

Public Document Pack



CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Mr Richard Parry Jones, MA.
Prif Weithredwr – Chief Executive
CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL
Swyddfeydd y Cyngor - Council Offices
LLANGFNI
Ynys Môn - Anglesey
LL77 7TW

Ffôn / tel (01248) 752500
Ffacs / fax (01248) 750839

ERHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO	AUDIT COMMITTEE
DYDD IAU, 10 EBRILL, 2014 am 2 o'r gloch y prynhawn	THURSDAY, 10 APRIL 2014 at 2.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD YCYNGOR, LLANGFNI	COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

Annibynnol / Independent

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

Plaid Cymru / The Party of Wales

T Lloyd Hughes (Is-Gadeirydd/Vice-Chair), John Griffith and Vaughan Hughes

Heb Ymaelodi / Unaffiliated

R Llewelyn Jones (Cadeirydd/Chair) and Raymond Jones

AELODAU LLEYG / LAY MEMBERS

Mrs Sharon Warnes and Mr Richard Barker

A G E N D A

1 DECLARATION OF INTEREST

To receive any declaration of interest by any member or officer in respect of any item of business.

2 MINUTES 4 FEBRUARY, 2014 MEETING (Pages 1 - 6)

The minutes of the previous meeting of the Audit Committee held on 4th February, 2014 to be submitted for confirmation.

3 HOUSING SERVICES BUSINESS MAINTENANCE UNIT (Pages 7 - 14)

To report on the key steps taken since the previous update to the Audit Committee.

4 CORPORATE ASSESSMENT

Presentation by the Deputy Chief Executive.

5 PROCUREMENT FITNESS CHECK (Pages 15 - 16)

To present a summary of the KPMG report.

6 ICT SERVICES REVIEW

To report verbally on the external review of ICT services.

7 CIVICA LEDGER SYSTEM

To receive a verbal update on the post-implementation review.

8 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY

To present the Annual Review of the Risk Management Strategy.
(Late Report)

9 ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS AND COUNTER FRAUD ARRANGEMENTS (Pages 17 - 28)

To present the Annual Review of the Audit Committee's effectiveness and counter fraud arrangements.

10 ANNUAL REPORT OF THE AUDIT COMMITTEE (Pages 29 - 34)

To present the Annual Report of the Audit Committee for the 2013/14 municipal year.

11 INTERNAL AUDIT ANNUAL REPORT 2013/14 (Pages 35 - 42)

To present the Internal Audit Service Annual Report 2013/14.

12 INTERNAL AUDIT STRATEGIC PLAN AND PERIODIC PLAN (Pages 43 - 52)

To present the Internal Audit Strategic Plan 2012-15 and Periodic Plan 2014-15.

13 **EXTERNAL AUDIT - ANNUAL FINANCIAL AUDIT OUTLINE** (Pages 53 - 76)

- To present the Annual Financial Audit Outline.
- Communication on fraud, independence and quality.
- To receive an update on the Performance Work Programme.

14 **INDEPENDENT REMUNERATION PANEL FOR WALES ANNUAL REPORT 2014**

Verbal update by the Audit Manager.

15 **EXCLUSION OF PRESS AND PUBLIC** (Pages 77 - 78)

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.”

16 **INTERNAL AUDIT SERVICE MANAGEMENT CONTRACT**

Head of Function (Resources) to report verbally.

17 **MEETINGS 2014/15**

- Tuesday, 22 July, 2014 at 2:00 p.m.
- Tuesday, 23 September, 2014 at 2:00 p.m.
- Wednesday, 10 December, 2014 at 2:00 p.m.
- Tuesday, 3 February, 2015 at 2:00 p.m.
- Tuesday, 14 April, 2015 at 2:00 p.m.

