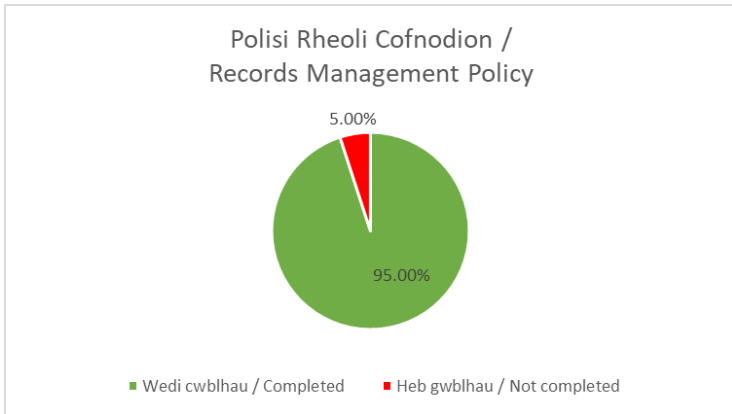
Enquiries are currently being made with other North Wales Councils as to their policy acceptance arrangements.

5.0 Recommendations

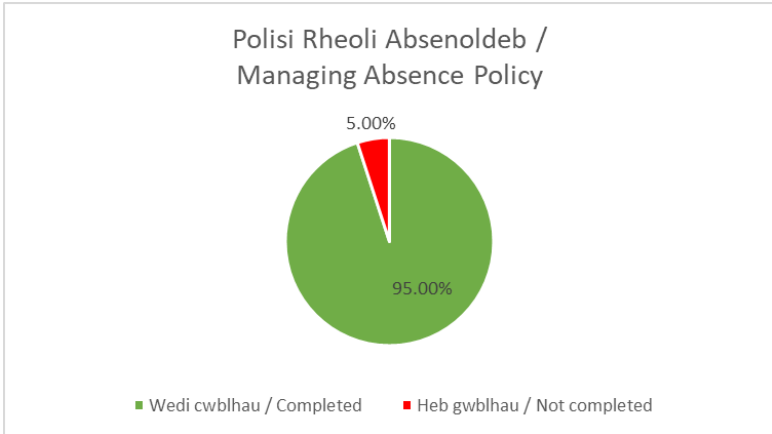
The Committee is requested to note the current position.

4 September 2018

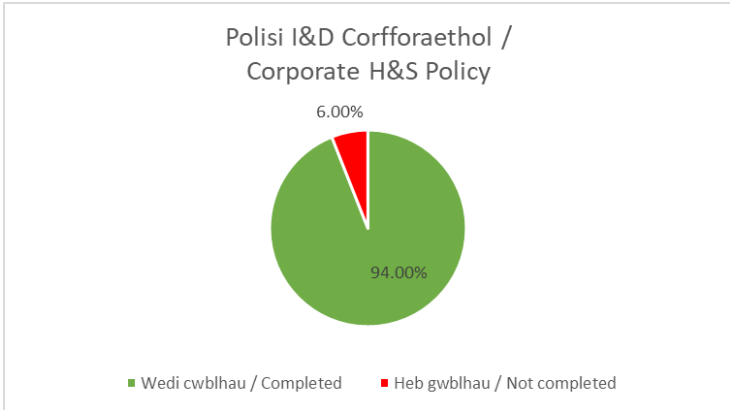
1 – Clear Desk Policy		
Start date:	24 April 2017	
Total:	893	
Completed:	849	95%
Not completed:	44	5%
<p>Polisi Desg Glir / Clear Desk Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (97)		
Completed:	97	100%
Not completed:	-	-
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Adults Services (175)		
Completed:	139	79%
Not completed:	36	21%
Children's Services (120)		
Completed:	118	98%
Not completed:	2	2%
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	149	97%
Not completed:	5	3%
Housing (133)		
Completed:	133	100%
Not completed:	-	-
Corporate Transformation (75)		
Completed:	74	99%
Not completed:	1	1%

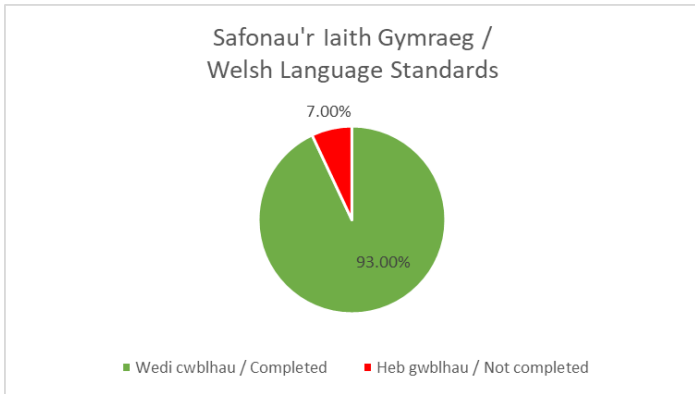
2 – Records Management Policy		
Start date:	19 June 2017	
Total:	892	
Completed:	849	95%
Not completed:	43	5%
 <p>Polisi Rheoli Cofnodion / Records Management Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (97)		
Completed:	97	100%
Not completed:	-	-
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Adults Services (174)		
Completed:	141	81%
Not completed:	33	19%
Children's Services (120)		
Completed:	117	98%
Not completed:	3	2%
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	149	97%
Not completed:	5	3%
Housing (133)		
Completed:	131	98%
Not completed:	2	2%
Corporate Transformation (75)		
Completed:	75	100%
Not completed:	-	-

3 – Data Classification Policy		
Start date:	14 August 2017	
Total:	890	
Completed:	846	95%
Not completed:	44	5%
<p>Polisi Dosbarthiadau Data / Data Classification Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (97)		
Completed:	96	99%
Not completed:	1	1%
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Adults Services (174)		
Completed:	138	79%
Not completed:	36	21%
Children's Services (120)		
Completed:	119	99%
Not completed:	1	1%
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	149	97%
Not completed:	5	3%
Housing (132)		
Completed:	131	99%
Not completed:	1	1%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

4 – Managing Absence Policy		
Start date:	6 November 2017	
Total:	891	
Completed:	848	95%
Not completed:	43	5%
 <p>Polisi Rheoli Absenoldeb / Managing Absence Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (97)		
Completed:	97	100%
Not completed:	-	-
Council Business (34)		
Completed:	33	99%
Not completed:	1	1%
Adults Services (174)		
Completed:	140	80%
Not completed:	34	20%
Children's Services (120)		
Completed:	119	99%
Not completed:	1	1%
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	148	96%
Not completed:	6	4%
Housing (132)		
Completed:	131	99%
Not completed:	1	1%
Corporate Transformation (75)		
Completed:	75	100%
Not completed:	-	-

5 – Display Screen Equipment Policy		
Start date:	18 January 2018	
Total:	890	
Completed:	846	95%
Not completed:	44	5%
<p>Polisi Offer Sgrin Arddangos / Display Screen Equipment Policy</p> <p>5.00%</p> <p>95.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (98)		
Completed:	98	100%
Not completed:	-	-
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Adults Services (174)		
Completed:	137	79%
Not completed:	37	21%
Children's Services (120)		
Completed:	119	99%
Not completed:	1	1%
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	149	97%
Not completed:	5	3%
Housing (131)		
Completed:	130	99%
Not completed:	1	1%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

6 – Corporate Health and Safety Policy		
Start date:	5 March 2018	
Total:	888	
Completed:	834	94%
Not completed:	54	6%
 <p>Polisi I&D Corfforaethol / Corporate H&S Policy</p> <p>6.00%</p> <p>94.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (98)		
Completed:	97	99%
Not completed:	1	1%
Council Business (34)		
Completed:	33	99%
Not completed:	1	1%
Adults Services (174)		
Completed:	130	75%
Not completed:	44	25%
Children's Services (120)		
Completed:	120	100%
Not completed:	-	-
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	147	95%
Not completed:	7	5%
Housing (129)		
Completed:	128	99%
Not completed:	1	1%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

7 – Welsh Language Standards		
Start date:	30 April 2018	
Total:	887	
Completed:	823	93%
Not completed:	64	7%
 <p>Safonau'r Iaith Gymraeg / Welsh Language Standards</p> <p>7.00%</p> <p>93.00%</p> <p>■ Wedi cwblhau / Completed ■ Heb gwblhau / Not completed</p>		
Resources (98)		
Completed:	97	99%
Not completed:	1	1%
Council Business (34)		
Completed:	34	100%
Not completed:	-	-
Adults Services (174)		
Completed:	122	70%
Not completed:	52	30%
Children's Services (120)		
Completed:	120	100%
Not completed:	-	-
Chief Executive (5)		
Completed:	5	100%
Not completed:	-	-
Highways, Waste and Property (100)		
Completed:	100	100%
Not completed:	-	-
Regulation and Economic Development (154)		
Completed:	144	93%
Not completed:	10	7%
Housing (128)		
Completed:	127	99%
Not completed:	1	1%
Corporate Transformation (74)		
Completed:	74	100%
Not completed:	-	-

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CYNGOR SIR YNYS MON / ISLE OF ANGLESEY COUNTY COUNCIL	
MEETING:	AUDIT & GOVERNANCE COMMITTEE
DATE:	19th September 2018
TITLE OF REPORT:	CONCERNS, COMPLAINTS AND WHISTLEBLOWING 2017-2018
PURPOSE OF THE REPORT:	Assurance on Policy Compliance
REPORT BY:	Head of Function (Council Business)/Monitoring Officer
CONTACT OFFICER:	Corporate Information and Complaints Officer Ext. 2588 bjxcs@ynysmon.gov.uk

CONCERNS AND COMPLAINTS

Introduction & Summary

1. This report provides information on issues arising under the Council's [Concerns and Complaints Policy](#) for the period 1st April 2017 – 31st March 2018. The report is also intended to include any whistleblowing disclosures made during the same period. However, none was reported during 2017-2018.
2. This report includes Social Services complaints but only those where the complainant is not a service user. Service user complaints are dealt with under the [Social Services Policy – Representations and Complaints Procedure for Children and Adults](#). These are reported annually to the Corporate Scrutiny Committee.
3. Complaints may provide valuable information about how we are performing, what users think of our services, and how and where we should focus improvements.
4. During the period 1st April 2017 – 31st March 2018, 112 concerns were received and 72 complaints were made. Of the 72 complaints, 1 complaint was withdrawn prior to investigation (Housing) so 71 complaints were investigated and formal responses sent.

The Public Services Ombudsman for Wales (PSOW) defines a “concern” as an expression of dissatisfaction that can be resolved ‘there and then’, at the initial point of contact, or very soon thereafter. A complaint is usually more serious in nature, may often not be possible to remediate, and generally requires an investigation into the circumstances before a response or resolution can be achieved.

5. Of the 71 complaints dealt with during the period, 17 were upheld in full, 6 were partly upheld and 48 were not upheld. 9 complaints were escalated to the PSOW, 8 were rejected by the PSOW and 1 complaint was resolved by early resolution (Highways). Each of the 9 complaints escalated to the PSOW had been through the internal process.

6. The number of complaints investigated this year remain the same as in 2016/2017 and these are shown in the table below.

7. The Council also publishes [complaints data](#) monthly.

8. The overall rate of responses to complaints issued within the specified time limit (20 working days) was 92%. When responses are late, services are expected to send a 'holding response' to the complainant to keep them informed of progress and to explain reasons for the delay and to give an estimated response time.

Summary of Concerns and Complaints by Service for 2017 – 2018

Service	No. of concerns	No. of complaints	No. upheld	No. partly upheld	No. rejected	No. of late responses
Corporate Transformation	4	-	-	-	-	-
Cyswllt Môn	-	3	1	-	2	-
Finance	27	16	6	2	8	2 (11 days and 19 days)
**Finance /Education	-	1	-	-	1	-
Highways	7	4	1	-	3	-
Housing	20	10 (1 withdrawn)	2	3	4	1 (9 days)
ICT	14	1	-	-	1	-
*Lifelong Learning	3	1	-	-	1	-
Leisure	16	1	-	-	1	-
Legal	-	1	-	-	1	-
**Legal/Property	-	1	-	-	1	-
Maritime	2	-	-	-	-	-
Planning	4	13	-	-	13	1 (10 days)
**Planning/Highways	-	1	-	1	-	-
Public Protection	1	3	1	-	2	-
Social Services (not a service user)	-	1	1	-	-	-
Waste Management	14	14	5	-	9	2 (5 days/ 2 days)
**Waste / Highways	-	1	-	-	-	-
Totals	112	72 (71)	17	6	48	06

* Excluding schools

** These were matters which related to 2 Services

From an analysis of the table above, 5% of the complaints received resulted from escalated concerns which indicates that Services are effectively dealing with concerns and thus avoiding formal complaints. This has improved from 21% in 2016/2017. Complainants may take their complaints direct to the formal internal complaints process and of the complaints received 90% followed this route whilst the remaining 5 % were sent to the Council by the PSOW who refused to deal with them until the internal Council process has first been exhausted.

9. Lessons Learnt

The [Concerns and Complaints Policy](#) places an emphasis on learning lessons from complaints and thereby improving services.

As mentioned above, during 2017/18, 17 complaints were upheld and 6 complaints partly upheld. **Enclosure 1** seeks to explain what lessons have been learnt and any practice which has evolved as a consequence.

10. Complaints to the PSOW

Complaints about Services

There is no internal right of appeal against a decision reached in response to a complaint, but the [Concerns and Complaints Policy](#) includes the option of escalating a complaint to the PSOW when the complainant remains dissatisfied with the Council's response.

There were 17 complaints relevant to this process, within the timescale of the report, lodged with the PSOW. 9 were escalated following formal responses under the Council's Complaints Procedure and 8 were complaints made direct to the PSOW.

Having received these, only 1 was considered sufficiently serious to warrant an investigation, but this was dealt with by way of the Council agreeing to an early voluntary resolution. This was a Highways matter.

Complaints about Members

Any complaint against an elected member must be based on an alleged breach, or breaches, of the Members' Code of Conduct, with the PSOW exercising 'first sift' jurisdiction (i.e. assessing merit) before deciding if, and how, to proceed.

During 2017/18 3 code of conduct complaints were received by the PSOW against County Councillors but closed after initial assessment. There were no investigations against County Councillors.

Limited information about such complaints are formally reported to the County Council's Standards Committee twice a year.

<http://democracy.anglesey.gov.uk/ieListMeetings.aspx?CId=148&Year=0&LLL=0>

For the sake of completeness complaints about the elected members of Town and Community Councils, in relation to the same Code of Conduct, are also reported twice a year to the County Council's Standards Committee.

There are also summaries available in the PSOW's quarterly Casebook Summary which can be found at <https://www.ombudsman.wales/code-of-conducts/>

11. Language Related Complaints

No formal complaint was received during the year.

However, one Social Services complaint contained a language related issue and this was dealt with as part of the complaint response under the Social Services Policy – Representations and Complaints Procedure for Children and Adults procedure and this will be / has been reported to the Corporate Scrutiny Committee.

Finance received two expressions of concern. Firstly, that a corporate message had been sent out in English only and another concern regarding a Welsh language advertisement in a local newspaper which contained numerous errors. The message was re-sent bilingually, and the advertisement was re-published the following week with all errors corrected. Neither matter was escalated to the formal complaints process.

Any other complaints relating to the Welsh language are reported annually in the [Welsh Language Standards Annual Report](#).

In addition, the public have the right to complain direct to the Welsh Language Commissioner but these complaints are not sent back to the Council to be investigated and are not therefore included in this report. Such complaints are noted in the Welsh Language Standards Annual Report which is published on the Council's Website by the 30th June every year:- <http://www.anglesey.gov.uk/download/67313>

WHISTLEBLOWING

12. The Council's [Whistleblowing Policy](#) has been devised to encourage and enable employees to raise those concerns, which fall within the ambit of the Policy, without fear of victimisation or discrimination. Whistleblowing is the popular term used when a member of staff (it includes contractors but does not relate to the public or elected members) raise concerns about fraud, criminality, danger or serious risk that might threaten the public, their co-workers or the Council's reputation.
13. A local [Guidance](#) document on Whistleblowing has also been issued to support staff in raising any Whistleblowing concerns.
14. The level of information usually provided in this report has been agreed by the Senior Leadership Team as, owing to the inevitably sensitive nature of such

matters, and the Council's legal obligation to protect Whistleblowers from detriment in the workplace, only limited information will ever be disclosed. However, no such disclosures were received during 2017/18 and there were no outstanding matters from 2016/17.

15. **Decision/Recommendations of this Committee**

1. The Committee accepts that this report provides reasonable assurance that the Council is compliant with the processes required under its **Concerns and Complaints Policy** and **Whistleblowing Policy/Guidance**.
2. That the Committee reviews the Lessons Learnt table at **Enclosure 1**, which consists of information provided by the services to the Corporate Information and Complaints Officer, and the Committee provides feedback to the services on the level of detail captured and to make recommendations for any remedial actions required e.g. particular training etc.

Corporate Report to the Audit & Governance Committee on 19.9.2018 re: Corporate Complaints April 2017 – March 2018

No.	Service Area and Issue Raised	Upheld / Partly Upheld	Lesson Learnt / Changes Implemented (confirmation from the service that changes implemented)
1.	Cyswilt Môn – failure to respond to request for information re: blue badge	Upheld and apology	No further action required as new system embedded
2	Finance – failure of customer service re: council tax on derelict property	Partly Upheld – apology for level of service & refund.	No further action possible as substantive issue was that the appeal to the Valuation Office had to be received before the Authority could take action.
3	Finance – error in assessing claim	Upheld – apology and rectification	Change in process – enquires re: “permitted work” to be more thorough and clearer notes to be kept on accounts. “Empathy” to be discussed at Team Meetings (additional weekly supervision meetings held with staff in Benefits)
4.	Finance – issue re: non - payment of maternity pay	Upheld – apology and rectification	Change in Process – to look at the process for dealing with MATB1’s and amend as necessary (process looked at and changes made)
5	Finance – costs for court summons as defendant attempted to pay.	Upheld – legal costs of £40 written off	No further action as issues with new telephone system now resolved.
6	Finance – delay in responding to request for refund	Upheld – apology and refunded	No further action possible owing to unusually high level of demand
7	Finance – failure of customer service re: council tax demand	Partly upheld – apology for level of service and options explained.	No further action possible until complainant makes a decision on the available options
8	Finance – delays in dealing with council tax and benefits caused the complainant stress	Upheld and apology	Change to process – way claims are administered has been changed

9	Finance – failure to refund payment made for school bus	Upheld – apology and refunded.	No further action possible owing to unusually high level of demand
10	Highways – lack of response to complaint relating to signage	Upheld – apology and remediated	Training issue – performance improvement measures instigated with the employee concerned (confirmed as completed)
11	Housing – failure in dealing with neighbour issue	Partly upheld – action has been taken but not communicated to the complainant - issue now resolved	No further action possible as issue now resolved but keeping the complainant informed of actions taken could have avoided the complaint
12	Housing – failure to remove bollard	Partly upheld – bollard could not be removed owing to legal issues but decision could have been better communicated to the complainant	No further action possible better communication and clear explanation could have avoided the complaint
13	Housing – issue of records not being changed re: similar address and complainant receiving letter meant for others	Upheld – apology and rectification	Training issue – error should have been rectified as soon as at the point of notification.
14	Housing Maintenance – Housing van blocking pavement	Upheld and apology	No further action required – advice issued to driver.
15	Housing – delays in dealing with application for an adapted property	Partly Upheld – inadequate communication with the complainant.	Communication issue as better communication and a full explanation could have avoided the complaint
16	Planning/Highways – No progress re: alleged breach of planning condition	Partly upheld – explanation of the delay provided.	No action on the substantive issue in the complaint possible until build fully completed but Services now in discussion with the developer in order to ensure safety on the existing road.
17	Public Protection – officer unhelpful and discourteous	Upheld and apology	Training issue identified and further training to be provided (– this has not yet been completed)

18	Social Services (complaint from a non - user of the service) concerns about the handling of a safeguarding case	Upheld – issues identified and plan in place to deal.	Training issue – matter to be re-opened and further training to be provided (joint training has been arranged – due to be held in the Autumn 2018)
19	Waste Management – issues with assisted collection	Upheld and apology	No further action as improved general local monitoring for a limited period
20	Waste Management – bin lid broken by bin men and delays re: getting through to service by phone	Upheld and new bin provided	Customer Care issue by contractor resolved by the Council on behalf of the service user. Of no general application
21	Waste Management – issues with collection	Upheld - now resolved	Change in practice following additional training.
22	Waste Management – failure to deliver new recycling boxes	Upheld – boxes were delivered the day after the complaint and apology.	No further action possible as met reasonable service standards but not the expectations of the complainant.
23	Waste Management –not taking recycling away despite being in clear plastic bags	Upheld – visited by officer from Waste and apology	No further action as improved general local monitoring for a limited period

Main Messages –

1. Reminder from the Audit & Governance Committee to be sent to all Heads of Service that the Customer Care Charter must be followed when dealing with the public at all times and ensure regular training and refresher training as required.
2. From now on a new corporate system to be implemented whereby services will be required to complete a formal lessons learned log at the end of the complaint process for any complaint upheld or partly upheld.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	19 September 2018
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 report provides information on work carried out by Internal Audit since the last Committee meeting. 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 Council services and corporate areas.</p>	

1. Introduction

1.1. The report provides an update as at 31 August 2018 on:

- Internal Audit reports [issued](#) since 16 July 2018
- [Follow up](#) of previous internal audit reports
- Implementation of [management actions](#)
- Progress in delivering the [Internal Audit Operational Plan 2018/19](#)
- Reviewing 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.



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Internal Audit Update

September 2018

Marion Pryor BA MA CMIIA CPFA
Head of Audit & Risk

Internal Audit reports recently issued

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.
2. We have finalised **four** reports in the period, summarised below:

Title	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Education Improvement Grant 2017/18	Substantial	0	0	0	0	0
Pupil Development Grant 2017/18	Substantial	0	0	0	0	0
School Uniform Grant 2017/18	Reasonable	0	0	0	3	3
Highways Maintenance Contract Monitoring	Substantial	0	0	1	0	1

Education Improvement Grant 2017/18 – Audit Certification

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

3. From the review of the grant records, we concluded that the Finance Service monitors expenditure incurred in relation to the grant and consequently, all expenditure recorded in relation to this grant was eligible in accordance with grant terms and conditions.
4. All income received in relation to this grant was accounted for in the financial ledger. The Finance Service accurately extracted expenditure figures recorded for this grant from the financial ledger, which was fairly stated in the accounts of the Authority.
5. We did not identify any risks for management attention.
6. We were therefore able to provide '**Substantial Assurance**' that the Finance Service maintains adequate and proper controls and records in relation to the Education Improvement Grant for the period 1 April 2017 – 31 March 2018.

Pupil Development Grant 2017/18 – Audit Certification

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

7. From our review of the grant controls and records, we concluded that the expenditure claimed was eligible in line with the terms and conditions of the grant and was fairly stated in the accounts of the Authority and the claims submitted to the Welsh Government.
8. We did not identify any risks for management attention.
9. We were therefore able to provide '**Substantial Assurance**' that the Finance Service maintains adequate and proper controls and records in relation to the Pupil Development Grant for the period 1 April 2017 – 31 March 2018.

School Uniform Grant 2017/18 – Audit Certification

Reasonable Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	0	Moderate
	3	Minor

10. From our review of the grant controls and records, we concluded that the controls in place were not adequate to ensure that the expenditure claimed is eligible, accurate and in line with the terms and conditions provided. However, the issues identified did not result in any material errors and are therefore a low risk to the Council as determined by the Council's risk management matrix.
11. We raised three risks for management attention. However, management should easily implement the action required to address these risks.
12. We are therefore able to provide '**Reasonable Assurance**' due to the materiality of the errors found.

Highways Maintenance Contract Monitoring

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

13. The Highways Section has a strong contract monitoring process in place; the contracts monitoring officer holds frequent meetings with the contractor, expenditure and performance are closely monitored, work is prioritised in accordance with the Highways Asset Management Plan and the following year's budget is taken into account when planning the work programme. The contracts monitoring officer agrees variances to work with the contractor, although there are opportunities to improve access to this information.
14. Currently, the service does not maintain a contracts register. A register is useful to monitor upcoming tendering dates and procurement compliance, along with providing information that must be relayed to the Corporate Procurement Section to be included in the corporate contracts register. Consequently, the information currently included in the corporate contracts register is out of date and inaccurate. A register can also help to provide assurance that all contracts are compliant with certain measures such as GDPR and safeguarding, where relevant.
15. However, we have concluded that, overall, there are effective controls in place to monitor highway maintenance contracts and we can therefore provide '**Substantial Assurance**' that the arrangements for governance, risk management and internal control are good.

Follow up of previous Internal Audit reports

16. We have **six** reports with a 'Limited Assurance' rating scheduled for a follow up review. The details of the Issues/Risks are included in the separate 'Outstanding Internal Audit Issues/Risks' report submitted separately to this meeting. **Four** follow-up reviews are currently underway:

Title of Audit	Reason for Review	Date of Follow Up	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Sundry Debtors	First Follow Up	Jul-18	Limited	0	7	9	3	19
Child Care Court Orders Under the Public Law Outline	Second Follow Up	Jul-18	Limited	1	3	3	1	8
Corporate Procurement Framework	Second Follow Up	Jul-18	Limited	1	1	9	1	12
Council's Preparation for GDPR	First Follow Up	Aug-18	Limited	0	6	1	1	8
Payment Card Industry Data Security Standard Compliance	Second Follow Up	Oct-18	Limited	0	6	4	1	11
System Controls - Logical Access and Segregation of Duties	Third Follow Up	Dec-18	Limited	0	3	2	0	5

Implementation of Management Actions

17. A detailed report of all outstanding recommendations and Issues/Risks has been made separately to this meeting.

Progress in delivering the Internal Audit Operational Plan 2018/19

18. The current Plan is attached at [Appendix A](#). Progress has been slow due to carrying two vacancies and a long-term sickness absence. However, two new Senior Internal Auditors have recently commenced in post and are currently undertaking their induction training. For the first time since August 2017, we are now fully staffed.
19. As well as undertaking follow up work, work is currently ongoing in **two** areas:
- Primary Schools Thematic Review – Income Collection
 - Gypsies and Travellers (Requirements of the Housing (Wales) Act 2014)
20. We are also involved in two ongoing investigations and the migration of the risk registers into the new Risk Management software as well as working with services to quality assure their risks.

Audit and Governance Committee Terms of Reference

21. The terms of reference have been fully revised following the publication of the new CIPFA guidance¹ on audit committees and are submitted separately for approval to this meeting.

¹ 'Audit Committees, Practical Guidance for Local Authorities and Police', 2018 Edition, Chartered Institute of Public Finance and Accountancy

Appendix A – Internal Audit Operational Plan 2018/19²

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
CORPORATE-WIDE							
Corporate	Business Continuity	Corporate Risk Register	C2 YM10	10			
Corporate	Welfare Reform	Corporate Risk Register	C2 YM11	10			
Corporate	Corporate Safeguarding	Corporate Risk Register	C1 YM12	10			December 2018
Corporate	CONTEST (Countering Terrorism and Preventing Radicalisation)	Corporate Risk Register	E1 YM34	10			
Corporate	Payment Card Industry Data Security Standards (PCIDSS)	Corporate Risk Register	D1 YM41	10			February 2019
Corporate	Risk Management	New process implemented October 2017. New 4Risk software rolled out September 2018. Will be the subject of an independent Health Check by our insurers.	n/a	n/a	n/a		February 2019
Corporate	Well-being of Future Generations Act	High-profile legislation that has a significant impact on the way the Council works. It is subject to specific review by WAO.	n/a	5			

² Corporate Risk Register approved by SLT 12/02/18

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
Corporate	Social Services and Well-being Act - Part 9 requirements	High-profile legislation that has a significant impact on the way the Council works. Extension from WG to implement pooled budgets	n/a	5			
Corporate	Managing the Risk of Fraud	PSIAS requirement	n/a	10			
RESOURCES							
Resources	Recovery and Write-offs	Key Financial System - S151 concerns	n/a	15			
Resources	Income	Key Financial System - external audit assurance	n/a	15			
Resources	Payroll	Key Financial System - external audit assurance	n/a	15			
TRANSFORMATION							
ICT	IT Audit - Cyber Security	Corporate Risk Register	C1 YM35	15			
ICT	IT Audit - IT Infrastructure	Service Risk Register	D2 T2	10			
HR	Recruitment & Retention	Corporate Risk Register	C2 YM5	15			
REGULATION & ECONOMIC DEVELOPMENT							
Regulation & Economic Development	Energy Island Programme (including major schemes such as Wylfa Newydd)	Corporate Risk Register	C2/D2 YM15 YM19/20	10			
Regulation & Economic Development	Leisure Services	Corporate Risk Register	B3 YM39	10			
Regulation & Economic Development	Leisure Services - Governance and Control	Head of Service Request - major structural changes	n/a	15		Carried forward from 2017/18	September 2018

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
HIGHWAYS, WASTE & PROPERTY SERVICES							
Highways	Car Park Services – Enforcement	New pilot in place from 2017/18 with external organisation for car parking enforcement	n/a	15			
Highways	Highways Contract Monitoring Arrangements	Head of Service request	n/a	15 10	10	Substantial Assurance	September 2018
HOUSING							
Housing / Regulation & Economic Development	Council House Development	Corporate Risk Register	C1 YM 42	15			
Housing	Gypsies and Travellers (Requirements of the Housing Act 2014)	Corporate Risk Register	C2/A4 YM36/37	10	0.25		
ADULT SERVICES							
Adults	Deprivation of Liberty Safeguards	Corporate Risk Register	C2 YM32	15 9	9	Reasonable	July 2018
Adults	Direct Payments	Head of Service request	n/a	10	0.5	Carried forward from 2017/18	September 2018
CHILDREN'S SERVICES							
Children's	Integrated Service Delivery Board	Corporate Risk Register	C2 YM43	10			
LEARNING							
Learning	General Data Protection Regulations (GDPR) - Implementation within Schools	Corporate Risk Register. Will be the subject of an independent Health Check by our insurers.	C2 YM38	n/a	n/a		
Learning	Primary Schools Thematic Reviews - Schools Income Collection	Head of Service request	n/a	20	16	Carried forward from 2017/18	September 2018

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
GRANT CERTIFICATION							
	Rent Smart Wales Grant	Grant requirement	n/a	10	10	Substantial Assurance	July 2018
	School Uniform Grant					Reasonable Assurance	September 2018
	Education Improvement Grant					Substantial Assurance	September 2018
	Pupil Development Grant					Substantial Assurance	September 2018
	TOTAL AUDIT DAYS			299	46		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)							
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4Action		50	29.25		
	General Counter Fraud Work, National Fraud Initiative, enquiries and referrals			60	22.75		
	Closure of Previous Year's Work			18.5	18.5		
	Corporate consultancy			60	21		
	Audit & Governance Committee, including training for members			40	20.75		
	Management Review			40	5		
	Contingency			0	0		
	TOTAL			269	117		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)							
	Risk & Insurance			20	6		
	General Administration			40	15		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
	Personal Development & Review, 121 & Team Meetings			30	4.25		
	Management, including liaison with External Audit and audit plan preparation			40	21		
	Leave, including annual, statutory, special and sick leave			357	123.75		
	Training and Development for staff, including induction and Welsh lessons			119	25		
	TOTAL			606	195		
	TOTAL RESOURCE REQUIREMENT			1174			
	RESOURCE AVAILABLE			1096			
	RESOURCE SHORTFALL			-77			
	PRODUCTIVITY			49%			

ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Audit and Governance Committee	
Date:	19 September 2018	
Subject:	Outstanding Internal Audit Recommendations / Issues & Risks	
Head of Service:	Marc Jones Head of Function (Resources) / S151 Officer 01248 752601 MarcJones@ynysmon.gov.uk	
Report Author:	Marion Pryor Head of Audit & Risk MarionPryor@ynysmon.gov.uk 01248 752611	Siân A. Jones Senior Auditor SianAJones@ynysmon.gov.uk 01248 752612
Nature and Reason for Reporting: This report provides an update on the status and detail of the outstanding risks that Internal Audit has raised.		

1. Introduction

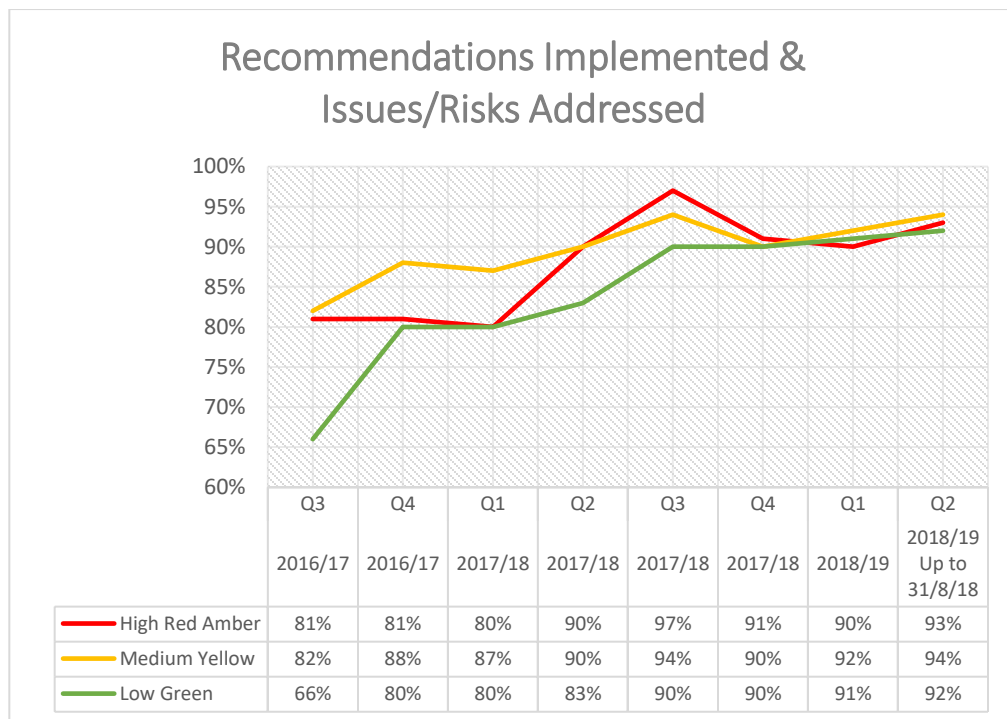
- 1.1. The Audit and Governance Committee requested details of all the outstanding recommendations twice a year. The last report was presented to the 13 February 2018 meeting.

2. Recommendation

- 2.1. That the Audit and Governance Committee notes the Council's progress in addressing the outstanding Internal Audit recommendations and risks raised since 1 April 2014.

3. Performance of Implementing Outstanding Recommendations / Risks Raised by Internal Audit

- 3.1. As previously reported, Internal Audit has moved away from making recommendations to raising 'Issues' and 'Risks'.
- 3.2. To encourage management to have ownership for the risks, it is their responsibility to develop an action plan to address the issues / risks identified.
- 3.3. Issues / risks are followed up by monitoring how the risks have been addressed. Reports which have received Limited or Minimal Assurance are part of a formal follow up process where we will not close risks until management has taken sufficient action to address the risks. We monitor all other issues / risks through the self-administered corporate recommendation tracking system.
- 3.4. To provide the Committee with trend information, the graph below highlights the performance in implementing the recommendations / addressing the risks:



- 3.5. As can be seen, the Council is steadily improving its performance with the overall implementation percentage currently at **93%**.

4. Current Outstanding Recommendations / Risks

4.1. As at 3 September 2018, the Council has the following outstanding recommendations / risks and issues with a target implementation date of 31 August 2018 (detailed in [Appendix A](#)):

Up to 31/08/2018	High	Red	Amber	Medium	Yellow	Low	Green	Totals
Total Implemented	76	9	51	320	90	201	32	779
Total Not implemented	0	2	8	5	19	17	4	55
Total	76	11	59	325	109	218	36	834
% Implemented	100%	82%	86%	98%	83%	92%	89%	93%
% High Red Amber Implemented	93%							
% Medium Yellow Implemented	94%							
% Low Green Implemented	92%							

4.2. The **two** red risks currently outstanding are detailed below and are currently the subject of follow up reviews:

Ref	Issue / Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
Child Care Court Orders under the Public Law Outline (Children's Services)					
4	Support worker visits were not found to have been conducted in accordance with the care plan during court proceedings. There is a risk of emotional and / or physical harm to the child.	27/01/17	31/01/18 (changed from 31/03/17)	Support Service Manager	Results of First Follow Up: Failure to comply could lead to disciplinary proceedings being followed against member of staff.
Corporate Procurement Framework – Corporate Compliance (Housing Service)					
5	The Council does not have assurance that all its expenditure has been properly procured and it is possible that the Council has incurred expenditure where no formal competitive procurement exercise has been undertaken. Consequently, fit for purpose contracts are not in place and issues such as safeguarding, safety and value for money have not been considered.	07/09/17	31/03/18	Head of Housing	Corporate Procurement Manager confirmed that the Procurement Team is available to assist and advise as necessary.

Appendix A – Outstanding Recommendations / Risks

All High, Red and Amber Rated Internal Audit Recommendations Outstanding with target date up to 31/08/2018

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
Children's Services						
1	Child Care Court Orders under the PLO 044 2016/17	<p>1 Testing highlighted that The Care Proceedings, Public Law Outline and Legal Matters 2016 Protocol was not always followed in circumstances requiring swift action. An Emergency Legal Gatekeeping meeting was not held within 24 hours of the decision being made to hold an Emergency Legal Gatekeeping Meeting.</p> <p>This can lead to appropriate actions and decisions not being made in a timely manner with a risk of a child being emotionally and / or physically harmed.</p>	27/01/17	31/01/18 changed from 31/09/17	Service Manager Corporate and Partnership.	<p>First Follow Up 161744f1 – A new Service Manager for Intensive Intervention who came into post towards the end of November 2017 has reviewed current working arrangements to ensure that emergency Legal Gatekeeping Meetings are held within 24 hours of the decision being made.</p> <p>The tracking and monitoring of cases discussed in Legal Gatekeeping meetings is now being more robustly supported by the Business Support Team Manager. During a meeting held on 4.1.18 changes and amendments were agreed to the Legal Gatekeeping Log and Court Tracker to ensure there is compliance with the Procedure.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>
2	Child Care Court Orders under the PLO 044 2016/17	2 Team Managers' approval of decisions to proceed cases to Legal Gatekeeping meetings are not being documented. It was also found that documents such as pre-proceedings meetings, PLO review meeting records, pre-proceedings letters, intention to issue letters and minutes were not always loaded onto the electronic system or were not	27/01/17	31/01/18 changed from 31/01/17	Service Manager Corporate and Partnership.	<p>First Follow Up 161744f1 – Decisions to proceed cases to Legal Gatekeeping meetings are now documented on the new electronic system, WCCIS by the Service Manager Intensive Intervention.</p> <p>During a meeting between Service Manager Intensive Intervention and Practice Leaders on 16.1.18 they were provided with all documents relating to the PLO process</p>

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
		<p>loaded promptly and cloned to relevant siblings' file.</p> <p>This leads to the information held being incomplete and an uncertainty on where the information is held which may result in a risk of insufficient evidence available when proceeding to court and an uncertainty whether the appropriate decisions were made.</p>				<p>and care proceedings and reminded that all documents should be loaded on WCCIS and cloned to siblings file.</p> <p>There are new arrangements for additional business support for the Practice Groups. This arrangement will enable administrative staff to support social workers in ensuring this task is undertaken effectively.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>
3	Child Care Court Orders under the PLO 044 2016/17	<p>3 Testing highlighted that the Letters Before Proceedings and Letters of Intent / Notice of Intention to Issue and pre-proceedings meetings did not always comply with the Care, Proceedings, Public Law Outline and Legal Matter 2016 Protocol. Further, the letters were not always sent to all persons with parental responsibility.</p> <p>Parents are therefore not properly informed of the process followed or decision made and what is expected of them in order to improve matters which may result in continuing emotional and / or physical harm to the child and distress to those involved.</p>	27/01/17	31/01/18 changed from 31/03/17	Service Manager Corporate and Partnership.	<p>First Follow Up 161744f1 – Revised documentation and letters in relation to care proceedings and PLO have been discussed and shared with Practice Leaders on 16.1.18 and are now being implemented. These have been shared with all Social Work staff and guidance given that all previous templates should be deleted.</p> <p>During a meeting between Service Manager Intensive Intervention and Practice Leaders held on 16.1.18 they were reminded that every effort should be made to identify the details of all persons with parental responsibility to ensure they are fully informed of the process.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>
4	Child Care Court Orders under the PLO 044 2016/17	<p>4 Support worker visits were not found to have been conducted in accordance with the care plan during court proceedings.</p> <p>There is a risk of emotional and / or physical harm to the child.</p>	27/01/17	31/01/18 changed from 31/03/17	Support Service Manager	<p>First Follow Up 161744f1 – Failure to comply could lead to disciplinary proceedings being followed against member of staff.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
Housing						
5	Corporate Procurement Framework – Corporate Compliance 076 2016/17	5.1.3 The Council does not have assurance that all its expenditure has been properly procured and it is possible that the Council has incurred expenditure where no formal competitive procurement exercise has been undertaken. Consequently, fit for purpose contracts are not in place and issues such as safeguarding, safety and value for money have not been considered.	07/09/17	31/03/18	Head of Housing	Corporate Procurement Manager confirmed that the Procurement Team is available to assist and advise as necessary. Currently undergoing a second follow up. Progress to be reported to the next Committee meeting.
Resources						
6	PCI DSS Compliance 066 2016/17	1.1a There is no formal plan or programme which is regularly reviewed / updated, or when a major change occurs, to ensure corporate compliance with PCI DSS. This can lead to the work towards compliance being ineffective and inefficient with no timescales to ensure swift action and therefore non-compliance. Non-compliance can lead to increased transaction costs, reputational damage and / or restrictions or permanent withdrawal from payment card acceptance programmes.	21/09/16	01/06/18 changed from 30/09/16	Revenues & Benefits Service Manager	Upgrade of Capita Income Management to version 10. This will ensure an effective terminal management system P2P encryption of terminals and prices have been obtained to upgrade or purchase new terminals. (Target date 2 February 2018) The Council is also reviewing the recording of telephone calls and considering options under corporate system, and others. A price has been obtained. Issues of affordability have to be reviewed. Following the implementation of Version 10 the Council will tender for consultancy on corporate compliance with PCI DSS, and in particular with GDPR requirements which come in to force in May 2018. (Target 1 June 2018). Update 27/04/18 – Implementation of P2PE encryption terminals currently being implemented which will confirm Capita, as provider, are PCI DSS compliant – contract being signed. Once on – seek Sell2Wales

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
						tender for Assessor for the whole Authority. (OYM) a current issue). Awaiting Consultant's Assessor's report. Update 31/05/18 – PCI DSS Project Improvement Plan in place. Draft PCI DSS out currently for consultation. Will be subject to a follow up during October 2018.
7	PCI DSS Compliance 066 2016/17	1.5a The debit / credit card environment of the Council has not been mapped to identify the type of transactions and where these are taken in order to ensure an understanding of the environment. There is therefore a risk that the Council is not aware of the card payment environment and are therefore unable to protect its security adequately leading to loss of cardholder data.	21/09/16	02/02/18 changed from 30/09/17	Revenues & Benefits Service Manager	First Follow Up 161766f1 - The assistance of the ICT Business Partner has been requested to map the credit / debit card environment. This will need to be completed in order to procure the services of the PCI DSS Assessor. Update 27/04/18 – Mapping of environment, Revenues and Benefits Manager to discuss with IT. Delay due to IT. Update 31/05/18 – Currently being undertaken. Implementation in accordance with PCI DSS Implementation Plan. Will be subject to a follow up during October 2018.
8	Housing Rents – Readiness for Universal Credit 171818	8 The Housing Service is currently providing tenants with the option to pay through standing order. Bank reconciliations are currently undertaken manually; therefore, payments made through standing orders may not be recognised and coded into the correct account promptly, depending on resource capacity. The Income Section is currently trialling implementation of an automated system. However, there is a risk that the bank reconciliations will not be automated by the go live date. Department for Work and	24/01/18	31/03/18	Revenues & Benefits Service Manager	Update 31/05/18 – Part of Income 2018/19 Improvement Plan. Universal Credit roll-out delayed until December 2018. Not our issue, but for Housing – transfer over payments, move from standing order to direct debit.

