

# Public Document Pack

## **AUDIT COMMITTEE**

**Wednesday, 10 December 2014 (2.00 pm)**

Please find details of an additional item and accompanying report on the Audit Committee agenda which was not received at the time of the agenda's publication.

**5**                    **EXTERNAL AUDIT - ANNUAL AUDIT LETTER FOR 2013/14** (Pages 1 - 8)

To present the External Audit Performance Work Programme update.

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<b>Reference</b>	C14231
<b>Date</b>	28 November 2014
<b>Pages</b>	1 of 3

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**



### **Improvement Plan Audit**

Audit of discharge of duty to publish an improvement plan. This replaces the Improvement Assessment Letter 1 (IAL1).

Timing – Completed and reported in June 2014.

### **Assessment of Performance Audit**

Audit of discharge of duty to publish an assessment of performance. This replaces the Improvement Assessment Letter 2 (IAL2).

Timing – Completed and certificate issued on 2 December 2014.

### **Corporate Assessment**

The second year of the four-year cycle of corporate assessments commences in 2014. Anglesey's corporate assessment is planned for Winter 2014-15 and is a review of the Council's capacity and capability to deliver continuous improvement. The corporate assessment will replace the need for a separate Annual Improvement Report in 2015. The project brief has been issued to the Council.

Timing – Planned fieldwork week 23 February 2015.

### **Financial Position review**

Financial position work focussing on financial health, the effectiveness of budget setting arrangements, financial governance systems and progress/track record in delivering on required savings.

Timing – Completed and reported to Council in November 2014.

National summary - This study will summarise local work on councils' financial position and give an all-Wales picture of financial resilience. Expected completion by the end of 2014.

### **Governance review**

A local review of the effectiveness of scrutiny and Programme Board arrangements. This work will feed into the corporate assessment.

Timing – In progress throughout November 2014 and January 2015 and forms part of the Corporate Assessment.

### Performance management review

Review of the effectiveness of joint Local Service Board arrangements for Isle of Anglesey and Gwynedd County Councils.

Timing – December 2014 to January 2015. The study was delayed to allow some transformation arrangements to take place.

### Local Government studies

#### **Joined-up working to address Health and Social Care demand – Independence of Older People**

This study will focus on supporting older people to maintain their independence outside of the health and care system by assessing how effective ancillary services are at supporting them to live independently.

Timing – The study has commenced and the project brief has been circulated to all councils.

#### **Delivering with less – Leisure Services**

This study will track the levels of investment in leisure services over the last few years using the methodology developed for the 2013-14 delivering with less study on environmental health services.

Timing – The study has commenced and the project brief has been circulated to all councils.

### Previous Local Government studies 2013-14

#### **Delivering with less – the impact on Environmental Health Services and citizens**

The study is complete and the local report will be issued to the Council in early December 2014.

#### **Welfare reform**

The study is complete and there will be no local specific output from this work, only a single national level report.

#### **Safeguarding**

The study is complete and the main outputs from the study will be a national report and a short local summary consisting of the main findings from the fieldwork. A local report will be issued to the Council in early December 2014.



## Work specific to Anglesey

### Local review

#### Finance

A local review of financial management resources. A key strand of our Corporate Assessment will focus on the Council's management of its financial resources. However, the proposed timing of our Corporate Assessment will be too late for its conclusions to inform the Council's planning for 2015-16. The Council has therefore agreed that we should review the robustness of its financial management arrangements during early 2014-15.

Timing – Complete and a draft report was issued to the Council in November 2014.

## Other regulators

### CSSIW

No inspections planned at present.

### Estyn

No plans to review Anglesey. However, Estyn is undertaking a thematic review of the regional school improvement service (GwE) across North Wales during the week beginning 12 January 2015. This review will include interviewing stakeholders from each of the six local authorities, including Anglesey.

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