This page is intentionally left blank

AUDIT COMMITTEE

Minutes of the meeting held on 4 February, 2014

- PRESENT:** Councillor R.Llewelyn Jones (Chair)
Councillor Trefor Ll.Hughes (Vice-Chair)
- Councillors Jim Evans, John Griffith, Richard Owain Jones,
Raymond Jones
- Lay Member: Mrs Sharon Warnes
- IN ATTENDANCE:** Chief Executive
Deputy Chief Executive
Head of Function (Resources) & Section 151 Officer
Audit Manager (JF)
Head of Service (Housing Services) (for item 5)
Transformation Programme Manager (DE) (for item 3)
Senior Accountant (Strategic Planning) (BD)
Accountant (GR)
Committee Officer (ATH)
- APOLOGIES:** Councillor Dafydd Rhys Thomas, Mr Richard Barker (Lay Member)
- ALSO PRESENT:** Councillor H.Eifion Jones (Portfolio Member for Finance), Mr Andy Bruce (WAO), Bev Symonds (Scrutiny Manager)
-

1 DECLARATION OF INTEREST

No declaration of interest was received.

2 MINUTES

The minutes of the previous meeting of the Audit Committee held on 11 December, 2013 were presented and confirmed as correct.

3 TRANSFORMATION PROGRAMME FRAMEWORK

Members of the Committee were provided with a presentation on the Transformation Programme Framework which covered the governance arrangements of the transformation programme boards; the process for commencing and reporting programmes and projects and the status of current change programmes and projects.

The Deputy Chief Executive summarised the background to the establishment of the Transformation Programme including the principles and purpose on which the Programme is founded. She explained that the Transformation Programme provides the apparatus whereby change plans and schemes within the Council can be taken forward purposefully and in accordance with project management disciplines.

The Transformation Programme Manager proceeded to elaborate on the various elements of the Transformation Programme and the functions they fulfil and she highlighted the following points –

- The focus of the transformation programme in delivering on the objectives of the Council's Corporate Plan; in providing the mechanism and framework to drive forward change and improvement and in ensuring that the change programme is managed and delivers to expectations.

- The terms of reference of the three Transformation Programme Boards and their purpose in overseeing change within the Council.
- Membership of the Programme Boards in drawing on representation from a range of interests including the Executive, scrutiny, relevant services and external expertise as required.
- The governance model and reporting structure from the point of a project's inception and mandate through to challenge, oversight and completion.
- The key drivers for prioritising projects and tasks and the process for project initiation and carry through.
- Communication channels and the mechanisms for communicating the outcomes via a project register which holds information about where each project reports to and how they inform direction and priorities. Minutes of meetings are shared with the Penaethiaid and key messages are posted on Monitor. Scrutiny, SLT and the Sustainability Board are provided with feedback on progress.
- Next steps in terms of undertaking a first year review of governance arrangements, the underpinning processes and the prioritisation of transformation activities.

Members were afforded the opportunity to ask questions on the information presented. The following issues were raised in the ensuing discussion:

- The process for dealing with and managing any uncertainties within the programme that might hinder progress.
- The adequacy of the support structure for the programme in order to ensure that it progresses to timescales and targets. It was noted that the programme appears short on person power support.
- The adequacy and breadth of the reporting arrangements in terms of keeping all Members informed on progress.
- The need for the Transformation Programme framework to be able to deliver to targets in a way that is smart and expeditious. The importance of the Programme being able to provide tangible and timely results was emphasised.
- Whether the recommendations made by the Audit Committee with regard to the management and governance of information have been followed through in terms of making managers across the Council aware of their responsibilities in this respect.

The Officers responded to the matters highlighted by further clarifying the principles on which the Transformation Programme is based; the project management environment and methods which govern the way the programme framework works and the timelines for delivery of results. They also pointed out that additional capacity has been allocated to the Programme to provide support and expertise with the delivery of some of the larger projects. The Head of Function (Resources) said that it was imperative that the Transformation Programme is accelerated as it is the main area for meeting the budget gap in 2014/15 and over the subsequent 3 years, otherwise the approach to budget cuts will have to revert to salami slicing. The Officer said that she believed it would be difficult to deliver services efficiently based on this approach. Consequently she deemed it essential that regular monthly reports on the progress of the Transformation Programme in bridging the budget gap are produced. The Deputy Chief Executive said that the boards meet bi-monthly and are now engaged on the business cases which will identify the level of savings required and whilst the need for regular reporting about end delivering on projects is recognised, not all the transformation projects are about delivering savings.

