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Dear Mr Jones

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor 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 28 September 2012 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 25 September 2012.

The Council has made a significant amount of progress in addressing issues with producing the statement of accounts and meeting the accounts publication deadline of 30 September. The Council deserves recognition and praise for the way in which it has approached the improvements required and we would like to take this opportunity to express our appreciation for the assistance we received from officers at the Council during the course of the audit. As welcome as this is, I would additionally like to stress the importance of ensuring these improvements are sustained. At the current time senior accountancy posts continue to be filled by temporary staff. It is essential that sufficient and appropriate resources are dedicated to the production of the statutory accounts going forward in accordance with required timetables.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure (2009). Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. I would like to highlight the following specific areas in this letter:

- the financial outlook for the Council remains very challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will be required in the short term to secure the savings required;
- the Council has made progress during the year in the development of risk management processes and it is important that this is sustained;
- the external auditor has reported for a number of years that robust business continuity and disaster recovery plans are not in place and this continues to be the case;
- 50% of the grant claims certified by PwC in respect of 2010/11 were subject to a qualification letter (48% in 2009/10). 10% of the grant claims were submitted by the Council after the submission deadline, compared with 66% for 2009/10; and
- we continue to be able to place reliance on the work of Internal Audit.

I have not issued a certificate of completion because I am considering an objection from a local elector.

The financial audit fee for 2011-12 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required to deal with the objection to the accounts.

Yours sincerely

Lynn Hine (PwC LLP)

For and on behalf of the Appointed Auditor

29 November 2012