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
		<p>Pensions (DWP) payments are also currently posted manually affecting promptness of DWP receipts (council tax and rents).</p> <p>There is a risk that rent arrears arises from delay in rents posted, placing pressure on recovery and possibly wasting Council resources. As a result of payments are not promptly posted, individual accounts will show inaccurate arrears due, possibly prompting recovery sequences, wasting Council resources and causing reputational damage to the Council.</p>				
Learning						
9	Council's Preparation for GDPR Compliance 171829	<p>8 The Learning Service is currently assisting its schools on preparations for GDPR by appointing a single Data Protection Officer to implement GDPR compliance.</p> <p>However, as at April 2018, a Data Protection is not yet in post and therefore, there is a risk that schools will not be fully GDPR compliant by 25 May 2018.</p>	27/11/17	30/06/18	Head of Learning	<p>The Learning Service has communicated with the Schools to ensure that the schools are aware of the new regulations and the implementation date. Each school will contribute towards the cost of appointing a single Data Protection Officer to ensure compliance in each school establishment and the Learning Service is at present assisting the schools to accomplish this aim.</p> <p>The Job Description is currently being evaluated.</p> <p>Update 03/09/18 – Post is currently being advertised.</p> <p>Currently undergoing a follow up review. Progress will be reported to the next Committee meeting.</p>
Transformation						
10	PCI DSS Compliance 066 2016/17	3.3 There is no process to assess and record the impact of change to ICT infrastructure on PCI DSS components.	21/09/16	30/04/18 changed	IT Service and Performance Management	This will be covered within the existing IT Change Management process whereby the customer procuring

Ref	Report	Recommendation / Issue/Risk	Date Raised	Agreed Target Date	Responsible Officer	Comments
		There is a risk that any changes could compromise the security of cardholder data.		from 31/10/16	Service Manager	the new system must establish the PCI DSS implications. Will be subject to a follow up during October 2018.

Medium and Yellow Rated Internal Audit Recommendations Outstanding with target date up to 31/08/2018

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
Corporate						
11	Corporate Safeguarding Arrangements 053 2016/17	7 The Corporate Safeguarding Board should establish a programme of quality assurance activities to ensure policies and expectations are implemented effectively.	09/09/16	31/03/18 changed from 31/12/16	Assistant Chief Executive	First Follow Up 161753f1 – To be completed once Northgate System has been updated to provide a central database of DBS records and take-up of safeguarding training across all services. Scheduled for a second follow up, which will be reported to the December 2018 Committee meeting.
Resources						
12	Ethical Culture 067 2016/17	1.1.1b Contract monitoring arrangements for health and safety compliance are not reflected within the corporate and service Health & Safety Action Plans. There is a risk that contract monitoring arrangements will not be effectively implemented and contractors will not follow safe practice.	06/09/17	30/03/18 changed from 31/12/17	Corporate Procurement Manager	This will be addressed by ensuring that contract monitoring arrangements for H&S compliance are included within Contract Procurement guidelines. This will also be discussed with Heads of Service. Update 29/11/17 – This will be included in the Contract Management training in the new year.
13	Housing Benefit & Council Tax Reduction Scheme 092 2016/17	8 Although physical security to the section's information is recently improved, being a paper based system, information is vulnerable to being misplaced and there is a risk of lost information.	31/08/17	31/12/17	Housing Benefit Manager	Efforts to keep the filing up to date are in place. In relation to physical security, the control over access to the files and to the benefit room is secure and effective. The issue is in relation to documents and files being located. The Document Image System will eradicate this issue. Update 25/01/18 – Document imaging will improve this – delays in place due to Planning and IT. Scan and retrieve to be live by the end of February 2018. Back-

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						<p>scanning done and is secure. Could be more back-scanning costs.</p> <p>Update 03/09/18 – Document Management System has now been implemented. All new post received is now scanned onto the Document Management System which minimizes the risk of paper being misplaced. We still have paper / files dating back to claims from October 2017 – July 2018 which need to be scanned onto the system. The aim is that work will commence on scanning these into the system during September 2018.</p>
14	Insurance Arrangements 074 2016/17	3.1.7 It should be ensured that insurance recharge premiums are raised promptly in accordance with the leasing agreement.	15/11/16	31/12/16	Revenues & Benefits Service Manager	Update 31/05/18 – Industrial Unit Rents – billed separately to the lease. Find the amount from the Insurance & Risk Manager – us to bill.
15	PCI DSS Compliance 066 2016/17	<p>2.1a Training is not currently formalised corporately and documented to officers who are responsible for processing card payments. In addition, there is no process to acknowledge the understanding of PCI DSS related policies with skills and competencies being reviewed as part of the appraisal process to ensure PCI DSS compliance.</p> <p>There is a risk that staff are unaware of requirements to protect cardholders' data resulting in a weak security of sensitive information.</p>	21/09/16	31/03/18 changed from 30/09/16	Revenues & Benefits Service Manager	<p>Training is informally provided to new staff however, this needs to be formalised and ensure the consistency of training provided corporately.</p> <p>The training provided will be formalised.</p> <p>Update 31/05/18 – Now being targeted under the PCI DSS Project Improvement Plan (which is still in draft).</p> <p>Will be subject to a follow up during October 2018.</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
16	Main Accounting 090 2016/17	1 The Income Officer is not promptly clearing the income suspense accounts. There is a risk that the Finance Service will not identify income collection promptly to ensure that the Council's accounts and balances are accurate and can be relied upon. The delay in identifying and clearing the income suspense account also has an impact on the timetable for completing other accounting work for verifying balances.	22/05/17	31/05/18 changed from 30/09/17	Revenues & Benefits Service Manager	Update 19/10/17 – New Income Officer has recently been appointed and this will be one of her priorities once she has been fully trained. Update 25/01/18 – A transaction code has been created for these payments (still awaiting a ledger code) and testing going on. Not complete. Update 31/05/18 – Still an issue. To be discussed early May.
17	Council's Preparation for General Data Protection Regulation (GDPR) 171801	1 Not all Heads of Services have identified and assessed GDPR compliance as a risk within their service risk registers. There is a risk that services do not assess what the impact of GDPR compliance will be on them, in addition to non-compliance. There is also a risk that services may not be prioritising actions to be implemented to demonstrate and be GDPR compliant by 25 May 2018.	27/11/17	28/02/18	Head of Resources	Heads of Services to assess their services' capacity to deal with the implementation work within the timescale after receiving tranche two and three of the work programme (after week 1 of January 2018) and to include in risk registers and Service Delivery Plans where appropriate. Update 25/01/18 – This has now been added to our Service Risk Register and we will looking to see what needs to be done following Corporate Information Manager's guidance.
18	Corporate Procurement Framework – Corporate Compliance 076 2016/17	1.1.1 The Contract Procedure Rules do refer to EU thresholds for tenders and the need to comply with EU treaty principles, but do not state what these thresholds are for the different types of works, or make any reference as to where the information can be found. There is a risk that users will not be aware of the relevant thresholds resulting in non-compliant procurement.	07/09/17	30/06/18 changed from 31/07/17	Corporate Procurement Manager	The levels are subject to regular review and should not be included in the CPRs as this document forms part of the Constitution and changes need to go through the Executive and Full Council. This would be too onerous. Suggest amendment to include a reference to the Procurement Handbook instead (Head of Council Business). The OJEU threshold will not be included in the CPRs as they change bi-annually and any changes to CPRs has to go through full council. There will be

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						a link from CPRs to handbook. (Corporate Procurement Manager). Currently undergoing second follow up. Progress will be reported to the next Committee meeting.
19	Corporate Procurement Framework – Corporate Compliance 076 2016/17	7.4.1 The Contract Procedure Rules do not include the requirement for a Sustainability Risk Assessment to be applied to all procurements above £25k, as directed in the Wales Procurement Policy Statement. There is a risk of sustainability not being taken into account in the procurement process resulting in the Council not adhering to its responsibilities as directed by the Welsh Government and not demonstrating compliance with the Well-being of Future Generations (Wales) Act 2015.	07/09/17	30/04/18 changed from 31/12/17	Corporate Procurement Manager	CPRs will be reviewed in November 2017 and submitted to Full Council in December 2017. The requirement for Sustainability Risk Assessments to be applied to all procurements above £25k will be included. Currently undergoing second follow up. Progress will be reported to the next Committee meeting.
20	Corporate Procurement Framework – Corporate Compliance 076 2016/17	7.4.2 The Council has no Sustainable Procurement Policy leading to a risk that sustainable development principles are not considered when setting and taking steps to meet “well-being objectives”. It was also found that sustainable procurement was not included in the Procurement Training programme which creates a risk of officers not aware of the requirement, resulting in non-compliant procurement and the Council failing to demonstrate compliance with the	07/09/17	30/06/18 changed from 31/12/17	Corporate Procurement Manager	A sustainable procurement policy has been drafted and has been presented to SLT with further work identified. Update 31/05/18 – Things have changed. Social Value Procurement Policy being created. Currently undergoing second follow up. Progress will be reported to the next Committee meeting.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		Wellbeing of Future Generations (Wales) Act 2015.				
21	Sundry Debtors 171804	<p>9 The Debtors Section is currently not able to accept direct debit payments due to a lack of resources, with the exception of Home Care debtors, where most pay by Direct Debit.</p> <p>The likelihood of prompt recovery is decreased and there is a risk of the debts not being recovered.</p>	22/11/17	30/04/18 changed from 31/01/18	Revenues & Benefits Service Manager	<p>The Council has since changed banks and the Section has requested a new service user number (SUN) from the bank. Tests will need to be undertaken on the 'bottom line' technology to ensure that the requests are cleared with BACS. Testing will also need to be done on the debtor system to allow the Income Team Leader to be able to set up the direct debit, import and export the file from the Debtors system to be released to 'bottom line' and authorised effectively. The Section has currently set up monthly meetings with Social Services to discuss how the Section plans to implement direct debits. As the debts from Home Care Clients are collected through the old service user number, the Section hopes that a bulk transfer of data can be done to operate under the new number. Testing will be undertaken within the Civica system to determine.</p> <p>Update 25/01/18 – In process of completing forms for bulk transfer of home care to the new SD originators SD. Resource issue.</p> <p>Update 31/05/18 – Need to be done after the year-end – must be done due to payment for school transport.</p> <p>Currently undergoing a follow up. Progress will be reported to the next Committee meeting.</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
Children's Services						
22	Child Care Court Orders under the PLO 044 2016/17	<p>5 The naming of documents on the electronic system is inconsistent and were not always found to be named in a meaningful manner. This may lead to documents not being recognised and potentially missed.</p> <p>There is a risk of insufficient evidence being provided, or duplicates being loaded onto the system.</p>	27/01/17	31/01/18 changed from 31/07/17	Safeguarding Service Manager	<p>First Follow Up 161744f1 – A new Service Manager for Quality Assurance has been in post since the original report was issued.</p> <p>Update 29/11/17 – Work has commenced to create recording guidelines “glossary of terms” with an intention to have consistency in recording and terminology.</p> <p>Update 02/05/18 – Practice Standards have been created in terms of recording information and a service audit has revealed that the quality of recording has improved. Further development work is in progress of the WCCIS system to include workflows and templates for documents being regularly used.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>
23	Child Care Court Orders under the PLO 044 2016/17	<p>7 Testing highlighted that not all officers have attended Information Governance training. It was also highlighted that there is no process in place to ensure that agency workers also attend Data Protection training before commencing with day-to-day activities with the Children Services.</p> <p>There is a risk that data protection legislation is not being adequately followed.</p>	27/01/17	31/01/18 changed from 31/03/17	Service Manager Corporate and Partnerships.	<p>First Follow Up 161744f1 – All officers to sign Information Governance and Data Protection declaration forms as part of the Service induction.</p> <p>Currently undergoing second follow up. Progress to be reported at the next Committee.</p>
24	Fostering Service – Recruitment and Retention 171820	3 Currently, the foster care recruitment and retention budget has been overspent for the last three years and there is no	24/05/18	30/06/18	Partnerships and Corporate	The budget will be reviewed as part of the service review that is currently being undertaken and will be monitored regularly for appropriateness.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		<p>approved marketing plan/budget. The budget has not been reviewed to ensure it is appropriate, realistic and complete to ensure accurate budget monitoring.</p> <p>There is a risk that the Service will continue to overspend its budget and the number of foster carers and placement options will continue to fall, ultimately leading to higher costs for the Council.</p>			Service Manager	
Learning						
25	Business Continuity Follow Up 081 2016/17	1.3 Services should ensure that Business Continuity and Emergency Planning arrangements are up to date and operational; the Service Delivery Plans should contain Business Continuity and Emergency Planning arrangements.	17/01/17	01/04/17 changed from 31/12/15	Head of Learning	<p>Re-iterated from Business Continuity Management 007 2015/16</p> <p>An audit is scheduled as part of the 2018/19 Annual Internal Audit Plan.</p>
26	School Transport 171805	<p>3.1 There are no processes in place to allow the Transport Section to verify with the Learning Service whether a child no longer requires a transport service. The Transport Section relies on the contractor to inform the Council of any changes.</p> <p>There is a risk that the Council is not notified or promptly notified. In addition, there is a risk that the Council will not be able to verify children present on each journey to and from educational establishments to inform the parents if an incident were to occur.</p>	06/09/17	30/06/18 changed from 31/03/18	Head of Learning	<p>The Learning Service will implement a Transport one module. The module will identify the pupils that should be on each transport service provided by the Council. The system will also be used to review pupils' receiving taxi services on an annual basis.</p> <p>Update 23/09/17 – Until the One Transport module is established, the education will review pupil taxi lists with the transport department termly.</p> <p>An officer within the Learning Service will undertake the task of termly reviews of taxi service need, in conjunction with school head teachers, Social Services and others.</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						<p>First Follow Up 171805f1 – Until the ONE module is active, interim arrangements are in place for taxi services transporting pupils to and from schools. The Transport Section maintains information relating to bus contracts. We were informed that identifying pupils on each bus contract will be implemented on the operation of the Transport One module. Following collation of up to date data, the Education Department will verify with each school and unit each term in order to ensure any changes are highlighted regarding learner provision with a 'sign off' from each school. The schools have identified a lead person who will be responsible for monitoring the situation.</p> <p>Each school's lead person has also been asked by Education Department to inform Learning immediately when provision is not required, informing the council Departments and individual taxi companies.</p> <p>Data collation during the Autumn term 2017 by the Education Department has verified which children are present on each taxi journey to and from Educational establishments – this a requirement to ensure safeguarding and health and safety responsibilities are met.</p> <p>Update 30/08/18 – Since November 2017, a process has been established between Education and Transport Section whereby all applications for transport are received by an identified officer in the Education Department via a specific application form issued by Education (which includes parents' details in case of emergency). The application is considered against the present policy and, if authorised, the form</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
						is then sent to an identified officer in the Transport Section. Once Transport has processed the application, contract details are shared with Education (i.e. contract number / operator) and is added into Transport ONE. When a contract needs to be terminated, this is done via a specific form (again issued by Education) which is shared with Education / Transport. Additionally, all contract details are shared with relevant schools on a termly basis by Education as an extra monitoring measure.
Transformation						
27	PCI DSS Compliance 066 2016/17	3.6 Network scans are not undertaken on a quarterly basis by an approved scanning vendor in accordance with PCI Security Standards Council PCI Quick Reference Guide 11.2. There is a risk that network vulnerabilities will compromise the security of data.	21/09/16	30/04/18 changed from 30/09/16	IT Service and Performance Management Service Manager	PSN network scans are currently undertaken annually by an external provider. Cardholder data is not held on the Council's infrastructure. IT to seek assurance from the software supplier that if they do keep the data temporarily that they are compliant to PCI DSS. Responsibility of Business Systems Integration Manager as well as Service Manager. Will be subject to a follow up during October 2018.
Council Business						
28	Council's Preparedness for General Data Protection Regulation (GDPR) 171801	1 Not all Heads of Services have identified and assessed GDPR compliance as a risk within their service risk registers. There is a risk that services do not assess what the impact of GDPR compliance will be on them, in addition to non-compliance. There is also a risk that services may not be	27/11/17	28/02/18	Head of Council Business	Heads of Services to assess their services' capacity to deal with the implementation work within the timescale after receiving tranche two and three of the work programme (after week 1 of January 2018) and to include in risk registers and Service Delivery Plans where appropriate.

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		prioritising actions to be implemented to demonstrate and be GDPR compliant by 25 May 2018.				Currently being followed up. Progress will be reported to the December 2018 Committee meeting.
Regulation and Economic Development						
29	Building Regulation Fees – Inspection & Enforcement 061 2016/17	<p>1.1 Informal procedures exist for dealing with Building Regulations fee income; the procedures are not dated and do not record the version or the date the next review is due.</p> <p>The absence of formal guidance documentation, subject to regular formal review, could increase the risk of non-compliance with expected practices, including control procedures, possibly leading to errors in processing, financial loss and / or reputational damage.</p>	12/08/16	31/12/17 changed from 31/12/16	Team Leader Building Control	<p>No procedures in place at all which is against codes contained within Building Control Performance Standards July 2014.</p> <p>Only one Admin team member inadequate cover when on annual leave or sick leave which results in a backlog of work and income standing still.</p> <p>Second Follow Up 151661f2 – The Team Leader Building Control explained the informal procedures are currently in place and that a formal refund policy has been drafted to date. It was agreed that the fees collection procedures will be included within the refund policy in due course and reviewed by senior management for approval to ensure that complete procedures are fully documented.</p> <p>Update 22/12/17 – Building Control Refund Procedure Document has been prepared. Does not include the treatment of income.</p>
30	Building Regulation Fees – Inspection & Enforcement 061 2016/17	<p>2.8 No formal declaration of interest forms have been completed within the section; assurances were received that officers would not be assigned/allocated work within their home area.</p> <p>Failure by officers to formally declare any personal interest / declare any hospitality or</p>	12/08/16	30/11/17 changed from 31/12/16	Team Leader Building Control	<p>Update 29/03/17 – An electronic form is available for use and staff have been reminded of the Officer's Code of Conduct.</p> <p>Second Follow Up 151661f2 – Staff have yet to complete the declaration forms. The Team Leader Building Control suggested that where necessary, a declaration form should be completed for every</p>

Ref	Report	Recommendation	Date Raised	Agreed Target Date	Responsible Officer	Comments
		gifts offered to or received by them could undermine the integrity of the service.				Building Regulation application submitted to ensure this process is complete and accurate.
Schools						
31	Ysgol Gynradd Bodedern 029 2015/16	5.6.1 The Governing Body Institution should formally appoint the auditor of the School Fund and this should be documented in the minutes of the meeting.	29/02/16	31/10/16	Head Teacher	No update received.
32	Ysgol Gynradd Bodedern 029 2015/16	5.7.1 The school should register with the Information Commissioner in accordance with the Data Protection Act 1988.	29/02/16	31/03/16	Head Teacher	No update received.
33	Ysgol Talwrn 030 2015/16	4.6.1 A risk assessment should be undertaken to identify risks associated with responding to the security alarm.	15/03/16	31/03/16	Head Teacher	No update received.
34	Ysgol Llanfair PG 057 2016/17	4.5.1 Driver records should be updated annually and every member of staff required to complete a form – Declaration for Drivers of Council or Private vehicles.	15/06/16	30/06/16	Head Teacher	No update received.

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ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	19 SEPTEMBER 2018
SUBJECT:	FINAL ACCOUNTS 2017/18
PORTFOLIO HOLDER(S):	COUNCILLOR ROBIN W. WILLIAMS – PORTFOLIO HOLDER (RESOURCES)
LEAD OFFICER(S):	R MARC JONES
CONTACT OFFICER(S):	BETHAN HUGHES OWEN / CLAIRE KLIMAZEWSKI 01248 752663 / 01248 751865 BethanOwen2@ynysmon.gov.uk ClaireKlimazewski@ynysmon.gov.uk
Nature and reason for reporting	
Covering report for the presentation of the Final Statement of Accounts, commenting on the main issues arising from the Audit of the Accounts	

1. Background

- 1.1 The Isle of Anglesey County Council’s draft Statement of Accounts 2017/18 was presented for Audit on the 27 June 2018. 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
- 1.2 Subject to the Isle of Anglesey County Council’s confirmation, the Accounts will be signed by the Head of Function (Resources) & Section 151 Officer and the Council’s Chairman and will be published following the receipt of the Auditor’s Opinion.

2. Quality of Process

- 2.1 The statutory deadline for the completion of the Audited Accounts 2017/18 has yet again been met.
- 2.2 Improvements have been made which the audit process identified last year and these improvements have continued. All issues that have arisen throughout the audit were dealt with promptly and in a satisfactory manner.

3. Amendment to the Accounts

- 3.1 Details of the main amendments to the draft accounts are set out in the Auditor’s Report Appendix 3. All amendments which have been agreed as requiring restatement by Deloitte have been processed and are within the Statement of Accounts.
- 3.2 The significant amendments required to the draft statement have been largely confined to:-
 - 3.2.1 Incorrect reconciliation of Housing Revenue System to the Council’s ledger over the last three years, which resulted in an under recognition of revenue;
 - 3.2.2 Incorrect percentages were initially used in the internal valuers report that led to incorrect calculation of fixed asset revaluation amounts;

3.2.3 Following a review of the treatment of the earmarked reserve for the Penhesgyn Waste Landfill site, it was identified that this meets the criteria for a provision, and therefore a provision has been charged to the CIES. The earmarked reserve has been released.

4. Auditors Recommendations

4.1 The Auditors, following their work on the Statement of Accounts, have made:-

Seven recommendations in relation to accounting and payroll control;
Two recommendations in relation to IT;
Four recommendations in relation to asset valuation.

4.2 These recommendations are included in Appendix 4 of the Auditor's report.

5. Recommendations

5.1 It is proposed that the Audit Committee makes a recommendation to the County Council to confirm the acceptance of the 2017/18 Statement of Accounts.

5.2 The Audit Committee to approve the Annual Governance Statement and refer the document to the Leader of the Council and the Chief Executive for signature.



Isle of Anglesey County Council

Statement of Accounts 2017/18

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Narrative Report

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

The narrative report is structured as follows:-

1. The Statutory Framework
2. About the Isle of Anglesey County Council
3. Overview and performance analysis
4. Main issues from the 2017/18 Accounts
5. Explanation of the Financial Statements

1. The Statutory Framework

The Council has a statutory duty to approve and publish a Statement of Accounts. The following pages relate to the Statement of Accounts for the Isle of Anglesey County Council for the year ended 31 March 2018.

The Accounts and Audit (Wales) Regulations 2014 came into force on 31 March 2015, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 for the accounts year 2015/16 and future periods. These regulations require Welsh Local Authorities to prepare a Statement of Accounts in accordance with these regulations and proper practices.

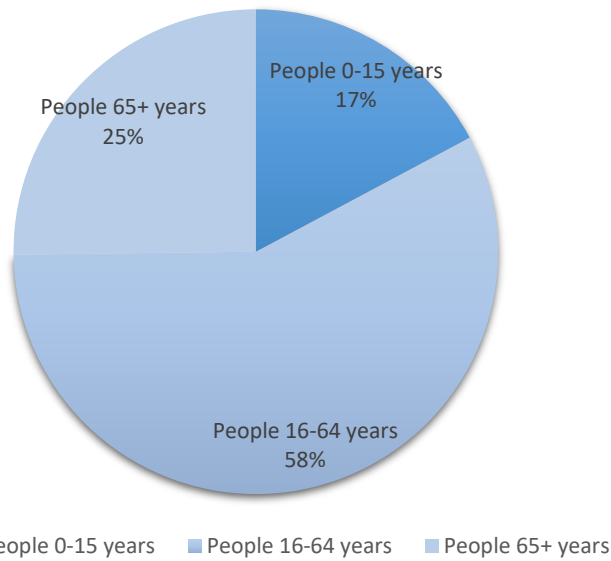
Regulation 25 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (SI 2003/3239 (W.319), as amended) identifies proper practices for the preparation of the Statement of Accounts. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18 issued by CIPFA, supported by International Financial Reporting Standards (IFRS). In addition, this narrative incorporates guidance from HM Treasury's Financial Reporting Manual (FReM), sections 5.2.1 to 5.2.10 as encouraged by the CIPFA code.

2. About The Isle of Anglesey County Council

The Isle of Anglesey County Council is a unitary authority and serves a population of 69,979, situated on the north coast of Wales with an area of 276 square miles. Anglesey is by far the largest island in Wales and the seventh largest in the British Isles. Anglesey is also the largest island in the Irish Sea by area, and the second most populous island in the British Isles.

Anglesey has a relatively older population than the Wales Average (20.4%) with 25.2% of the population aged 65+. This figure reflects in the Council's plan to support people to live well and for longer.

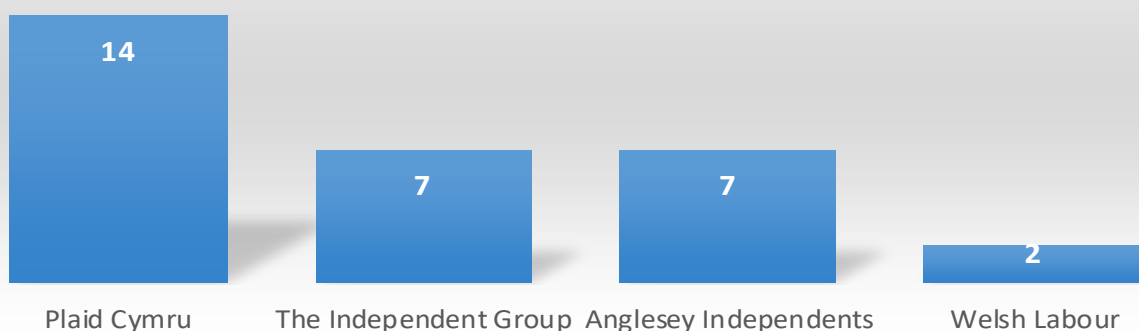
Age Structure of Anglesey



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

The Council is a politically-led organisation and has adopted a Leader and Cabinet model. It has 30 elected members representing 11 multi-member wards across the County. Following the election in May 2017 the Council has operated under a Plaid Cymru and The Independents Group coalition administration. The political make-up of the Council as at 31 March 2018 is shown below:-

Isle of Anglesey County Council's Political Groupings



3. Overview

3.1 Statement from the Leader of the Council

As Leader of the Council, it is my responsibility to ensure that the important milestone of producing the Annual Statement of Accounts is achieved on time each year. The accounts provide a large amount of financial information on how the Council was funded and how it spent that money during 2017/18. It is important in terms of accountability for the Council to provide this information to residents, local Council Tax payers, businesses who pay the non-domestic rates and other stakeholders including the Welsh Government.

The Council's funding is a mixture of funding from the Welsh Government via the Revenue Support Grant and the Council's share of the Non Domestic Rates pool, local taxation through Council Tax and the fees and charges paid by the Council's customers. In 2017/18, the Council's net budget was £126.4m of which £33.5m came from Council Tax. The increase in Council Tax was 2.5%. For the first time, the Council charged an additional Council Tax premium of 25% on long-term empty properties and second homes. This generated an additional £949k in Council Tax income.

The results of the year highlight the growing financial pressure which the Council faces. Increasing numbers of looked after children was the main factor in the overspend of £1.456m, although other services, notably Education, also experienced budget pressures. The overall revenue position at the end of the financial year resulted in a reduction of £1.456m in the Council's general reserves. The total balance on the Council's General Reserve is £6.899m. The HRA general reserve is £7.380m, there is a balance of £1.869m in school balances and £7.601m in other designated reserves at 31 March 2018.

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

2017/18 was my first year as Leader and the Council's plans for the 5 year period up until the next County Council election are set out in the Council's Corporate Plan. Although the financial situation will limit what the Council can achieve over the coming years, the Plan sets out our commitment to three key objectives and future investment will be directed to ensure the Plan is delivered. The Council is also working with other Councils and partners across North Wales to secure additional Government funding which will deliver economic growth across the region.

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

Llinos Medi Huws
Leader of the Council

May 2018

3.2 Key purpose and activities of the Council

The Corporate Plan was approved by Council 27 September 2017. It is a plan that sets a target to work towards. It is ambitious, however, it is realistic.

The plan informs the decision-making process at all levels in the Council and

- Sets the framework we use to plan, drive and deliver our services;
- Influences how and the way that we shape our budget annually; and
- Helps to monitor progress and assess what we achieve annually.

The key theme throughout the plan is the ambition to work collaboratively with our fellow citizens, communities and partners to ensure high quality services that will improve the quality of life for everyone on the Island.

The priorities that the Authority has set itself during this period are, to:

- Create the conditions for everyone to achieve their long-term potential;
- Support vulnerable adults and families and keep them safe, healthy and as independent as possible;
- Working in partnership with our communities to ensure that they can cope effectively with change and developments whilst protecting our natural environment.

The plan has been developed and shaped by the views of local people, our partners as well as by local and national political priorities such as the Well-being Agenda.

Public services across Wales and the UK are continuing to plan for cuts in funding that we receive, and there will be more difficult decisions ahead about the services that we provide and how we provide them. We will continue to take those decisions in consultation with local people and with the best interest of Anglesey and its people at heart.

The Council will continue to look for ways to improve services, making them more efficient and of the best quality. These improvements include continuing to modernise the way we work.

There are many challenges ahead but by working together with the people and communities of Anglesey, every effort will be made to deliver on this new plan.

3.2.1 Financial Scenario

In common with all Local Authorities in Wales, the Isle of Anglesey County Council needs to manage a situation whereby the costs and demands of services are growing but the amount of funding available is reducing year-on-year. Against this backdrop, the Council needs to manage growing demands for services, inflationary pressures, a need to invest in the local economy to promote growth and a desire to continually improve services.

The Council has responded to the reduction in funding by making substantial savings in the last three years and continues to ensure, wherever possible, these are found through improving efficiency rather than impacting on services. The Council's Medium-Term Financial Plan (MTFP) is reviewed and reported to members, September and February during each year to help plan how the Council will manage its finances with on-going budgetary pressures and funding risks. The Council's most recent MTFP (September 2018) predicts a potential cut of funding of 1% (£900k) for 2019/20 from the Welsh Government's non-specific external funding. This would require an increase of 2.6% in Council Tax to make up the shortfall. Increased budgetary pressures include: National Living Wage; Teachers' Pay Award; Teachers' increased Pension Costs; significant demand for statutory services particularly Children's Social Care; revenue costs arising from the 21 Century Schools Programme; a reduction in specific grants and inflationary pressures. The MTFP predicts the following shortfall in funding for 2019/20 to 2021/22 as follows:

Estimated Funding Gap

	2019/20 £m	2020/21 £m	2021/22 £m
Estimated Standstill Budget	136.72	140.63	144.87
Savings Brought Forward	0.00	(4.98)	(7.04)
Revised Standstill Budget	136.72	135.65	137.83
Estimated Funding	131.74	133.59	135.53
Annual Savings Requirement	4.98	2.06	2.30
% Savings Requirement	3.64%	1.51%	1.67%

The savings required from the current MTFP forecast are significant with £4.98m predicted for 2019/20 alone. The total savings required over the three-year period is estimated to be £9.34m. The future funding of Local Government in Wales is very uncertain and accurately forecasting future funding levels is difficult. However, even if the Welsh Government releases additional funds for local government it is unlikely that any increase will be sufficient to bridge the funding gap. Significant cuts to budgets will still need to take place over the next three years. Therefore, the key focuses for the Medium-Term Financial Plan are:

- Seeking to transfer to provision of some services away from the Council, for example, to Town and Community Councils or the Third Sector;
- Creating other bodies controlled by the Council to deliver services for some non-statutory services;
- To continue to modernise and review schools;
- To manage demand for social care and continue to transform care for the elderly through extra-care facilities which promote independence and will reduce residential care placements;
- Increasing the charges made to service users;
- Stopping the provision of some non-statutory services;
- To continue to modernise the administration of the services and increase transactions with the Council online or via AppMon;

- Increasing Council Tax levels above the 5% assumption in order to generate sufficient funding to balance the revenue budget. The Council's current council tax charge is the 5th lowest in Wales.

In addition, the Council's balances have reduced in 2017/18 (£1.456m) and are expected to reduce by a similar level in 2018/19 due to overspends mainly in Children's Services. The below table shows reserve balances for 2015/16 to 2017/18 and an estimate for 2018/19.

Council Fund Reserves 2015/16 to 2018/19

	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m (forecast)
General Balances	8.89	8.35	6.95	4.75
Earmarked Reserves	15.99	13.36	11.91	6.50
School Balances	2.46	2.09	1.87	1.08
TOTAL	27.34	23.80	20.73	12.33

3.3 Key achievements, issues and risks affecting the Council

During 2017/18, work began on these priorities with the following key achievements achieved during the financial year:-

1. Work was completed on two new primary schools (Ysgol Cybi and Ysgol Rhyd y Llan) under the Welsh Government's 21st century schools programme. This saw six small primary schools closing with the pupils transferring to two new schools during 2017.
2. Work has commenced on the refurbishment of Ysgol Parc y Bont and Ysgol Brynsiencyn under the Welsh Government's 21st century schools programme. The work is expected to be completed during 2018/19.
3. The building of Llangefni Extra Care with a Registered Social Landlord is progressing; this is the start of transforming the delivery of Adult Social Care. The building will be available to residents from summer 2018.
4. Phase 1 of the refurbishment of Market Hall in Holyhead was completed and funding has been secured to undertake Phase 2. The work that will be undertaken to complete Phase 2 will begin in 2018/19.
5. Despite the continued reduction in central government funding, the Council delivered £2.44m of revenue savings in 2017/18 and identified a further £2.52m in setting the 2018/19 budget. Although this has required an above-inflation increase in Council Tax, Anglesey's Band D equivalent continues to be one of the lowest in Wales.

6. The reduction in Revenue Support Grant from Welsh Government is expected to continue in 2019/20 and there is still uncertainty as to the position beyond 2019/20. This combined with increasing demand for services, in particular social care, will put the council under considerable financial pressure. In previous years, the Council has been able to maintain a high level of general balances but in 2017/18 these balances fell and are currently just above the minimum level set by the Council. As the financial pressures increase, the risk that these balances continue to fall is high and that they will not provide the level of financial security the Council requires.
7. Increasing numbers of Looked-After-Children and other social care demands are a considerable risk to the Council's balances due to the high cost of placements for individuals with complex needs.
8. The UK leaving the European Union (EU) could lead to a number of risks. The Council will no longer receive European grant funding and there is no certainty on any replacement funding. The impact on the economy from leaving the EU could also impact on the Council as weaker economic growth will reduce the Welsh Government's ability to increase funding for Local Government.
9. The Isle of Anglesey has several large private sector organisations proposing to invest heavily in the Island. One of these is the planned construction of a new Nuclear power station in the North of the island. A summary of the potential developments is provided on the website at <http://www.anglesey.gov.uk/business/energy-island-isle-of-anglesey-north-wales>. Each one of the developments present exciting opportunities for the Island particularly in respect to creation of jobs. There is a risk that any of these proposals might not go ahead which would be lost opportunities for the economy, visitors and citizens of Anglesey. The Council is working in partnership with many of these organisations to support the progression of these within the powers and duties of the Council. These will help with achieving the Council's key priorities such as economic development.
10. The Council is currently working in partnership with the 5 other North Wales authorities on the North Wales Growth Bid. The bid, if successful, will attract over £300m of UK and Welsh Government funding along with private sector investment. As with any large scale funding projects, there are risks surrounding project delivery and financing any borrowing that is required.

3.4 Summary of Performance

3.4.1 Revenue Expenditure

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The Council measures financial performance against planned activity in the form of the Council's management accounts. In 2017/18, the Council reported an overspend of £1.78m against a planned activity of £126.2m (net budget) and achieved £1.704m of savings. The table below reflects the final budget for 2017/18 and actual income and expenditure against it.

Services	Annual Budget £'000	Outturn £'000	Variance £'000
Lifelong Learning	48,237	49,013	776
Adults' Services	22,541	22,687	146
Children's Services	8,293	10,075	1,782
Housing	1,034	1,087	53
Highways, Waste & Property	14,099	13,932	(167)
Regulation	4,275	4,329	54
Transformation	3,932	3,745	(187)
Resources	2,933	3,096	163
Council Business & Corporate Finance	20,813	19,649	(1,164)
Total Council Fund	126,157	127,613	1,456

The impact of an overspend means that the Council reduced its General reserves by £1.456m.

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

3.4.2 Capital Expenditure

The capital programme supports the Council's wider objective to deliver services and to support economic growth. In 2017/18, the Council approved a Capital Programme for non-housing services of £30.614m and approved a Capital Programme for the HRA of £9.889m. Capital commitments were brought forward from 2016/17 of £6.435m, of which £1.758m related to the 21st century schools programme, £2.984m relating to the HRA and £1.693m relating to the General Fund. During the financial year, a further £5.734m worth of Schemes were added to the programme, mostly funded by extra Capital Grants, although £2.566m related to Equal Pay funded by Unsupported Borrowing, after the Authority received a Capitalisation Direction. This brings the capital budget for 2017/18 to £52.672m.

The programme has made steady progress in year, achieving a delivery rate of 55.73%. It is expected that the remaining schemes will be delivered over the coming few years.

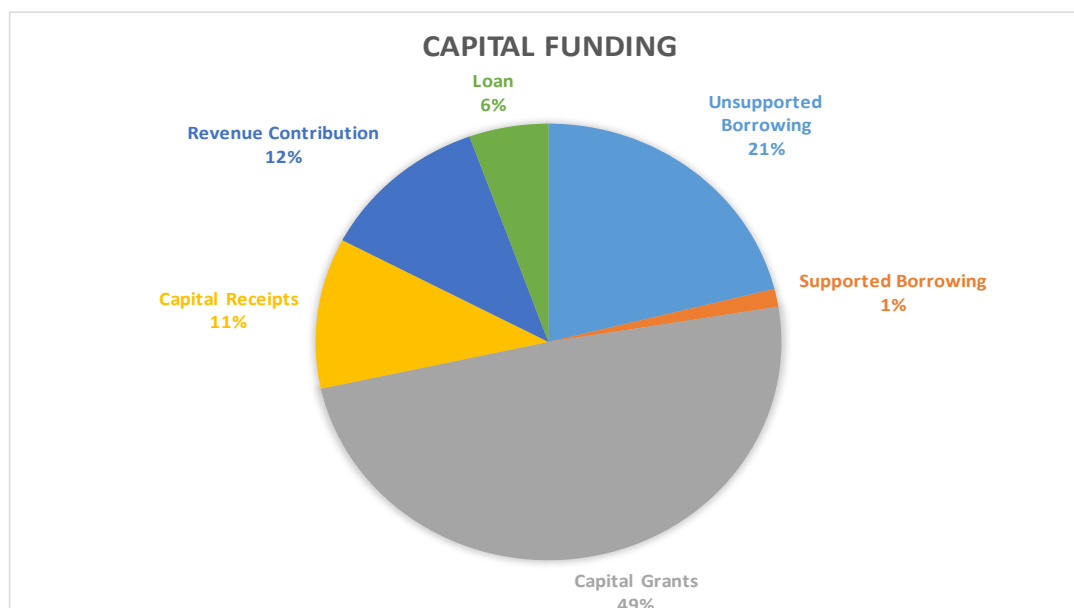
From this total spend of £29.355m, £16.282m was capitalised and added to the value of assets in the Council's Balance Sheet. The remainder was charged to the Comprehensive Income and Expenditure Statement as it was either in support of assets that are not in direct Council ownership (£3.724m) or did not increase the value to the capital assets (£9.349m).