Members of the Audit Committee emphasised the importance of regular and timely reporting on the Transformation programme and they indicated that they as a committee would appreciate being kept abreast of progress on those programmes specifically involved in identifying and developing efficiencies in terms of service delivery linked to bridging the budget gap. The Deputy Chief Executive suggested that the Officers consider the most appropriate and relevant forum to which to relay information on progress on transformation specifically with reference to monitoring efficiencies and the substance of that information, and that they would in the meantime keep the Chair and Vice-Chair of the Audit Committee briefed on the matter.

It was resolved to note the information presented.

ACTION ARISING: Deputy Chief Executive and Transformation Programme Manager to consider the reporting lines in relation to monitoring the delivery of efficiencies and to report back to this Committee. The Chair and Vice-Chair of the Audit Committee to be briefed in the meantime.

4 INFORMATION GOVERNANCE

It was reported and noted by Members of the Audit Committee that the Executive at its meeting held on 13th January, 2014 resolved as follows with regard to the concerns expressed by the Audit Committee at its December, 2013 meeting in relation to Information Governance issues –

Resolved to refer the concerns of the Audit Committee to the SLT for consideration with a request that they submit a status report to the Executive in March.

NO FURTHER ACTION ARISING

5 HOUSING SERVICES BUILDING MAINTENANCE UNIT

A report by the Head of Housing Services on progress to date with regard to the review of the Building Maintenance Unit was presented for the Committee's consideration. The report outlined the options under consideration for the future of the Repairs and Maintenance Service (BMU) along with the next steps and key milestones in the review process.

Members sought clarification of certain points and they highlighted the importance of having in place robust procurement arrangements and ensuring compliance therewith. They noted that the report consequent upon the final review event scheduled for 11 February, 2014 would be presented to the Audit Committee.

It was resolved to note the position with regard to the review of the Housing Services Building Maintenance Unit.

NO FURTHER ACTION ARISING

6 TREASURY MANAGEMENT QUARTER 3 2013/14

A report by the Head of Function (Resources) outlining Treasury Management activities in the third quarter of 2013/14 along with the plans for the remainder of the year was presented for the Committee's consideration.

Members considered the report and sought reassurance about the creditworthiness of certain counterparties particularly where there has been a change in their credit rating.

It was resolved to accept the report and to note the Treasury Management position as at Quarter 3.

NO FURTHER ACTION ARISING

7 TREASURY MANAGEMENT STRATEGY 2014/15

A report incorporating the Treasury Management Strategy Statement for 2014/15 covering the Authority's policies on borrowing, investment and creditworthiness was presented for the Committee's consideration and endorsement.

The Senior Accountant (Strategic Planning) informed Members of minor updates to the 2013/14 Statement as set out in paragraph 3 of the report.

Members considered the report and Statement and they commented as follows –

- That it would be useful for Members of the Audit Committee if for training purposes, the Officers could focus on a specific aspect of the Treasury Management Statement.
- They sought clarification of the reasons for the unavailability within the Authority of documented Treasury Management Practices.
- They sought clarification of the Council's borrowing position and concern was expressed regarding the cumulative effect of increasing borrowing costs. They pointed out the disparity between the return on investment and the interest paid on the Council's debt which position they felt was unsustainable in the long term. It was suggested that the Executive be informed

of the Audit Committee's concern regarding the Council's borrowing situation particularly in the context of a challenging financial climate and the difficult decisions that will have to be made as a result.

The Officers responded to the issues raised by further explaining the Authority approach in terms of borrowing and investment. The Portfolio Member for Finance acknowledged the point made with regard to borrowing and the associated costs especially as conversely, returns on investment have been weak for some time. He suggested that the situation might be ameliorated to some extent by a more strategic approach to asset management and better and smarter use of the Council's offices thus creating opportunities to dispose of assets no longer required thereby generating capital and reducing borrowing needs.

