



The Audit Committee  
Isle of Anglesey County Council  
Council Offices  
Llangefni  
Anglesey  
LL77 7TW

2 April 2014

Dear Sirs

We are delighted to present to you our communication regarding fraud, independence and quality.

### ***Risk of Fraud***

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

<b>Auditors' responsibility</b>	<b>Management's responsibility</b>	<b>Responsibility of the audit committee</b>
<p>Our objectives are:</p> <ul style="list-style-type: none"><li>• To identify and assess the risks of material misstatement of the financial statements due to fraud;</li><li>• To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and</li><li>• To respond appropriately to fraud or suspected fraud identified during the audit.</li></ul>	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"><li>• To design and implement programmes and controls to prevent, deter and detect fraud;</li><li>• To ensure that the entity's culture and environment promote ethical behaviour; and</li><li>• To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.</li></ul>	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"><li>• To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and</li><li>• To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.</li></ul>

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*Your views on fraud*

We enquire of the Audit Committee:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

***Independence threats and safeguards***

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and we have set out below the relationships that, in our professional judgement, may be perceived to impact upon our independence and the objectivity of our audit team, together with the related safeguards.

<b>Support provided by PwC</b>	<b>Value £'000</b>	<b>Threats to independence and safeguards in place</b>
Certification of grant claims and returns	150	<p><b>Self Review Threat:</b> The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors. There is no self review threat as we are certifying management completed grant returns and claims.</p> <p><b>Self Interest Threat:</b> As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat.</p> <p><b>Management Threat:</b> PwC is not required to take any decisions on behalf of management as part of this work.</p> <p><b>Advocacy Threat:</b> We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p><b>Familiarity Threat:</b> Work complements our external audit appointment and does not present a familiarity threat.</p> <p><b>Intimidation Threat:</b> We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism</p>

*Relationships and Investments*

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.



Therefore at the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

### ***Electronic communication***

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

### ***Quality arrangements***

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your



right to complain to the Institute of Chartered Accountants in England and Wales or to the Wales Audit Office.

If you are not satisfied with the way your complaint has been dealt with, you can contact the Complaints Investigation Manager at the Wales Audit Office by phone on 029 2032 0500, or by email at [complaints@wao.gov.uk](mailto:complaints@wao.gov.uk). Further details about the complaints process are available at [www.wao.gov.uk/complaints](http://www.wao.gov.uk/complaints).

If you have any questions regarding matters in this document please contact Lynn Pamment on 029 2080 2390 or Joe Hargreaves on 029 2080 2198. We will attend the Audit Committee on 10 April and look forward to discussing this document with you then.

Yours sincerely

Lynn Pamment