Scheme	Amount (£'000)
Band A 21st Century School – Ysgol Cybi	978
Band A 21st Century School – Ysgol Rhyd y Llan	2,161
Band A 21st Century School – Ysgol Parc y Bont	550
Band A 21st Century School – Ysgol Bro Rhosyr / Aberffraw	1,540
Band A 21st Century School – Ysgol Llangefni: Corn Hir, Bodffordd and Henblas	4
New Planning System	15
Llangefni Strategic Infrastructure	624
Holyhead Strategic Infrastructure	11
Highways County Prudential Borrowing	895
Llangefni Link Road	3,606
Beaumaris Flood Alleviation	46
Street Lighting	896
Road Safety Capital	163
Vehicles	365
Telehandler	66
Smallholdings	537
ICT - MS Licensing	116
ICT - Server Storage	22
EDMS System	89
ICT – Core Infrastructure	142
ICT - Replacement Servers	4
ICT – Projects	78
ICT – Desktop Refresh	99
ICT – Legacy System	19
Market Hall, Holyhead	1,024
Canolfan Byron	152
Community Care Information System (CCIS)	31
Residential Site for Gypsies and Travellers	119
Vehicles – HRA	158
Acquisition of Property	1,772
Total	16,282

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

Funded By:	£'000
Unsupported Borrowing	3,434
Supported Borrowing	216
Capital Grant	8,001
Capital Receipts	1,817
Revenue Contribution	1,918
Loan	896
Total	16,282

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



As at 31 March 2018, the Authority had £117.029m of External Borrowing. At this time, the Authority's Capital Financing Requirement (CFR), which essentially is a measure of the Council's underlying borrowing need, was £136.866m. In the Treasury Management Statement for 2017/18, the Authorised Borrowing Limit approved by the Council was £170m, therefore, the Authority is well within its borrowing limit.

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

As at 31 March 2018, the Authority's internal sources of funds were cash deposits at bank of £7.319m. The external borrowing figure was £117.029m and further external borrowing will be required to meet its future capital expenditure plans.

3.4.3 Balance Sheet

The Council's Balance Sheet demonstrates a good financial position at the end of 2017/18 with a net value of £183.2m. This is an increase of £18.38m from last year, mainly due to increases in the value of non-current assets such as Council Dwellings, Property, Plant and Equipment and the two new 21st Century Schools which become operational during the year.

The details of the Council's long-term and short-term assets and liabilities are shown in the Balance Sheet as at 31 March 2018 on page 21.

Reserves

The £18.38m increase in the Council's net worth set out above is the result of a £25.657m increase in unusable reserves and a £7.276m decrease in usable balances (including the HRA).

4. Main Issues impacting on the 2017/18 Accounts

The Council set a net budget of £126.2m for 2017/18 to be funded from a combination of Council Tax Income, NDR and general grants. The budget included a requirement to achieve a savings figure of £2.44m, which was incorporated into the individual service budgets. The outturn position was an overspend of £1.456m. The overspend is made up of departmental under or overspends, unused contingencies and any other one-off items identified during the financial year.

Pensions

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

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

The current economic climate continues to have an impact on the net Pensions Liability. One of the changes on the Balance Sheet relates to the Council's pensions' reserve, where the Council's liability has reduced from £105.508m to £102.188m, a reduction of £3.32m. It is important to note that the reduced liability in the pension position is based on actuarial valuations. The Council's actual payments to the Pension Fund are reviewed every three years as part of the triennial valuation of the Pension Fund. An investment strategy is then determined which aims to recover any deficits over the period as determined by the Pension Fund's Actuary (Hymans Robertson LLP).

The most recent valuation was completed in 2016 which identified a funding gap on historic pension cost obligations of £3.882m. This was due to be funded over the three year period 2017/18 to 2019/20 by an increased percentage to the employers' contribution to the Gwynedd Pension Fund. It was identified that the Council could make a saving of approximately £200k if a payment-in-advance was made instead as this would increase investment income to the fund and reduce the Council's pension liability by the amount of the advance payment. The Council, therefore, made a payment-in-advance of £3.666m in April 2017. This has been accounted for in the financial statements below and relevant notes.

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

Provisions

Total provisions held by the Council amounted to £5.462m at 1 April 2017. During the year, the balance reduced by £0.136m to £5.326m. There was a reduction relating to the reversal of the provision for Equal Pay of £2.663m. These costs have been funded from capital instead following approval from Welsh Government. The insurance provision was reduced to £0.265m in accordance with estimated need. Three new short-term provisions were created during the year amounting to £0.430m in total, to provide for future expected costs which might arise from a past obligation. The Penhesgyn provision has been increased by £2m funded by the Penhesgyn earmarked reserve.

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

5. Explanation of the Financial Statements

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2017/18 and its Balance Sheet as at 31 March 2018. These statements include the General Fund and the Housing Revenue Account (HRA). They set out the respective responsibilities of the Council and the Council's Head of Function (Resources), who is the designated Section 151 Officer.

Core Financial Statements:-

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

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

Supplementary Financial Statements

1. **The Statement of Responsibilities for the Statement of Accounts** – explains the responsibilities of the Council and the Section 151 Officer.

2. **The Housing Revenue Account (HRA)** is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The Housing Revenue Account is ring-fenced from the Council's General Fund.
3. **Auditor's Opinion** - as the Council's appointed External Auditor by the Auditor General for Wales, Deloitte LLP will carry out the statutory audit on behalf of the Auditor General following the Section 151 Officer signing and dating the Statement of Accounts. They then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 30 September following the year-end.
4. **Changes in Accounting Policy**
There are no material changes to accounting treatment required for 2017/18.

The Statement of Accounts concludes with the Annual Governance Statement (AGS) 2017/18. This is found on page 112 to page 139. The AGS provides an overview of the Council's governance framework. It also provides a summary of reports and reviews which comment on governance and performance issues relating to the Council.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Isle of Anglesey County Council's responsibilities

The Isle of Anglesey County Council is required to:-

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

The Section 151 Officer's responsibilities

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

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

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

The Section 151 Officer has also:-

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

Certificate

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Isle of Anglesey County Council at the accounting date and its income and expenditure for the year ended 31 March 2018.

Signed: _____

**Richard Marc Jones CPFA
HEAD OF FUNCTION (RESOURCES) AND SECTION 151 OFFICER**

Signed _____

**Councillor Dylan Rees
CHAIRMAN ISLE OF ANGLESEY COUNTY COUNCIL**

Dated: 25 September 2018

Proposed audit report of the Auditor General to the Members of Isle of Anglesey County Council

I have audited the financial statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about [the council's [or group's]] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:-

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually Page 14 and 15 - Audit of Financial Statements Report – Isle of Anglesey County Council or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett

For and on behalf of the Auditor General for Wales

27 September 2018

24 Cathedral Road

Cardiff

CF11 9LJ

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2018

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

2017/18			Services	Note	2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
82,552	(14,508)	68,044	Lifelong Learning		64,482	(13,974)	50,508
34,329	(10,505)	23,824	Adult Services		32,130	(9,054)	23,076
10,388	(710)	9,678	Children's Services		8,902	(466)	8,436
4,647	(3,768)	879	Housing		5,993	(3,906)	2,087
29,430	(8,404)	21,026	Highways, Property and Waste		29,431	(7,625)	21,806
12,529	(5,950)	6,579	Regulation and Economic Development		11,694	(6,284)	5,410
7,432	(209)	7,223	Transformation		4,433	(223)	4,210
28,097	(19,815)	8,282	Resources		28,461	(19,598)	8,863
2,182	(353)	1,829	Council Business		1,994	(458)	1,536
2,541	(707)	1,834	Corporate and Democratic Costs		2,321	(194)	2,127
596	(9)	587	Corporate Management		892	(11)	881
3,724	-	3,724	Non-distributed costs		97	-	97
10,841	(16,778)	(5,937)	Housing Revenue Account (HRA)		10,137	(16,285)	(6,148)
229,288	(81,716)	147,572	Deficit on Continuing Operations		200,967	(78,078)	122,889
		23,148	Other operating expenditure	12			23,042
		8,628	Financing and investment income and expenditure	13			8,861
		(146,749)	Taxation and non-specific grant Income	14			(145,252)
		32,599	Deficit on Provision of Services				9,540
		(41,122)	Surplus on revaluation of non-current assets	11c, 15 & 17			(7,631)
		(9,858)	Re-measurement of net Pension liability	11ch & 41			7,333
		(50,980)	Other Comprehensive Income and Expenditure				(298)
		(18,381)	Total Comprehensive Income and Expenditure				9,242

EXPENDITURE AND FUNDING ANALYSIS 2017/18

2017/18			Services	2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
46,952	21,092	68,044	Lifelong Learning	46,832	3,676	50,508
22,519	1,305	23,824	Adult Services	22,379	697	23,076
9,926	(248)	9,678	Children's Services	8,955	(519)	8,436
724	155	879	Housing	1,087	1,000	2,087
16,437	4,589	21,026	Highways, Property and Waste	17,631	4,175	21,806
3,739	2,840	6,579	Regulation and Economic Development	3,954	1,456	5,410
4,038	3,185	7,223	Transformation	3,897	313	4,210
7,998	284	8,282	Resources	8,788	75	8,863
1,689	140	1,829	Council Business	1,536	-	1,536
2,142	(308)	1,834	Corporate and Democratic Costs	2,495	(368)	2,127
587	-	587	Corporate Management	881	-	881
3,464	260	3,724	Non-distributed costs	-	97	97
(6,718)	781	(5,937)	Housing Revenue Account (HRA)	(7,806)	1,658	(6,148)
113,497	34,075	147,572	Net Cost of Services	110,629	12,260	122,889
(106,221)	(8,752)	(114,973)	Other Income and Expenditure	(107,593)	(5,756)	(113,349)
7,276	25,323	32,599	(Surplus) or Deficit on the Provision of Services	3,036	6,504	9,540
(31,345)			Opening General Fund and HRA balance at 1 April	(34,381)		
7,276			Less Deficit on General Fund and HRA Balance in Year	3,036		
(24,069)			Closing Council Fund Balances and HRA Balance at 31 March	(31,345)		

MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2018

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

	Council Fund Balance £'000	Earmarked Council Fund Reserves (Note 8) £'000	HRA Balance (Supplementary Financial Statements) £'000	Capital Receipts Reserve (Note 10) £'000	Schools Balances (Note 9) £'000	Capital Grants Unapplied (Note 14) £'000	HRA Earmarked Reserve (Note 8) £'000	Total Usable Reserves £'000	Total Unusable reserves (Note 11) £'000	Total Reserves (of the Council) £'000
Balance 1 April 2016	8,886	15,991	7,042	-	2,462	-	-	34,381	139,680	174,061
Movement in reserves during the year										
Surplus/(Deficit) on provision of services	(8,384)	-	(1,156)	-	-	-	-	(9,540)	-	(9,540)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	298	298
Total Comprehensive Income and Expenditure	(8,384)	-	(1,156)	-	-	-	-	(9,540)	298	(9,242)
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,846	-	1,658	-	-	-	-	6,504	(6,504)	-
Net Increase/ (Decrease) before Transfers to Earmarked Reserves	(3,538)	-	502	-	-	-	-	(3,036)	(6,206)	(9,242)
Transfers to/(from) Earmarked Reserves (Note 8)	3,007	(2,634)	-	-	(373)	-	-	-	-	-
Increase/(Decrease) In Year	(531)	(2,634)	502	-	(373)	-	-	(3,036)	(6,206)	(9,242)
Balance 31 March 2017	8,355	13,357	7,544	-	2,089	-	-	31,345	133,474	164,819
Movement in reserves during the year										
Surplus/(Deficit) on provision of services	(31,789)	-	(810)	-	-	-	-	(32,599)	-	(32,599)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	50,980	50,980
Total Comprehensive Income and Expenditure	(31,789)	-	(810)	-	-	-	-	(32,599)	50,980	18,381
Adjustments between accounting basis and funding basis under regulations (Note 7)	24,215	-	781	327	-	-	-	25,323	(25,323)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(7,574)	-	(29)	327	-	-	-	(7,276)	25,657	18,381
Transfers to/(from) Earmarked Reserves (Note 8)	6,118	(5,756)	(135)	(7)	(220)	-	-	-	-	-
Increase/(Decrease) In Year	(1,456)	(5,756)	(164)	320	(220)	-	-	(7,276)	25,657	18,381
Balance 31 March 2018	6,899	7,601	7,380	320	1,869	-	-	24,069	159,131	183,200

BALANCE SHEET AS AT 31 MARCH 2018

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

	Note	31 March 2018 £'000	31 March 2017 £'000
Property, plant and equipment	15	386,886	363,736
Heritage assets	17	3,645	3,454
Investment property	18	5,791	6,092
Intangible assets	19	756	606
Long-term investments	44	1	1
Long-term debtors	24	608	646
Long-term Assets		397,687	374,535
Short-term investments	44	5	5
Assets held for sale	21	2,442	3,524
Inventories	23	385	367
Short-term debtors	24	24,031	20,199
Cash and cash equivalents	25	7,789	14,940
Current Assets		34,652	39,035
Short-term borrowing	44	(12,413)	(7,672)
Short-term creditors	26	(18,251)	(18,112)
Short-term provisions	27	(695)	(2,831)
Capital grants receipts in advance	37	(3,897)	(273)
Current Liabilities		(35,256)	(28,888)
Long-term creditors	26	(151)	(166)
Long-term provisions	27	(4,631)	(2,631)
Long-term borrowing	44	(106,913)	(111,557)
Other long-term liabilities	41	(102,188)	(105,509)
Long-term Liabilities		(213,883)	(219,863)
Net Assets		183,200	164,819
Usable reserves	MRS	24,069	31,345
Unusable reserves	11	159,131	133,474
Total Reserves		183,200	164,819

CASH FLOW STATEMENT – FOR YEAR ENDED 31 MARCH 2018

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

	Note	2017/18 £'000	2016/17 £'000
Net Deficit on the provision of services		(32,599)	(9,540)
Adjustments to net surplus or deficit on the provision of services for non- cash movements	28	39,406	33,924
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	(14,583)	(18,593)
Net cash flows from operating activities		(7,776)	5,791
Net cash flows from investing activities	29	(10,745)	(14,595)
Net cash flows from financing activities	30	11,370	6,120
Net (decrease)/increase in cash and cash equivalents		(7,151)	(2,684)
Cash and cash equivalents at the beginning of the financial year		14,940	17,624
Cash and cash equivalents at the end of the financial year	25	7,789	14,940

NOTES TO THE ACCOUNTS

Expenditure and Funding Analysis

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

The CIES shows a deficit on the provision of services of £28.708m. However, statutory accounting adjustments of £25.219m are cancelled out in the separate financial statements called the Expenditure and Funding Analysis and the Movement in Reserves Statement. This helps to identify usable Council balances without these accounting adjustments. The impact of these statutory accounting adjustments are shown in the unusable reserves column in the Movement in Reserves Statement.

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

	£'000
Total Council (including HRA) usable Reserves and Balances at 1 April 2017	31,345
Deficit on the Provision of Services 2017/18 – CIES	(32,599)
Adjustments to remove impact of accounting adjustments which do not affect the Council Fund – Expenditure and Funding Analysis and Note 7	25,323
Less Total Increase/(Decrease) in Reserves	(7,276)
Total Council (including HRA) Balances at 31 March 2018	24,069

This shows that, when the accounting adjustments are cancelled out, the true impact on the Council's cost of services (including the Housing Revenue Account) is reduced to £7.276m for the year, resulting in an overall balance of usable reserves of £24.069m. This has also reduced from 2016/17 as earmarked reserves have been used to fund costs for which the original reserves were earmarked.

The Movement in Reserves Statement decrease in the year shows that the General Council Reserve reduced by £1.456m for 2017/18 resulting in a total general reserve of £6.899m. The Housing Revenue Account generated a deficit of £164k, with the total HRA balance at 31 March 2018 of £7.380m.

However, £6.118m of earmarked reserves were used during the year to fund expenditure. This includes School balances which were also reduced by £0.220m resulting in an overall reduction in usable reserves.

Note 1a - Note to the Expenditure and Funding Analysis

2017/18

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Lifelong Learning	20,430	1,064	(402)	21,092
Adult Services	344	935	26	1,305
Children's Services	-	(271)	23	(248)
Housing	8	150	(3)	155
Highways, Property and Waste	4,183	490	(84)	4,589
Regulation and Economic Development	2,350	537	(47)	2,840
Transformation	2,934	276	(25)	3,185
Resources	16	270	(2)	284
Council Business	1	116	23	140
Corporate and Democratic Costs	-	(308)	-	(308)
Corporate Management	-	-	-	-
Non-distributed costs	-	260	-	260
Housing Revenue Account (HRA)	524	229	28	781
Net Cost of Services	30,790	3,748	(463)	34,075
Other Income and Expenditure from the Funding Analysis	(8,923)	2,789	(2,618)	(8,752)
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	21,867	6,537	(3,081)	25,323

2016/17

Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Lifelong Learning	3,189	167	320	3,676
Adult Services	1,161	149	(613)	697
Children's Services	21	(540)	-	(519)
Housing	978	23	(1)	1,000
Highways, Property and Waste	4,070	80	25	4,175
Regulation and Economic Development	1,336	91	29	1,456
Transformation	280	41	(8)	313
Resources	16	46	13	75
Council Business	1	19	(20)	-
Corporate and Democratic Costs	9	(377)	-	(368)
Corporate Management	-	-	-	-
Non-distributed costs	-	97	-	97
Housing Revenue Account (HRA)	1,586	38	34	1,658
Net Cost of Services	12,647	(166)	(221)	12,260
Other Income and Expenditure from the Funding Analysis	(9,679)	3,320	603	(5,756)
Difference between General Fund and HRA (Surplus) or Deficit and the Comprehensive Income and Expenditure Statement (surplus) or Deficit	2,968	3,154	382	6,504

NOTE 1b – SEGMENTAL INCOME

Services	2017/18 Income from Services £'000	2016/17 Income from Services £'000
Lifelong Learning	(1,458)	(1,399)
Adult Services	(4,671)	(4,411)
Children's Services	-	-
Housing	(13)	(8)
Highways, Property and Waste	(2,738)	(2,109)
Regulation and Economic Development	(2,574)	(2,404)
Transformation	-	(19)
Resources	(159)	(307)
Council Business	(331)	(422)
Corporate and Democratic Costs	(43)	(189)
Corporate Management	(9)	(11)
Non-distributed costs	-	-
Housing Revenue Account (HRA)	(119)	(82)
Total Income	(12,115)	(11,361)

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) requires disclosure of the expected impact of any accounting standards that have been issued but not yet adopted.

The standards which have been issued but not yet adopted by the CIPFA code and will be introduced in the CIPFA 2018/19 code are:-

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15 clarifications to IFRS Revenues from Contracts with Customers;
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised losses;
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The standards which will be adopted in 2018/19 are unlikely to have a material impact on the Statement of Accounts 2017/18.

In addition, the CIPFA Code for 2019/20 will adopt IFRS16 - Leases which will have the impact of bringing operating leases the Council leases in onto the Council Balance Sheet. For example, the value of printers/photocopiers, if material, will be added to the Balance Sheet as though they belong to the Council. This will apply to the Statement of Accounts for 2019/20.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 introduced two new requirements for Councils to comply with updated reporting standards that have been adopted. The relevant changes relate to the following standards, all of which will, where they apply, be amended for accounts produced for financial periods starting after 1 April 2017:-

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

These are unlikely to have a material impact on the information provided in the financial statements.

NOTE 3 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- The Accounts have been prepared on a going concern basis, which assumes that the functions and services provided by the Council will continue in operational existence for the foreseeable future. The Council is a local government body created by the Local Government (Wales) Act 1994. The Council operates within a difficult financial climate similar to all local authorities in Wales. However, there are no indications from either the financial performance of the Authority or Welsh Government plans, which undermine the view that the Council will continue as a going-concern into the future.
- The Council has determined that a number of assets which are used for social or economic development purposes are not solely held for income generation or capital appreciation purposes and, therefore, do not meet the definition of investment properties. As a consequence, these assets are shown as Non-Current Assets - Property, Plant and Equipment within the Balance Sheet. In accordance with current guidance regarding the treatment of certain types of schools, only the value of the land for Voluntary-Controlled schools is included in the Balance Sheet where the voluntary body has significant control over the building. As the Council does not own these types of schools, and does not have access to them for valuation purposes, the value of the buildings is excluded from the Balance Sheet. In addition to this, as regards Voluntary-Aided and Foundation Schools, neither the value of land nor the buildings, are included on the Balance Sheet.
- Capital and revenue grants are reviewed regularly to assess whether the terms and conditions attached to the respective grants have been met. If the terms and conditions have been met, they will be recognised within the Comprehensive Income and Expenditure Statement in the year. If not, they will be carried within the Balance Sheet within creditors until such time as either the terms and conditions associated with the grant are met or the grant is repaid to the grant provider should the terms and conditions not be met. This treatment can result in material balances being carried in the Balance Sheet as deferred income.
- The group requirements have been reviewed using the criteria outlined in the relevant accounting standards and Code of Practice; the Council has not identified any companies or organisations that would require it to complete group accounts.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The following items in the Council's Balance Sheet at 31 March 2018 may be considered to be most vulnerable for estimating error in the forthcoming financial year:-

Non-Current Assets - Property, Plant and Equipment – Assets are depreciated over useful lives in accordance with standard accounting practices. Any difference between the depreciation applied and actual deterioration to assets will naturally reflect in future spending patterns. Information relating to Property, Plant and Equipment is contained in Note 15 on page 39.

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

Applying this in practice requires an assessment against the below criteria, to establish if:-

- The economic useful life is significantly different from the other components of the asset i.e. 15 years or more;
- The value of the asset is £2m or greater and the component is over 25% of the total value of the asset;
- The economic useful life is significantly different but the value represents less than 25% of the total value of the asset, the component will be separately identified if, in the valuer's judgement, it is deemed to be material e.g. where the value of a component is, say, £3m (10%) of the depreciating asset that has a total value of £30m.

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

Replacement of Assets – where an asset is replaced which was part of a much larger asset but is not significant enough to be componentised. The cost of the new replacement part/asset will be used as a proxy value when the old part/asset is de-recognised.

Council Housing - The Council's Housing stock is valued under a standard methodology, part of which requires the application of an adjustment factor to allow for the difference between rents and yields on private sector and social housing. There is currently no published adjustment factor for Wales and, therefore, the Council has selected the most comparable of the English regions and applied the published factor for that, which was 41%. Should a specific factor be published, either for Wales as a whole or on a regional basis, then this will be applied.

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

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

Doubtful Debts Impairment/Allowance – As at 31 March 2018, the Council had a short-term net debtor balance of £24.031m. A review of arrears balance suggested that impairment for doubtful debts of £5.543m was appropriate. Any differences between the impairment level applied and the actual arrears position will naturally reflect in future spending patterns. Doubtful Debts impairments are contained within the figures for Short-Term Debtors contained in Note 24 on page 47.

Fair Value Measurement - Fair value measurement will be in accordance with IFRS13 Fair Value Measurement as reported in the CIPFA Code of Practice 2017/18. In most cases, fair value is a market-based measurement. IFRS13 provides more direction and clarity in relation to valuation of assets and liabilities. However, where there is no observable market to value against, this will involve professional judgement. When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data but, where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. The depreciated replacement cost (DRC) model is used to measure the fair value of some of the Authority's investment properties.

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

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

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

The following items were reclassified during 2017/18:-

- 1) Ysgol Parc Y Bont, valued at £0.932m was removed from the Council's Balance Sheet in 2015/16 as the school was Voluntary Controlled, in response to CIPFA Guidance on accounting for Voluntary Controlled Schools. However, the school has since had significant investment from the Council and Welsh Government as part of the 21st Century Schools programme. It is now clear that while the school is Voluntary Controlled, the Council has significant control over the asset. Therefore, the school has been added back to the Balance Sheet at a value of £1.290m. This includes an investment of £0.550m for an extension and refurbishment work as part of the 21st Century School programme. The prior year has not been restated as the evidence that the school should be returned as a Council asset emerged during 2017/18.
- 2) The treatment of accrued interest i.e. interest payable on borrowing from the PWLB relating to 2017/18 but which is due to be paid in 2018/19, is being treated differently from last year in the 2017/18 accounts in order to more closely reflect the CIPFA Code of Practice. An amount of £2.119m of accrued interest in the previous year was added as a short-term creditor in the balance sheet. In 2017/18 accrued interest of £2.297m has been added to short-term liability instead of creditors in accordance with the code. The figures for 2016/17 have been amended by increasing short-term liability by £2.119m and reducing short-term creditors by the same amount along with the associated notes.

- 3) During the audit period it became evident that there was a discrepancy in the level of debt relating to housing benefit overpayments between the sum recorded in the Housing Benefits System and the sum recorded in the main accounting system and the discrepancy dates back to 2015/16. In total, a correction of £790k was required by increasing the value of short-term debtors and crediting the Comprehensive Income and Expenditure account. As the provision for bad debts was calculated using the balance of debt recorded in the Housing Benefit system i.e. the correct balance, it was not necessary to recalculate this provision. Despite the fact that only £260k of the income relates to 2017/18, the full amount has been recognised in 2017/18 as the value of the error in previous years does not breach the materiality threshold and as a result does not change the Auditor's opinion that the previous year's accounts show a true and fair view. The financial statements relating to the prior year have not therefore, been restated. The impact of this is an improvement in the financial position of the Council of £790k to reflect that the additional income that has not previously been accounted for.

NOTE 5 – MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

NOTE 6 – EVENTS AFTER BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Section 151 Officer on 25 September 2018. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The following events between 31 March 2018 and 25 September 2018 have occurred which affect the Council and are important to highlight to readers of the Statement of Accounts:

- 1) The Council has charged VAT on Leisure Service income and paid this over to HMRC for a number of years in accordance with HMRC guidance. However, following legal action taken by a Third Party against HMRC, it was held that VAT on Leisure Services should be exempt. The Council has submitted claims dating back to 2012 to recover this VAT. In August 2018, HMRC has written to the Council to confirm that this VAT will be refunded to the Council. The Council has received a refund of £993k which will be accounted for in 2018. This is subject to consultancy costs incurred which were fundamental to the recovery of this VAT.
- 2) The Council has an earmarked reserve for potential claims in relation to repayment of aftercare charges under S117 of the Mental Health Act 1983. In 2000, a key House of Lords Judgement (Richmond Borough Council, Manchester City Council, Harrow Borough Council and Redcar Borough Council v W/S/C/A) held that councils could not charge for S117 aftercare services to Mental Health service users if they met the criteria outlined in S117. There have been claims against the Council a number of years ago but none more recently. However, a new claim has been submitted against the Council in relation to repayment of charges previously charged by the Council for S117 aftercare costs. The earmarked reserve provides funding for this claim if it is successful by the claimant. However, as there is still a risk of future claims this is also included as a contingent liability.

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

2017/18	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation, impairment and amortisation of non-current assets	9,298	3,082	-	-	(12,380)
Revaluation losses on Property, Plant and Equipment	18,403	-	-	-	(18,403)
Movements in the market value of Investment Properties loss/(gain)	152	-	-	-	(152)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(9,110)	(2,691)	-	-	11,801
Revenue expenditure funded from capital under statute	2,566	-	-	-	(2,566)
Derecognition - replaced parts	1,766	7,582	-	-	(9,348)
Carrying amount of non-current assets sold	4,362	-	-	-	(4,362)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Provision for Capital Funding	(3,638)	(850)	-	-	4,488
Capital expenditure charged against the Council Fund and HRA balances	-	(6,600)	-	-	6,600
Adjustments involving the Capital Receipts Reserve:					
Proceeds from Sale of Non-Current Assets	(2,782)	-	2,782	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(2,455)	-	2,455
Use of capital reserve to finance capital expenditure	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	45	20	-	-	(65)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	17,917	230	-	-	(18,147)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,610)	-	-	-	11,610
Adjustment involving Unequal Back-Pay Adjustment Account					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	(2,663)	-	-	-	2,663
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to short-term compensated absences	(491)	8	-	-	483
Total Adjustments	24,215	781	327	-	(25,323)

2016/17	Usable Reserves				Movement in Unusable Reserves £'000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation, impairment and amortisation of non-current assets	8,557	3,849	-	-	(12,406)
Revaluation losses on Property, Plant and Equipment	819	-	-	-	(819)
Movements in the market value of Investment Properties loss/(gain)	(298)	-	-	-	298
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10,629)	(2,727)	-	-	13,356
Revenue expenditure funded from capital under statute	1,685	-	-	-	(1,685)
Derecognition - replaced parts	2,605	6,884	-	-	(9,489)
Carrying amount of non-current assets sold	6,935	326	-	-	(7,261)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Minimum Revenue Provision for Capital Funding	(3,632)	(867)	-	-	4,499
Capital expenditure charged against the Council Fund and HRA balances	(244)	(5,058)	-	-	5,302
Adjustments involving the Capital Receipts Reserve:					
Proceeds from Sale of Non-Current Assets	(4,416)	(821)	5,237	-	-
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(5,237)	-	5,237
Use of capital reserve to finance capital expenditure	-	-	-	-	-
Other Capital Receipts	-	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:					
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	91	44	-	-	(135)
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	12,158	38	-	-	(12,196)
Employer's pensions contributions and direct payments to pensioners payable in the year	(9,042)	-	-	-	9,042
Adjustment involving Unequal Back-Pay Adjustment Account					
Amounts charged to CIES that are different from the cost of settlements chargeable in year in accordance with statutory requirements	512	-	-	-	(512)
Adjustment involving the Accumulating Compensated Absences Adjustment Account					
Adjustments in relation to short-term compensated absences	(255)	(10)	-	-	265
Total Adjustments	4,846	1,658	-	-	(6,504)

NOTE 8 – EARMARKED RESERVES

	Balance as at 01/04/2016 £'000	Transfers In 2016/17 £'000	Transfers Out 2016/17 £'000	Balance as at 31/03/2017 £'000	Transfers In 2017/18 £'000	Transfers Out 2017/18 £'000	Balance as at 31/03/2018 £'000
Capital - Revenue contributions unapplied	899	-	-	899	238	-	1,137
Penhesgyn Waste Landfill Site Reserve	2,000	-	-	2,000	-	(2,000)	-
Restricted Reserves	7,883	2,719	(3,943)	6,659	1,408	(4,442)	3,625
Invest-to-save	-	1,000	(29)	971	-	(318)	653
Job Evaluation	2,770	-	(2,770)	-	-	-	-
Equal Pay	865	513	(318)	1,060	-	(246)	814
Recycling	324	73	-	397	112	(387)	122
Insurance Fund	1,250	356	(235)	1,371	-	(121)	1,250
Total	15,991	4,661	(7,295)	13,357	1,758	(7,514)	7,601

Purpose of Earmarked Revenue Reserves

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

Restricted Reserves – specific earmarked reserves within service areas.

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

Equal Pay – this reserve is to fund costs arising from equal pay claims such as legal fees and claims.

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

Insurance Fund - The Council runs an internal insurance account to cover the cost of uninsured losses and liabilities. Services are charged an “additional premium” in order to fund this account. Losses and liabilities that are known losses at year end are provided for. Any losses or liabilities that arise from incidents having occurred during the year but not presented until a later date are covered by the insurance reserve. This is made up of the surplus on the internal insurance account and interest balances.

NOTE 9 – SCHOOLS BALANCES

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

	Balance 1 April 2016 £'000	Addition / (Reduction) for 2016/17 £'000	Balance 31 March 2017 £'000	Addition / (Reduction) for 2017/18 £'000	Balance 31 March 2018 £'000
Community and Voluntary Primary Schools	1,716	(294)	1,422	(181)	1,241
Community Secondary Schools	304	(76)	228	182	410
Community Special School	166	(10)	156	(77)	79
Foundation Primary School	276	7	283	(144)	139
Total	2,462	(373)	2,089	(220)	1,869

At 31 March 2018, all schools had balances in surplus apart from 3 primary schools (4 as at 31 March 2017) and 1 secondary school (1 as at 31 March 2017), which had a combined deficit of £0.24m (£0.26m as at 31 March 2017). Copies of the Section 52 Statements, which each Council is required to prepare after the end of each financial year under Section 52(2) of the School Standards and Framework Act 1998, can be obtained from the Accountancy Section, Resources Function, County Offices, Llangefni, Anglesey, LL77 7TW.

NOTE 10 – CAPITAL RECEIPTS RESERVE

These are cash receipts from the sale of Council assets. These are used to fund capital expenditure in the year. A balance of £320k will be carried forward to 2018/19 to help fund next year's capital programme.

	2017/18 £'000	2016/17 £'000
Balance 1 April	-	-
Capital Receipts in year (net of reduction for administration costs)	2,782	5,237
	2,782	5,237
Less:		
Receipts set aside to repay debt	-	-
Capital Receipts used for financing	(2,455)	(5,237)
Other	(7)	-
Balance 31 March	320	-

NOTE 11 – UNUSABLE RESERVES

	31/03/2018 £'000	31/03/2017 £'000
a) Capital Adjustment Account	134,369	151,541
b) Financial Instruments Adjustment Account	(450)	(385)
c) Revaluation Reserve	128,199	91,772
ch) Pensions Reserve	(102,188)	(105,509)
d) Unequal Pay Reserve	-	(2,663)
dd) Accumulating Compensated Absences Adjustment Account	(799)	(1,282)
Total Unusable Reserves	159,131	133,474

a) Capital Adjustment Account

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

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 on page 30 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Balance at 1 April		151,541		142,604
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and amortisation of non-current assets	(12,380)		(12,406)	
De-recognised assets	(9,348)		(9,489)	
Revaluation losses on Property, Plant and Equipment	(18,403)		(819)	
Revenue expenditure funded from capital under statute	(2,566)		(1,685)	
Amounts of non-current assets written off on disposal or sale (including impairment) as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(4,362)		(7,261)	
		(47,059)		(31,660)
Adjusting amounts written out of the Revaluation Reserve		4,695		11,904
Net written out amount of the cost of non-current assets consumed in the year		(42,364)		(19,756)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,455		5,237	
Use of capital reserve	-		244	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,801		13,356	
Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	4,488		4,499	
Capital expenditure charged against the Council Fund and HRA balances	6,600		5,059	
		25,344		28,395
Movements in the market value of Investment Properties charged to the Comprehensive Income and Expenditure Statement		(152)		298
Balance at 31 March		134,369		151,541

b) Financial Instruments Adjustment Account

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

Financial Instruments Adjustment Account	2017/18 £'000	2016/17 £'000
Balance at 1 April	(385)	(250)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(65)	(135)
Balance at 31 March	(450)	(385)

c) Revaluation Reserve

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

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

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

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

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

Revaluation Reserve	2017/18 £'000	2016/17 £'000
Balance at 1 April	91,772	96,046
Revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	41,122	7,630
Difference between fair value depreciation and historical cost depreciation	(1,933)	(1,629)
Revaluation balances on assets scrapped or disposed of	(2,762)	(10,275)
Balance at 31 March	128,199	91,772

ch) Pensions Reserve

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

Pensions Reserve	2017/18 £'000	2016/17 £'000
Balance at 1 April	(105,509)	(95,022)
Re-measurement of net defined liability	9,858	(7,334)
Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(18,147)	(12,195)
Employers' pension contribution and direct payment to pensioners payable in the year	11,610	9,042
Balance at 31 March	(102,188)	(105,509)

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

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

d) Unequal Pay Reserve

The Back-Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back-pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants. The Unequal Pay Unusable Reserve, similar to the Equal Pay Provision in note 27, has been reduced to nil as Equal Pay costs paid in 2017/18 have been funded from capital following a Capitalisation Directive from Welsh Government. Some smaller residual costs will be funded from the Equal Pay earmarked reserve. Therefore, the Unequal Pay Unusable Reserve and the Equal Pay Provision are no longer required. However, The Council has retained the Equal Pay earmarked reserve of £814k as highlighted above in note 8. This is to fund any outstanding equal pay claims and related legal costs, which might arise.

Unequal Pay Reserve	2017/18 £'000	2016/17 £'000
Balance at 1 April	(2,663)	(2,151)
(Increase)/Decrease in provision for back-pay in relation to Equal Pay cases	2,663	(512)
Cash settlements paid in the year	-	-
Balance at 31 March	-	(2,663)

dd) Accumulating Compensated Absences Adjustment Account

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

Accumulating Compensated Absences Adjustment Account	2017/18 £'000	2016/17 £'000
Settlement or cancellation of accrual made at the end of the preceding year	(1,282)	(1,547)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	483	265
Amounts accrued at the end of the current year	(799)	(1,282)

NOTE 12 – OTHER OPERATING EXPENDITURE

	2017/18 £'000	2016/17 £'000
Precept paid to North Wales Police Authority	7,674	7,264
Precept paid to Community Councils	1,230	1,179
(Surplus)/ Losses on the disposal of non-current assets (Including De-recognition)	10,909	11,404
Levies	3,335	3,195
Total	23,148	23,042

NOTE 13 – FINANCING AND INVESTMENT INCOME AND EXPENDITURE

13a

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	5,863	6,003
Net interest on the defined liability	2,789	3,321
Interest receivable and similar income	(31)	(54)
Income and Expenditure in relation to investment properties and changes in their fair value	7	(409)
Total	8,628	8,861

13b

	2017/18 £'000	2016/17 £'000
Income/Expenditure from Investment Properties:		
Income including rental income	(331)	(359)
Expenditure	164	140
Net Expenditure/Income from investment properties	(167)	(219)
Deficit on sale of Investment Properties:		
Proceeds from sale	(105)	(145)
Carrying amount of investment properties sold	128	253
Deficit on sale of Investment Properties	23	108
Changes in Fair Value of Investment Properties	152	(298)
Total	7	(409)

NOTE 14 - TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18	2016/17
	£'000	£'000
Council Tax Income	42,295	39,968
Non-Domestic Rates Redistribution	23,002	21,309
Revenue Support Grant	69,650	70,619
Other Government Grants	-	-
Capital Grants Applied To Fund Capital Expenditure	11,801	13,356
Total	146,748	145,252

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

2017/18	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	109,028	186,600	85,528	11,768	9	13,895	2,185	409,013
Adjustment opening balance	-	-	-	-	-	-	-	-
Additions (Note 20)	9,354	3,185	2,000	1,059	-	9,736	-	25,334
Revaluation inc./(decr.) to Rev. Reserve	35,650	(3,486)	-	-	-	-	136	32,300
Revaluation inc./(decr.) to (Surplus) / Deficit on the Prov. of Services	-	(19,440)	-	-	-	-	(25)	(19,465)
De-recognition - Disposals	-	(2,351)	-	-	-	-	(9)	(2,360)
De-recognition - other	-	-	-	-	-	-	-	-
De-recognition - replaced parts	(7,582)	(1,766)	-	-	-	-	-	(9,348)
Reclassification	-	15,088	3,089	-	-	(19,129)	952	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	254	254
Reclassification to Assets Held for Sale	-	(917)	-	-	-	-	(371)	(1,288)
Reclassified from Investment Property	-	21	-	-	-	-	-	21
Reclassified to Investment Property	-	-	-	-	-	-	-	-
Balance as at 31 March 2018	146,450	176,934	90,617	12,827	9	4,502	3,122	434,461
Depreciation and Impairment								
At 1 April 2017	3,577	10,595	23,482	7,556	-	-	67	45,277
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	2,812	5,213	3,211	880	-	-	14	12,130
Depreciation written out to Revaluation Reserve	(2,812)	(5,599)	-	-	-	-	(10)	(8,421)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(1,148)	-	-	-	-	(3)	(1,151)
De-recognition - Disposals	-	(260)	-	-	-	-	-	(260)
Reclassification	-	-	-	-	-	-	-	-
Reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Reclassification to Investment Property	-	-	-	-	-	-	-	-
Balance as at 31 March 2018	3,577	8,801	26,693	8,436	-	-	68	47,575
Net Book Value								
Balance as at 31 March 2018	142,873	168,133	63,924	4,391	9	4,502	3,054	386,886
Balance as at 31 March 2017	105,451	176,005	62,046	4,212	9	13,895	2,118	363,736

2016/17	Property, Plant and Equipment							
	Council Dwellings	Land and Buildings	Infrastructure Assets	Vehicles, Plant and Equipment	Community Assets	PPE Under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2016	107,741	188,334	76,353	10,659	9	3,759	1,187	388,042
Adjustment Cost and Depreciation	-	-	(549)	-	-	549	-	-
Additions (Note 20)	8,511	3,971	8,287	1,109	-	11,024	-	32,902
Revaluation inc./(decr.) to Rev. Reserve	-	1,122	-	-	-	-	248	1,370
Revaluation inc./(decr.) to Surplus / Deficit on the Prov. of Services	-	(1,294)	-	-	-	-	(27)	(1,321)
De-recognition - Disposals	(340)	(1,219)	-	-	-	-	(115)	(1,674)
De-recognition - Other	-	(1,595)	-	-	-	-	-	(1,595)
De-recognition - replaced parts	(6,884)	(2,605)	-	-	-	-	-	(9,489)
Reclassifications	-	(31)	1,437	-	-	(1,437)	31	-
Reclassifications & Transfers from Assets Held for Sale	-	-	-	-	-	-	751	751
Reclassified to Assets Held for Sale	-	(83)	-	-	-	-	(100)	(183)
Reclassified to Surplus Assets	-	-	-	-	-	-	210	210
Reclassified to Investment Property	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	109,028	186,600	85,528	11,768	9	13,895	2,185	409,013
Depreciation and Impairment								
At 1 April 2016	-	10,339	20,637	6,722	-	-	60	37,758
Adjustment Cost and Depreciation	-	-	-	-	-	-	-	-
Depreciation Charge	3,591	4,964	2,845	834	-	-	12	12,246
Depreciation written out to Revaluation Reserve	-	(3,700)	-	-	-	-	(7)	(3,707)
Depreciation written out to Surplus or Deficit on the Provision of Services	-	(634)	-	-	-	-	(3)	(637)
De-recognition - Disposals	(14)	(358)	-	-	-	-	-	(372)
Reclassification to Assets Held for Sale	-	(5)	-	-	-	-	5	-
Reclassification to Surplus Assets	-	(11)	-	-	-	-	-	(11)
Reclassification to Investment Property	-	-	-	-	-	-	-	-
Balance as at 31 March 2017	3,577	10,595	23,482	7,556	-	-	67	45,277
Net Book Value								
Balance as at 31 March 2017	105,451	176,005	62,046	4,212	9	13,895	2,118	363,736
Balance as at 31 March 2016	107,741	177,995	55,716	3,937	9	3,759	1,127	350,284

Revaluations

The Council has £390.531m recognised as Property, Plant and Equipment and Heritage Assets on its Balance Sheet as at the valuation date of 31 March 2018. The Council has now adopted a five-year rolling programme for the valuation of its land and property. However, PPE assets with a fair value of £500k or more are revalued each year. The programme is constructed in such a way as to ensure that entire classes of assets within its land and property portfolio greater than £500k are revalued in a single year. The valuations are undertaken by the Council's in-house valuation team who are members of the Royal Institute of Chartered Surveyors (RICS). The valuations have been completed in accordance with IFRS13. Non-property assets have not been revalued as the Council has judged that the carrying value of these assets is approximate to fair value, given their relatively short useful economic lives and the relative value of these assets. Additional information on the Council's policy on the measurement and valuation of non-current assets is included in sections 7 to 10 of note 51 Accounting Policies.