It was resolved –

- **To note the contents of the report.**
- **To endorse the Treasury Management Strategy Statement for 2014/15 including the Prudential and Treasury Indicators as at Annex A to the Statement.**
- **That the Executive/Council be informed of the Audit Committee's concern regarding the sustainability of the Authority's borrowing/debt position and the costs thereof in the long term.**

ACTION ARISING: Head of Function (Resources) to convey the Committee's sentiments regarding the Council's borrowing position to the Executive/Council.

8 EXTERNAL AUDIT – UPDATE ON PERFORMANCE WORK PROGRAMME

An update by External Audit on the status of planned and ongoing performance work was presented and noted by the Committee.

9 EXTERNAL AUDIT IMPROVEMENT ASSESSMENT LETTER 2

The WAO's Assessment Letter 2 was presented for the Committee's information. The Letter set out the extent of the Authority's compliance with its improvement planning and reporting duties under the Local Government (Wales) Measure 2009.

The Chief Executive welcomed the positive tenor of the IA Letter 2 which confirmed that the Authority had discharged its improvement planning and reporting duties under the Measure and that the Auditor General for Wales had no further proposals or recommendations for improvement in this respect.

A Member of the Committee suggested that the contents of IA Letter 2 be more widely publicised as testimony of the Authority's continuing improvement. Mr Andy Bruce, WAO suggested that the Committee may wish to defer further publicity until after the publication of the Annual Improvement Report which draws together all aspects of improvement within the Council whereas IA Letter 2 covers compliance only.

Following discussion, it was determined that a press release be issued to be accompanied by a foreword by the Chair to the effect that IA Letter 2 demonstrates that the Isle of Anglesey County Council is moving forward on its improvement journey. Councillor Jim Evans wished it to be noted that he was in favour of deferring publicity until after the publication of the Annual Improvement Report.

It was resolved to note the contents of IA Letter 2.

ACTION ARISING: Corporate Communications Officer to liaise with the Chair to issue a press release as per the above.

10 AGENCY STAFF

The Audit Manager informed the Committee that the arrangements for procuring temporary agency staff are under consideration with a view to moving to a managed service to ensure a more efficient procedure. Under the proposed new policy, a managed provider would be responsible for the procurement process thus leading to more streamlined and cost efficient arrangements. The Officer said that currently each service manages its own procurement arrangements with regard to

agency staff which means it is more difficult to track overall expenditure on agency staff across the Council. However, some other organisations approach the procurement of agency staff by producing a business case to justify the engagement which is then authorised at the highest level.

Members of the Committee indicated they were keen to ascertain the costs associated with the procurement/engagement of agency staff, the numbers involved across the Council along with the possibility there may be duplication.

It was resolved to note the information as presented.

ACTION ARISING: Audit Manager to provide the Committee with an analysis of the number of agency/contract/self-employed staff engaged by the Council, the reasons for the engagement and costs thereof along with alternative approaches as taken by other organisations/bodies.

**Councillor R.Llewelyn Jones
Chair**

DRAFT

This page is intentionally left blank

Committee:	Audit Committee
Date:	10 th April 2014
Title of report:	Review of Building Maintenance Unit (also known as Housing DLO)
Purpose of Report:	To update members of the Audit Committee on the steps taken to date to review the Building Maintenance Unit
Author:	Shan Lloyd Williams. Head of Housing Services
Portfolio Holder:	Councillor Kenneth P Hughes

1.0 Introduction

1.1 Key steps taken since the last Report to Audit Committee are as follows:

- i) A second workshop with staff and individual meetings with staff including Finance, Performance management officers, and information from Human Resources, a comprehensive options appraisal of the future of Housing Service's repairs service has been undertaken. Completed February 2014.

- ii) The results from this appraisal exercise have concluded that a recommended option of retaining the service in house, but merging the client and contractor teams into one repairs service, whilst modernising and transforming the service would achieve the highest possible benefits for the service, at a reasonable cost. Options appraisal enclosed with this highlight report.

