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Cllr. Ieuan Williams
Leader
Isle of Anglesey County Council
Council Offices
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Reference C14231
Date 28 November
2014
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Dear Cllr. Williams

Annual Audit Letter – Isle of Anglesey County Council 2013-14

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 30 September 2014, I issued an unqualified audit opinion on the accounting statements stating 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 23 September 2014.

The departure in February of the accountant who prepared the previous year's Statement of Accounts and the absence and subsequent departure of the previous Section 151 officer from April resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant draft of the Statement of Accounts.

I identified two material misstatements through the course of the audit fieldwork of £3.7m and £10.1m relating to Equal Pay provisions and the valuation of fixed assets respectively. Whilst these had no effect on the Council Fund balance, provisions were materially overstated and fixed assets were materially understated in the draft accounts presented to the audit team. Further immaterial errors were also identified. These issues could have been identified by a more detailed review during the production of the accounts.

I continue to have concerns regarding the reliance on temporary staff within the finance team. It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

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. 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 challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required to secure the savings required on a sustainable basis.

The Council had reasonable arrangements in place for the production and submission of its 2013/14 grant claims but there is scope for improvement. 62% of the grant claims

certified by PwC in respect of 2012/13 were subject to a qualification letter (38% in 2011/12). 38% of the grant claims were submitted by the Council after the submission deadline, compared with 39% for 2011/12. A more detailed report on my grant certification work in respect of 2013/14 will follow in 2015 once this year's programme of certification work is complete.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2014.

The financial audit fee for 2013/14 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning and the production of the final draft of the Statement of Accounts.

Yours sincerely

A handwritten signature in cursive script that reads "Lynn Pamment".

**Lynn Pamment
For and on behalf of the Appointed Auditor**