NOTE 16 - SIGNIFICANT CAPITAL COMMITMENTS

At 31 March 2018, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment giving rise to significant capital commitments of £10.637m in 2018/19 and future years as shown in the table below. Similar commitments to 31 March 2017 were £4.862m. The significant increase is the result of progress being made in the continued rollout of the Authority's 21st Century Schools programme and progress with the Llangefni Link Road and the refurbishment of Market Hall, Holyhead. The 21st Century Schools programme and the Link Road will receive significant funding from Welsh Government.

	Commitment into 2018/19 & future years as at 31 March 2018 £'000	Commitment into 2017/18 & future years as at 31 March 2017 £'000
21st Century Schools - Dwynwen	4,609	790
Llangefni Link Road - Section 3	748	1,388
Market Hall Holyhead - Phase II	2,045	-
Llangefni Strategic Infrastructure	2,485	247
Planned Maintenance Contracts - HRA	750	2,437
Total	10,637	4,862

NOTE 17 – HERITAGE ASSETS

2017/18

	Art Collection and Civic Regalia £'000	Heritage Land & Buildings £'000	Total Heritage Assets £'000
Cost or Valuation			
At 1 April 2017	1,834	1,960	3,794
Additions	-	-	-
Disposal	-	-	-
Revaluation	276	14	290
Accumulated Depreciation written out	-	(64)	(64)
At 31 March 2018	2,110	1,910	4,020
Accumulated Depreciation and Impairment			
At 1 April 2017	-	340	340
Depreciation Charge	-	99	99
Accumulated Depreciation written out	-	(64)	(64)
At 31 March 2018	-	375	375
Net Book Value			
At 31 March 2018	2,110	1,535	3,645
At 31 March 2017	1,834	1,620	3,454

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

Revaluation of Heritage Assets

A number of Land & Buildings assets have been identified as meeting the definition of Heritage Assets. At 31 March 2018, there were four such assets (unchanged from 31 March 2017):-

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

The revaluation of these assets follows the Council's standard revaluation procedures for land and property. The Heritage Assets were last revalued in 2017/18.

A valuation for the Art Collections was obtained during 2017/18 and the resulting value has been reflected in the 2017/18 Accounts. The valuation is based on a representative sample of the collections. The valuation was carried out by Bonhams of London, a firm of international Art Auctioneers and Valuers. The value of the Art Collections has increased by £0.276m to £2.047m.

NOTE 18 – INVESTMENT PROPERTIES

a) Investment Properties

	2017/18 £'000	2016/17 £'000
Balance at start of the year	6,092	5,983
Additions:		
- Subsequent expenditure	-	-
Disposals	(128)	(254)
Net gains/(losses) from fair value adjustments	(152)	298
Transfers:		
- (to)/from Asset held for Sale	-	275
- (to)/from Property, Plant and Equipment	(21)	(210)
Balance at end of the year	5,791	6,092

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

b) Fair Value Measurement of Investment Properties

2017/18 Fair Value Hierarchy

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000	Fair Value as at 31 March 2018 £'000
Retail Properties	-	136	-	136
Office units	-	832	-	832
Commercial units	-	4,823	-	4,823
Total	-	5,791	-	5,791

2016/17 Fair Value Hierarchy

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

c) Valuation approaches used in the valuation of Investment Properties

Retail

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

Investment Properties

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

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

NOTE 19 – INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £147k charged to revenue in 2017/18 was charged to the IT Administration cost centre Transformation line of the Net Expenditure of Services.

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

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

	2017/18 £'000	2016/17 £'000
Balance at start of year:		
Gross carrying amounts	1,538	1,247
Accumulated amortisation	(932)	(830)
Net carrying amount at start of year	606	417
Additions	297	291
Amortisation for the financial year	(147)	(102)
Net carrying amount at end of year	756	606
Comprising:		
Gross carrying amounts	1,835	1,538
Accumulated amortisation	(1,079)	(932)
Net carrying amount at end of year	756	606

NOTE 20 - CAPITAL EXPENDITURE AND FINANCING

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

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

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	134,014	127,656
Capital Invested in Year		
Property, Plant and Equipment	25,334	32,902
Intangible Assets	297	291
Heritage Assets	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	3,724	3,447
Total	29,355	36,640
Source of Finance		
Capital receipts	(2,457)	(5,237)
Reserve	-	(8)
Government Grants and Contributions	(11,801)	(13,356)
Revenue Provisions	(6,600)	(5,058)
Loan	-	(148)
Insurance	-	(236)
REFCUS Grants	(1,157)	(1,784)
Minimum Revenue Provision and Set Aside	(4,488)	(4,455)
Total	(26,503)	(30,282)
Net Increase/(Decrease) in Capital Financing Requirement	2,852	6,358
Closing Capital Financing Requirement	136,866	134,014
Explanation of Movement in Year		
Increase in underlying need to borrow supported by Government assistance	402	6,223
Increase in underlying need to borrow unsupported by Government assistance	6,043	4,590
Loan	895	-
Minimum Revenue Provision and Voluntary Set Aside	(4,488)	(4,455)
Net Increase/(Decrease) in Capital Financing Requirement	2,852	6,358

NOTE 21 – ASSETS HELD FOR SALE

	Current		Non-Current	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Balance outstanding at start of year	3,524	6,388	-	-
Assets newly classified as held for sale:				
Transferred from Property, Plant and Equipment during the year	1,288	172	-	-
Transfer to Property, Plant and Equipment	(254)	(751)	-	-
Transfer to Investment Property	-	(275)	-	-
Costs of Assets Sold	(2,135)	(4,111)	-	-
Revaluation	19	2,101	-	-
Balance outstanding at year-end	2,442	3,524	-	-

NOTE 22 – LEASES

Operating Leases

The Council had leased 3 properties at 31 March 2018 for its homelessness function (2 properties at 31 March 2017) and the lease rentals for the year totalled £0.077m (£0.045m 2016/17).

The Council also holds certain items of plant and equipment under operating leases or rental agreements within schools and other Council departments. The charge to revenue for these items is £0.135m in 2017/18 (£0.158m in 2016/17).

NOTE 23 – INVENTORIES

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

	31 March 2018 £'000	31 March 2017 £'000
Work in Progress	-	-
Central Stores - Building Maintenance Unit	152	140
Gofal Môn - Social Services Supplies	97	87
Other - Stationery and other consumables, fuel and goods held for resale	136	140
Total	385	367

NOTE 24 - DEBTORS

	Long-Term Debtors		Short-Term Debtors	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£'000	£'000	£'000	£'000
Government Departments	-	-	9,941	7,064
NDR and Council Tax	-	-	3,813	3,595
Other Local Authorities	-	-	1,629	1,277
Rents	-	-	263	134
Employee Loans	211	248	166	153
Health Service/Public Bodies	-	-	1,875	1,333
VAT	-	-	1,156	1,560
Trusts	-	-	615	853
Bodies external to Central Government	-	-	81	26
Other	397	398	4,492	4,204
Total	608	646	24,031	20,199

The above debtors' figures are net of bad debt provisions totalling £5.543m in 2017/18 (£5.653m in 2016/17), which can be analysed as follows:-

	31 March 2018	31 March 2017	Movement in
	£'000	£'000	Year
Council Tax	1,621	1,571	50
NDR	585	731	(146)
Rents	506	560	(54)
Trade Debtors	2,831	2,791	40
Total	5,543	5,653	(110)

NOTE 25 - CASH AND CASH EQUIVALENTS

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

	31 March 2018	31 March 2017
	£'000	£'000
Cash and Bank balances	7,789	14,940
Bank Overdraft	-	-
Total	7,789	14,940

NOTE 26 – CREDITORS

	Long-Term Creditors		Short-Term Creditors	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	£'000	£'000	£'000	£'000
Government Departments	-	-	3,003	4,011
Other Authorities	-	-	1,591	1,554
Trust Balances	-	-	935	1,033
Health Service/Public Bodies	-	-	239	107
Accumulated Absences	-	-	799	1,282
Bodies External to central Government	-	-	37	-
Receipts in advance	-	-	129	1,009
Other	151	166	11,518	9,116
Total Creditors	151	166	18,251	18,112

NOTE 27 - PROVISIONS

	Balance at 1 April 2016 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2017 £'000	Increase in Provisions during year £'000	Utilised during year £'000	Balance at 31 March 2018 £'000
Insurance Claims Provision	259	366	(457)	168	535	(438)	265
Penhesgyn Waste Site	2,512	217	(98)	2,631	2,229	(229)	4,631
Termination Benefits	23	-	(23)	-	-	-	-
Job Evaluation	126	-	(126)	-	-	-	-
Equal Pay	2,151	512	-	2,663	-	(2,663)	-
Caterlink Pension Provision	-	-	-	-	75	-	75
Home Carers Travel Provision	-	-	-	-	159	-	159
Supreme Court Judgement - Nursing Care	-	-	-	-	196	-	196
Total	5,071	1,095	(704)	5,462	3,194	(3,330)	5,326
Short-Term Provisions	2,559	878	(606)	2,831	965	(3,101)	695
Long-Term Provisions	2,512	217	(98)	2,631	2,229	(229)	4,631
Total	5,071	1,095	(704)	5,462	3,194	(3,330)	5,326

Purpose of Main Provisions

Insurance Claims Provision

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

Penhesgyn Waste Site

The provision is for the aftercare of the areas of the site formerly used for landfill. There is no defined timescale for this work to be completed although, for management purposes, a time span of 30 years on an ongoing basis until there is evidence that there is no further contamination at the site.

Equal Pay

This is a provision for ongoing legal claims against the Council in relation to Equal Pay. However, this is offset by the unequal pay unusable reserve, which cancels this provision to zero in the Council Fund. The Equal Pay Provision similar to related Unequal Pay Unusable Reserve in note 11, has been reduced to nil as Equal Pay costs paid in 2017/18 have been funded from capital following a Capitalisation Directive from Welsh Government. Any ongoing costs equal pay costs will be funded from the Equal Pay earmarked reserve. Therefore, the Equal Pay Provision and the Unequal Pay Unusable Reserve are no longer required.

Other Short-term Provisions created in 2017/18

Three new short-term provisions were created in 2017/18 for liabilities the Council is likely to incur due to past events, for which there is uncertainty about the amount or timing of any payment. Therefore, best estimates have been used for these. There is a provision of £75k for Caterlink Pension costs following the transfer of staff under TUPE. A provision of £159k has been created in relation to Home Carers Travel. Finally, a provision of £196k has been set up for Nursing Care costs following a Supreme Court Judgement.

NOTE 28 – CASH FLOW FROM OPERATING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Adjustment to surplus or deficit on the Provision of Services for non-cash movements		
Depreciation and Impairment	12,233	12,302
Downward/(upwards) revaluations and non-sale de-recognitions	18,403	10,307
Amortisation	147	102
(Increase)/Decrease in Inventories	(18)	85
(Increase)/Decrease in Debtors	(3,794)	3,202
Increase/(Decrease) in impairments for Bad Debts	(110)	239
Increase/(Decrease) in Creditors	(1,995)	(1,792)
Increase/(Decrease) in Capital Grants receipts in advance	3,624	(1,029)
Transactions within the CIES relating to retirement benefits	6,537	3,154
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	4,363	7,261
Contributions to/(from) Provisions	(136)	391
Movement in value of investment properties - Impairment and downward revaluations (and non-sale de-recognitions)	152	(298)
Total	39,406	33,924
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	(2,782)	(5,237)
Capital grants included in "Taxation and non-specific grant income"	(11,801)	(13,356)
Total	(14,583)	(18,593)

NOTE 29 – CASH FLOW FROM INVESTING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Purchase of Property, Plant and Equipment, Heritage Assets, Investment Properties and Intangible Assets	(25,333)	(33,193)
Short-Term Investments (not considered to be cash equivalents)	5	5
Proceeds from the sale of Property, Plant and Equipment, investment property and assets held for sale	2,782	5,237
Capital Grants and Contributions Received	11,801	13,356
Net Cash flows from Investing Activities	(10,745)	(14,595)

NOTE 30 – CASH FLOW FROM FINANCING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Cash Receipts from Short and Long-Term Borrowing	11,173	6,198
Difference between cash paid and received as part of NDR Pool 2016/17	129	(276)
Cash movements on Houses into Homes agency schemes	218	-
Other	(150)	198
Net Cash flows from Financing Activities	11,370	6,120

	2017/18 £'000	2016/17 £'000
Interest Received	(31)	(54)
Interest Paid	5,862	6,003

NOTE 31 – NATURE OF EXPENSES NOTE

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

	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefits	90,814	89,160
Other services expenses	125,169	115,282
Support services recharge	926	11,636
Depreciation, amortisation, impairment	12,380	12,406
Interest Payments	8,651	9,324
Precepts and levies	12,239	11,638
Loss / (Gain) on disposal of assets	10,909	11,404
Total Expenditure	261,088	260,850
Income		
Fees, charges and other service income	(29,940)	(55,484)
Interest and investment income	(24)	(462)
Income from council tax, non-domestic rates	(65,297)	(61,278)
Government grants and contributions	(133,228)	(134,086)
Total Income	(228,489)	(251,310)
(Surplus) or Deficit on the Provision of Services	32,599	9,540

** 2016/17 has been restated to reflect that the Revenue Support Grants is included within the line Government grants and contributions

NOTE 32 – TRADING OPERATIONS

The Council has no Trading Operations.

NOTE 33 - MEMBERS' ALLOWANCES

A total of £0.660m (£0.681m in 2016/17) was paid in respect of allowances to Council Members during the year as follows:-

	2017/18 £'000	2016/17 £'000
Basic and Special responsibility allowances	539	547
Chairman and Deputy Chairman's Allowance	6	6
Pension Costs	51	57
National Insurance Costs	41	43
Travel Costs	7	6
Subsistence	1	3
Miscellaneous	15	19
Total	660	681

In addition, the Council spent £14,648 on expenses for lay members (£7,281 in 2016/17).

NOTE 34 – OFFICERS' REMUNERATION

The number of employees whose actual remuneration paid was more than £60k but not more than £150k in 2017/18, excluding pension contributions but including severance pay, is as follows:-

Officer Remuneration	Non-Schools 2017/18 Number of Employees	Non-Schools 2016/17 Number of Employees	Schools 2017/18 Number of Employees	Schools 2016/17 Number of Employees
£60,000 to £64,999	4	2	4	3
£65,000 to £69,999	1	3	1	-
£70,000 to £74,999	3	4	3	3
£75,000 to £79,999	1	-	1	3
£80,000 to £84,999	1	1	2	1
£85,000 to £89,999	2	2	-	-
£90,000 to £94,999	-	-	-	-
£95,000 to £99,999	-	-	-	-
£100,000 to £104,999	-	-	-	-
£105,000 to £109,999	-	-	-	-
£110,000 to £114,999	1	1	-	-
Total	13	13	11	10

There are no officers whose remuneration exceeds £115k.

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

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Pension Contribution £'000	Total £'000
Chief Executive *	113	1	21	136
Assistant Chief Executive	87	1	16	104
Assistant Chief Executive	87	2	16	105
Head of Council Business	75	-	14	89
Head of Resources and Section 151 Officer	83	1	15	99
Head of Profession - (HR)	64	-	12	75
Head of Housing	69	1	12	82
Head of Regulation and Economic Development	73	1	14	88
Head of Lifelong Learning	73	-	14	87
Head of Children's Services	66	-	13	79
Head of Adult Services	72	-	13	86
Head of Highways, Property and Waste	67	2	12	81
Head of Corporate Transformation	61	-	11	73
Chief Planning Officer - Energy Island	-	-	-	-
Total	991	9	183	1,193

* Note: Returning Officer element of Chief Executive salary is £9,785 and is not included in the figures above.

Comparative figures for 2016/17 are shown in the following table:-

Senior Officer Remuneration	Salary, Fees and Allowances £'000	Expenses Allowances £'000	Compensation for loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive *	121	2	-	22	145
Assistant Chief Executive	86	1	-	16	103
Assistant Chief Executive	86	2	-	16	104
Head of Council Business	75	-	-	14	89
Head of Resources and Section 151 Officer	82	1	-	15	98
Head of Profession HR	63	-	-	12	75
Head of Housing	66	1	-	12	79
Head of Regulation and Economic Development	72	2	-	13	87
Head of Lifelong Learning	72	2	-	13	87
Head of Children's Services	56	-	-	14	70
Head of Adult Services	72	-	-	13	85
Head of Highways, Property and Waste	66	1	-	12	79
Head of Corporate Transformation	66	-	-	12	78
Chief Planning Officer - Energy Island	61	-	-	11	72
Total	1,044	12	-	195	1,251

* Note: Within the Chief Executive's salaries, fees and allowances a Returning Officer payment of £9,105 is included.

The remuneration ratio of the Chief Executive to the median remuneration of all employees during 2017/18 is 6.51:1 (6.47:1 in 2016/17).

NOTE 35 - TERMINATION PAYMENTS

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

EXIT Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
							£000	£000
£0 - £20,000	21	19	54	19	75	38	362	259
£20,001 - £40,000	4	2	11	6	15	8	437	202
£40,001 - £60,000	-	-	1	-	1	-	44	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £250,000	-	-	-	-	-	-	-	-
Total	25	21	66	25	91	46	843	461

NOTE 36 – EXTERNAL AUDIT FEES

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

	2017/18 £'000	2016/17 £'000
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for the year	192	193
Fees payable to Wales Audit Office with regard to external audit services carried out by the appointed auditor for prior years	15	-
Fees payable to Wales Audit Office in respect of statutory inspections	100	114
Fees payable to Wales Audit Office for the certification of grant claims and returns for the year	115	88
Total	422	395

NOTE 37 – GRANTS INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2016/17 as follows:-

	Note	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non-Specific Grant Income			
Revenue Support Grant (Non-ring-fenced Government Grants)	14	69,650	70,619
Capital Grants and Contributions	14	9,110	10,629
Grant - HRA (Capital Grants and Contributions)	14	2,691	2,727
Other (Non-ring-fenced Government Grants)	14	-	-
Total		81,451	83,975
Credited to Services			
Grants:			
Post-16 Grant (Education)		2,523	2,554
Flying Start (Education)		1,379	-
Foundation Phase Grants (Education)		-	1,853
Education Improvement Grant (Education)		2,969	-
Pupil Development Grant (Education)		1,654	-
Concessionary Fares Grant		717	774
Housing Benefit Subsidy		18,493	18,441
Supporting People Grant (SPG & SPRG)		2,549	2,644
Environment and Sustainable Development Grant		1,601	1,654
Total		31,885	27,920
Other Grants:			
Lifelong Learning		1,707	5,129
Adult Services		1,994	897
Childrens Services		890	635
Housing		1,104	1,093
Highways, Waste and Property		2,197	1,859
Economic Development and Regulatory		700	706
Corporate Transformation		202	199
Resources		600	850
Council Business		22	21
Corporate and Democratic Costs		374	-
Corporate Finance		-	-
Housing Revenue Account		39	34
Total		9,829	11,423
Contributions:			
		10,063	10,768
Total		133,228	134,086

Capital Grants Received in Advance

	2017/18 £'000	2016/17 £'000
Opening balance	273	1,302
Add: new capital grants received in advance (condition of use not met)	10,469	9,675
Capital Grants repaid	(344)	(43)
Less: amounts released to the Comprehensive Income and Expenditure Account (conditions met)	(6,501)	(10,661)
Closing Balance	3,897	273

NOTE 38 – RELATED PARTIES

The Council appoints members to certain public, charitable and voluntary bodies. During 2017/18, a total of £3.559m was paid in grants for the purchase of services from these bodies (£3.280m 2016/17). The Council has assessed the materiality of individual transactions arising through related parties and the following disclosures are concerned with transactions between the Council and the related party that have a value in excess of £0.02m.

Related Party	Relationship	Payments Made £'000	Amount owed by the Council £'000	Amounts owing to the Council £'000
Age UK/ Age Cymru (Age Concern)	Member appointed by the council to be a representative (member lost seat in May 2017)	56	14	4
Anglesey Citizens Advice Bureau	Member appointed by the council to be a representative	85	-	-
Carers Trust North Wales Corssroads Care	Member appointed by the council to be a representative	32	2	-
Grwp Llandrillo Menai	One member is a member of the site committee & another member employed by the company	224	2	9
Medrwn Mon	Member appointed by the council to be a representative	111	-	-
		508	18	13

The Council is a member of the Welsh Local Government Association, to which subscriptions of £0.098m were paid in 2017/18 (£0.095m 2016/17).

Members have declared interests in contracts or in organisations which may have dealings with the Council in the Statutory Register of Members' Interests. A total of £0.785m was paid by the Council in 2017/18 in relation to these interests (£nil 2016/17).

Betsi Cadwalader University Health Board, through common control by central Government, is a related party to the Council. Payments made by the Council for 2017/18 to BCUHB amounted to £0.962m (£1.185m 2016/17) and £0.239m was owing at year-end. Receipts taken in by the Council from BCUHB came to £3.768m (£2.093m 2016/17), with £1.821m (£1.294m 2016/17) due from our related party at year-end.

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

INTERESTS IN COMPANIES

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

Cwmni Gwastraff Môn-Arfon Cyf

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

Following a change in legislation, the two Councils decided to close the company down during 2007/08 and to undertake the work in-house. The relevant operational assets and liabilities and the staff transferred to the Council in 2008, together with a balancing amount in cash. The investment has been revalued each year and most of the shareholders' funds have been returned to the two Councils. The company was dissolved in 2017/18 following which the Council received £44k relating to the Council's share of the net assets of the organisation.

Cwmni Cynnal Cyf

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

The company accounts for 2016/17 show a net loss of £0.156m (£0.124m loss 2015/16). The turnover for 2016/17 was £2.348m (£2.735m 2015/16). The company's published accounts show net liabilities of £0.383m as at 31 March 2017 (net assets were £0.490m at 31 March 2016).

Copies of the financial statements are available from Cwmni Cynnal Cyf, Plas Llanwnda, Caernarfon, Gwynedd. The auditor's report on the accounts for the financial year ended 31 March 2017 is not qualified. During 2017/18 financial year, the Council accounted for costs of £0.757m (£0.719m 2016/17) relating to the purchase of services from the company.

This company appointed Ieuan Williams as their Chief Executive Officer in 2017. Ieuan Williams is a councillor of the Authority and holds the role of Deputy Leader and Portfolio Holder for Service Transformation and the Welsh Language.

The Council also has interests in the following companies:-

Welsh Joint Education Committee - WJEC CBAC Limited

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

During the 2017/18 financial year, the Council accounted for £0.462m (£0.414m 2016/17) for purchase of services from the company.

The company accounts for 2015/16 (that is to year ended 30 September) show a net negative movement in funds of £12.785m (net positive movement in funds of £5.263m 2014/15). The turnover for 2015/16 was £41.364m (£40.704m 2014/15) and net assets amounted to £19.068m as at 30 September 2016 (£31.853m as at 30 September 2015).

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

Menter Môn Cyfyngedig

The Council is a member of Menter Môn Cyf, and was one out of a total of three members at 31 March 2018. The company's objectives are to promote economic growth in rural Anglesey. The company is limited by guarantee, not having a share capital, and the Council's liability is limited to one pound.

During the 2017/18 financial year, the Council made payments of £0.239m to the company in support of the activities (£0.090m 2016/17).

The company accounts for the financial year ended 31 December 2016 shows net loss before tax of £0.261m (net profit before tax of £0.365m in 2015/16). The turnover for 2016 was £2.044m (£4.258m in 2015) and net liabilities amounted to £0.869m as at 31 December 2016 (net assets of £0.542m in 2015).

Copies of the company's accounts can be obtained from Menter Môn, Llangefni Town Hall, Buckley Square, Llangefni, Anglesey, LL77 7LR. The auditor's report on the accounts for the financial year ended 31 December 2016 is not qualified.

Caergeiliog Foundation School

Balances for current assets and liabilities controlled by Caergeiliog Foundation School are included in these accounts and so the school's reserves, as stated in this Balance Sheet, represent only the net current assets. The school also has non-current assets that are stated on the school's Balance Sheet at £0.785m at 31 March 2018 (£0.631m at 31 March 2017), on a combination of valuation and historical cost, less depreciation. The non-current assets are vested in the school's Governing Body and are not consolidated in this Council's Balance Sheet.

NOTE 39 - TRUST FUNDS

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

During 2017/18, the Head of Function (Resources)/Section 151 Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners. The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

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

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

In 2017/18, the Council received £0.215m (£0.215m in 2016/17) from the Trust towards the running costs of Oriel Ynys Môn. The Council was also reimbursed for financial management and governance costs.

Welsh Church Fund

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

Anglesey Further Education Trust Fund (Req. No. 525254)

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

On 31 March 2018, the estimated balances of these Trust funds (at market value of the assets) are:-

Pre Audited Statement Summary	2017/18 Income £'000	2017/18 Expenditure £'000	2017/18 Assets £'000	2017/18 Liabilities £'000
Isle of Anglesey Charitable Trust	615	855	21,536	669
Welsh Church Fund	7	8	893	22
Anglesey Further Education Trust Fund	114	159	3,006	-

Audited Statement Summary	2016/17 Income £'000	2016/17 Expenditure £'000	2016/17 Assets £'000	2016/17 Liabilities £'000
Isle of Anglesey Charitable Trust	583	648	22,360	578
Welsh Church Fund	6	20	913	20
Anglesey Further Education Trust Fund	139	512	2,848	12

The total value of the other funds, including investments at market value, is £0.101m as at 31 March 2018 (£0.136m as at 31 March 2017).

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

The Isle of Anglesey Charitable Trust has had a change of legal status. The Charity will from 2019/20, become a Charitable Incorporated Organisation (ICO). This will provide more autonomy and separation from the Council.

NOTE 40 – TEACHERS' PENSION SCHEME

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

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

In 2017/18, the Council paid £3.691m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.55% of pensionable pay (£3.771m and 16.12% in 2016/17).

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

NOTE 41 – LOCAL GOVERNMENT DEFINED BENEFIT PENSION SCHEME

Retirement Benefits

Participation in the Local Government Pension Scheme

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

a) Transactions Relating to Post-Employment Benefits

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

	2017/18 £'000	2016/17 £'000
Service cost comprising:		
Current service cost	15,098	8,778
Losses on settlements or curtailments	260	97
Total Service cost	15,358	8,875
Financing and Investment Income and Expenditure		
Interest cost on defined benefit obligation	9,987	11,440
Interest Income on scheme Assets	(7,198)	(8,119)
Total Post-employment benefits charged to the Surplus or Deficit on Provision of Service	18,147	12,196
Return on Plan Assets (excluding amounts included in net interest expense)	(2,232)	(34,434)
Actuarial (gains) and losses arising on changes in financial assumptions	(7,671)	45,047
Other	46	(3,280)
Total re-measurement of net defined benefit liability	(9,857)	7,333
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	8,290	19,529
Reversal of net charges made for retirement benefits in accordance with the code	6,537	3,154
Actual amount charged against the Council Fund balance for pensions in the year:		
Employers' contributions payable to scheme	11,610	9,042
Total Post-employment benefits charged to the Surplus or Deficit on Provision of Services	18,147	12,196

b) Pension Assets and Liabilities recognised in the Balance Sheet

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the Scheme as at 31 March 2016. Following this valuation, the Council paid £3.666m in advance, to reduce pension contributions relating to the three years, 2017/18 to 2019/20. This led to a saving and as at 31 March 2018 has reduced the Council's obligations within the Pension Fund going forward by £2.444m.

Amounts included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan are as follows:	31 March 2018 £'000	31 March 2017 £'000
Present Value of Scheme Assets	288,424	275,083
Present Value of Scheme Liabilities	(390,612)	(380,592)
Net liability arising from defined obligation	(102,188)	(105,509)

Reconciliation of Present Value of the Scheme Liabilities

	2017/18 £'000	2016/17 £'000
Balance as at 1 April	380,591	326,792
Current service cost	15,098	8,778
Interest cost	9,987	11,440
Contributions from scheme participants	2,321	2,202
Remeasurement (gains) and losses	(7,625)	41,767
Past service costs	260	97
Estimated unfunded benefits paid	(987)	(1,004)
Estimated benefits paid	(9,033)	(9,481)
Balance as at 31 March	390,612	380,591

Reconciliation of Present Value of the Scheme Assets

	2017/18 £'000	2016/17 £'000
Opening Fair Value of Scheme Assets as at 1 April	275,083	231,770
Interest Income	7,198	8,119
Return on plan assets (excl. net interest expense)	2,232	34,434
Contributions by members	2,321	2,202
Contributions by employer	10,623	8,039
Contributions in respect of unfunded benefits	987	1,004
Unfunded benefits paid	(987)	(1,004)
Benefits paid	(9,033)	(9,481)
Balance as at 31 March	288,424	275,083

c) Fair Value of Scheme Assets

The Council Pension Scheme assets comprise:-

Major categories of the fund's assets at quoted prices as at 31 March 2018 and 31 March 2017.

	2017/18 Prices Quoted in Active Markets £'000	2017/18 Prices not quoted in Active Markets £'000	2016/17 Prices Quoted in Active Markets £'000	2016/17 Prices not quoted in Active Markets £'000
Cash and cash equivalents	10,862	-	10,349	-
Equity investment (by industry type)				
Consumer	8,567	-	9,432	-
Manufacturing	9,462	-	8,518	-
Financial Institutions	5,102	-	5,276	-
Energy and utilities	903	-	1,532	-
Health and care	14,646	-	13,577	-
Information technology	10,966	-	11,060	-
Other	995	-	754	-
Debt Securities - Other	-	41,928	-	34,365
Private Equity	-	11,216	-	12,426
Investment Funds and Unit Trusts				
Equities	58,556	87,909	58,797	83,686
Infrastructure	-	5,038	-	3,688
Real Estate				
UK Property	6,737	15,271	6,044	15,020
Overseas property	-	266	-	559
Total Value – All Assets	126,796	161,628	125,339	149,744
Total Value of Active and Non-Active Assets		288,424		275,083

Major categories of plan assets as percentage of total plan assets

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

	31 March 2018	31 March 2017
Cash and cash equivalents	4%	4%
Equity investment (by industry type)		
Consumer	3%	3%
Manufacturing	3%	3%
Financial institutions	2%	2%
Energy and utilities	0%	1%
Health and care	5%	5%
Information technology	4%	4%
Other	0%	0%
Debt Securities - Other	14%	12%
Private equity	4%	5%
Investment Funds and Unit Trusts		
Equities	51%	52%
Infrastructure	2%	1%
Real Estate		
UK Property	8%	8%
Overseas property	0	-
Total	100%	100%

ch Scheme History

Analysis of scheme assets and liabilities:-

	31 March 2018 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Fair Value of Assets in pension scheme	288,424	275,083	231,770	224,961	199,636
Present Value of Defined Benefit Obligation	(390,612)	(380,591)	(326,792)	(350,438)	(290,788)
(Deficit)/Asset in the Scheme	(102,188)	(105,508)	(95,022)	(125,477)	(91,152)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The present value of defined benefit obligations of £390.612m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £102.188m.

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

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

	2017/18	2016/18
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	22.0 years	22.0 years
Women	24.2 years	24.2 years
<i>Longevity at 65 for future pensioners:</i>		
Men	24.0 years	24.0 years
Women	26.4 years	26.4 years
Inflation/Pension Increase Rate	2.40%	2.40%
Salary Increase Rate	2.40%	2.40%
Expected Return on Assets	3.40%	3.20%
Rate for discounting scheme liabilities	2.70%	2.60%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2008	50.00%	50.00%
Service post April 2008	75.00%	75.00%

dd) Sensitivity Analysis

The sensitivity analysis below is based on reasonably possible changes to the assumptions occurring at the end of the reporting period. It assumes for each change in assumption that all the other assumptions remain constant. The sensitivity analysis shows that the impact of a 0.5% decrease in the real discount rate due to potential market changes could increase the fund's liabilities by £40.073m as a higher value is placed on benefits paid in the future. A 0.5% increase in the salary increase rate could increase the fund's costs by £6.885m. A 0.5% increase in the pensions' rate could increase liabilities by £32.620m. The estimations in the sensitivity analysis have been calculated in accordance with professional actuarial assumptions, IAS19 and FRS102. This means that the use of the 0.5% assumptions below were selected by the specialist actuary in accordance with his/her professional judgement. The Actuary would have taken into account current and past information and the fact that there has been only modest changes e.g. interest rates changed by 0.25%. Information about people's lifespans and demographic information would have also influenced this.

Change in assumptions as at 31 March 2018	Approximate % increase to employer	Approximate Monetary Amount £'000
0.5% decrease in real discount rate	10%	40,073
0.5% increase in the salary increase rate	2%	6,885
0.5% increase in pension increase rate	8%	32,620

e) Impact on the Authority's Cash Flows

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

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

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

The liabilities show underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £102.188m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

f) Estimated contributions to be paid to Gwynedd Pension Fund in 2018/19

The Council anticipates paying £8.395m contributions to the scheme in 2018/19. The weighted average duration of the defined benefit obligation for scheme members is 19 years.

The amount outstanding to Gwynedd Council in respect of the LGPS contributions for 2017/18 as at 31 March 2018 is £0.762m and is included in the short-term creditors' disclosure note.

NOTE 42 – CONTINGENT LIABILITIES

Section 117 Mental Health Act 1983

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

Potential Contaminated Land

There is a possibility that remedial works may be required at Craig Y Don, Amlwch arising from the historic use of the land, which might have left contamination in the soil.

Planning Judicial Review

There is a possibility of a judicial review of a planning case in 2018.

Property Search Claims

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

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

South Stack

There is a possibility that the Council might be involved in litigation in relation to South Stack Dilapidations. The Council terminated its lease of South Stack Lighthouse from Trinity House. Trinity House has since submitted an invoice for dilapidation costs. The Council is currently contesting the validity of the claim and the value of the costs claim which places uncertainty over whether the Council will have to make a payment and the value of any payment that is made.

NOTE 43 – CONTINGENT ASSETS

Legal Charges

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

Leisure VAT Claim

The Council has put a claim into HMRC in relation to the recovery of VAT previously paid to HMRC for income from leisure admission fees. HMRC has been challenged on the legality of charging VAT on these fees and the courts held that income from admission to leisure services should be exempt. In November 2017 the decision was upheld that VAT should not have been charged on Leisure Services, therefore, the Council will be reimbursed for VAT on Leisure admission income paid to HMRC over the last six years. These claims were accepted by HMRC in August 2018.

NOTE 44 – FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
Cash balances				
Bank deposits	-	-	7,319	14,634
Total cash and investments	-	-	7,319	14,634
Debtors				
Loans and Receivables	608	646	5,992	5,369
Total Debtors	608	646	5,992	5,369
Borrowings				
Financial Liabilities at Amortised Cost	106,913	111,557	12,413	7,672
Total Borrowings	106,913	111,557	12,413	7,672
Creditors				
Financial Liabilities at Amortised Cost	151	166	12,582	10,569
Total Creditors	151	166	12,582	10,569

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

Income, Expenditure, Gains and Losses

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

	2017/18			2016/17		
	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000	Financial Liabilities Measured at cost less accumulated amortisation £'000	Financial assets, Loans and receivables £'000	Total £'000
Interest expense	5,862	-	5,862	6,003	-	6,003
Total expenditure in Surplus or Deficit on the Provision of Services	5,862	-	5,862	6,003	-	6,003
Interest income	-	(31)	(31)	-	(54)	(54)
Total income in Surplus or Deficit on the Provision of Services	-	(31)	(31)	-	(54)	(54)
Net (gain)/loss for the year	5,862	(31)	5,831	6,003	(54)	5,949

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2018 of 1.67% to 2.67% for loans from the Public Works Loans Board (PWLB) based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next twelve months, carrying amount is assumed to be approximate to fair value; and
- The fair value of short-term debtors and creditors is deemed to be equivalent to their carrying amount at the Balance Sheet date.

Analysis of Loans by Maturity:-

	2017/18 Outstanding Principal £'000	2017/18 Accrued Interest £'000	2017/18 Cost less accumulated amortisation £'000	2016/17 Outstanding Principal £'000	2016/17 Accrued Interest £'000	2016/17 Cost less accumulated amortisation £'000
>25 years	71,709	-	71,709	72,709	-	72,709
15-25 years	12,783	-	12,783	12,106	-	12,106
10-15 years	4,586	-	4,586	6,452	-	6,452
5-10 years	5,662	-	5,662	5,611	-	5,611
2-5 years	7,056	-	7,056	9,669	-	9,669
1-2 years	5,117	-	5,117	5,010	-	5,010
Total Long-Term Borrowing	106,913	-	106,913	111,557	-	111,557
Total Short-Term Borrowing (< 1 year)	10,116	2,297	12,413	5,553	2,119	7,672

The fair values calculated are as follows:-

	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities	112,029	166,414	117,110	173,958
Long-term creditors	151	151	166	166

	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Cash on deposit and loans to other local authorities	7,319	7,334	14,634	14,655

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

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

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

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

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

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

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

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

Credit Risk

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

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

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

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

The EU referendum result to leave the European Union created an economic shock which impacted on markets and many aspects of the economy. The long-term outlook ratings for the UK banks as a whole were downgraded to a negative outlook. A collapse of the banking sector would undermine the deposits held in UK banks (£7.319m at 31/03/18). This is being monitored closely and reassuringly the credit ratings of the banks in which the Authority holds deposits remain at an acceptable level in accordance with the Treasury Management Strategy. If the credit ratings fall below the acceptable level, the Authority would seek to place the balances in alternative investments, which must be in accordance with the Treasury Management Strategy. During the financial year, the Bank of England reversed its previous reduction in the official bank rate from 0.25% back to 0.50%. This action shows that there is greater confidence in the UK economy though there is still some uncertainty arising from the UK leaving the EU in 2020 which particularly affects the banking sector. The Council does not generally allow credit for customers; it has prescribed collection procedures for amounts owed by its customers and appropriate provisions are made for potential bad debts. In some circumstances, the Council obtains a legal charge on property to cover deferred debts such as self-funding of residential care.

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

	Amount 2017/18 £'000	Historical Experience of default %	Estimated Maximum Exposure 2017/18 £'000	Estimated Maximum Exposure 2016/17 £'000
Banks and financial institutions (Non-National)	5,993	-	-	-
UK Nationalised / Part Nationalised Banks	1,326	-	-	-
UK Local Authorities	-	-	-	-
Total deposits	7,319	-	-	-
Trade Debtors under 1 year	1,036	10	104	154
Trade Debtors between 1-2 years	321	20	64	4
Trade Debtors between 2-6 years	113	30-70	79	51
Trade Debtors 6+ years	6	100	6	18
Total Trade Debtors	1,476		253	226

Liquidity Risk

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

	31-Mar-18 £'000	31-Mar-17 £'000
Less than six months	1,000	1,537
Six months to one year	37	20
More than one year	439	189
Total	1,476	1,746

Market Risk

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

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

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

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

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

NOTE 46 - JOINT COMMITTEES

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

- Joint Planning Committee
- Special Educational Needs Joint Committee

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

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

Gwynedd Council is responsible for the operation of three joint committees and the year-end balances are reflected in its Balance Sheet. The 2017/18 accounts for these joint committees can be viewed by following the below links:-

Joint Planning Committee

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

Special Educational Needs Joint Committee

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

GwE

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

Flintshire Council is responsible for the operation of the NWRWTP joint committee and the year-end balances are reflected in its Balance Sheet. The total net assets at 31 March 2018 were £108,798.

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

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

NOTE 47 – HOUSES INTO HOMES

The Council acts as an agent for Welsh Government for the provision of loans to individuals for renovation of empty homes in order to reduce the number of empty homes on Anglesey and increase housing opportunities. In 2017/18, £0.094m (£0.226m in 2016/17) was utilised in the renovations of empty homes.

NOTE 48 – COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the Council and the North Wales Police Authority for the forthcoming year and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent and adjusted for discounts. The Council Tax base for 2017/18 was £30,794.83 (£30,250.23 in 2016/17).

The amount for a band D property in 2017/18, £1,377.15 (£1,340.57 in 2016/17), is multiplied by the proportion specified for the particular band to give the amount due by band. Individual amounts due are calculated by applying discounts and benefits to the amount due by band.

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

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

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

Band	A*	A	B	C	D	E	F	G	H	I	Total
Total Dwellings	16.00	3,968.00	5,982.00	6,077.00	6,628.00	5,061.00	2,454.00	999.00	152.00	44.00	31,381.00
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9	
Band "D" Equivalent	8.89	2,645.17	4,652.28	5,402.00	6,627.75	6,185.67	3,544.31	1,665.00	304.00	101.50	31,136.57

	2017/18	2016/17
Band D equivalent as above	31,136.57	30,580.09
Collection Rate	98.50%	98.50%
Revised Band D equivalent	30,669.52	30,121.39
MoD Properties – Band D equivalent	125.31	128.84
Council Tax Base	30,794.83	30,250.23

In 2013/14, the Welsh Assembly Government introduced the Council Tax Reduction Scheme to replace the Council Tax benefit scheme. £5.432m of council tax reductions were awarded in 2017/18 (£5.381m in 2016/17).

Analysis of the net proceeds from Council Tax:	2017/18 £'000	2016/17 £'000
Gross Council Tax	42,295	40,183
Less Council Tax Reduction awarded to residents	(5,342)	(5,381)
Council Tax collectable	36,953	34,802
Add/Less: provision for non-payment not required or not previously accounted for	(50)	(215)
Net Proceeds from Council Tax	36,903	34,587

NOTE 49 - NON-DOMESTIC RATES (NDR)

NDR is organised on a national basis.

Non-domestic properties are normally assessed every five years for the purpose of calculating liability for NDR. A new list came into force on 1 April 2017. Revaluations do not raise extra revenue overall but reflect changes in the property market values across the country, redistributing the same total tax liability for NDR. Some rates bills will rise and some will fall but the average national bill will only change with inflation.

The Welsh Government specifies an amount for the rate – 49.9p in 2017/18 (48.6p 2016/17), and local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government then redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

NDR income, after reliefs and provisions (including Small Business Rates Relief provided by the Welsh Government), totalled £11.777m for 2017/18 (£13.449m in 2016/17) and was based on rateable value at the year-end of £38.262m (£39.490m in 2016/17).

The average rateable value for the year was £38.419m (£39.252m in 2016/17).

Analysis of the net proceeds from non-domestic rates:	2017/18 £'000	2016/17 £'000
Non-domestic rates collectable	11,777	13,449
Cost of collection allowance	(149)	(147)
Interest paid on overpayments	-	-
Provision for bad debts	(254)	(135)
Contribution to cost of charitable relief/rural rate relief	59	57
Payments into national pool	11,433	13,224
Redistribution from national pool	23,002	21,309

NOTE 50 - MARITIME

The Council, as a Harbour Authority, is responsible for the following maritime services: Beaumaris, Fryars Bay, Glyn Garth, Menai Bridge, Red Wharf Bay and Amlwch Harbour. The Statutory Harbour Undertakings (Accounts, etc.) Regulations 1983, no. 931, exempts harbour authorities with a turnover of less than £250,000 from the requirement to prepare separate harbour accounts under the Harbours Act 1964. The income and expenditure for Maritime Services are, instead, included in these accounts within the expenditure and income for the Regulation and Economic Development Service. In 2017/18, the turnover on maritime services was £48,934 (£47,336 in 2016/17). Costs incurred during the year were £95,369 (which includes £18,809 of loan interest/capital repayment).

NOTE 51 – ACCOUNTING POLICIES

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

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

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its financial position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations and the Accounts and Audit (Wales) (Amendment) Regulations 2018. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and the CIPFA Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS). All principal accounting policies have been applied consistently throughout the year.

2. Accruals of Income and Expenditure

Transactions are accounted for in the year that they take place, not simply when cash payments are made or received. This accruals accounting approach provides a more complete basis for reporting the Council's financial performance as it includes the Council's future commitments to pay/receive cash for goods and services received but not paid by 31 March 2018. Income and expenditure is accounted for in the year the activity it relates to takes place, not simply when cash is paid or received, i.e. on an accruals basis. This means income is recorded when it is earned not received and expenditure when it is incurred not when it is paid. Income from the sale of goods is included in the accounts when the sale is completed, not when the cash is received. Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and, as a result of this, the Council is due income in return for the services provided. In addition:

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

3. Events after the Balance Sheet Date

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

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

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

4. Jointly Controlled Operations and Jointly Controlled Assets

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

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

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

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

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

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

6. Value Added Tax (VAT)

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

7. Fair Value Measurement

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for the asset or liability.

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

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

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

8.1 Recognition

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

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

8.2 Measurement

Assets are initially measured at cost, comprising:-

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located in cases where, in order to bring an asset into use, any relocation of the asset is required.

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

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

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

- Infrastructure, community assets and assets under construction are valued at depreciated historical cost;
- Council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Council offices – current value, determined by the amount that would be paid for the asset in its existing use;
- School buildings – would be valued at current value in use but because of their specialist nature, are measured at depreciated replacement cost;
- Surplus assets – the current value measurement is fair value, estimated at the highest and best use from a market participant's perspective;
- All other operational assets have been measured at current value based on existing use value (EUV). This means that the current value of land and buildings would be that amount which would be exchanged for an asset in its existing use. If there is no market evident for an asset due to its specialist nature or if the type of asset is rarely sold, the Authority estimates the current value using a depreciated replacement cost approach. For example, for property comprising land and buildings, depreciated replacement cost would be the market value for the existing use for the land on which the building sits plus the current gross replacement cost of the building less allowances for physical deterioration, obsolescence and optimisation;
- Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Where there are conditions on any donated assets, the gain is instead credited to the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement;

- Where a part or component of an asset is replaced, the carrying value of the old part/component is derecognised to avoid double counting. The new component is added to the carrying amount. If it is not practicable to determine the carrying amount of the replaced part, the cost of the new part is used as an indication of the cost of the replaced part; and
- Where an asset is not held for the purpose of generating cash flows, value in use is assumed to be at least equal to the cost of replacing the asset's service potential.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In practice, the Council undertakes valuations of its Property, Plant and Equipment assets based on a five-year rolling programme. However, assets with a carrying value over £500k are revalued each year. Increases in asset values are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, revaluation gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

8.3 Impairment

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

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

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

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

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

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

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

8.4 Depreciation

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

Depreciation is calculated on the following bases:-

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

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

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

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

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

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

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

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

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

8.6 Disposals of Non-current Assets

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

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

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

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

8.7 Surplus Assets

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

8.8 Heritage Assets

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

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

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

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

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

8.9 Treatment of School Assets

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

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

Capital expenditure on community schools is added to the balances for those schools. Individual schools' balances at 31 March 2018 are included in the Balance Sheet of the Council as any unspent delegated schools' budgets remain the property of the Council.

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

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

9. Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10k) the Capital Receipts Reserve.

10. Intangible Assets

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

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

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

11. Inventories and Long-Term Contracts

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

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

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

12. Cash and Cash Equivalents

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

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

13. Financial Instruments

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

13.1 Financial Liabilities

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

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

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

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

13.2 Financial Assets

Financial assets are classified into two types:-

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

13.2.1 Loans and Receivables

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

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

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

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

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

13.2.2 Available-for-Sale Financial Assets

The Council does not have any available-for-sale financial assets and are unlikely to have any in the short-term as these financial assets are not included in the Treasury Management Strategy Statement 2018/19.

14. Provisions, Contingent Liabilities and Contingent Assets

14.1 Provisions

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

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

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

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

The Authority has made a provision for the costs of settling claims for back-pay arising from discriminatory payments incurred before the Authority implemented its Equal Pay Strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is, therefore, balanced by an Unequal Pay-Back Pay Account which, effectively, cancels the provision to zero. If any equal pay claims are funded from the general reserve in the year, these payments are deducted off the Equal Pay Provision and the Unequal Pay- Back Pay unusable reserve. Similarly, if a capitalisation directive is applied during the year, both the Equal Pay Provision and the Unequal Pay Back Pay unusable reserve will be reduced accordingly for the amount which is funded by capitalisation directive. The balance on the provision and the relevant reserve should reflect only any unsettled claims and future new claims.

14.2 Contingent Liabilities

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

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

14.3 Contingent Assets

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

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

15. Reserves

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

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

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

16. Revenue Recognition

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

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

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

17. Internal Interest

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

18. Leases

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

18.1 The Council as Lessee

18.1.1 Finance Leases

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

Lease payments are apportioned between:-

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

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

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

18.1.2 Operating Leases

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

18.2 The Council as Lessor

18.2.1 Finance Leases

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

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

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

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

18.2.2 Operating Leases

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

19. Charges to Revenue for Non-Current Assets

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

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

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

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

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

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

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

20. Government Grants and Contributions

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

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

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

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

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

21. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

22. Overheads and Support Services

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the Authority's arrangements for accountability and financial performance for the purpose of full-cost accounting for the statutory statistical returns, for example, the annual RA and RO Government returns. However, for budget monitoring and the statutory annual accounts, recharges are excluded and the corporate and support services are reported as service segments and held accountable for budget management.

23. Foreign Currency

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

24. Employee Benefits

24.1 Benefits Payable during Employment

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

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

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

24.2 Termination Benefits

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

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

24.3 Post-Employment Benefits

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

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

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

24.4 Teachers' Pension Scheme

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

24.5 The Local Government Pension Scheme

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

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

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

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

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

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

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

c) Re-measurement comprising:

- The return on plan assets (excluding amounts already included in the net interest on net defined benefit) which is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;

ch) Contributions paid to the Gwynedd Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

24.6 Discretionary Benefits

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

25. Exceptional Items

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

26. Accounting for NDR (Non-domestic Rates)

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

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

27. Agency Income and Expenditure

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

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

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

Welsh Government – Empty Homes' Loans where the Council acts as agent between Welsh Government and recipients of Empty Homes' Loans.

**SUPPLEMENTARY FINANCIAL STATEMENT
HOUSING REVENUE ACCOUNT**

Income and Expenditure Statement for the year ended 31 March 2018

	2017/18 £'000	2016/17 £'000
<u>Expenditure</u>		
Management and Maintenance - Repairs and Maintenance	3,322	3,438
Management and Maintenance - Supervision and Management	4,422	3,664
Rents, Rates, Taxes and Other Charges	3	22
Depreciation, Impairment and Revaluation Losses of Non-current Assets	10,652	10,733
Debt Management Costs	12	12
Movement in the Allowance for Bad Debts	(52)	40
Movement in the Accumulated Absences Accrual	8	10
Total Expenditure	18,367	17,919
<u>Income</u>		
Dwelling Rents	(16,125)	(14,954)
Non-dwelling Rents	(216)	(219)
Charges for Services and Facilities	(97)	(167)
Contributions towards Expenditure	(128)	(91)
Other	(202)	(174)
Total Income	(16,768)	(15,605)
Net Expenditure of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement	1,599	2,314
HRA Services' Share of Corporate and Democratic Core	56	56
Net Expenditure of HRA Services	1,655	2,370
HRA Share of the Operating Income and Expenditure included in the Whole Authority Comprehensive Income and Expenditure Statement:		
(Gain) on sale of HRA Non-current Assets	(2)	(496)
Revaluation of Assets	-	-
Interest Payable and Similar Charges	1,858	2,029
Interest and Investment Income	(10)	(20)
Capital Grants and Contributions receivable:	-	-
- Major Repairs Allowance	(2,659)	(2,660)
- Other	(32)	(67)
Deficit for the Year on HRA Services	810	1,156

Statement of Movements on the HRA Balance

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

	2017/18 £'000	2016/17 £'000
Balance on the HRA at the end of the Previous Reporting Period	(7,544)	(7,042)
(Surplus)/Deficit for the Year on HRA Services	810	1,156
Adjustments between Accounting and Funding Bases under Statute	(781)	(1,658)
Net Decrease/(increase) before Transfers to/from Reserves	29	(502)
Transfers to/(from) Earmarked Reserves	135	-
Net Decrease/(Increase) in Year on the HRA	164	(502)
Balance on the HRA at the end of the Current Reporting Period	(7,380)	(7,544)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1 – HOUSING REVENUE ACCOUNT

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

NOTE 2 – HOUSING STOCK

During 2017/18, the Council sold no dwellings under the Right-to-Buy Scheme (see note 5), and has suspended the right to buy scheme. Following the buyout from the Housing Subsidy scheme, the Council has a policy of purchasing suitable former Council dwellings and returning them to Council housing stock. During 2017/18, 12 such properties were purchased. As at 31 March 2018, the number of dwellings totalled 3,803, with the split by type of dwelling made up as follows:-

	31 March 2018	31 March 2017
Council Owned Stock		
Houses	2,016	2,010
Bungalows	1,044	1,044
Flats	736	730
Bedsits	7	7
Total Council Owned	3,803	3,791

NOTE 3 – HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

	2017/18 £'000	2016/17 £'000
Capital investment		
Houses	9,291	8,606
Sources of funding		
Capital Receipts	(14)	(821)
Government grants and other contributions	(2,677)	(2,727)
Direct Revenue Financing	(6,600)	(5,058)
Total	(9,291)	(8,606)

The Major Repairs Allowance for 2017/18 of £2.659m was used in full during the year (£2.660m 2016/17).

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

	2017/18 Derecognition £'000	2017/18 Depreciation £'000	2017/18 Total £'000	2016/17 Derecognition £'000	2016/17 Depreciation £'000	2016/17 Total £'000
Land	-	-	-	-	-	-
Dwellings	7,582	2,812	10,394	6,884	3,594	10,478
Other Property - Operational Assets	-	258	258	-	255	255
	7,582	3,070	10,652	6,884	3,849	10,733

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

	2017/18 No. of Sales	2017/18 £'000	2016/17 No. of Sales	2016/17 £'000
Council dwellings				
Right to Buy	-	-	9	804
Discounts repaid	2	10	-	-
Other Receipts				
Land sales	2	4	1	17
Other property sales	-	-	-	-
Mortgage Property	-	-	-	-
		14		821
Less set aside		-		-
		14		821

NOTE 6 – RENT ARREARS AND BAD AND DOUBTFUL DEBTS

During 2017/18, total rent arrears decreased by £0.050m. A summary of rent arrears and prepayments is shown in the following table:-

Rent Arrears	2017/18 £'000	2016/17 £'000
Current Tenant Arrears	394	456
Former Tenant Arrears	257	228
Total Rent Arrears	651	684
Prepayments	(186)	(169)
Total Debt	465	515

Allowance has been made in the Balance Sheet for bad and doubtful debts. These stood at £0.462m against rents (£0.506m in 2016/17).

NOTE 7 – PENSION COSTS

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

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

HRA Income and Expenditure Account	2017/18 £'000	2016/17 £'000
Current Service Cost	(318)	(270)
Employer Contributions actually paid	318	270
Contribution to Pension Reserve	-	-

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

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS	
Age Concern Gwynedd and Anglesey	Jim Evans
Anglesey Access Group	Robert G Parry OBE FRAGS
Anglesey Agricultural Show	Kenneth P Hughes
Anglesey Community Health Council	Jeffrey M Evans
Anglesey and Gwynedd Safer Communities Partnership	Llinos Medi Huws
Anglesey CAB	Nicola Roberts
Anglesey Language Forum	R Meirion Jones, Ieuan Williams
Area of Outstanding Natural Beauty Joint Advisory Committee (Ynys Môn)	Lewis Davies, Richard Dew, Victor Hughes, Dafydd Roberts, Robin Wyn Williams, Eric Wyn Jones, Nicola Roberts
Betsi Cadwaladr Stakeholder Reference Group	Llinos Medi Huws
Carers' Champion	Robert G Parry OBE FRAGS
Champion for Adults Safeguarding	Llinos Medi Huws
Champion for Children in Care	Richard Griffiths
Champion for Diversity	Margaret Murley Roberts
Champion for Equality	Nicola Roberts
Champion for Members	Robert Llewelyn Jones
Champion for Scrutiny	Aled Morris Jones
Champion for the Armed Forces	Richard Dew
Children and Young People's Champion	Llinos Medi Huws
Community Health Council	Dylan Rees
Court of Governors, University of Wales, Bangor	R Meirion Jones
Cwmni CYNNAL AGM	Margaret Murley Roberts
Cwmni Fran Wen	Vaughan Hughes
CYNNAL Management Committee	R Meirion Jones, Dafydd Roberts
Destination Anglesey Partnership (DAP)	Richard Dew
Fostering Panel	Richard Griffiths
Grwp Llandrillo/Menai	R Meirion Jones
GwE Joint Committee	R Meirion Jones
Gwynedd & Anglesey Adoption Panel	Llinos Medi Huws
Gwynedd & Anglesey Youth Justices Service	Llinos Medi Huws
Gwynedd Liaison Committee (Superannuation Fund)	Hywel Eifion Jones
Gwynedd Pensions Fund Committee (Gwynedd Council)	John Griffith
Horizon Nuclear Project Liaison Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Richard Owain Jones, Dafydd Rhys Thomas, Richard Griffiths
Isle of Anglesey Charitable Trust	R Meirion Jones
Joint Council for Wales	John Griffith, Dafydd Rhys Thomas
Joint Planning Policy Panel	Richard Dew
Local Education Authority	Gwilym O Jones
Medrwn Môn	Llinos Medi Huws
Member Board of the Consortium of Local Authorities in Wales (CLAW)	R Meirion Jones, Robert G Parry OBE FRAGS
Menter Môn	Ieuan Williams

RELATED PARTY DISCLOSURE - STAKEHOLDER REPRESENTATION WITH THIRD PARTY ORGANISATIONS	
National Eisteddfod Fund for Anglesey 1957	Jim Evans
North and Mid Wales Trunk Road Joint Committee	Victor Hughes, Robert G Parry OBE FRAGS
North Wales Adoption Panel	Jeffrey M Evans
North Wales Community Health Council (Anglesey Local Committee)	Richard Griffiths, Glyn Haynes, Dylan Rees
North Wales Economic Ambitions Board	Llinos Medi Huws
North Wales Fire and Rescue Authority	Lewis Davies, Jim Evans, Dylan Rees, Eric Wyn Jones
North Wales Fire and Rescue Authority Audit Committee	Jim Evans, Dylan Rees
North Wales Fire and Rescue Authority Executive Panel	Richard Griffiths, Eric Wyn Jones
North Wales Housing Association	Alun Wyn Mummery
North Wales Leadership Board	Llinos Medi Huws
North Wales Police and Crime Panel	Dylan Rees
North Wales Regional Waste Plan Review Steering Group	Robert G Parry OBE FRAGS
North Wales Residual Waste Treatment Joint Committee	Richard Dew, Robert G Parry OBE FRAGS
North Wales Safer Communities Board	Llinos Medi Huws
North Wales Tourism Partnership	Llinos Medi Huws
North Wales Valuation Tribunal (Joint Appointing Panel)	John Griffith
Older People's Champion	Robert Llewelyn Jones
Owen Lloyd, Penrhoslligwy Educational Trust	Vaughan Hughes
Pensions Committee (Gwynedd Council)	Hywel Eifion Jones
Public Service Board Anglesey and Gwynedd	Llinos Medi Huws
Regional Partnership Board	Llinos Medi Huws
Royal British Legion Association	Trefor Lloyd Hughes
SACRE	Bryan Owen
Sustainable Development Fund Partnership	Richard Dew
TALNET (Joint Bibliographic Society)	Richard Dew, Vaughan Hughes
The Harbour Trust, Caernarfon	Robert G Parry OBE FRAGS
Voluntary Sector Liaison Committee	Kenneth P Hughes, Llinos Medi Huws, R Meirion Jones, Alun Wyn Mummery, Gwilym O Jones
Welsh Local Government Association	Llinos Medi Huws, J Arwel Roberts, Ieuan Williams
Wylfa Site Stakeholder Group	John Griffith, Kenneth P Hughes, William Thomas Hughes, Llinos Medi Huws, Aled Morris Jones, Gwilym O Jones, Richard Owain Jones, Alwyn Roberts, Richard Griffiths
Ynys Mon Island Games Association	Richard Owain Jones

Please note that Councillors Jim Evans, Jeff Evans, Hywel Eifion Jones, Victor Hughes and Alwyn Roberts included in this list did not represent the Council at these organisations beyond the election in May 2017. These individuals either chose not to stand for election or were not re-elected in May 2017.

GLOSSARY

ACCOUNTING PERIOD

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

ACCRUALS

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

ACTUARIAL GAINS AND LOSSES

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

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

AGENCY SERVICES

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

APPROPRIATIONS

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

ASSET

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

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

AUDIT OF ACCOUNTS

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

BALANCE SHEET

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL FINANCING COSTS

Capital Financing costs are any additional costs arising from borrowing to fund capital projects. These tend to be interest payable on loans taken out and the Marginal Revenue Provision (MRP) charge on projects finance by borrowing. The MRP is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

CAPITAL PROGRAMME

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

CAPITAL RECEIPTS

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

CASH AND CASH EQUIVALENTS

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

CASH FLOW STATEMENT

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

CIPFA

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

COMMUNITY ASSETS

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:-

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXPECTED RETURN ON PENSION ASSETS

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

EXPENDITURE AND FUNDING ANALYSIS

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

FAIR VALUE

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

FINANCE LEASE

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

Impairment is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet. This is usually due to an event which has substantially reduced the value of the asset for example, a fire or if an asset has become obsolete.

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

INTEREST COST (PENSIONS)

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

INVENTORIES

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

INVESTMENTS (PENSION FUND)

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

INTEREST RECEIVABLE OR PAYABLE

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

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

LIABILITY

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

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

MINIMUM REVENUE PROVISION (MRP)

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

MOVEMENT IN RESERVES STATEMENT

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

NET BOOK VALUE

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

NET DEBT

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

NET WORTH

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

NON-DISTRIBUTED COSTS

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

NON-DOMESTIC RATES (NDR)

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOANS BOARD (PWLB)

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

RATEABLE VALUE

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

RELATED PARTIES

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

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

RELATED PARTY TRANSACTIONS

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

REMUNERATION

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)

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

REVENUE SUPPORT GRANT

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

SUPPORTED BORROWING

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

UNSUPPORTED BORROWING

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS (WIP)

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

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Annual Governance Statement 2017/2018

1. INTRODUCTION

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

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

Aspects of the Council's governance arrangements have been strengthened and modernised in recent years across a number of governance themes, and these were then incorporated in the previous Corporate Plan for the authority which was adopted in January 2013 setting out its work up to and including 2017. A new Council plan has since been adopted in the autumn of 2017 and this places an emphasis on our governance structures to enable the outcomes of the plan to be delivered.

<http://www.anglesey.gov.uk/Journals/w/l/r/2017---2022-Plan-14-11.pdf>

In addition, over the last few years six key themes have been developed by staff and management to support our aims and objectives :-

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

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

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

Principle B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

We have sought within this Annual Governance Statement to show how all the above key themes and principles are central to all our endeavours during 2017/18

2. SCOPE OF RESPONSIBILITY

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

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

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

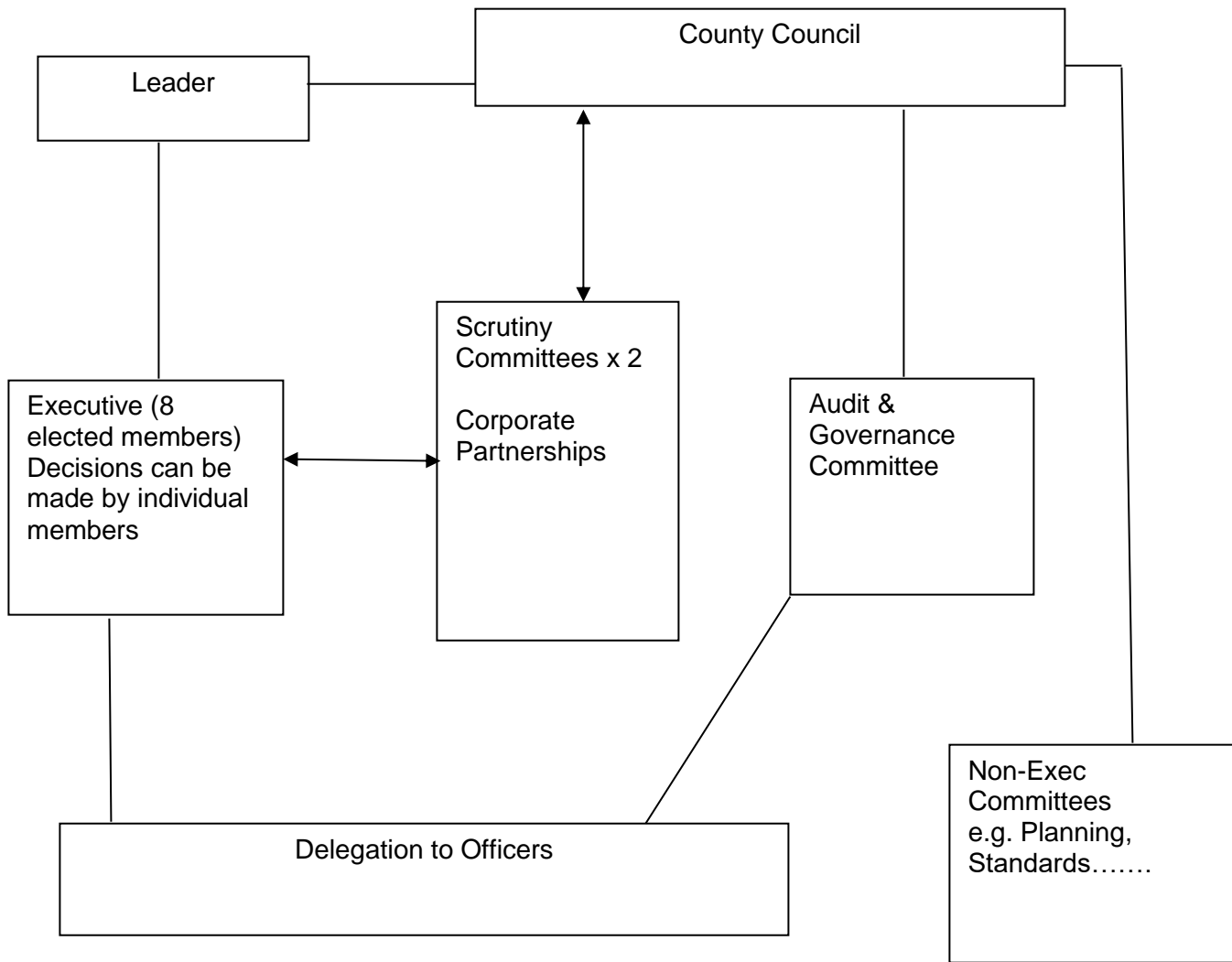
The Council has approved and adopted a local code of corporate governance that is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the local code is on our website at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance>

This statement explains how the Council has complied with the code and meets the requirements of non-statutory proper practice encouraging the publication of an Annual Governance Statement. It also meets the requirement of regulation 4(2) of the Accounts and Audit (Wales) Regulations 2014 in relation to the publication of a statement on internal control.

3. THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness. A broad overview of structure of IoACC Political Management arrangements can pictorially be represented as follows –



The governance framework has been in place at the Council for the year ended 31 March 2018 and remains applicable up to the date of the approval of the Statement of Accounts. Where any new arrangements have been introduced during the year this has been noted.

4. ANALYSIS OF THE GOVERNANCE FRAMEWORK 2017/18

The current framework as it relates to each of the seven Corporate Governance principles is described in the interlinked topics as outlined and available at <http://www.anglesey.gov.uk/council-and-democracy/governance-and-performance->

The following summary focuses on the work to develop and strengthen the framework and outlines areas of weakness identified during the 2017/18 financial year.

Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Related Key Theme:	Professional and well Run
	Assured – The County Council has clear, transparent decision-making processes which incorporate strong ethical values and are lawful. The codes of conduct set out expectations for behaving with integrity.

The six key themes incorporated within the revised **Council Plan** for 2017-22 set out the Council's values and these are embedded in the Council's transformational activity and future vision for delivery. As a result, the Six Key Themes continue to underpin the corporate way of working and the importance of good governance is emphasised in the Council Plan.

There are a number of codes of conduct and protocols in place as part of the **Constitution** to ensure high standards of conduct and behaviour. There is a Policy for the Prevention of Fraud and Corruption in the Constitution with subsidiary plans in place. This includes the Officers' Code of Conduct, which is statutory. Local Guidance has now been published and circulated to all staff.

The **Monitoring Officer** acts as the lead officer for the **Standards Committee** (SC), with seven of its nine members external appointments, and the remainder being Elected Members. The Committee develops and supports independence and objectivity rather than political governance and achieves this in the following ways:-

- Chairman's Annual Report to Council
- Work Programme approved annually by the Council
- Four quarterly meetings and as many extraordinary meetings as are necessary to deal with referrals from the PSOW and applications for dispensations
- Dealing with any matters referred under the Local Resolution Protocol
- Dealing with any Public Services Ombudsman Wales local view requests
- Training and development arranged by the SC and/or undertaken by the SC. This year the SC focused on the development of the new intake of Councillors elected in the May 2017, local elections.

To supplement training for Members, briefing notes have been published on the following subject areas:-

- Local Council Housing Allocations (Currently under revision to reflect the new Allocations Policy)
- Section 25 Localism Act 2011
- Public Procurement
- (Currently under revision to reflect the new Contract Procedure Rules)
- Political Freedom of Speech v Code of Conduct
- Gifts and Hospitality
- Dispensations
- Standards Committee Forum

The reports packs and minutes of the Standards Committee can be found using the below link:

<http://democracy.anglesey.gov.uk/ieListMeetings.aspx?CId=148&Year=0&LLL=0>

An annual review of the three **Registers of Members’ interests** are completed each year following which its findings are published and an advisory note is sent to all Members. This year the independent Members of the Committee who undertook the review have also contacted each elected Member direct about any specific issues relating to their registration of interests. Written feedback to individual Councillors will now also be provided for the first time but as the SC also has responsibilities for Community Councillors; the focus of the registers this year will be to undertake sample audits of declarations of interest at Community Council meetings. This process will be carried out on a risk-based approach.

There is joint working between the Council’s two management teams. The Penaethiaid meetings and members of the SLT who act as link officers with Heads of Service to ensure clear communication on how strategic/corporate priorities are being implemented within Services. This helps cascade corporate standard and decisions to help achieve a professional and well-run authority.

Ynys Môn and Gwynedd have undertaken a joint recruitment process to replace our independent members of the Audit and Governance Committee, now that the previous term of office has ended.

During 2017/18 Internal Audit continued to operate to the standards set out in the ‘Code of Practice for Internal Audit in Local Government in the United Kingdom, 2006’ produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2014/15. The Terms of Reference define the purpose, authority and responsibility of the internal audit activity, which is led by the Head of Audit & Risk. An external assessment of the Council’s Internal Audit Service conducted in March 2017, provided assurance that the service ‘Generally Conforms’ with the standards. This is the top assessment available to the assessor. The external assessor raised seven areas of improvement for consideration. Six of these have been fully addressed which leaves one remaining issue, that is, to develop an audit assurance framework. This will be addressed with the implementation of the new risk management software (4Risk) in 2018.

Principle B:	Ensuring openness and comprehensive stakeholder engagement
Related Key Theme:	Customer, Citizen and Community Focused
	Assured – The Council exists to serve its residents and is dependent on a wide variety of stakeholders for working effectively in partnership. Engagement and consultation mechanisms are in place.

All **Executive** and Council meetings are held in public (with the exception of exempt items) and all papers are published on the Council website. All reports to committees are accompanied with a cover report, which details a summary of the report, the recommendations seeking approval and a rationale for why that recommendation has been made, in order to show the reasoning and evidence for decisions.

A Combined **Forward Work Programme** for the Executive and Scrutiny Committees is publicly available and published on the Council’s website. There are clear timescales for the submission, publication and distribution of reports.

As in previous years and in the current financial climate the Council recognises that it needs to work closely with its key partners in this area of work to avoid duplication and utilise its resources effectively.

There is evidence of good engagement practice at service level which demonstrates how the Council shares its decisions, and there is a growing culture of trust and understanding with its citizens e.g.

- Consultation on the Budget
- Primary School Modernisation programme
- Housing Strategy Consultation Programme
- Older Adults Social Care transformation programme and decision
- Wellbeing consultation

However, the Council recognises that there is always room for further improvement in widening the cohort of citizens who actively engage (including hard to reach groups). As a result, Senior Officers have now recognised the opportunities to create a standardised and simplified process for engagement across the public and third sector.

Building on the success of the Seiriol pilot project in and around Beaumaris, a new **community engagement model** was used as a baseline to improve a Corporate approach to community engagement. This model is essential in order to identify those communities and groupings that will have an interest in taking over responsibilities for delivery of local type needs in their communities. The model has since its inception been tailored for use in different engagement and consultation work. This model has been signed off by the revised **Engagement & Consultation Board** led by an Assistant Chief Executive.

The Engagement and Consultation Board provides a cross Council approach to engagement and stakeholder involvement which reduces duplication, ensures a collective approach to engagement and improves our area-based intelligence as a Council.

The **Public Services Boards** for Gwynedd and Ynys Môn local authority areas became a statutory body under the Well-being of Future Generations (Wales) Act 2015. The PSB agreed to work collaboratively with the Board set up for the Gwynedd local authority area and a Joint PSB has been established for Gwynedd a Môn. The Board has met regularly during the 17/18 financial year and during this time the PSB has led on the work of producing the Assessment of Local Well-being for the area and consulted upon the local well-being plan prior to the end of the 17/18 financial year.

To assist the Council to contribute to its theme of achieving '*excellent customer, citizen and community focus*' (6 Key Themes), a **Customer Service Excellence** Project has been established. It contributes towards transforming the way the Council interacts with its customers to provide cost effective and timely services through efficient, demand led and self-service access channels.

A **Customer Service Excellence Charter** has now been operational since December, 2014 following consultation with front line stakeholder groups, officers, Elected Members, staff and trade unions. The Charter outlines our promises to the customer on how we will deal with their requests. It also outlines the expectations we have of our service users to ensure that a clear understanding is established at the outset. The values embraced in the Charter include 'putting the customer first' and demonstrating a 'can do' attitude. In accordance with its language policy, the Council is committed to ensuring that service provision is available in the chosen language of the service user (Welsh or English).

As part of the work commissioned by the Customer Service Excellence Board a mystery shop was undertaken during 16/17 looking at how well and efficiently services dealt with customer interaction. This piece of work concluded that –

“Overall the standard of Customer Care within Anglesey Council has improved since the last audit, however there is still room for improvement” and recommendations put forward are tracked and realised as part of the Boards remit.

A **webcasting** pilot funded by Welsh Government grant was undertaken in June 2014 that demonstrated a positive example of how Anglesey has progressed its customer / citizen focused electronic approach by webcasting Executive, Planning & Orders and Council meetings. This continues to be the case and it also adds to the transparency of decision- making and involves a much wider audience for debates. This is an effective example of the channel shift agenda and the Council's continuous drive to address democratic renewal.

A **staff survey** was undertaken during the winter of 2016/2017 and the results have been used to inform varying agendas across the council. The results of the survey were encouraging, showing that the council had made significant strides in terms of informing, listening to and supporting our workforce. A further survey is planned for 2018/19

Arrangements are in place to engage with Welsh Government, External Audit, other regulators and WLGA on a regular basis. These have been significantly strengthened over the last few years and have been sustained under our new Administration (elected May 2017) as part of the continuing governance arrangements.

Work continues on refining the **Internal Communication Framework**. We value the views and opinions of staff and Members in contributing to the agenda. Opportunities have been provided through a range of fora in which staff and members have been encouraged to actively participate. A cohort of future leaders recognised amongst staff have been proactive in critiquing current arrangements and proposing future improvements. For Members, regular informal briefing sessions have been held on a range of subjects. This enables them to better understand specific areas of work and allows them to prepare for informed scrutiny and decision-making. For the 18/19 Council year, there is a full and varied agenda for the monthly briefing sessions. Annual reports on their work were published by Scrutiny as well as the Standards and Audit Committees. From June 2014, individual Elected Members have also published annual reports. There are longstanding arrangements for engaging with employees: with Trade Unions through the Local Joint Consultative Committee and less formal meetings, and communication with staff generally through e.g. monthly staff bulletins. Managers and staff have been consulted and involved in a number of decision-making matters as part of the developing agenda.

A **Concerns and Complaints Policy** is operational and provides an emphasis on; Customer Care, the systematic recording of all concerns, early resolution, and the demonstration of lessons learnt and the implementation of improvements. The Policy is based on that of the Public Services Ombudsman for Wales as required by the Welsh Government.

Statistical information about service complaints are published monthly on the Council’s website and form part of an annual report to the Audit Committee which also deals any complaints dealt with under the Whistleblowing Policy.

Principle C: Related Key Theme:	Defining outcomes in terms of sustainable economic, social, cultural and environmental benefits Customer, Citizen and Community Focused Committed to Partnership; Achieving
	Assured – The County Council works with communities to plan outcomes. In setting policies and strategies, the County Council take a long term view about outcomes, taking into account sustainable economic, social, cultural and environmental benefits.

The Council’s newly adopted Plan 2017-22 (September 2017) now guides the work of the Council and provided certainty of direction for the local area during 2017/18.

It is a Plan which describes priorities succinctly and clearly and explains how the priorities reflect the views of the citizen and is aligned to the ever developing medium term financial plan. This highlights the resources which are required to realise the current council plan. The Council Plan provides the framework that helps shape budgets, and against which the Authority can assess and account to the community on the level of progress made against targets set, and inform them about areas for further improvement. A **Medium Term Financial Strategy** is also reviewed annually, in line with the corporate priorities.

All services also produce an annual **Service Delivery Plan** that shows clearly how they contribute towards achieving our corporate priorities. All service plans contain measures to evidence how actions will make a difference. As indicated, service plans are reviewed annually and are also subject to regular monitoring through the production of a quarterly scorecard – which looks at how services are delivering on the priorities in their plan. The scorecard is reported to the Senior Leadership Team, Scrutiny and The Executive.

Services are also subject to six monthly **service reviews** – looking specifically at the budget and spending in June and on performance and outcomes in November. Members of the Senior Leadership team and elected members rigorously challenge service performance at the service review sessions, and actions to address issues or improve performance against set targets are agreed.

Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions and its corporate agenda. For a 'small' Council it is an important means of building capacity and is fundamental to our approach of achieving shared priorities. We believe that successful partnership working is essential to the delivery of better services to our customers and a successful Anglesey. Improving the well-being of our citizens under the new legislation, will increasingly depend on our working in partnership with others.

The Council actively engages in a number of strategic partnerships at national, regional and local level. The criteria and reasoning for entering into partnerships has been reviewed recently as part of the partnerships policy and guidance, and still stands.

The Anglesey **Energy Island Programme** (EIP) is an economic development programme, established in 2010 by the Isle of Anglesey County Council as a result of major employers' closures / job losses (e.g. Anglesey Aluminium). It aims to attract and de-risk strategic major strategic investment, influencing potential developers, whilst enabling the economy, people and businesses to capitalise.

The EIP has brought together public, private and third sector partners in collaboration to achieve our vision - "To establish Anglesey and North Wales as a world-renowned centre of excellence for Research & Development, Production and Servicing of Low Carbon Energy creating a once-in-a-lifetime opportunity for jobs, economic growth and prosperity through capitalising on a number of transformational projects on Anglesey".

The Programme collaborates with a number of key stakeholders. As some of these are private sector partners; engaging in multi-billion pound developments, customer focus is paramount in order to gain the credibility and trust of companies through helping de-risk their very substantial investments and presenting a 'seamless' join in terms of public sector engagement and support. It has called for true partnership working with the UK and Welsh Government Ministers and Senior Officials, other North Wales Local Authorities, Further and Higher Education, Skills providers, the supply chain and the Third Sector.

The EIP brand is now recognised far and wide, and the success of the Programme is acknowledged and identified as good practice in terms of the seamless join of public and private sector engagement and success, with many people asking how the Governance of the Programme works – and even Hitachi in Japan having been in touch.

Anglesey Social Services are committed to partnership working on both a local, sub regional, regional and national basis in order to deliver outcomes which are of benefit to citizens and communities. This has been recognised as a strength in external inspection reports for us to build on. Both Children and Adult Services remain actively involved in the All Wales and the North Wales agendas to improve the delivery of social services through a collaborative approach.

Governance arrangements are in place via the **North Wales Social Care and Wellbeing Improvement Collaborative (NWSWIC) and the Regional Partnership Board**. NWSWIC has in place a comprehensive programme of improvement through collaboration focused on the requirements under Part 9 of the **Social Services and Wellbeing (Wales) Act 2014**. This partnership ethos can be further evidenced through the collaboration of the Council's Social Services with BCUHB via the Integrated Delivery Board (IDB).

The **Welsh language** is central to the life of the island of Anglesey and is part of its rich cultural heritage. To promote the Welsh Language strategically at a community level, the Council has established a [Language Forum](#) in collaboration with its key partners. Its role includes identifying opportunities for collaborative projects, assisting to assess the impact of large scale economic projects on the Welsh Language and scrutinising the work of the Council in promoting language issues.

The Council has adopted a **Welsh Language strategy** with the aim of increasing the use of the welsh language within our communities to 60% by 2021. This together with meeting the expectations of the welsh language standards provides a robust framework for the future partnership work to embed the use of Welsh across services and provision within communities.

Principle D:	Determining the interventions necessary to optimise the achievement of the intended outcomes
Related Key Theme:	Innovative, Ambitious and Outward Looking
	Assured – The County Council takes decisions on interventions based on its clear vision for services, engaging with communities, regulators and practical expertise of professional service officers. This combination leads to optimizing the achievement of intended outcomes.

Anglesey County Council has an approved **Constitution** that sets out clearly how the Council operates and how decisions are made and procedures need to be followed to ensure efficiency transparency and accountability.

The arrangements for delegation of Executive decisions to individual Members are now well established across the Authority following guidance that was reissued in August 2013.

Members and the public have had the full benefit of access to committee papers and supporting information for a number of years. Members also continue to enjoy direct access to this electronic system during meetings as they now have all been issued with tablet / laptops.

Policy approval and decision-making is undertaken by Elected Members, the meetings of which are open to the public except where exempt matters are being discussed under Schedule 12A Local Government Act 1972.

The Council, which meets a minimum of four times a year. It approves overall policies and sets the budget each year. The Council agrees the form of the Authority’s Committees (in accordance with the provisions of the Local Government (Wales) Measure 2011 where appropriate), appoints the Leader of the Council (who in turn appoints the Council’s Executive) and carries out all other functions assigned to it under the Constitution.

Political governance within the authority has been embedded since the last elections and a cross-party ruling group of 21 members now lead the Council. Specific changes were made to the constitution, such as the introduction of a four / five year term for the Leader of the Council, which has enabled political stability.

These foundations have created a structure which allows for effective political governance. The evidence from the last few years demonstrates a functioning and effective decision-making process, with appropriate mechanisms for assurance and improved performance.

The approach incorporates **Council, the Executive, the Audit Committee, Democratic Services Committee, Planning & Licensing, Scrutiny, and the Standards Committee.**

The **Council** has responsibility for the policy and budget framework. Key governance reports are matters for Council, and Council agree the annual revenue and capital budget.

The **Executive** is the key decision-making body and consists of the Leader (who takes the Social Services portfolio) and eight further Portfolio Holders, which take responsibility for the following portfolios:

- Education, Libraries, Youth & Culture
- Planning and Public Protection
- Service Transformation & Welsh Language
- Finance
- Corporate
- Highways, Property and Waste Management
- Major Projects & Economic Development
- Housing & Supporting Communities

The membership of the Executive has been revised following the election (May 2017) and its growing effectiveness is starting to become evident. Where appropriate, the Executive can delegate decision-making powers to the relevant Portfolio Holder(s).

The Audit Committee is a key component of the authority's governance framework. The committee has two lay co-opted Members which serves to widen its independent knowledge and experience base. These new appointments have been appointed for the term of the current Council.

The Committee provides independent assurance to the Council and its statutory officers on; the adequacy of the governance and risk management frameworks, the internal control environment, and the integrity of the financial reporting. By overseeing internal and external audit and other regulators it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Committee undertakes an annual self-assessment on its performance which informs its forward work plan.

The **Democratic Services Committee** meets on a quarterly basis and is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The Committee has developed an annual work programme and the Chair reports annually to Council's Annual General Meeting(AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter form an integral part of its work, including Member development.

There are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny.

The focus of the **Corporate Scrutiny Committee** on performance has supported the cultural change and contributed significantly to improved governance and performance.

The Partnerships & Regeneration Scrutiny Committee have an important and essential role in reviewing our partnership arrangements and activity, and are closing the democratic deficit that partnerships have been criticised for. Over the past two years they have led the formulation of a partnerships register, terms of reference and governance expectations resulting from partnership arrangements.

During 2016/17 the Council commissioned an external review of our scrutiny arrangements in order to make recommendations for consideration by our new Council. The review highlighted the need for a new vision for scrutiny to be adopted and greater focus given on how the scrutiny function can add value to the governance of the Council with greater emphasis on forward work planning and prioritisation.

As a result, the Council has now established three standing panels of scrutiny which will focus on –

1. Improvements in Education Standards
2. Financial scrutiny
3. The Scrutiny of Children's Social Care

Members of the Corporate Scrutiny Committee hold briefing meetings in advance of every committee in order to prepare and focus discussion at the formal meetings of the committee. This is regarded as good practice and it is intended to continue with these arrangements in 2018-2019.

The work of the Corporate Scrutiny Committee can be summarised into four main themes:

- Service Performance
- Budget setting and in year performance
- Annual reports (social services and libraries)
- Transformation proposals

The work of the Partnership and Regeneration Scrutiny Committee can be summarised into four main themes:

- Partnerships Performance
- Economic regeneration and the Energy Island concept (or successor plans and policies)
- Crime and Disorder matters
- To deal with any matter that is unable to be considered by the Corporate Scrutiny Committee

Members represent Scrutiny on various internal Boards and review groups, the purpose of this being to promote inclusion, add value to the discussion and to report back to their Scrutiny Committee on progress and to raise areas which may require formal Scrutiny. Each of the two Scrutiny Committees reports their activity to the Council at its annual meeting.

In order to drive the change agenda and deliver the Council's Plan, a Programme Management framework is in operation.

Two **Corporate Transformation Programme Boards** have now been re-established post May 2017 elections –

1. Business Processes and Governance Transformation Board, and
2. Service, Community and Partnerships Improvement Board

These have an overview of a number of high priority projects which the Council is committed to achieving and are responsible for setting a direction for them.

Each of the Corporate Transformation Boards includes representatives of both Scrutiny Committees and the Executive, providing an opportunity to identify areas where the Members' role can add value either on the Boards themselves or through the Scrutiny process. In the recent past, managers were given the opportunity to become members in order to increase the challenge and corporate awareness by communicating the key messages within their services.

The corporate method of managing projects and programmes is maturing year on year as a result of strengthening our Governance arrangements. Welsh Government has identified good practice in some of our programmes and other projects and programmes have gained national success and UK wide recognition over the past 12 months.

Principle E:	Developing the entity’s capacity, including the capability of its leadership and the individuals within it
Related KeyTheme:	Valuing and Developing our People
Public sector entities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The governing body must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that an entity’s management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an entity operates will change over time, there will be a continuous need to develop the entity’s capacity as well as the skills and experience of the leadership of individual staff members.	

The Council has achieved the **WLGA Charter for Member Support** in recognition of the work that we have undertaken to provide a high standard of support to Members to undertake their diversity of roles ranging from that of community leader, to their special responsibilities within the Council.

In addition, a number of Members have undertaken professional development reviews (PDR’s) and training needs have been identified from these. Whilst still in its infancy at Anglesey, such a development is seen as key to enabling Members to be more effective in their role. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair. During 2016/17, this practise continued to be further embedded. Member training is monitored by the Council’s Democratic Services Committee.

The Council has continued over the past 12 months to use the now well-established all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council’s People Strategy was reviewed independently in 2016. That independent review confirmed that the strategy remained “fit for purpose” to take the Council forward to 2020 as it continues to support the Council’s vision and provides a framework for moving our people management forward.

The People Strategy has five key priorities:

- Recruiting and retaining the best (innovative, ambitious and outward looking)
- Inspiring service excellence (customer/citizen and community focused)
- Building Organisational effectiveness (professional and well run)
- Engaging, developing and managing our Talent (valuing and developing our people)
- Developing the skills and capacity of our workforce (valuing and developing our people)

There is a lively Middle Managers forum and the **Ignite Club** provides inspirational learning sessions which are open to all staff. Due to decreasing number of attendees the Ignite Club it is acknowledged will need to refocus during 2017/18 and will be reviewing its appropriateness in terms of TOR / alignment with other activity and timing of scheduled meetings. As part of the activity on the Corporate Plan and staff engagement activity, individuals across the authority have been given an opportunity to work on corporate projects and strategies.

The **staff awards ceremony** continues apace and recognises, celebrates and promotes the achievements of Council staff. Every day our staff work hard to deliver public services for the people of Anglesey, and the staff awards are an opportunity to showcase good work and demonstrate how much we value our people. There are six categories of award which mirror the '*Six Key Themes*'. During 2017 the ceremony was expanded to include staff recognition to those who have gained a professional qualification and to present long service awards.

The implementation of the 2016 staff survey was led by the Assistant Chief Executive. The results of which are published via Monitor (April 2017) and demonstrate that –

- 90% of staff enjoy their work with
- 95% knowing what's expected of them and of those who responded
- 53% feel valued by the Council (this is in-keeping with the results of 2013).

However, there appears to be a decreasing understanding amongst our staff of what's happening corporately with only 34% feeling well-informed about what's going on in the Council on the whole.

Additional comments from the survey were also collected by 193 respondents informing the organisation of where more work needs to be done. The Senior Leadership at the time of writing this report is considering its response to these issues and what needs to be done in order to improve our collective understanding of what's happening corporately. A demonstration of this is the way by which the Chief Executive has led the staff sessions (12 in all) presenting to the expectations of the proposed corporate plan.

The Council has a strategic **Equalities Plan 2016-2020** adopted by the Executive which highlights our commitment to equality, both in the provision of services and as a major employer, and to the elimination of unfair and unlawful discrimination in all our policies, procedures and practices. Progress on its key priorities are included in its annual monitoring report to the Equalities Commission and the Council is a key member of the North Wales Equalities network. Internal engagement is essential in developing a 'Team Môn' culture and there is a need to further refine **Internal Communication Framework** to enable and secure a greater level of participation from Officers at all levels within the Council. The views and opinions of staff and Members in contributing to the corporate agenda are welcomed and valued. Current opportunities include:-

- Monthly Penaethiaid meetings
- Quarterly Managers Conference
- Ignite Club / Clwb Sbardun
- Member Briefing Sessions
- Thematic Workshops (i.e. budget)
- Service Management Meetings
- Annual Service Reviews
- Team Meetings
- One to One Supervisions
- Employee appraisals
- Staff suggestion schemes
- Use of Y Ddolen to keep abreast of corporate initiatives
- Use of Medra Mon as a newsletter

Whilst corporate internal communication has improved significantly under the leadership of the SLT – it is still felt that the SLT needs to improve its visibility and communication methods with staff below Management and with those staff located outside the Council HQ through new technologies, social media and face-to-face.

The regular informal briefing sessions for Members (outlined previously) enables a better understanding of specific work areas and allows them to prepare for informed scrutiny and decision-making.

We are a fully bi-lingual Council and a high proportion of our staff and most Members are first language Welsh speakers. All corporate communications, therefore, are produced bi-lingually, providing staff and Members with the ability to communicate in the language of their choice. Non-fluent Welsh speakers are supported to improve their Welsh language skills in an inclusive environment.

Principle F:	Managing risks and performance through robust internal control and strong public financial management
Related KeyTheme:	Professional and Well Run

The governing bodies of public sector entities need to ensure that the entities they oversee have implemented and can sustain an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity’s outcomes.

The **Risk Management Policy** was adopted by the Executive on 26th May 2015 and both the Policy and associated guidance have been uploaded to Monitor (the council's intranet). The key 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.

The Risk Management Policy and Framework were reviewed on 5 December 2018 by the Audit and Governance Committee and Senior Leadership Team (SLT). The review concluded that while work remains to be done to fully embed risk management throughout the Council, progress has been made and is continuing. These documents align the Risk Management and Performance Management frameworks.

SLT review the **Corporate Risk Register** on a quarterly basis. Services are expected to update their risk registers quarterly with any "red" or "amber" risks escalated to SLT to be considered for inclusion on the Corporate Risk Register.

During 2017/18 the Audit and Governance Committee have been presented with two updates on the Corporate Risk Register (21 June 2017 and 13 February 2018). At both meetings it was resolved that the Audit and Governance "Committee takes assurance that the risks to the Council's aims and objectives are being recognised and managed by the Senior Leadership Team". During the year work has been on-going on the management of Partnership risks.

A Performance Management Framework is in place which starts with the medium-term Corporate Plan (the current plan is for the period 2017/2022 as mentioned above) and each subsequent year with an Annual Delivery Plan. These set out what the key priorities of the council are and what it hopes to achieve. The framework also include performance management

reports to identify whether the Council is achieving its planned objectives. These reports include quarterly scorecards, half-yearly challenges to Services and regular reports to the Executive and to Scrutiny. The final Scorecard for 2017/18 relating to Quarter 4 was reported to the Executive on 18 June 2018. This highlighted that it was encouraging to note that the majority of Council's indicators performed well against their targets. The report acknowledged an embedded mindset within the council to continuously improve, despite another challenging year for the public sector. The report highlights areas, which the Council should target for improvement going forward in relation to: Children and Families Service, Adults Service, Learning, sickness and complaints.

The Performance Framework continues to evolve and to focus on self-assessment by Heads of Service, and on the key areas of risk and transformation. It is also focusing on improvements to reporting of workforce and financial information. During 2017, a series of Service Reviews was undertaken which covered -

- (i) Efficiencies and Service Budgets (June-July 2017)
- (ii) Performance (November-December 2017)

Whilst we have established strong approaches to ensuring effective governance for new partnerships, governance arrangements for some of the more historical partnership arrangements require strengthening

An Annual Performance Report, accounting for performance and benchmark with other Authorities is published by 31st October each year. The most recent Annual Performance Report relates to 2016/17 which was completed in 2017/18 and can be found following the below link.

<http://democracy.anglesey.gov.uk/documents/g3116/Public%20reports%20pack%2030th-Oct-2017%2010.00%20The%20Executive.pdf?T=10&LLL=0>

The Annual Performance Plan for 2017/18 will be published in October 2018.

The Executive approved the **Medium Term Financial Plan (MTFP)** for the period 2017/18 to 2019/20 in September 2016. The MTFP identified the potential savings required over the three-year period and set the strategy for the 2017/18 budget. The annual budget was approved by the full Council at its meeting of the 28th February 2017. The requirement to implement budget cuts and efficiencies was a pivotal part of the budget setting, with an in-year savings target of £2.444m being required to balance the budget. The MTFP was updated at this point, following the completion of the 2017/18 budget, and identified that future budget reductions would range from £3.2m (optimistic scenario) to £8.8m (worst case scenario). The updated plan identifies the continued need to focus on budget reductions and identifying further efficiencies over the next three years in order to ensure the future financial stability of the Council.

The Budget Planning Process was undertaken from May 2016 to February 2017. This Included consultation with statutory groups, including the Schools Forum, Town and Community Councils and businesses, as well as other stakeholders such as Llais Ni and the Older Persons Forum . This also included an extensive public consultation process. The comments made

during the consultation process were considered by the Executive as they drew up their final budget proposals and it did result in some budget proposals being withdrawn or amended.

The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that they support the demands of a 21st Century Local Authority. Formal arrangements are in place for the management of performance, finance, programmes and contracts, which contribute to the upholding of key elements of governance.

Quarterly financial reports (Revenue and Capital) were made to the Executive during 2017/18 which included a budget against actual measurement as well as a forecast of the position at the year end, which also covers a range of financial information and plan with corrective measures to bring the budgets back under control if required. The final financial performance for the year 2017/18 was broadly in line with the forecast performance in the quarterly reports. Both the forecasts and actual year-end financial position highlighted significant budgetary pressures arising from increased demand for statutory Children's Services and Learning. This information has been used for future planning and budgeting including consideration of different delivery approaches such as increased preventative support and increasing provision on the Island.

The Council's Treasury Management arrangements follow professional practice and are subject to regular review by the Audit & Governance Committee, the Executive and the Full Council.

Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that, the service is being delivered to the required standard. Areas for further improvement are documented in an action plan, which will be shared with the Audit and Governance Committee in June 2018 as part of the review process for agreeing the Final AGS.

The External Audit Findings Report for 2016/17 was presented to the Audit and Governance Committee on 21 September 2017 and Full Council on 26 September 2017, reflecting that the prepared accounts represented a true and fair view. There were three accounting corrections highlighted in the audit report. During the closure period adjustments had the impact of reducing the Council General Balance by £342k. There were no unadjusted misstatements which required restatement for Members to consider. An unqualified opinion was given in respect of both the statement of accounts and the value for money opinion. This means that there were no major concerns raised about the accounts. The action plan set out eight recommendations in relation to accounting and payroll control; five recommendations in relation to IT and eight recommendations in relation to Asset Valuation. The recommendations to improve processes and internal controls have been accepted by Management and are in the process of being implemented.

The **procurement strategy** continues to be rolled out across the Council which is key to the continuing success of the Authority's procuring of products and services. In line with the recommendations of the KPMG Fitness Check report in 2014, the Procurement team have developed and put in place new policies, a contacts management strategy, as well as reviewing the contract procedures. An initial procurement project delivered £500k of cashable savings and the second procurement project is now underway, with savings anticipated, however the focus will be on compliance of contract procedure rules.

The **Annual Certificate of Compliance** confirmed that the Council complied with its responsibilities relating to financial reporting, use of resources, improvement planning and performance management.

The Council has made significant progress on **information governance** over the last two years but it remains a priority. Under the leadership of the appointed Senior Information Risk Owner (SIRO), a large number of staff have undertaken the mandatory training on **data protection** and regular refreshers are scheduled annually particularly in light of the new General Data Protection Regulations and the Data Protection Act 2018 which are effective from 25 May 2018.

Principle G:	Implementing good practices in transparency, reporting, and audit to deliver
Related KeyTheme:	Professional and Well Run

Accountability is about ensuring that those making decisions and delivering services are answerable for them, although the range and strength of different accountability relationships varies for different types of governing bodies. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability

All **agendas and reports are available on the Council Website** unless they contain exempt information. This includes any information on ‘declarations of interest’ that are made at meetings. The Members’ Register of Interests is also published on the Council’s website.

As noted previously in Section D there are two **Scrutiny Committees**; one concerned with the internal working of the Council – *Corporate Scrutiny*, and the second concerned with external partnerships and the impact of the Council on its communities – *Partnership & Regeneration Scrutiny*. These two committees have enabled Members to take a more holistic and corporate view of the Council, its role and impact.

The **Democratic Services Committee** is responsible for reviewing the adequacy and support for Members which covers; Member development, staffing resources, facilities. The Chair of the Committee has been issued with a specific job description, and members of the Committee have a separate job description setting out roles and responsibilities. The Chair also acts as the Member Development Champion and participates in WLGA network meetings where best practice is shared.

The **Audit & Governance Committee** meets regularly to consider the effectiveness of the Council’s internal control; risk management and governance arrangements; monitors the work of internal and external auditors and inspectors; monitors the relationships between auditors and staff; and monitors the responses to audit and inspection recommendations.

A number of Members have undertaken professional development reviews (PDRs) and training needs have been identified from these. This has now been extended to include independent Members of the Standards Committee whose performance and objectives are reviewed by the Standards Committee Chair.

The Committee developed a work programme for 2017/18 and the Chair reports annually to Council's Annual General Meeting (AGM), including a report on the Member Development Plan. Themes associated with the WLGA Member Development Charter awarded to the Council form an integral part of its work programme.

The Council has continued with the practice of holding monthly all-member briefing sessions on major developments / key strategies and budget proposals. This has proved useful in increasing the wider appreciation and understanding of different initiatives prior to further debates and scrutiny in public forums.

The Council has an objective and professional relationship with its external auditor and statutory inspectors, as evidenced by the Annual Improvement Report. This can be found on the Council's or WAO's website. The Senior Management Team, Members and officers from Internal Audit and Corporate Transformation meet regularly with external regulators to discuss the Corporate Risk Register, key developments, the findings of all external reports and to update on progress being made to implement recommendations.

Over recent years, the Council has succeeded in managing and evaluating itself regularly and as a result regulators' opinion has been positive in terms of willingness to achieve.

In their annual compliance certificate (November 2017) the Wales Audit Office states:-

"The Council complied with its responsibilities relating to financial reporting and use of resources...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 has issued a certificate confirming that the audit of the accounts has been completed on 29 September 2017".

Also, the Care and Social Services Inspectorate Wales noted, in their recent report (Children's Services Inspection Report – March 2017) that improvements were required in the Children's Service but that the Service has been working in a period of significant change in light of the new social services and welfare act and that:

"senior managers accept the inspection's findings and have committed themselves to achieving the necessary improvements".

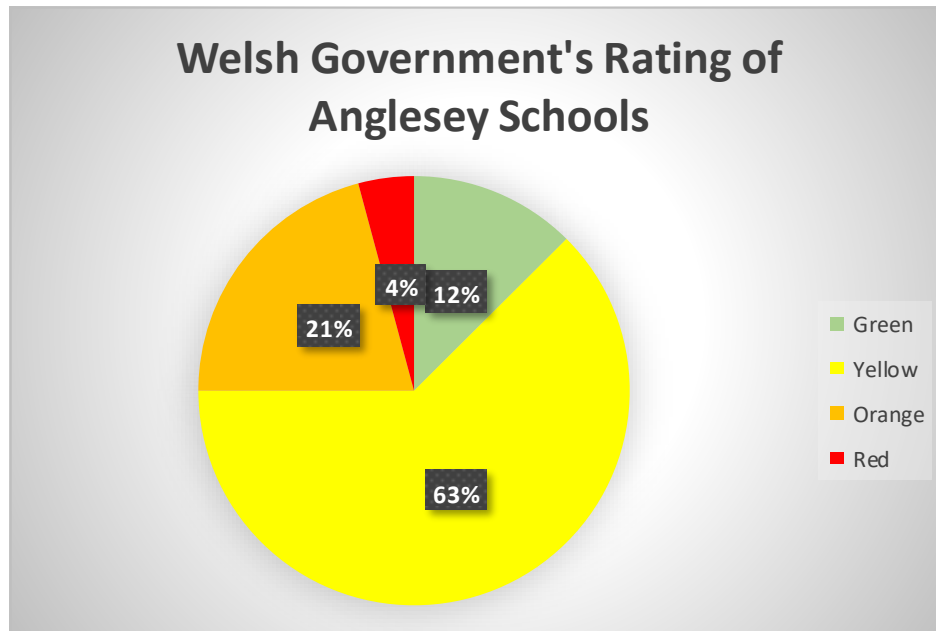
In this context, the Council is fully aware of the need to respond constructively to the recommendations of CSSIW and has drafted a comprehensive work-plan. The responsibility for leading and achieving against this plan would be the Assistant Chief Executive's in collaboration with the Head of Children and Families Services. Overseeing this work, and acknowledging its importance, the SLT will be taking an active role regularly ensuring achievements against the plan. This will place greater burden on the SLT's time (capacity) as a team and on an individual basis.

School performance on an Authority level, generally, has dipped in comparison with other Councils and from 2016. There is a need to keep a close eye on this and try to ensure that performance in all stages improves.

Welsh Government has judged that the vast majority of Anglesey schools (75%) are now performing effectively (yellow and green rated schools) with six of these schools placed in the highest category (green) in 2017 (compared to seven in 2016). The Council will aim to increase the number of schools in the green category in 2018.

It can be seen that the number of schools placed in the red category (i.e. schools needing significant support) has increased in 2017 from one to two and the number of schools in the orange category has increased from six schools in 2016 to eight schools in January 2017.

These results are shown in the below chart.



During the year, six primary schools were closed and two newly built, 21st Century Primary Schools were opened in September 2017. The 21st Century School Programme aims to rationalise schools where there are too many surplus places and to provide for schools fit for the 21st Century. Therefore, Anglesey schools have reduced from fifty two schools to forty eight schools. This may have had an impact upon the results between 2016 and 2017. The pupils from the three primary schools closed in Holyhead now attend the new Ysgol Cybi Holyhead and the former pupils of the three closed primary schools in North West Anglesey attend the new Ysgol Rhyd Y Llan. These changes will impact on results going forward hopefully in a positive way.

Estyn's Framework for inspecting the authority's schools assesses the standards of teaching, learning and the welfare of pupils in individual schools. There was an increase in the percentage of schools placed in the most intensive support categories (an increase from 15.4% in 2016/17 to 25.0% in 2017/18). Currently four schools continue to be in Estyn follow-up categories compared to three schools in 2016, and these schools are monitored by the Education Standards Scrutiny Panel.

5. REVIEW OF EFFECTIVENESS

The Isle of Anglesey County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditor and other review agencies and inspectorates.

The effectiveness of the governance framework has been evaluated by a combination of:-

- the results of the regular in-year review and monitoring by officers and committees;
- a review of relevant documents prepared during the year or relating to the year;
- the review of progress against the Corporate Plan;
- a review of the six themes which underpin the authority's values
- reviews of feedback from Estyn and CSSIW and the related recovery boards on the improvement work in relation to Education and Children's Services;
- a series of interviews with key officers;
- discussion with, and receiving comments from, groups of officers and members including the SLT and the Executive.

In addition, regular in-year review and monitoring includes:-

- formal risk management activity, including specific consideration of those risks linked to governance processes;
- Internal Audit, whose work takes account of identified risks through regular audits of the major systems, establishments, major projects and major governance processes; including risk management, in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that senior officers implement agreed recommendations;
- the annual assessment of Internal Audit by the Council's external auditor;
- the work of the Council's Scrutiny and other Committees, including its Audit and Standards committees;
- the opinions and recommendations of the Council's external auditor and other review agencies and inspectorates;
- the regular monitoring of improvement and performance against the Corporate Plan and its supporting plans and strategies by members and senior managers.

Key policies, and any amendments to them, are approved by the Executive and where appropriate, formally adopted by the County Council.

In May 2017 the Wales Audit Office completed an assessment of the Council's Governance when Determining Significant Service Changes. The report (concluded that:

"The Council's arrangements for decision-making on significant service changes are generally effective but it recognises that they could be further strengthened"

The report acknowledged that the Council has a clear vision and strategy for determining service change proposals. The report commented positively on the Council's procedures to encourage stakeholders to engage in decision-making and that the Council continues to strengthen engagement arrangements. The report acknowledges that the Council annually reviews the effectiveness of its decision-making arrangements and is aware of areas where it can improve. Areas of improvement were reported such as the Council could do more to review and reflect on service benefits following implementation. The risk of duplication between the transformation boards and scrutiny committees was also highlighted.

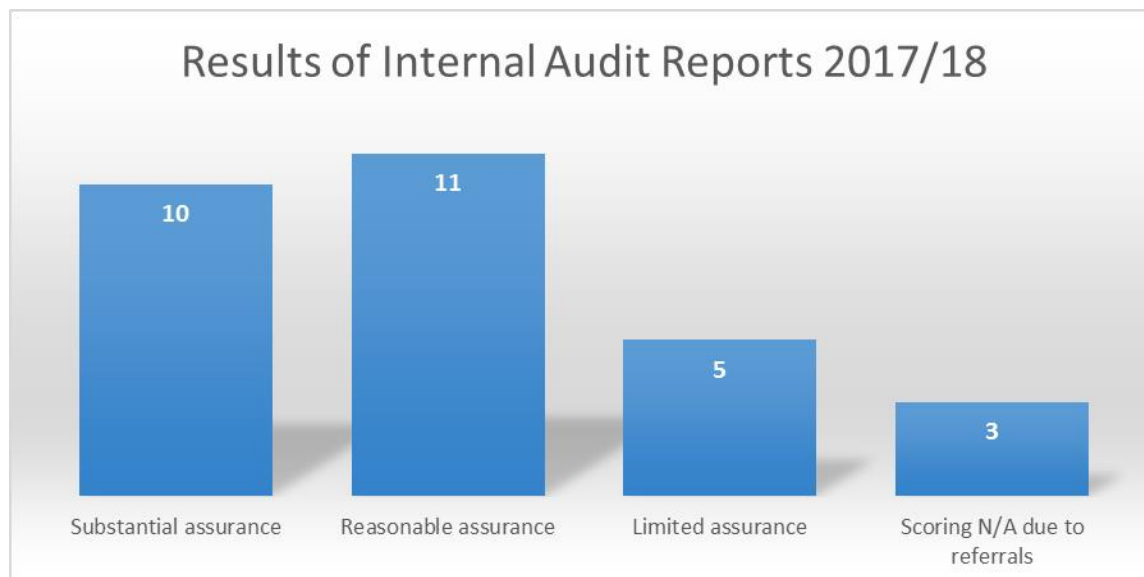
6. SIGNIFICANT GOVERNANCE ISSUES

Wales Audit Office completes an Annual Improvement Report. The latest Annual Improvement Report 2016/17 was published in June 2017, please see below link. This highlighted that no formal recommendations were made but some proposals for improvement were suggested. The report commented that the Council's governance arrangements are generally good. This report also usefully summarised the results from all Wales Audit Office specific reports on the Isle of Anglesey County Council during the period 2016/17.

<http://audit.wales/publication/isle-anglesey-county-council-%E2%80%93-annual-improvement-report-201617>

The Annual Report 2017 of the Head of Internal Audit gives assurance on the framework for internal control. The Head of Audit and Risk's opinion for the year ended 31 March 2018 "is that the organisation has an adequate and effective framework for risk management, governance and internal control. Some areas require the introduction or improvement of internal control...these are subject to monitoring...There are no qualifications (major concerns) to this opinion"

The Annual Audit Report identifies that the Function completed 29 audits during the year. This is a reduction from 2016 due to reduced staffing levels arising from vacancies. The levels of assurance identified in each audit is summarised in the chart below. This highlights that 10 audits received substantial assurance. 11 audits were found to identify reasonable assurance and 5 audits identified areas of more significant improvement required which offered limited assurance.



Therefore, all of the audits performed during the year resulted in positive levels of assurance with the exception of the following audits, which were assessed as providing Limited Assurance:

- Corporate Procurement Framework;
- Data Protection and Information Governance;
- Payment Card Industry Data Security Standards;
- Sundry Debtors;
- School Transport

The audits listed above will be followed up during 2018/19.

In addition, the internal audit and risk function completed audits arising from three referrals; follow-audit work and general counter fraud work, National Fraud Initiative and enquiries. The function reported to Audit and Governance Committee, which included training for members. The function provided corporate consultancy during the year and completed work in relation to risk and insurance.

Internal Audit continued to focus resources into grant-related areas during 2017/18 to ensure that the risks presented by this type of funding were being appropriately managed. No significant risks were identified in respect of the grants reviewed with all five grants audited receiving substantial assurance.

The overall results of the Internal Audit work identified **80%** of reviews resulted in 'positive' opinions (Substantial or Reasonable) and **20%** resulted in 'negative' assurance opinions.

The overall opinion for the systems reviewed is a Reasonable Level of assurance which is consistent with previous years. This overall level of assurance is based on the scope of the work carried out, action recommended to management being implemented and those systems continuing to operate as intended.

To comply with CIPFA's Public Sector Internal Audit Standards 2013 a formal follow up process is in operation within the Service to confirm that the recommendations made in Internal Audit reports have been implemented by management within agreed timescales. A follow up audit will, whenever possible, take place six months after the issue of the final report, with the exception of those audits assessed as providing substantial levels of assurance where follow up work is not performed, in order to maximise audit resource.

Recommendations are currently rated as red, amber, yellow or green according to the perceived risk. Those rated green are not subject to formal follow up by Internal Audit and are not included in this analysis. Management had implemented all of the outstanding high priority rated recommendations highlighted during the former audit methodology and 69% of new 'Red' Issues/Risks. This highlighted that management are responsive to the work of the Audit and Risk Function.

The report of the Head of Internal Audit and Risk also identifies areas where significant weaknesses in control would prevent the Council placing reasonable reliance on the systems of internal control in respect of those systems reviewed during the year. The areas will continue to be a concern for Internal Audit until all significant recommendations have been implemented and assurance can be provided that the frameworks and systems are in place; have been embedded; are robust and effective. The Annual Audit Report noted that there are no issues that we judge particularly relevant to the Annual Governance Statement. The report highlights the following outstanding 'Red' Issues and Risk as at 31 March 2018.

Significant governance Issues	Actions identified to address weaknesses
<p>Corporate Procurement Framework – Although a procurement framework has been developed within the Authority the level of compliance with the Contract Procedure Rules and EU regulations remains a weakness. The procurement processes require improvement in Housing, Adults Services and Children and Families Service.</p>	<p>Social Services are currently developing a work plan to address the issues with a wider contract work plan for both Children's and Adults' Services. The Services are working with other North Wales local authorities in joint tenders and frameworks. The services are reviewing safeguarding clauses particularly in relation to requirements for DBS checks.</p>

<p>Children’s Services – Child Care Court Orders under the Public Law Outline – The Public Law Outline is a protocol attempting to reduce unwarranted delays in family court cases. Weakness were evidenced in record keeping, evidence gathering and court skills, which are deemed crucial to ensure speedy resolution. Support worker visits were not always conducted in accordance with plans to ensure the safety and wellbeing of a child</p>	<p>The audit resulted in a limited assurance rating and will be followed up in 2018. All Support Workers’ visits are required to comply with the relevant care plan and legislation. Disciplinary proceedings may be followed where there is a failure to comply with care plans.</p>
<p>Payment Card Industry Data Security Standards (PCI DSS) – The Authority has not identified the level of compliance required or produced a compliance programme to meet PCI DSS requirements.</p>	<p>A cross-departmental working group including the Head of Function (Resources) and Section 151 Officer as champion has been established to ensure PCI DSS compliance.</p>

7. CERTIFYING THE ANNUAL GOVERNANCE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in the document.

We propose to take appropriate steps to address these and the other weaknesses identified in the Annual Governance Statement and to further enhance our governance and assurance arrangements in the forthcoming year. We will monitor the implementation and operation of improvements through the Audit Committee and as part of our next annual review.

.....

Leader of the Council
Date:

Chief Executive
2018 Date:

2018

On behalf of the Isle of Anglesey County Council



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – Isle of Anglesey County Council

Audit year: 2017-18

Date issued: September 2018

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

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The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

. This document is also available in Welsh.

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements, subject to final audit testing being complete, and all items on the outstanding list resolved (See page 4).

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Summary report

Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Isle of Anglesey County Council at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative levels at which we judge such misstatements to be material for Isle of Anglesey County Council is £5m. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of Isle of Anglesey County Council, for 2017-18, that require reporting under ISA 260.

Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 11 June 2018 and have now substantially completed the audit work. At the date of issue of this report the following were outstanding:
 - a. Finalisation of documentation in relation to provisions, accounting treatment of pension deficit payment and pensioner numbers.
 - b. Finalisation of Partner and independent quality review process and audit file documentation; and
 - c. Receipt of letter of representation.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with S.151 Officer and Deputy S.151 Officer.

Proposed audit report

- 8 Subject to satisfactory completion of outstanding work, it is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).

9 The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10 There are misstatements that have not been corrected by management, which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#)

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Significant Risks

12 In our Financial Audit Plan, we set out information regarding the significant audit risks that were identified during our planning process. The table below sets out the outcome of our audit procedures in respect of those risks. We have conducted our audit in line with the Financial Audit Plan.

Financial audit risk	Proposed audit response
<p>Management override of controls</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none">• testing the appropriateness of journal entries and other adjustments made in preparing the financial statements using enhanced data analytics to analyse the whole journal population for characteristics of audit interest;• performed testing on the design and implementation of controls over journal entries to the financial ledger;• testing the appropriateness of accounting estimates for biases; and• evaluation of the rationale for any significant transactions outside the normal course of business including those with related parties. <p>No issues were identified from our testing.</p>

Financial audit risk	Proposed audit response
<p>Completeness and cut-off of expenditure</p> <p>We have identified completeness and cut-off of expenditure as a significant risk as there may be an incentive not to record all expenditure in order to for the Council to report a more favourable year end position.</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"> • performed design and implementation testing over controls to ensure completeness of expenditure; • performed focused audit testing in relation to the completeness of expenditure including the testing of provisions and accruals as at the year end; and • completed detailed testing in relation to management estimates and judgements as set out in the management override risk detailed above. <p>No issues were identified from our testing.</p>
<p>Property Valuations</p> <p>The Council completes a cyclical full valuation process whereby classes of assets undergo a full valuation on a 5 yearly basis, with the valuations being completed by internal valuers.</p> <p>Property valuations by their nature include judgements and estimates and with land and buildings valuations as at March 2017 being £288 million, changes in judgements and estimates can have a material impact on the carrying value.</p>	<p>The audit team undertook the following procedures:</p> <ul style="list-style-type: none"> • design and implementation testing in relation to the property valuation process including the identification of impairments outside of the valuation process; • Engaged with internal valuation specialists to assess the reasonableness of assumptions underpinning the valuation; and • Traced all valuation movements through the financial statements to ensure they are fairly stated. <p>No issues were identified from our testing.</p>

Other significant issues arising from the audit

- 13 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
- 14 **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- 15 **We did not encounter any significant difficulties during the audit.**
- 16 **There were no significant matters discussed and corresponded upon with management which we need to report to you.**

- 17 **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- 18 **We did not identify any material weaknesses in your internal controls, although we have identified several areas in which it would be possible to improve control.** These are included in [Appendix 4](#).
- 19 **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendations arising from our 2017-18 financial audit work

- 20 The recommendations arising from our financial audit work are set out in [Appendix 4](#). Management has responded to them and we will follow up progress on them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

- 21 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 22 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Isle of Anglesey County Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

XX September 2018

Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Isle of Anglesey County Council for the year ended 31 March 2018 the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Isle of Anglesey County Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.

- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

On review of Council assets against its policy of componentisation of assets with mixed length useful economic lives, no asset or collective asset class has been identified by the Council of requiring to be componentised.

The valuer has been provided with a complete list of assets to value.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All grant income has been recognised in line with the conditions attached.

The Monitoring Officer has disclosed all exant legal issues to the auditors and in their view all exant legal issues requiring provisions have been appropriately disclosed in the accounts.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

We confirm that: all retirement benefits and schemes, including UK, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for; all settlements and curtailments have been identified and properly accounted for; all events which relate to the determination of pension liabilities have been brought to the actuary's attention; the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the managers' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the Council; the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and the amounts included in the financial statements derived from the work of the actuary are appropriate.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Isle of Anglesey County Council on **XX September 2018.**

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Marc Jones
S.151 Officer
Isle of Anglesey County Council

Signed by:

Officer or Member who signs on behalf of those charged with governance

Date:

Date:

Appendix 2

Proposed audit report of the Auditor General to the Members of Isle of Anglesey County Council

Auditor General for Wales' report to the Members of Isle of Anglesey County Council

I have audited the financial statements and related notes of Isle of Anglesey County Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Isle of Anglesey County Council financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Isle of Anglesey County Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about [the council's [or group's]] ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does

not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- The information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Isle of Anglesey County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
XX September 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Appendix 3

Summary of uncorrected misstatements which should be drawn to the attention of Audit and Governance Committee

During our audit we identified the following misstatements that have not corrected by management, which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process:

- In 2017/18 a payment of £3.66m was made by the Council to Gwynedd Pension Fund to cover the fixed element of the employer contributions for the period 2017/18 to 2019/20. The Council accounted for this by charging 1/3 to the general fund and 2/3 to the Earmarked Reserve. After taking into account the balance on the Earmarked Reserve this has resulted in a negative reserve of £2.44m.

The Wales Audit Office has considered the treatment of pension fund deficit payments and concluded that the payment of fixed elements of pension fund contributions should be recognised in full in the year of payment in line with Regulation 24 of the 2013 Local Government Pension Scheme Regulations.

The result is that the £2.44m charged to the Earmarked Reserve should be charged to the general fund. As this is a classification error within the detail of the usable reserves, management have chosen not to adjust the accounts for this error.

- Management as part of their review of post balance sheet events identified that a contingent asset – the Leisure VAT Claim in note 43 – crystallised in August 2018. HMRC accepted the claim and reimbursed the VAT collected, resulting in a payment from HMRC of £0.9m. As this is not material, Management have chosen not to adjust the accounts for this, and will recognise it in 2018/19.

Summary of corrections made to the draft financial statements which should be drawn to the attention of Audit and Governance Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

CIES DR	CIES CR	BS DR	BS CR	ER Dr	ER Cr	Nature of correction
£'000	£'000	£'000	£'000			
	789	789				Incorrect reconciliation of Housing Revenue System to the Council's Ledger over the last three years resulted in an under recognition of revenue. .

CIES DR	CIES CR	BS DR	BS CR	ER Dr	ER Cr	Nature of correction
105		1,936	2,041			Incorrect percentages were initially used in the internal valuers report that led to incorrect calculation of fixed asset revaluation amounts.
2,000	2,000		2,000	2,000		On review of the circumstance and accounting treatment of the earmarked reserve for the Penhesgyn Waste Landfill Site, it was identified this meets the criteria for a provision, and therefore a provision has been charged to the CIES. The earmarked reserve has been released.

Management also corrected the senior remuneration note and associated party note in relation to: WJEC CBAC, Mon Mentor and transactions with Age Concern, Anglesey Agricultural Show, Mon CAB, careers Champion and Gwrp Llandrillo/Menai.

CIES – Comprehensive Income and Expenditure Statement

BS – Balance Sheet

ER - Earmarked Reserves

Appendix 4

Recommendations arising from our 2017-18 financial audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report.

In 2016-17 we raised 8 recommendations. 2 have been re-raised (Matter arising 1 and 4).

Matter arising 1 - Payroll Controls	
Findings	We identified as part of our New Joiners walkthrough that a payroll member of staff can create a new starter and update the individual's bank details in addition to members of the HR department.
Priority	Medium
Recommendation	It is recommended that Payroll members of staff do not have the ability to set up new starters and update the individual's bank details and these functions are reserved to HR staff.
Benefits of implementing the recommendation	This mitigates the risk that cash can be paid to fictitious employees.
Accepted in full by management	Accepted
Management response	The process surrounding new starters and timesheets will change significantly as we continue to roll out the improvements to the Northgate HR/Payroll System. All new starters will be processed by HR (through the web recruitment function). Access levels of members of staff will be reviewed and amended as relevant once the process is complete.
Implementation date	December 2018

Matter arising 2 - Bank Reconciliations	
Findings	We identified during our walkthrough of the treasury business process that monthly bank reconciliations at the Council had not been undertaken since August 2017.
Priority	Medium
Recommendation	It is recommended that bank reconciliations are undertaken on a monthly basis.

Benefits of implementing the recommendation	This will mitigate the risk of misallocation of cash and improves the timeliness of identifying issues with cash balances.
Accepted in full by management	Accepted
Management response	Changes in the cash management system will lead to greater automation and simplification of processes which will help ensure that the bank reconciliations are completed in a timelier manner.
Implementation date	September 2018

Matter arising 3 – Housing Benefit Reconciliation	
Findings	We identified that over three years, 900k of revenue from the housing benefit system SX3 was not recognised due to no reconciliation taking place between the SX3 system and a Finance system general ledger code.
Priority	Medium
Recommendation	It is recommended that a reconciliation between SX3 and the Finance system is prepared and reviewed on a monthly basis.
Benefits of implementing the recommendation	The Council recognise all revenue due.
Accepted in full by management	Accepted.
Management response	Reconciliations will now commence on a regular basis
Implementation date	September 2018

Matter arising 4 – Payroll Controls – Processing of timesheets	
Findings	We identified that currently all Payroll officers are responsible for the checking and inputting of timesheets onto the payroll system. At the end of each month one Payroll officer will be responsible for checking the data input into the payroll system (this alternates between the three officers). This means that the member of staff completing the checking will check the data inputted by themselves, and therefore there is not complete segregation of duties
Priority	Medium
Recommendation	It is recommended that the council introduce complete segregation of duties in relation to the processing of timesheets.

Benefits of implementing the recommendation	The Council will mitigate the risk of fraudulent time hours being paid.
Accepted in full by management	Partially-accepted
Management response	There is segregation of duties with the Payroll Assistants entering the timesheets. These are then checked and processed by the Payroll Officer relevant to that payroll. In addition, once the HR/Payroll Northgate improvement project has been implemented, the procedures and segregation will be further improved. For example, the majority of employees will input their own timesheets, these will be authorised by their manager. This will free up payroll officers' time for checking and examining exception report.
Implementation date	December 2018

Matter arising 5 – Revaluation Controls – review of postings of revaluations

Findings	It was identified that the postings of the change in fair value of assets to the revaluation reserve and CIES had been made incorrectly.
Priority	Medium
Recommendation	It is recommended that a separate review is performed on the postings of the revaluation movements to the reserves.
Benefits of implementing the recommendation	The Council will mitigate the risk of incorrect postings to the revaluation reserve.
Accepted in full by management	Accepted
Management response	The revaluation worksheet was reviewed but will be reviewed more closely including checking all formulas.
Implementation date	For 2018/19 accounts

Matter arising 6 – Related Party Transactions

Findings	We identified that a number of related party transactions were not disclosed in the initial version presented to audit. Furthermore, some related party figures were incorrectly reported.
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Priority	Medium
Recommendation	It is recommended that management review the related party disclosure, and ledger.
Benefits of implementing the recommendation	The Council will appropriately disclose its related party transactions.
Accepted in full by management	Accepted.
Management response	A review will be undertaken during 2018-19 of the related parties and will be reconciled to the ledger in order for accurate reporting.
Implementation date	March 2019
Matter arising 7 – Rent Collection	
Findings	We identified that increases in rent were not fully implemented within the housing system. We identified one property should have had a rent increase to £99.13. However we evidenced that the rent was recorded as £92.34.
Priority	Medium
Recommendation	It is recommended that the Council pass on the full rent increases, implementing a system of review that confirms all rent increases have been applied.
Benefits of implementing the recommendation	The Council will increase the level of income from its housing stock.
Accepted in full by management	
Management response	
Implementation date	

Recommendations arising from our 2017-18 IT audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's audit report. In 2016-17 there were 6 recommendations. One recommendation has been re-raised as part of our 2017-18 work.

Multiple Systems – Passwords	
Findings	<p>We noted a number of weaknesses in the password parameters configured on the Resource Link Application and Database as below:</p> <p><u>Resource Link Application</u></p> <p>The following weaknesses were identified with the Resource Link application password parameters:</p> <ul style="list-style-type: none"> - Minimum Password Length = 7 characters; - Password History = Not Set; - Password Expiry = Not Set; - Lockout Threshold = Not Set; and, - Lockout Duration = Not Set <p>In aggregate this means that users may choose simple, easy to guess passwords, which would be in contradiction to the Council's security policy and increase the risk that their accounts could be accessed inappropriately.</p> <p><u>Resource Link Oracle Database</u></p> <p>The following weaknesses were identified with the Resource Link Oracle Database application password parameters:</p> <ul style="list-style-type: none"> - Minimum Password Length = Not Enforced; - Password History = Unlimited; - Password Expiry = Unlimited; - Password Complexity = Not Enforced; - Lockout Threshold = 10 attempts; and, - Lockout Duration = 1 minute <p>Weaknesses in password controls increases the vulnerability of the system to brute force attacks and hence raises the risk of unauthorised parties gaining access to systems or data. Databases should especially be protected given that they give direct access to the data.</p> <p>Additionally, with the GDPR legislation, all applications holding personal data should have stringent password parameters to ensure no data is lost which could result in financial penalties for the council.</p>

Multiple Systems – Passwords	
Priority	High
Recommendation	<p>It is acknowledged that management have already taken steps to align all systems with Windows AD password settings and to revise the password policy in line with the NSCS guidance. This will see the password expiry increase from 1 month to 12 months and password length from 7 characters to 9 characters. We however recommend implementing minimum password length of 12 characters and implementing monitoring controls to ensure that user accounts are kept secure from unauthorised access. The monitoring controls include:</p> <p>i) Monitoring logins to detect unusual use; ii) Notifying users with details of attempted logins, successful or unsuccessful; they should report any for which they were not responsible.</p>
Benefits of implementing the recommendation	Maximising controls in place over authentication to systems will reduce the risk of data being inappropriately accessed.
Accepted in full by management	Rejected
Management response	<p>The NCSC guidance states that if password are too long in length end users will be more likely to write them down. 9 Characters offers increased security over the previous 7 but also reduces the likelihood of users writing passwords down, which is against our IT Security Policy.</p> <p>Our Intrusion Prevention and Detection system monitors the network for potentially malicious traffic and/or actions, multiple failed login attempts to Active Directory is one of these parameters.</p> <p>Our domain login policy forces account lockout after 3 failed login attempts, at which point the user must contact the IT Service Desk to request unlocking.</p> <p>We do not feel it would be appropriate to email users each and every time their account successfully logged in, although we will investigate the possibility of a notification on failed login.</p> <p>The changes noted by the auditor have only recently been implemented, a review will be carried out in 6 months.</p>
Implementation date	N/A

Estates related recommendations arising from our 2017-18 financial audit work

We set out all the estates related recommendations arising from our audit with management's response to them. The majority (three) of the recommendations relate to the valuation approach and how to improve the accuracy of the valuation of Council assets. The remaining two are procedural in nature. We will follow up these next year and include any outstanding issues in next year's audit report. Outstanding recommendations for 2016/17 have been updated and included in the 2017-18 recommendations.

Title / Area	Finding and Recommendation	Management Response
Valuation Related Issues : Council Dwellings	<p>It is recommended that the valuation information that is prepared for Council Dwellings includes information on the estimated economic useful lives for the housing stock. and that in future the stock is reviewed to ensure economic useful lives reflect the condition of the housing stock.</p> <p>The valuation information provided on the Council Dwellings did not include any information of the estimated economic useful lives for the housing stock. After questioning the valuer has confirmed <i>'Economic useful lives have been assumed to be 30 years as assets are maintained in accordance with the Welsh Housing Quality Standard'</i>.</p>	<p>Previously the useful economic life of the Housing Stock was reduced each year and was about 23 years. In 2017/18 we sought to find a more valid basis for the useful economic life. A meeting was held with the Housing Technical Service Manager, the Senior Valuation Officer, the Senior Accountant and the Finance Manager in order to identify a more accurate useful economic life for the Housing Stock. It was highlighted at this meeting that Housing has to maintain the housing stock in accordance with the Welsh Housing Quality Standards. Each year the Council submits a 30 year plan to Welsh Government which details how the service will maintain and refurbish stock in order to have useful economic life of 30 years in order to comply with the Welsh Housing Standards. Each year significant investment is made to ensure the council achieves its 30 year plan and has a housing stock which is fit for the 30 year</p>

		<p>period. The Housing Service has periodic surveys done by an independent organisation so it has clear information on how to invest in its Housing stock. Anglesey is a high performer in relation to its achievement of the Welsh Housing Quality Standard. Therefore, 30 years is a more robust basis. It is proposed that each year the useful economic life will remain at 30 years due to the continual investment programme in accordance with the 30 year plan.</p> <p>This approach was decided well in advance of closure of accounts and was a clearly planned approach.</p>
<p>Valuation Related Issues : Council Dwellings</p>	<p>It is recommended that the Council review its componentisation policy.</p> <p>It is noted no componentisation exercise has been undertaken on the Council House portfolio, whilst the valuer has pointed out the individual values of the housing units fall below the threshold set in the Council's componentisation policy, the housing portfolio obviously represents a significant proportion of the Council's property portfolio by value. We understand that where similar components exist in large number of analogous assets which on an individual basis may not be material but collectively they would have a material impact on depreciation, they should be separately depreciated.</p>	<p>The Council has a componentisation policy which would focus componentisation on material changes to the calculation of depreciation. The policy also states that where in aggregate there a material impact on depreciation is, then the collective of the assets should be componentised. The Finance Team will review the policy and the focus will continue to be on materiality.</p> <p>With regard to the Housing stock, the economic useful lives of roofs are not considered to be materially different to the fabric of the buildings. Boilers and kitchens may have a shorter life. However, given that the 30 years is a reasonable basis for its economic useful life, it is unlikely that there will be a material impact on the calculation of depreciation and there will be no impact on the true and fair view of the accounts as depreciation is cancelled out in the Movement in Reserves Statement and has no effect on Council balances.</p> <p>Given the need to produce the accounts to a tighter deadline and the small team that would have to undertake the work, any change in the componentisation policy would place an additional burden on a small number of staff at a very busy period during the year. It is not felt that the change would have a sufficient material impact on the accounts to justify the additional workload.</p>
<p>Procedural Matters</p>	<p>It is recommend that a more extensive and documented inspection programme is undertaken to ensure that the majority of assets valued each year have been subject to inspection within the relevant year, even if the</p>	<p>The Council has an Asset Management Group which maintains an overview of the Council's assets and decides on the future use of costly or redundant assets. The Council has 4000 plus assets which the small Valuation Team do not</p>

	<p>inspection is not purely for valuation purposes, i.e. dealing with general management of the assets.</p>	<p>have capacity to inspect. However, there are officers with responsibility for assets who do inspect the properties under their remit. For example, the Estates Manager regularly inspects the Council's Farms and Smallholdings. The Housing Technical Manager is aware of the condition of the housing stock and commissions independent surveys regularly. In addition statutory inspections e.g. heating systems are undertaken in accordance with the statutory requirements. It is the inspection of assets by those responsible for them which forms the basis for revenue maintenance and capital refurbishment programmes. These assets are valued by the Senior Valuation Officer on the basis of the assets being maintained in accordance with the legal and other property standards.</p>
<p>Non-Housing Valuation Related Issues</p>	<p>It is recommended that the valuer reviews their Depreciated Replacement Cost (DRC) approach and applies varying percentages as appropriate (typically between 0%, where there are no external works, to 15% for more extensive external works);</p> <p>It is noted that for assets valued using the Depreciated Replacement Costs (DRC) approach, (Specialised Operational Assets) the valuer has determined the costs for the external works by adding a percentage to the base build costs for the buildings. This is a recognised and acceptable approach, however the valuer continues to adopt a set percentage of 10%, whereas it is more common to vary the percentage depending on the extent of the external works (actual and on an MEA basis).</p>	<p>The Senior Valuation Officer considers that due to the lack of absolute certainty with any percentage that 10% is a reasonable percentage to apply.</p>

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee Executive (29 October 2018) County Council (30 October 2018)
Date:	19 September 2018
Subject:	Audit and Governance Committee – Updated Terms of Reference
Head of Service:	Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Author:	Marion Pryor, Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Nature and Reason for Reporting: Good practice suggests that committees should periodically review their terms of reference for appropriateness. The Audit and Governance Committee last reviewed its terms of reference in February 2015, with approval granted by the Executive in April and the County Council in May 2015. In May 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) fully revised and updated its guidance to take into account the legislative changes and professional developments that have affected the public sector. This report proposes fully revised terms of reference for the Committee to consider before being submitted to the Executive and Council for approval.	

1. Introduction and Background

- 1.1. Audit committees are a key component of corporate governance and play an important role supporting local authorities. They are an important source of assurance about an organisation’s arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 1.2. To be truly effective, the chief financial officer requires an effective audit committee to provide support and challenge. In addition, an essential role for the audit committee is to oversee internal audit, helping to ensure that it is adequate and effective. Both these elements are now enshrined in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note for the United Kingdom (LGAN).
- 1.3. There have been a number of other significant developments in governance and audit practice since 2015, which have emphasised the importance of the audit committee, including the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).
- 1.4. The Audit and Governance Committee’s Forward Work Programme provides for the regular review of its terms of reference. The last revision acknowledged changes to the regulatory framework and guidance relating to audit committees, in particular, the

greater role for the audit committee in all aspects of assurance. This followed the Committee's recommendation to Council to change its name to 'Audit and Governance Committee' to make more transparent the enhanced role of the Committee in terms of overall governance and assurance.

- 1.5. The Committee was due to review its terms of reference in its September 2017 meeting. However, at this and subsequent meetings, the Committee approved the postponement of the review until the publication of anticipated new Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

2. Revised Guidance

- 2.1. CIPFA's guidance represents best practice for audit committees in local authorities throughout the UK. It published its new guidance in May 2018, which was circulated to members of the Committee on 25 May 2018. Members were keen to be part of the review of the terms of reference and attended a workshop to discuss the updated guidance on 13 June 2018.
- 2.2. The revised guidance updates the core functions of the audit committee in relation to governance, risk management, internal control and audit. CIPFA has also updated the audit committee role in relation to counter-fraud to reflect the Code of Practice on Managing the Risk of Fraud and Corruption.
- 2.3. The guidance continues to include a strong focus on the factors that support improvement. These include the knowledge and skills that audit committee members require and a focus on where the audit committee adds value. It also provides practical support for evaluating committee effectiveness and planning improvements.
- 2.4. The guidance has mostly been incorporated into the terms of reference, with the exception of the requirement for full council to approve the appointment of the lay members. The Head of Function (Resources) and Section 151 Officer was concerned that a delay in the approval of the lay members would mean that the Audit and Governance Committee would also be delayed, which may cause problems in terms of approving the draft statement of accounts in accordance with deadlines. Therefore, the previous requirement for the Audit and Governance Committee members' approval remains.

3. Consultation

- 3.1. In developing the terms of reference, account has been taken of specific regulations and guidance appropriate for the Council (listed at [Appendix A](#)). Consultation has been undertaken with the Head of Function (Resources) and Section 151 Officer, the Head of Function (Council Business) and Monitoring Officer and the remainder of the Senior Leadership Team. The two lay members, Mr Dilwyn Evans and Mr Jonathan Mendoza, were also consulted. All consultees provided useful observations.

4. Recommendation

- 4.1. That the Audit and Governance Committee considers the draft terms of reference and makes any comments prior to the revised terms being recommended by the Executive on 29 October 2018 for adoption by the Council at its meeting to be held on 30 October 2018.



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Audit & Governance Committee

Draft Terms of Reference
September 2018

Statement of purpose

1. The Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the audit committee is to provide to members of full Council (*those charged with governance*) independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. It oversees internal and external audit and other regulators, helping to ensure effective assurance arrangements are in place.
3. There is clear separation between the role of the audit committee and that of scrutiny committees. The audit committee role seeks assurance that internal control systems of the council are working and risks effectively managed, rather than the actual scrutiny of activities.

Composition and arrangements

4. The Audit and Governance Committee is a non-executive body established under the requirements of the Local Government (Wales) Measure 2011 and is a fully constituted committee of the Council operating at a strategic level. The committee will conduct its business non-politically and must abide by the rules concerning political balance, in accordance with the Local Government and Housing Act 1989.
5. The committee will consist of eight elected members and two lay members. Elected members will be politically balanced and will not be members of the executive, but the Finance Portfolio Holder is required, as far as possible, to attend all meetings of the Committee. The Chair and Vice-Chair will recommend the appointment of the two lay members to the audit committee. The lay members will serve for a fixed term to coincide with the length of the Council, i.e. five years, and will serve a maximum of two terms. All members, including the lay members, are subject to the Council's Code of Conduct and will declare any interests. The lay members will have equal status to that of the elected members in terms of access to staff and information, for the purposes of the audit committee.
6. The chair of the audit committee can be a councillor or a lay member, but must not be a member of a group that forms part of the council's executive, except where all groups are represented on the executive (in which case the chair must not be a member of the executive). The committee members will decide upon

the chair and vice-chair of the committee. All committee members, including lay members, shall have a vote.

7. Any officer or member called to attend an audit committee meeting must do so. They must answer any questions asked of them except ones that they could refuse to answer if they were in court. The committee can invite other persons to attend before it, but anyone else so invited to attend is under no compulsion to do so.
8. The committee will meet at least four times a year and must meet if the full council so decides, or if at least a third of the committee's members requisition in writing to the Chair that a meeting be held. The council will publish the committee dates annually but additional meetings can be arranged at the discretion of the Chair if the required number of days' notice is provided and that the agenda is published prior to the meeting, in accordance with regulations.
9. The Head of Function (Resources) and Section 151 Officer, as the officer with responsibility for financial administration, will advise the committee. The Committee will provide effective support to the Head of Function (Resources) and Section 151 Officer, who consequently, will have direct and unfettered access to the committee.
10. The committee may commission work from the external and internal auditors and both will advise the Committee. The Committee may additionally, seek independent advice from outside the Council, within an approved budget.
11. The external and internal auditors of the Council have the right to request the chair of the committee to consider any matter that the auditors believe should be brought to the attention of the Council.
12. All new members will receive a full induction to the committee. Members will have role descriptions and will review their knowledge and skills through a self-assessment process. They will receive appropriate ongoing training in their role in accordance with an annual training programme and will receive regular briefings on new legislation, professional guidance and research.

Accountability arrangements

13. The committee will report to full council (*those charged with governance*) on an annual basis the audit committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the Council's governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
14. The committee will report to full council (*those charged with governance*) on an annual basis the effectiveness of the committee in meeting its purpose and its agreed terms of reference. A regular self-assessment will be used to support the

planning of the audit committee work programme and training plans and will inform the committee's annual report.

15. The committee is subject to normal arrangements of openness. Meetings will be held in public, agendas and reports are published and available for inspection. The exception to this is where 'exempt items' are being considered, which are chiefly matters which involve discussions concerning named individuals or refer to the business affairs of the Council which could prejudice the interests of the Council commercially, financially and legally.

Governance

16. The committee will review and assess the Council's corporate governance arrangements against the good governance framework¹, including the ethical framework, and will consider the local code of governance.
17. The committee will review the Annual Governance Statement (AGS) prior to full council approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
18. The committee will help the council to implement the values of ethical governance. It will promote measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community. As part of its review of governance arrangements, it will ensure there are adequate arrangements in place to enforce a strong commitment to ethical values and legal compliance at all levels.
19. The committee will review the governance and assurance arrangements available for significant partnerships or collaborations.

Treasury management

20. Full council has nominated the audit committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
21. The committee will undertake a scrutiny role in accordance with the CIPFA Treasury Management Code of Practice, prior to approval by full council. Where it is undertaking this scrutiny role, it will endeavour to develop greater awareness and understanding of treasury matters among the members.

¹ Delivering Good Governance in Local Government: Framework, CIPFA/SOLACE, 2016

22. The committee will review the treasury management policy and procedures to be satisfied that controls are satisfactory. It will receive six-monthly reports on activities, issues and trends to support the committee's understanding of treasury management activities.
23. The committee will review the treasury risk profile and processes, and will review assurances on treasury management.

Value for money

24. The committee will support the development of robust arrangements to ensure that the council makes best use of its resources and taxpayers and service users receive excellent value for money.
25. The committee will review the council's overall approach to value for money and assess whether it is in line with governance objectives and the assurances on this to underpin the Annual Governance Statement.
26. The committee will consider assurances and assessments on the effectiveness of these arrangements, in particular, the Wales Audit Office's annual improvement reports.

Assurance framework

27. The committee will consider the council's assurance framework and ensure that it adequately addresses the risks and priorities of the council. This will support the committee's approval of the internal audit risk-based plan by identifying the extent to which it will rely on internal audit for its assurance requirements.
28. The committee will ensure there is clarity of what assurance is provided, that there is a clear allocation of responsibility for providing assurance and duplication is avoided.

Risk management

29. Assurance over risk management will be a key element underpinning the Annual Governance Statement. To this end, the committee will review and assess the effective development and operation of risk management in the council. In particular, it will:
 - Oversee the authority's risk management policy and strategy, and their implementation in practice
 - Oversee the integration of risk management into the governance and decision-making processes of the organisation

- Review the arrangements to co-ordinate and lead risk management, including the process and reporting lines
- Review the risk profile, keep up to date with significant areas of strategic risks and major operational and project risks
- Review the assurance available for managing partnership risks, including the risk profile of the Council as part of the partnership
- Review the corporate risk register and seek assurance that management appropriately own and manage risks effectively
- Seek assurance that adequate risk assessments support strategies and policies and risks are actively being managed and monitored.
- Follow up and monitor risks identified by auditors and inspectors to ensure that they are integrated into the risk management process
- Support the development and embedding of good practice in the field of risk management practice.

Countering fraud and corruption

30. The committee will review the effectiveness of the council's whistleblowing arrangements, including the policy.
31. The committee will monitor the counter-fraud and corruption strategy, actions and resources, to ensure that it meets with recommended practice, governance standards and legislation.
32. The committee will review the assessment of fraud risks and potential harm to the council from fraud and corruption. It will review the fraud risk profile to understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment.
33. It will oversee any major areas of fraud, identified in an annual report from the Head of Function (Resources) and Section 151 Officer, and monitor action plans to address control weaknesses.

Internal audit

34. The Local Government (Wales) Measure 2011 has an explicit requirement for the audit committee to oversee the council's internal audit arrangements.
35. The role of the audit committee in relation to internal audit will be to:
 - oversee its independence, objectivity, performance and professionalism

- support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework.
36. The committee will review and approve the internal audit charter, which defines the internal audit's activity purpose, authority and responsibility.
 37. If applicable, it will review proposals and make recommendations in relation to the appointment of external providers of internal audit services.
 38. The committee will approve (but not direct) the risk-based internal audit strategy, including internal audit's resource requirements and the use of other sources of assurance. It will have a good understanding of the level of assurance risk management provides when it reviews the risk-based internal audit strategy. The committee will approve significant interim changes to the strategy.
 39. The committee will make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
 40. The committee will consider an annual report from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services.
 41. The committee will consider the head of internal audit's annual report and the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion. These will assist the committee in reviewing the Annual Governance Statement.
 42. The committee will consider the statement contained in the annual report of the level of conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme that support the statement – these will indicate the reliability of the conclusions of internal audit.
 43. The committee will consider updates on the work of internal audit including key findings, issues of concern, management responses and action in hand as a result of internal audit work. It will consider summaries of specific internal audit reports as requested, including the effectiveness of internal controls and will monitor the implementation of agreed actions.
 44. The committee will receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
 45. The committee will consider reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and

Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

46. The committee will consider, approve and periodically review any safeguards put in place to limit impairments to independence and objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit.
47. The committee will contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years. It will oversee the qualifications and independence of the assessor.
48. The committee will consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit (Wales) Regulations 2014.
49. The committee will support the development of effective communication with the head of internal audit. The engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service.
50. The committee will provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

51. The committee will support the independence and objectivity of external audit through consideration of the external auditor's annual assessment of its independence.
52. The committee will consider the external auditor's annual letter and the report to '*those charged with governance*'. It will contribute to the council's response to the annual audit letter.
53. The committee will oversee external audit arrangements, comment on the scope and depth of external audit work and ensure it gives value for money. It will consider external audit reports and will monitor their recommendations.
54. The committee will advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

55. There will be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of those officers with whom the auditor must retain a working relationship.

Financial reporting

56. The committee will review and scrutinise the council's financial affairs, making reports and recommendations in relation to them.
57. The committee will review, prior to approval by full council, the authority's annual financial statements, including the explanatory foreword, key messages, trends, consistency with financial performance, suitability of and compliance with accounting policies and treatments and major judgemental areas.
58. The committee will consider the external auditor's report to 'those charged with governance' on issues arising from the audit of the accounts and whether they need to be brought to the attention of the council.

Other regulators and inspectors

59. The committee will receive and consider reports from any other regulators or inspectors, which will be a useful source of assurance. In respect of these, the authority will ensure there is no unnecessary duplication between the audit committee and any overview and scrutiny committee in considering such reports.

Appendix A – Reports, Regulations and Policies Considered

- Audit and Governance Committee Workshop presentation, 13 June 2018
- *Audit Committees: Practical Guidance for Local Authorities and Police*, CIPFA, 2018, available from www.cipfa.org.uk/publications
- *Position Statement: Audit Committees in Local Authorities and Police*, CIPFA, 2018, available from www.cipfa.org.uk/publications
- *Public Sector Internal Audit Standards (PSIAS)* and the supporting *Local Government Application Note* for the United Kingdom Public Sector Internal Audit Standards (LGAN)
- Internal Audit Charter (September 2017)
- Local Government (Wales) Measure 2011, in particular, Section 85
- Statutory Guidance from the Local Government (Wales) Measure 2011, Welsh Government, 2012
- Accounts and Audit Regulations (Wales) 2014
- Accounts and Audit (Wales) (Amendment) Regulations 2018
- *Statement on the Role of the Head of Internal Audit in Public Service Organisations*, CIPFA, 2010
- *Statement on the Role of the Chief Financial Officer in Local Government*, CIPFA, 2016
- Treasury Management Strategy 2018/19
- *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*, CIPFA, 2017 Edition
- *Code of Practice on Managing the Risk of Fraud and Corruption*, CIPFA, 2014
- Isle of Anglesey County Council's Constitution



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

The Service User Perspective – the Welsh Housing Quality Standard – **Isle of Anglesey County Council**

Audit year: 2017-18

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Charlotte Owen, Andy Bruce, Gwilym Bury and Jeremy Evans directed by Huw Rees.

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Summary report

- 1 In housing, as in many local government service areas, users have no option to choose between service providers or, where alternative providers exist, their choice is limited by cost or other reasons. In this situation, their ability to influence services to meet their needs relies on users having 'voice' in service design.
- 2 It is especially important that service users can feed their views, experiences and hopes as the Council decides which services to reduce, increase or change in the current environment where finances are under pressure. Taking account of the users' voice means redesigned services are more likely to meet people's needs and be better value for money.
- 3 The Welsh Government stresses the importance of developing a partnership with citizens. Involvement is one of the five ways of working it requires local authorities to adopt to meet the requirements of the 2015 Well-being of Future Generations Act (WFG Act). Its Local Government White Paper (January 2017) states:
 - 'We want to develop a more equal partnership with citizens. The role of public services should be to support people to live independent lives and to seek to de-escalate demand, intervening only when necessary and only for as long as required. In doing so, the focus inevitably shifts to prevention and a public service that is able to put more effort into helping people to avoid crisis, rather than one which is focused on supporting people in crisis. This is about creating prudent public services for the future.'¹
- 4 In 2017-18, the Wales Audit Office completed work to understand the 'service user perspective' at every Council within Wales. We followed a broadly similar approach at each council, although we agreed the specific focus and approach to the work with each council individually. In the Isle of Anglesey County Council (the Council), we reviewed the housing service. In particular tenants engagement with, and degree of choice experienced in, delivering the Welsh Housing Quality Standard (WHQS) and their view on the quality of the service they receive from the Council.
- 5 In 2001, Welsh Government set out its long-term vision for housing in Wales entitled Better Homes for People in Wales. The Welsh Housing Quality Standard (WHQS) is the Welsh Government standard of housing quality. The WHQS was first introduced in 2002 and aims to ensure that all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020.
- 6 The Council decided against transferring its housing stock to achieve WHQS, as it was confident it would achieve compliance by 2013. Consequently, the Council retains its housing stock and role as landlord. It is one of 11 councils in Wales to do so. The Council and only four other councils reported² 100% compliance as at

¹ Welsh Government, **White Paper Reforming Local Government: Resilient and Renewed**, January 2017.

² Welsh Government, **Welsh Housing Quality Standard Welsh Government Annual Report**, October 2016.

March 2016, with the remaining six councils still having stock which was not fully compliant.

- 7 The Council owns approximately 3,792 properties of which 2,715 properties met the standard to 'full compliance' as at 31 March 2017. The 1,077 properties which did not meet the standard were judged to be 'acceptable fails' as defined by the Welsh Government in its guidance. Full compliance refers to dwellings where the WHQS standard is achieved for all individual elements, but there can be situations where achieving the standard for an individual element is not possible. Such situations may include the cost or timing of the work, residents choosing not to have the work done or where there are physical constraints to the work. In these instances, the social landlords may record one or more elements as acceptable fails. Where a dwelling contains one or more acceptable fails but all other elements are compliant, the dwelling is deemed by the Welsh Government to be compliant subject to acceptable fails. Of the five councils in Wales who have reported full compliance the Council has the highest percentage of stock (28%) with acceptable fails.
- 8 Although we could not talk to everyone, engaging with a sample of service users³ helped us better understand their perspective. In addition, we held a focus group with the Môn Tenants and Officers Voice group, and visited the majority of the Council's housing estates. This information, as well as data on performance and service standards, informed our discussions with the Council. This helped us understand the Council's rationale for their approach to WHQS, and how the Council approaches and responds to the needs and expectations of service users.
- 9 Overall we found that most of the Council tenants we spoke to were satisfied with the quality of service, but they are less involved in service design than they have been, and the Council has not always evaluated the impact of changes to the service. We came to this conclusion because:
 - before 2015 the Council effectively involved tenants in service design on WHQS, but tenant involvement has declined since;
 - most Council tenants are satisfied with the quality of the service although many had concerns about damp and mould; and
 - tenants can access the services they need but the Council has not always evaluated changes it has made to access models and service standards for sheltered housing.

³ We spoke to a sample of 119 tenants. We conducted a doorstep survey, Appendix 1 shows details.

Proposals for improvement

Exhibit 1: proposals for improvement

Proposals for Improvement	
P1	The Council should work with tenants to review its approach to assisting people experiencing problems with condensation and damp.
P2	The Council should work with tenants to review the long-term impact of the ending of the resident warden service from its sheltered housing schemes.

Detailed report

Overall we found that most of the Council tenants we spoke to were satisfied with the quality of service, but they are less involved in service design than they have been, and the Council has not always evaluated the impact of changes to the service

Before 2015 the Council effectively involved tenants in service design on WHQS, but tenant involvement has declined since

- 10 The Council engaged widely with stakeholders on its housing modernisation programme for WHQS and estate improvements in the period 2008 to 2015. There is also evidence of the housing service adapting its proposals in response to feedback. For example, the Council consulted on the proposed timetable for carrying out works. It used the results to help shape its plan with work on kitchens and bathrooms being completed before external works such as replacing roofs. Individual tenants were given a significant voice in how the WHQS work was undertaken in their homes with considerable choice about the type of new kitchen units. Tenant feedback on early stages of WHQS also prompted the Council to review its implementation with more officers working on day-to-day contact with tenants as the work was carried out.
- 11 More recently, the Council has engaged extensively on a programme of planned capital works to the exterior of many homes, such as new roofs and external rendering. This shows extensive well-planned engagement with residents both before, during and after the works are carried out. The consultation involved a variety of methods to target a diverse range of people, including people with protected characteristics and access issues who would not have been able to easily attend traditional public meetings. Because of the feedback received, the Council altered the design of the proposed new works using suggestions from the public to develop, for example, more parking bays in communal areas. The Council shares the results of its consultations, and its response to the issues raised, in a tenant newsletter delivered to all Council homes.
- 12 The Council also engages with tenants on an ongoing basis. The Council's Local Tenant Participation Strategy (LTPS 2018 to 2023) was developed with tenants and is designed to outline their commitment to tenant participation. It is supported by an action plan that sets out timescales and intended outcomes. The Council meets regularly with tenants through local tenants groups, its Sheltered Housing

forum, and the Môt Tenants and Officers Voice group (MTOV)⁴. The MTOV membership is largely drawn from the local groups, and provides a formal method to consult and gain feedback from tenants. The housing service also surveys its users every few years to gain feedback on performance, and insight into the priorities of tenants. The Council's last STAR⁵ survey showed overall high levels of tenant satisfaction. The Council is planning to run a new STAR survey in 2018 for all tenants to provide new feedback.

- 13 The housing staff we spoke to have a good understanding of the needs of tenants. Through their daily interactions with tenants, staff receive regular feedback and opinions. This provides a useful and informal conduit of information between tenants and the service. It complements the comments available through day-to-day repairs satisfaction feedback forms and the online comments facility on the Council website. Housing staff also attend local estate events to promote the housing service and speak to members of the public. This includes non-tenants such as Right to Buy owners, who often form the majority of people living on an estate.
- 14 The scale of the engagement of the Housing Service's work in involving service users in the design and delivery of the service has declined since 2015. For example, the tenants group we spoke to (MTOV) felt they were not as involved in the shaping of services as they had been previously. Numbers of tenants taking part in MTOV had declined since 2015, and the number of officers employed to support tenants groups has reduced from two to one in the last year but since our fieldwork the Council has recruited an additional officer to drive forward the tenant engagement agenda.
- 15 The Council is no longer robustly monitoring the outcomes of tenant participation. The Council suggests the LTPS action plan is monitored (quarterly by the MTOV group and annually by Scrutiny Committee) and that the Tenant Participation Officer prepares an annual progress report. No report was produced in 2016 but one was produced recently. The minutes we looked at did not indicate that the monitoring of the action plan was sufficiently robust with little action to address lack of progress.
- 16 The LTPS suggests the Council has improved its use of technology to communicate with tenants (eg, social media/greater use of resident specific website). However, the survey reflects that further improvements are needed and there is no monitoring of IT usage except at the Council HUB sites. It also notes that they are adapting to the needs of tenants by offering more community-based

⁴ Since our fieldwork was undertaken the Council has re-branded MTOV as the 'LTPS Monitoring Group'.

⁵ STAR (Survey of Tenants and Residents) is a questionnaire designed around customer care and covers all areas within Isle of Anglesey Housing Services. Last survey October 2015.

activities rather than formal tenant meetings – but the Council acknowledges more informal activities are needed.

Most Council tenants are satisfied with the quality of the service although many had concerns about damp and mould

- 17 The Council's WHQS programme has successfully raised housing quality and the Council has a capital programme in place for the next five years. This is designed to ensure that the standard is maintained as components, such as windows and roofs, are replaced. Our survey with tenants also showed that people are very satisfied with the quality of the housing service:
- 61% of the tenants we spoke to feel the Council listens to and acts on what they say about the condition of their home.
 - 82% of the tenants we spoke to believe the Council listens to and acts on what they and their neighbours say about their neighbourhood. Although car parking and boundary fencing are issues for some.
 - 89% of the tenants we spoke to were happy (and many were very proud) with the quality of their kitchens. Many praised the way the Council had given them a real choice in the design of their new kitchens.
 - 94% of the tenants we spoke to thought that their neighbourhood is a good place to live.
- 18 Most of the tenants we spoke to value the housing service highly and many commented on the high level of customer service provided by most housing staff. Although some tenants we spoke to were critical of the centralised Council-wide telephone service for reporting day-to-day repairs, they commented that they were grateful to still have what they regarded as a good service for carrying out repairs by the Council's own directly employed staff.
- 19 Although the overwhelming majority of tenants we spoke to feel their homes were warm enough in winter, 12% did not. Often these were homes which did not meet the WHQS standard for warmth (SAP 65⁶ or above rating). The Council judged these as 'acceptable fails' usually because the tenant had, in the past, refused to allow access for WHQS work, or because the cost of remedy was considered too great, typically because gas or oil central heating could not be easily supplied. Over recent years several councils and Housing Associations in Wales have invested in a range of new approaches, such as solar panels and external wall insulation, to help overcome the problem of cold homes. After feeding back on our fieldwork, the Council decided to invest an additional £1 million a year between

⁶ SAP 65. 2015. WHQS states the Welsh Government vision that 'all households in Wales.... shall have the opportunity to live in good quality homes that are adequately heated, fuel efficient and well insulated'. The target energy rating to comply with WHQS is a Standard Assessment Procedure (SAP) rating of 65.

2018 to 2020 to address the issue of homes which did not meet the WHQS standard for warmth.

20 Our survey with tenants also showed that 37% of the tenants we spoke to felt they had problems with damp and condensation in their home. Damp and condensation issues are a complex problem and without conducting a full house survey we cannot say why so many tenants reported this issue. However, we have conducted a similar survey in the last 12 months at all 11 councils which retained their housing stock, and this is one of the highest recorded percentages of tenants reporting problems with damp and condensation in their homes. The most frequent causes of damp and condensation are:

- where people do not adequately heat all the rooms in their homes, typically leading to damp and condensation in bedrooms;
- people not ventilating their home adequately, typically by closing air vents and not opening windows;
- structural problems, typically failure of old damp proof courses or water penetration through walls and roofs; and
- better insulated and draught-proofed homes.

Other social landlords after undertaking WHQS work in Wales have also reported that the effect of making homes better insulated and draught proof has increased damp and condensation problems. This has particularly affected homes at more exposed locations where there is more rainfall and frequent high winds, leading to greater water penetration.

21 The Council is reviewing its process for investigating reports of damp and condensation and intends that in future surveyors will gather more information on damp in homes and raise awareness on how to avoid and eliminate condensation during tenant forums, workshops, newsletters, and conferences.

22 Our conversations with tenants suggest that complaints are being investigated, although usually without the problem being resolved to their satisfaction. The level of tenant dissatisfaction is unlikely to reduce without resolving the multiple causes of damp and condensation in tenants' homes.

Tenants can access the services they need but the Council has not always evaluated changes it has made to access models and service standards for sheltered housing

23 Most of the tenants we spoke to felt they could access the housing services they needed, and that the housing service opening hours are convenient for them. The Council has a dedicated and well-designed housing section on its website, and has invested in allowing access for those without computers at home at several community HUBS throughout the island. Within the housing section of the Council

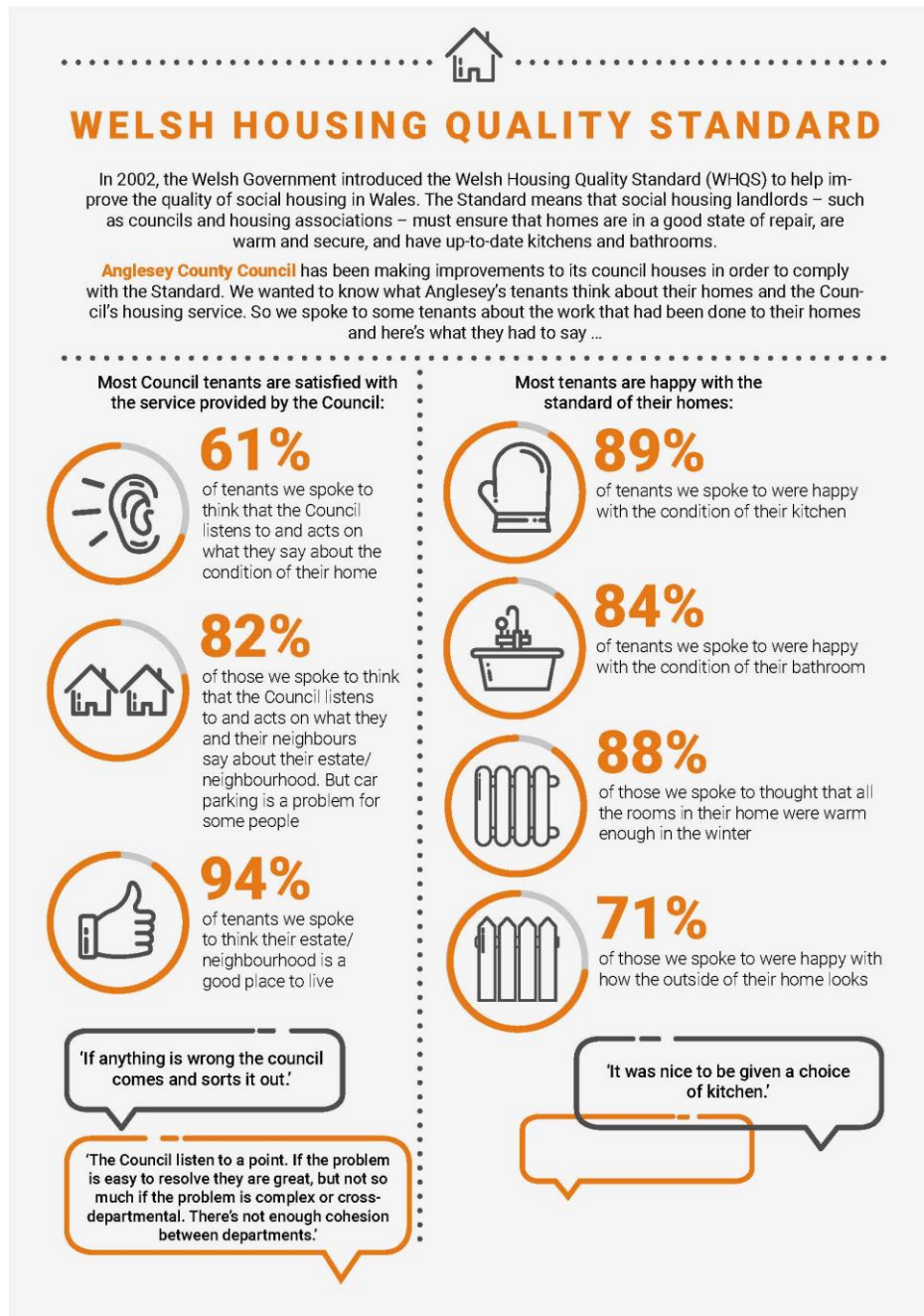
website there is an easy-to-use way for tenants to provide feedback. The Council's complaints procedure is also available on the Council's website and results are centrally monitored.

- 24 The Council does not always evaluate changes it makes to the services provided to tenants. For example, the Council has a range of performance targets for the Housing service, such as responding to repairs requests, and the targets are subject to regular scrutiny by senior officers and councillors. But some of the tenants we spoke to expressed dissatisfaction about the time it took to initially report a repair by phone. The time it takes tenants to report a repair cannot be easily monitored through the Council-wide phone system.
- 25 Although, in the past, the housing service has worked with MTOV on a range of innovative ways to measure changes to the service (such as through tenant inspectors) this practice has declined. The Council currently relies on key performance indicators and satisfaction surveys to evaluate changes to the service.
- 26 There has been no systematic exercise by the housing service to evaluate the long-term impact where significant service change has taken place. For example, many of the sheltered housing tenants we spoke to told us that they value the housing service and are happy in their homes. However, they feel that although they are informed of changes, the level of service has declined and their views are not always listened to. The tenants we spoke to regret the withdrawal of the dedicated site-base warden service and some felt lonely and isolated as a result. At two schemes we visited, the arrangements for the fire-alarm service in which wardens used to play a role in checking and resetting alarms, is a concern to some tenants. We were told alarms are sometimes taking over an hour to be reset by external contractors and their concerns were not being addressed.

Appendix 1

Infographic summarising the key findings from the completed surveys

Exhibit 2: housing service infographic



But a number of people told us they had problems with damp:



37%

of tenants we spoke to had experienced problems with damp or mould in their home. Many were unhappy with the Council's response or failure to fix the problem

We told the Council about people's concerns and it responded by developing a strategy to help it better deal with damp problems in future.

The residents of sheltered housing schemes we spoke to regret losing their dedicated warden service and some felt lonely and isolated as a result

'I feel lonely since the removal of the warden service.'



Read the full report on the Isle of Anglesey County Council's housing service on our website: www.audit.wales

We spoke to 119 tenants. This represents around 3% of all council tenant households.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Isle of Anglesey County Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Andy Bruce, Gwilym Bury, Charlotte Owen, Paul Goodlad, Alan Hughes, and Jeremy Evans under the direction of Huw Rees.

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This document is also available in Welsh.

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Summary report

2017-18 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Isle of Anglesey County Council's (the Council) own mechanisms for review and evaluation. For 2017-18, we undertook improvement assessment work at all councils. We also undertook work at all councils in relation to the Wellbeing of Future Generations Act, and a service-user-perspective themed review. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2017-18.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19.

Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.

- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, we have made a number of proposals for improvement and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2017-18

Exhibit 1: audit, regulatory and inspection work reported during 2017-18

Exhibit 1 'description of the work carried out since the last AIR, including that of the relevant regulators, where relevant'.

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p>Service User Perspective Review</p> <p>To understand the 'service user perspective' at every council within Wales. In Isle of Anglesey County Council, we reviewed the Housing service. In particular, whether the Council was using the experiences and aspirations of service users to inform the design and delivery of services for the Welsh Housing Quality Standard (WHQS).</p>	<p>Most of the Council tenants we spoke to were satisfied with the quality of service, but they are less involved in service design than they have been, and the Council has not always evaluated the impact of changes to the service.</p> <ul style="list-style-type: none"> • before 2015 the Council effectively involved tenants in service design on the WHQS, but involvement has declined since; • most Council tenants are satisfied with the quality of the service although many had concerns about damp and mould; and • tenants can access the services they need but the Council has not always evaluated the changes it has made to access models and service standards for sheltered housing. 	<p>P1 The Council should work with tenants to review its approach to assisting people experiencing problems with condensation and damp.</p> <p>P2 The Council should work with tenants to review the long-term impact of the ending of the resident warden service from its sheltered housing schemes</p>

Issue date	Brief description	Conclusions	Proposals for improvement
August 2018	<p>Scrutiny: Fit for the Future?’ We reviewed how well-placed Councils’ overview and scrutiny functions are to respond to current and future challenges.</p>	<p>Report is being prepared and will be issued in September 2018</p>	
November 2017	<p>Annual Audit Letter 2016-17 Letter summarising the key messages arising from the Auditor General’s statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in Appendix 2 of this report.</p>	<ul style="list-style-type: none"> • The Council complied with its responsibilities relating to financial reporting and use of resources. • I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. • My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems. 	<p>None.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
May 2018	<p>Wylfa Newydd Readiness and its Impact on Corporate Capacity</p> <p>The review focused on the Council's capacity and readiness to support the delivery of the Wylfa Newydd project within the context of the Energy Island Programme and the Council's wider strategic objectives.</p>	<p>The Council has made good progress as host authority for the Wylfa Newydd project without compromising the delivery of other priorities, but a challenging period lies ahead during which closer collaboration among public sector partners will be vital.</p> <p>Key conclusions from the report:</p> <ul style="list-style-type: none"> • planning for Wylfa Newydd has reached a key stage, but many decisions remain before the development is confirmed; • Planning Performance Agreements with Horizon have enabled the Council to access specialist capacity to deal with the Council's role as host Planning Authority, and there has been little impact to date on the delivery of other Council services; • the Council understands the risks associated with the development of Wylfa but has, until recently, lacked some key information necessary in order to identify actions to mitigate those risks; and • there is scope to co-ordinate more effectively the work of the public sector to mitigate the risks and maximise the opportunities offered by the Wylfa Newydd project. 	<p>An increasing population as a result of Wylfa Newydd presents a risk that the demand for Council services exceeds the Council's capacity:</p> <p>P1 The Council should continue to monitor its capacity as the Wylfa Newydd project progresses, making full use of the resources available through the development consent process to address any shortfall.</p> <p>Failure to ensure effective collaboration across the public sector presents a risk that future costs may fall to the public purse:</p> <p>P2 The Council should continue to work with other public sector consultees, including the Welsh Government, to: co-ordinate the assessment of risks associated with the Wylfa Newydd project; and share information to enable a common understanding of risks and how they might be mitigated.</p> <p>Failure to develop the supply chain and to address potential labour shortages before the construction of Wylfa Newydd begins presents a risk that the North Wales region will not capitalise fully on the project's potential economic benefits:</p> <p>P3 The Council should work with its public sector partners to identify lead responsibilities for developing the supply chain and increasing the training opportunities available across the North Wales region.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
April 2017	Wales Audit Office annual improvement plan audit Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None.
October 2017	Wales Audit Office annual assessment of performance audit Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None.
Reviews by inspection and regulation bodies			
No reviews by Estyn or Care Inspectorate Wales (CIW) of Isle of Anglesey County Council have taken place during the time period covered in this report although local inspection work of schools and service providers has taken place.			

Appendices

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Annual Audit Letter

Dr Gwynne Jones
Councillor Llinos Medi
Council Offices
Llangefni
Anglesey
LL77 7TW
17 November 2017

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 me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 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 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

Appendix 3 – Audit of Accounts and Annual Returns 2016/2017 Notice of Certification of Completion of the Audit

28 November 2017

Dear Isle of Anglesey County Council,

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

For and on behalf of the Auditor General for Wales

Appendix 4 – National report recommendations 2017-18

Exhibit 2: national report recommendations 2017-18

Date of report	Title of review	Recommendation
June 2017	<u>Savings Planning in Councils in Wales</u>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council.
October 2017	<u>Public Procurement in Wales</u>	The report contained seven recommendations. Six of the recommendations were for the Welsh Government, one of the recommendations was for public bodies: R3 It was clear from our sampling that some procurement strategies are out of date and there has also been a mixed response to new policy and legislation, such as the Well-being of Future Generations (Wales) Act 2015. We recommend that public bodies review their procurement strategies and policies during 2017-18 and on an annual basis thereafter to ensure that they reflect wider policy and legislative changes and support continuous improvement.
October 2017	<u>Good governance when determining significant service changes – National Summary</u>	The report did not include any recommendations or proposals for improvement, although proposals for improvement were included in local reports issued to each Council. The report was designed primarily to provide insight, share existing practice and prompt further conversations and discussions between councils and other organisations.
December 2017	<u>Local Government Financial Reporting 2016-17</u>	The report did not include any recommendations or proposals for improvement.

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R1 Implementing the Housing (Wales) Act 2014 requires local authorities to develop services which are focussed on preventing homelessness and reducing demand. These are very different to traditional casework led homelessness services, and prevention work requires new skills and early interaction with users and potential users. We found local authorities' progress in revising and strengthening services is variable (paragraphs 1.12 to 1.20). We recommend that local authorities:</p> <ul style="list-style-type: none"> • ensure their staff are sufficiently skilled to deal with the new demands of mediating, problem solving, negotiating and influencing with homeless people; and • review and reconfigure their services to engage more effectively with homeless and potentially homeless people to prevent homelessness. <p>R2 The Welsh Government provided funding to support local authorities to implement the Housing (Wales) Act 2014 and this funding has been critical in enabling new preventative services to be developed. The funding is in place until 2019-20 but authorities need to ensure they use headspace provided by these resources to revise their services to deliver their responsibilities in the future (paragraphs 1.21 to 1.28). We recommend that local authorities review their funding of homelessness services to ensure that they can continue to provide the widest possible preventative approach needed. Reviews should consider use of Supporting People as well as General Council fund monies to support delivery of the authority's homelessness duties.</p> <p>R3 How services are configured and managed at the first point of contact can significantly influence how effective local authorities are in managing and reducing demand. Easy to access services which maximise usage, avoid gate keeping and focus on early solutions can significantly improve the prospects for successful homelessness prevention. We found that some authority point of entry systems are poorly designed which reduces the authority's prospects for early intervention to prevent homelessness from occurring (paragraphs 2.4 to 2.11). We recommend that local authorities:</p> <ul style="list-style-type: none"> • design services to ensure there is early contact with service users; • use 'triage' approaches to identify and filter individuals seeking help to determine the most appropriate response to address their needs; and • test the effectiveness of first point of contact services to ensure they are fit for purpose.

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R4 Establishing clear standards of service that set out what the authority provides and is responsible for is critical to ensuring people know what they are entitled to receive and what they need to resolve themselves. We found that authorities are not always providing clear, concise and good quality information to help guide people to find the right advice quickly and efficiently (paragraphs 2.12 to 2.17). We recommend that local authorities publish service standards that clearly set out what their responsibilities are and how they will provide services to ensure people know what they are entitled to receive and what they must do for themselves. Service standards should:</p> <ul style="list-style-type: none"> • be written in plain accessible language. • be precise about what applicants can and cannot expect, and when they can expect resolution. • clearly set out the applicant’s role in the process and how they can help the process go more smoothly and quickly. • be produced collaboratively with subject experts and include the involvement of people who use the service(s). • effectively integrate with the single assessment process. • offer viable alternatives to the authority’s services. • set out the appeals and complaints processes. These should be based on fairness and equity for all involved and available to all. <p>R5 Local authorities need to design services to engage with service users effectively and efficiently, but current standards are too variable to ensure service users are getting access to the advice they need (paragraphs 2.18 to 2.24). To improve current performance we recommend that local authorities make better use of their websites to help manage demand by:</p> <ul style="list-style-type: none"> • testing the usability and effectiveness of current website information using our lines of enquiry set out in Appendix 5; • increasing and improving the range, quality and coverage of web based information; making better use of online applications; and • linking more effectively to information from specialist providers and advice specialists, such as Citizens Advice. <p>R6 The Housing (Wales) Act 2014 introduces a new duty on social services and housing associations to collaborate with local authority homelessness services in preventing homelessness. We found that these arrangements are not operating effectively and service responses to prevent homelessness and assist homeless people are not always being provided, nor are they consistently effective (paragraphs 3.13 to 3.25). We recommend that local authorities set out and agree their expectations of partners identifying how they will work together to alleviate homelessness. The agreement should be reviewed regularly and all partners’ performance reviewed to identify areas for improvement.</p>

Date of report	Title of review	Recommendation
January 2018	How Local Government manages demand – Homelessness	<p>R7 Local authorities monitoring systems and evaluation approaches to ensure compliance with their responsibility under the Equality Act 2010 and the Public Sector Equality Duty are not working as well as they should (paragraph 3.35 to 3.39). We recommend that local authorities address weaknesses in their equalities monitoring, and ensure that their homelessness service accurately records and evaluates appropriate data to demonstrate equality of access for all service users that the local authority has a duty towards.</p> <p>R8 Managing demand can be challenging for local authorities. There are some clear lessons to be learnt with regard to the implementation of the Housing (Wales) Act 2014 and homelessness prevention duties that can be applied to managing demand in other services (paragraphs 4.24 to 4.27). We recommend that local authorities use the checklist set out in Appendix 10 to undertake a self-assessment on services, to help identify options to improve how they can help manage demand.</p>

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>The report contained nine recommendations. One of the recommendations was for the Welsh Government, eight of the recommendations were for local authorities and/or delivery organisations:</p> <p>R1 There are many sources of funding and policies for adaptations, which results in disabled and older people receiving very different standards of service (paragraphs 1.5 to 1.9). To address these discrepancies we recommend that the Welsh Government set standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home.</p> <p>R2 Most public bodies are clear on how their work on adaptations can positively impact on disabled and older people, and have set suitable aims that provide focus for action. For adaptations, having the right strategic goals also establishes a clear basis for decision-making on who should be prioritised for services and how and where to use resources. However, we found that current policy arrangements have a number of deficiencies and public bodies are not maximising the benefit of their investment (paragraphs 3.8 to 3.15). We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to strengthen their strategic focus for the provision of adaptations by:</p> <ul style="list-style-type: none"> • setting appropriate strategic objectives for adaptations that focus on wellbeing and independence; • improving the quality of information on the demand for adaptations by using a wide range of data to assess need including drawing on and using information from partners who work in the local-authority area; and • linking the system for managing and delivering adaptations with adapted housing policies and registers to make best use of already adapted homes. <p>R3 Ensuring that all those who might need an adaptation have all the information they need in order to apply for and receive an adaptation is important. Good-quality and accessible information is therefore essential for delivery organisations to demonstrate fair access and transparency. However, we identified weaknesses in the quality and coverage of public information relating to housing adaptations (paragraphs 2.6 to 2.15). We recommend that delivery organisations provide information on housing adaptations in both Welsh and English, and accessible formats including braille, large fonts, audio versions and other languages. Information should be promoted widely via a range of media including social media, websites and published information, and also through key partners. Preferably, information should be produced jointly and policies aligned between delivery bodies to improve coverage and usage.</p>

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R4 Given the wide number of routes into services, delivery organisations need to ensure they have robust systems to deal effectively and quickly with applications. However, we found that the processes used by delivery organisations vary widely and often create difficulties for disabled and older people seeking assistance (paragraphs 2.16 to 2.19). We recommend that delivery organisations streamline applications by creating single comprehensive application forms covering all organisations within a local-authority area that are available via partners and online.</p> <p>R5 Delivery of adaptations can be delayed by a variety of factors (paragraphs 2.20 to 2.33). To improve timeliness in delivery we recommend that:</p> <ul style="list-style-type: none"> • the Welsh Government reviews whether local authorities should continue to use the means test for Disabled Facilities Grants (DFGs); • local authorities provide or use home improvement agency services to support disabled and older people to progress their DFG applications efficiently; • delivery organisations work with planning authorities to fast track and streamline adaptations that require approvals; • delivery organisations use Trusted Assessors to undertake less complex adaptation assessments; and • the Welsh Government streamlines its approval processes for Physical Adaptation Grants (PAGs).

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R6 Most local authorities, housing associations and Care and Repair agencies have established processes to appoint, oversee and manage builder and/or contractor performance. However, we found wide variations in how delivery organisations arrange, contract and deliver building works (paragraphs 2.37 to 2.44). We recommend that delivery organisations:</p> <ul style="list-style-type: none"> • introduce formal systems for accrediting contractors to undertake adaptations. These should include: <ul style="list-style-type: none"> – standards of customer care such as keeping to appointments, keeping the site tidy, controlling noise etc; – vetting of financial standing, tax and VAT status; – promoting good health and safety practices; – requiring the use of warranty schemes; – ensuring that adequate insurance is held; and – requiring references. • use framework agreements and partnered contracts to deliver adaptations; • address weaknesses in the contracting of adaptations, updating Schedule of Rates used to tender work and undertaking competitive tendering to support value for money in contracting; • develop effective systems to manage and evaluate contractor performance by: <ul style="list-style-type: none"> – setting an appropriate range of information to judge performance and delivery of works covering timeliness of work; quality of work; applicant/tenant feedback; cost of work (including variations); health and safety record; and customer feedback; – regularly reporting and evaluating performance to identify opportunities to improve services; and – providing formal feedback to contractors on their performance covering key issues such as client satisfaction, level and acceptability of variations, right first-time work, post-inspection assessment and completion within budget and on time.

Date of report	Title of review	Recommendation
February 2018	Housing Adaptations	<p>R7 Maximising impact and value for money in provision of adaptations requires effective joint working between housing organisations and health and social care services to ensure the needs of often very vulnerable people can be met, and their quality of life improved. However, our findings highlight that delivery organisations continue to have a limited strategic focus on adaptations, concentrating on organisational specific responses rather than how best collectively to meet the needs of disabled or older people (paragraphs 3.16 to 3.21). We recommend that local authorities work with partner agencies (health bodies, housing associations and Care and Repair) to develop and improve joint working to maximise both take-up and the benefits of adaptations in supporting independence by pooling of resources, co-locating staff and creating integrated delivery teams</p> <p>R8 Most public bodies recognise the value of adaptations in reducing the risk of falls, preventing hospital admissions and speeding up discharge from hospital. However, the importance of adaptations is not always reflected in local partnership arrangements and outside of Occupational Therapists, health professionals noted that the different local-authority and housing-association systems for administering, approving and delivering adaptations are difficult to navigate (paragraphs 3.22 to 3.24). To enhance take-up and usage of adaptations with health bodies we recommend that delivery organisations jointly agree and publish joint service standards for delivery of adaptations within each local-authority area. The service standards should clearly set out how each agency approaches delivery of adaptations and how they will provide services to ensure people know what they are entitled to receive. Service Standards should:</p> <ul style="list-style-type: none"> • be written in plain accessible language; • be precise about what people can and cannot expect to receive; • be produced collaboratively to cover all adaptations services within an area; • set out the eligibility for the different funding streams, application and assessment processes, timescales and review processes; and • offer the viable options and alternatives for adaptations including linking with adapted housing registers to maximise use of already adapted homes.

Date of report	Title of review	Recommendation
April 2018	<u>Speak my language: Overcoming language and communication barriers in public services</u>	<p>Ensuring that people who face language and communication barriers can access public services</p> <p>R1 Public bodies are required to ensure that people can access the services they need. To take account of the requirements of the 2010 Equality Act and other legislation, we recommend that public bodies regularly review the accessibility of their services to people who do not speak English or Welsh as a main language including Deaf people who use sign language. This assessment can include using our checklist.</p> <p>Developing interpretation and translation services in Wales</p> <p>R2 Our work with public bodies, interpretation and translation service providers and service users has identified some challenges for interpretation and translation services. We recommend that the Welsh Government work with public bodies, representative groups and other interested parties to make sure that:</p> <ul style="list-style-type: none"> • the supply of interpreters is sufficient especially for languages in high demand such as BSL and Arabic; • interpreters with specialist training are available to work in mental health services and with people who have experienced trauma or violence; and • quality assurance and safeguarding procedures are in place.
May 2018	<u>Reflecting on Year One: How Have Public Bodies Responded to the Well-being of Future Generations</u>	<p>The report did not include any recommendations or proposals for improvement.</p>

Date of report	Title of review	Recommendation
May 2018	Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities	<p>R1 People with a learning disability have a right to live independently. The last 50 years have seen significant changes in the provision of accommodation and support. Service provision has moved to a model that enables people to live in the community in ordinary houses throughout Wales (paragraphs 1.3 to 1.10). We recommend that local authorities continue to focus on preventing people becoming dependent on more expensive placements in care homes by providing effective support at home and a range of step up accommodation by:</p> <ul style="list-style-type: none"> • improving the evaluation of prevention activity so local authorities understand what works well and why. • utilising the mapping of prevention services under the Social Services and Well-being (Wales) Act 2014 that covers other agencies and service providers. • improving the signposting of additional help so carers and support networks can be more resilient and self-reliant. This should include encouraging carers to make long-term plans for care to maintain and protect their dependants' wellbeing. • sharing risk analysis and long-term planning data with other local authorities, service providers, and partners to agree a shared understanding of the range of options. <p>R2 Population projections show that the number of people with a learning disability will increase in the future, and those aged over 65 and those with a moderate or severe learning disability will rise significantly (paragraphs 1.3 to 1.10). We recommend that local authorities improve their approach to planning services for people with learning disabilities by building on the Regional Partnership Boards' population assessments for people with learning disabilities and agreeing future priorities.</p>

Date of report	Title of review	Recommendation
May 2018	Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities	<p>R3 The Welsh Government produced guidance to local authorities, entitled 'developing a commissioning strategy for people with a learning disability' to support authorities in producing strategic plans for the commissioning of learning disability services. In conjunction with codes of practice developed following the Social Services and Well-being (Wales) Act 2014, the Welsh Government requires local authorities to develop integrated commissioning options with Local Health Board services. The aim is to provide a joined-up and cost-effective approach to the commissioning of services but our review highlighted weaknesses in current arrangements (paragraph 2.4 to 2.12). We recommend that local authorities do more to integrate commissioning arrangements with partners and providers and take account of the work of the National Commissioning Board by:</p> <ul style="list-style-type: none"> • understanding the barriers that exist in stopping or hindering further integration; • improving the quality of joint strategic plans for learning disability services (see also paragraphs 3.11 to 3.14); • establishing investment models and sustainable financial structures, joint workforce planning and multi-year budgeting; and • developing appropriate governance and data sharing frameworks with key local partners that include a clear process for managing risk and failure. <p>R4 Local authorities' engagement with people with learning disabilities and their carers is variable. Whilst many authority services have positive relationships with advocacy groups, some are less successful in involving these groups and carers in evaluating the quality of services (paragraph 2.18 to 2.20). We recommend that local authorities do more to involve people with learning disabilities and their carers in care planning and agreeing pathways to further independence by:</p> <ul style="list-style-type: none"> • consistently including people with learning disabilities and their carers in the writing, monitoring and development of care plans; • systematically involving carers and advocacy groups in evaluating the quality of services; • involving people with learning disabilities in procurement processes; and • ensuring communications are written in accessible and appropriate language to improve the understanding and impact of guidance and information.

Date of report	Title of review	Recommendation
May 2018	<u>Strategic Commissioning of Accommodation Services for Adults with Learning Disabilities</u>	<p>R5 Local Authorities could do more to involve service providers in commissioning and make the tendering process more effective by making it easier to navigate and more outcome focused. However, providers are not as effectively engaged as they should be (paragraphs 2.28 to 2.38). We recommend that local authorities collaborate with providers, the third sector and suppliers in understanding challenges, sharing data, and pooling expertise by:</p> <ul style="list-style-type: none"> • improving the quality, range, and accessibility of tendering information; and • working with providers to shape local markets by coming to a common understanding of the opportunities, risks, and future priorities in providing learning disabilities services. <p>R6 Most local authorities do not have effective arrangements to monitor and evaluate their commissioning of learning disability services (paragraphs 3.3 to 3.15). We recommend that local authorities develop a more appropriate set of performance indicators and measures of success that make it easier to monitor and demonstrate the impact of service activity by:</p> <ul style="list-style-type: none"> • co-designing measures, service and contract performance indicators with service providers, people with learning disabilities and their carers; • ensure commissioners have sufficient cost and qualitative information on the full range of placement and care options available; • equipping commissioners with data to demonstrate the long-term financial benefits of commissioning choices, this includes having the right systems and technology; • integrating the outcomes and learning from reviews of care plans into performance measures; • evaluating and then learning from different types of interventions and placements; and • including learning disability services in local authority scrutiny reviews to challenge performance and identify improvements.

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ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	19 September 2018
Subject:	Internal Audit Charter
Head of Service:	Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Author:	Marion Pryor, Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Nature and Reason for Reporting: The Public Sector Internal Audit Standards require the chief audit executive to produce an Internal Audit Charter, which the Audit and Governance Committee must approve. Although not due for a full formal review until April 2020, a review has been undertaken to ensure continued appropriateness, which has identified minor changes.	

1. Introduction

- 1.1. The Public Sector Internal Audit Standards provides for a periodic review of the Internal Audit Charter, with final approval of the charter residing with the Audit and Governance Committee.
- 1.2. The Audit and Governance Committee last reviewed and approved the Charter in September 2017. It is not due for full formal review until April 2020; however, a review conducted to ensure continued appropriateness has identified minor changes:
 - Paragraph 10, first bullet – include ‘lay members’. This supports the equal status afforded to lay members as recognised in the new Audit and Governance Committee Terms of Reference
 - Paragraph 11 – correcting error in the date of the regulations and update for new legislation. The Accounts and Audit (Wales) (Amendment) Regulations 2018 amend the 2014 Regulations. They make changes to the timetable for preparing and publishing local government bodies’ statements of accounts. The amendments also change the requirements around both the publication of pension fund statements, and the display of public notices relating to statements of accounts. However, internal audit requirements are not affected.

2. Recommendation

- 2.1. That the Audit and Governance Committee approves the amendments to the Internal Audit Charter.

Internal Audit Charter

September 2018

Review date	September 2018
Approved by	Audit and Governance Committee
Next review date	September 2020

Marion Pryor BA MA CMIIA CPFA
Head of Audit & Risk

Why do we need a Charter?

1. The Public Sector Internal Audit Standards¹ (PSIAS) define the nature and set out basic principles for internal auditing in the UK public sector.
2. The Standards require the chief audit executive to define the purpose, authority and responsibility of the internal audit activity in an internal audit charter. Chief audit executives are also required to report conformance with the PSIAS in their annual report. Final approval of the Internal Audit Charter rests with the Audit & Governance Committee.
3. The internal audit charter establishes:

Internal audit's purpose and position within the Council
Internal audit's authority
The nature of the chief audit executive's relationship with senior management and the board
Authorisation for internal audit to access records, personnel and physical properties relevant to the performance of its work
The scope of internal audit's work, including the nature of its assurance role and consultancy services
The role of internal audit in fraud-related work
Arrangements for resourcing the internal audit service
The safeguards to limit impairments of independence or objectivity

4. The PSIAS use generic terms that, in the Isle of Anglesey County Council's case, are translated as:

Public Sector Internal Audit Standards	Isle of Anglesey County Council
Chief audit executive	Head of Audit & Risk
Senior management	Head of Function (Resources) / Section 151 Officer and Strategic Leadership Team
The board	Audit & Governance Committee

¹ Public Sector Internal Audit Standards, Issued by the Relevant Internal Audit Standard Setters, March 2017

What is Internal Audit's purpose and position?

5. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
6. The provision of assurance services is the primary role for internal audit. Through our annual internal audit opinion and other reports, we give assurance to elected members and management, highlighting areas for improvement.
7. The PSIAS define internal audit as:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

8. Our role is unique; it provides effective challenge and acts as a catalyst for positive change and continual improvement in governance in all its aspects. Our role is particularly important when the Council is facing uncertain and challenging times.
9. To provide optimum benefit to the organisation, we work in partnership with management to assist the organisation in achieving its objectives.
10. Our main objectives are to:
 - Provide independent assurance and advice to management and lay and elected members on risk management, governance and internal control
 - Develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers
 - Add value in all areas of our work, providing excellent service to our customers.

What is Internal Audit's authority?

11. Internal audit is a statutory requirement for local authorities and obtains its authority and obligations from two pieces of legislation:

Part 3, Regulation 7 of the Accounts and Audit (Wales) Regulations 2014² states that *“a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*

Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined *‘proper administration’* in that it should include *‘compliance with the statutory requirements for accounting and internal audit’*.

12. The Council's Financial Procedure Rules provide for the maintenance of a continuous internal audit under independent supervision, overseen by the Council's Audit & Governance Committee, and subject to professional audit standards (4.8.5.3.1).

13. In maintaining the continuous internal audit activity, the chief audit executive takes account of the mandatory elements of the PSIAS:

- Core Principles for the Professional Practice of Internal Auditing,
- Code of Ethics,
- Standards and
- Definition of Internal Auditing.

What is the nature of the chief audit executive's relationships?

Reporting, Accountability and Independence

14. The Standards require that the chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities; reporting to the board or its delegated equivalent is the

² The Accounts and Audit (Wales) (Amendment) Regulations 2018 amend the 2014 Regulations but do not affect this requirement.

generally accepted method of helping to ensure that organisational independence is attained.

15. The Head of Audit and Risk has direct access to the Audit and Governance Committee and is free to report directly to any member of the senior leadership team or head of service.
16. Although functionally reporting to the Head of Function (Resources) / Section 151 Officer, the Head of Audit and Risk has direct access to the CEO and Monitoring Officer, which is provided for in the Council's Financial Procedure Rules (4.8.5.3.5).
17. These extended reporting lines provide internal audit with sufficient independence of the activities that it reviews to enable its auditors to perform their duties objectively, allowing them to make impartial and effective professional judgements and raise issues for improvement.
18. The Head of Function (Resources) / Section 151 Officer annually appraises the Head of Audit and Risk's performance with input and feedback from the CEO and Chair of the Audit and Governance Committee. This ensures that the Head of Audit and Risk's opinion and scope of work cannot be limited or affected by her functional line management position within the Council.

Internal Audit Strategy

19. The Head of Audit and Risk prepares the internal audit strategy and annual plan in consultation with the Head of Function (Resources) / Section 151 Officer and senior management.
20. The Head of Audit and Risk presents these annually to the Audit and Governance Committee for approval. In-year revisions are provided to the Audit and Governance Committee as part of the update report presented at each meeting.

Assignment Reporting

21. The Internal Audit Service is fully committed to the Council's Welsh Language policy. Reporting is bilingual wherever possible and the Internal Audit Service includes a majority of bilingual staff who can undertake reviews in the language of choice of those assisting with reviews.
22. All audit reviews are the subject of formal reports. Debrief meetings are held with the managers responsible for the area under review to agree the factual accuracy of the issues and risks raised.
23. After agreement, draft reports are issued to the relevant manager who records the action that will be taken to address the issues / risks raised and the officers assigned responsibility to implement along with timescales for implementation. Once the action plan has been fully completed and agreed with the auditor, a final report is issued.

24. The Head of Audit and Risk provides a copy of every report to the Head of Function (Resources) / Section 151 Officer and presents a summary of each report to the Audit and Governance Committee at each meeting.

25. Members of the Audit and Governance Committee will also receive copies of any reports receiving a 'Limited' or 'Minimal' assurance rating.

Assurance Rating

26. We provide an opinion on the overall level of assurance for each individual internal audit assignment. In reaching a conclusion, we use the following definitions:

Level of Assurance	Definition	Management Intervention
Substantial Assurance	<p>Arrangements for governance, risk management and internal control are good.</p> <p>No significant or material errors were found.</p>	<p>No or only low impact management action is required.</p> <p>Findings, which are easily addressed by line management.</p>
Reasonable Assurance	<p>Arrangements for governance, risk management and/or internal control are reasonable.</p> <p>Some inconsistency in application and opportunities still exist to mitigate against further risks.</p>	<p>Management action of moderate to low impact is required.</p> <p>Findings are containable at service level.</p>
Limited Assurance	<p>Arrangements for governance, risk management and internal control are limited.</p> <p>There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.</p>	<p>Management action of high to moderate impact is required.</p> <p>Findings that need to be resolved by heads of service and SLT may need to be informed.</p>
Minimal Assurance	<p>Arrangements for governance, risk management and internal control are significantly flawed.</p> <p>Key controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.</p>	<p>High impact management action is required in a number of areas.</p> <p>Weaknesses in control that require the immediate attention of SLT, with possible Executive intervention.</p>

Follow Up

27. Internal audit maintains an electronic recommendation tracking system for all recommendations and, more recently, issues / risks raised. The Head of Audit and Risk regularly reports management performance in addressing the risks to

the Head of Function (Resources) / Section 151 Officer and the Audit and Governance Committee.

Annual Internal Audit Opinion

28. The Head of Audit and Risk presents an annual internal audit opinion and report to the Audit and Governance Committee that can be used by the Council to inform its governance statement.
29. The annual internal audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
30. The annual report also includes a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

External Audit

31. The Standards recognise that whilst the appointed external auditors have different statutory obligations, there are clear benefits to the Council in ensuring that internal and external audit maintain a good working relationship. The most obvious benefit is reducing duplication of work and to this end, the Head of Audit and Risk maintains regular communication with the external auditors.

What are internal audit's rights of access?

32. The Council's Financial Procedure Rules (4.8.5.3.2) provide for internal audit's rights of access, providing the service with authority to:
 - enter at all reasonable times Council premises, land or contract sites;
 - have access to all records, documents or correspondence relating to any financial and other transactions of the Council;
 - require and receive such explanations as are necessary from employees of the Council;
 - require employees of the Council to produce cash, stores or any other property of the Council under their control for examination.

What is the scope of internal audit's work?

33. The internal audit service is proactive and innovative, constantly aiming to improve. We have a customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management and operational staff.
34. Our strategy takes account of the corporate risk register and other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management.
35. Our work provides a risk-based approach that allows the Head of Audit and Risk to form and evidence her opinion on the control environment to support the Council's Annual Governance Statement.
36. Internal Audit may occasionally provide guidance and advice, e.g. on new systems or may help to develop new processes using our specific skills. Services may also occasionally ask us to carry out specific projects on a consultancy basis. On these occasions, we make it clear from the outset that we are working on a consultancy basis rather than internal audit basis and are not giving audit assurance on these occasions.

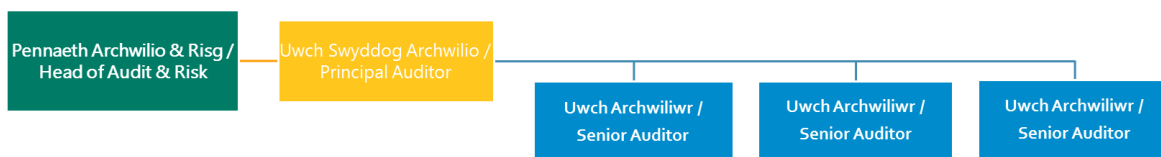
What is internal audit's role in fraud-related work?

37. Internal audit is not responsible for managing the risk of fraud – this lies with the Council's senior management.
38. The Council's policy for the Prevention of Fraud and Corruption requires managers to inform the Head of Audit and Risk of all suspected or detected fraud, corruption or impropriety, to inform her opinion on the internal control environment and internal audit's work programme, as well as to allow her to ensure the Council takes appropriate action.
39. Although internal audit carries out proactive projects to identify potential fraud and/or corruption and can carry out special investigations into alleged irregularities, the Head of Audit and Risk retains the right to decide on an appropriate course of action, which may mean a joint investigation or investigation by the service. However, management should send the outcome of all investigation activities to the Head of Audit and Risk for inclusion in a report on fraud investigations to be made within the Internal Audit Annual Report.
40. Where it is thought necessary, the external auditor may conduct investigations, either in liaison with internal audit or independently.

What resources does internal audit have?

41. The service structure below has all posts currently filled, which equates to 1,250 days, after allowing for the Head of Audit and Risk's non-audit duties (risk management and insurance).
42. We have a well-qualified and experienced team, with a mix of relevant qualifications to reflect the varied functions of the internal audit service.

Internal Audit (September 2017)



43. The Audit and Governance Committee annually reviews the resources of the internal audit service through the acceptance of the internal audit strategic and operational plans.
44. Where particular specialisms are not present, the Head of Audit and Risk will source these from outside the Council where resources are available.
45. The Standards require that internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The Head of Audit and Risk carries out a regular review of the development and training needs of all auditors through ongoing one-to-one supervision and annual appraisals.

What are the safeguards to limit impairments of independence or objectivity?

46. To be effective, internal audit must be independent and be seen to be independent. To ensure this, internal audit will operate within a framework that allows:

- unrestricted access to senior management and the chair of the Audit and Governance Committee
- reporting in its own name
- segregation from line operations.

47. Every effort will be made to preserve objectivity by controlling the involvement of audit staff in non-audit duties in order to avoid potential conflicts of interest, specific exceptions are however acceptable in respect of participation in service improvement projects, where a '*critical friend*' role will be held.

48. In addition, appropriate arrangements have been put in place to limit the impairment of independence and objectivity due to the Head of Audit and Risk's line management of the Risk Management and Insurance service. The Head of Audit and Risk will not scope or review internal audit activity relating to this service area. The Head of Function (Resources) / Section 151 Officer will sign off reports.

49. All members of the internal audit service are required to comply with the PSIAS, including its Code of Ethics. In addition, all auditors sign an annual declaration stating that we will respect the confidentiality of information we access during our work, declare any interests we may have in any services that we review, and have read the PSIAS, Code of Ethics and Council's Code of Conduct for Officers.

50. All internal auditors must:

- Work with others to promote and demonstrate the benefits of good governance throughout the Council
- Promote the highest standards and ethics across the Council based on integrity, objectivity, competence and confidentiality
- Exercise sound judgement in identifying weaknesses in the Council's control environment and provide a balanced view on how significant these are
- Be committed to continuous improvement
- Demonstrate integrity
- Report on what is found, without fear or favour
- Give clear, professional and objective advice
- Hold an appropriate qualification and have an active programme for personal professional development.

51. In addition, the Head of Audit and Risk must:

- Be a senior manager with regular and open engagement across the Council, particularly with senior management and the Audit and Governance Committee
- Be suitably qualified and experienced
- Give assurance on the control environment, including risk and information management and internal controls across the Council
- Produce an evidence-based annual internal audit opinion on the Council's control environment, reflecting the work done during the year and summarising the main outcomes and conclusions, highlighting any specific concerns
- Liaise closely with the Council's external regulators to share knowledge and use audit resources most effectively
- Determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet its objectives and provide an annual audit opinion.



CYNGOR SIR
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ISLE OF ANGLESEY
COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

FORWARD WORK PROGRAMME

19 September 2018

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)
4 December 2018 12 February 2019	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
4 December 2018 12 February 2019	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
12 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
12 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
12 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

Date	Subject	Responsible Officer (including e-mail address)
4 December 2018	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
4 December 2018	Mid-year Report on Treasury Management 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 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
12 February 2019	Internal Audit Strategy and Annual Plan 2019/20 <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
12 February 2019	Treasury Management Strategy 2019/20 and Actual Prudential Indicators for 2019/20 <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 2019/20 in accordance with the requirements of the Prudential Code. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk

Date	Subject	Responsible Officer (including e-mail address)
12 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
12 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

FUTURE REPORTS

Date	Subject	Responsible Officer (including e-mail address)
April 2019 June 2019 July 2019 September 2019 December 2019 February 2020	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

Date	Subject	Responsible Officer (including e-mail address)
<p>April 2019 June 2019 July 2019 September 2019 December 2019 February 2020</p>	<p>External Audit Progress Report</p> <ul style="list-style-type: none"> • An update on External Audit's work: <ul style="list-style-type: none"> ○ Performance Audit ○ Financial Audit 	<p>Performance Audit Lead – Wales Audit Office Gwilym.bury@audit.wales</p> <p>Financial Audit Manager – Deloitte cedge@deloitte.co.uk</p>
<p>April 2019</p>	<p>Annual Report of the Audit & Governance Committee – Chair's Report</p> <ul style="list-style-type: none"> • The Committee are asked to approve the Chair's Report for submission to full Council 	<p>Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk</p>
<p>June 2019</p>	<p>Draft Report of the Head of Function (Resources) / S151 Officer regarding the Annual Finance and Governance Statement 2018/19</p> <ul style="list-style-type: none"> • The Audit and Governance Committee is requested to comment on the content of the draft Annual Finance and Governance Report 2018/19 and contribute to the evaluations, conclusions and recommendations proposed to further develop or strengthen elements of the Council's governance arrangements during 2019/20. 	<p>Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk</p> <p>Programme, Business Planning & Performance Manager GethinMorgan@ynysmon.gov.uk</p>

Date	Subject	Responsible Officer (including e-mail address)
June 2019	Internal Audit Annual Report 2018/19 <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 2018/19. 	Head of Internal Audit & Risk MarionPryor@ynysmon.gov.uk
July 2019	Annual Treasury Management Report 2018/19 <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 2018/19. 	Head of Function (Resources) / S151 Officer MarcJones@ynysmon.gov.uk
September 2019 February 2020	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 2019	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 2019 February 2020	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

Date	Subject	Responsible Officer (including e-mail address)
September 2019 February 2020	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 2019	Report of the Head of Function (Resources) regarding the Annual Finance and Governance Report 2018/19 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 2018/19, including the Statement of Accounts 2018/19, 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
September 2019	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

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DDIM I'W GYHOEDDI NOT FOR PUBLICATION

(Cofrestr Risg Corfforaethol/Corporate Risk Register)

PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

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

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