- iii) Draft Report shared with Senior Leadership Team and Executive Committee members, with a recommendation that it is presented to Scrutiny Committee, before presentation to the Executive Committee.

1.2. Between the date this Report was written and the date of the Audit Committee, further work will have been undertaken to develop a Business Plan and Business case showing how the Service will achieve excellence status. Key headlines will be presented verbally during the Audit Committee.

2.0 Key features behind recommended option

2.1 The recommended option of retaining the service in house, but merging the client and contractor teams into one repairs service, whilst modernising and transforming the service, was considered the strongest option due to the following aspects:

2.1.1 Ownership - this option retains full ownership and control of the service by Anglesey (as opposed to outsourcing to an external contractor to deliver the service) and ensures that local services are provided by local people. By retaining full ownership, the service can also ensure full internal alignment with the strategic vision and objectives of the Council;

2.1.2 Flexibility – by retaining internally, this offers a higher degree of flexibility to the Housing Service than outsourcing, which would involve a rigid contract specification being in place. It was thought that an internal service has the ability to respond quickly to emerging issues without the need to renegotiate the contract (including the possibility of additional payments) with an external contractor;

2.1.3 Value for Money – the option would ensure that all the available resources were spent on the housing stock, rather than a proportion being paid for the contractor's profit. It is believed that efficiencies can be delivered with an in house arrangement and that a target minimum of £250k of annual savings is possible from retaining the service in house. The service would have a priority of being customer focused, rather than being profit driven, but at the same time it was recognised that the internal service needed to develop improved commercial acumen and make more effective use of resources. Any savings generated can be retained by the Housing Service;

2.1.4 Integrated Service – by merging the client and contractor functions together and bringing these closer to the Housing Service as a whole, it was felt that the service in future could act as one team, overcoming present problems surrounding communication, differing priorities, staff frustration and a blame culture. The new service would work on team-working principles within the context of working towards a shared goal of excellent services;

2.1.5 Risk – this option avoids the risk of an external contractor going out of business;

2.1.6 Accountability – there would be clear accountability in place as the newly merged service will be solely responsible for delivering its business plan and achieving its vision and strategic objectives. Senior managers will be held accountable for their decision making, actions and the resulting performance of their service;

2.1.7 Regulatory issues – this option will directly address the concerns of the Welsh Audit Office’s report in 2012 and Solutions for Housing’s VFM and Service Review report in 2012.

3.0 Requirements of the Head of Housing Service

3.1 In recommending this option, the Head of Housing Services has specified a number of requirements that must be met in order to give assurance to the Council and its stakeholders that future excellent service levels will be achieved and within a reasonable timeframe. These are as follows:

- i. That the restructuring of the proposed newly merged repairs service must be aimed to be achieved within the first six months of 2014/15, recognising that much of the transformational change with the teams cannot take place during this period and therefore it was important that this was carried out as quickly as possible whilst at the same time ensuring that all necessary staff consultation takes place;
- ii. That following the restructuring, the newly merged service would have a two year timeframe to embed the service and drive performance up to the levels expected of an excellent performing repairs provider. Should performance levels not be achieved, then the Head of Housing may wish to consider again the outsourcing of the service. This would however be the entire repairs service (i.e. client and contractor elements);
- iii. That an accommodation review be undertaken to enable the co-locating of teams within the newly merged service (wherever possible);
- iv. That the new service is underpinned by a comprehensive business plan demonstrating what, how and when the business improvements will be delivered and will set out the stepped performance targets to be achieved;
- v. That an independent VFM review and options appraisal of the stores function be conducted within the first six months of 2014/15;
- vi. That multi-skilling of operatives be implemented to ensure a flexible and responsive service, capable of delivering a high level of right first time repairs;
- vii. That the structure of the workforce be reviewed to ensure that the profile and number of trades matches the repairs demand from the housing stock;
- viii. That a trading account still be maintained in the newly merged service, to capture the income and costs of the contractor ‘trading’ element of the merged service, which will in term demonstrate its continued viability and VFM to the overall housing service;

ix. That a review of sub-contractor usage and expenditure be undertaken during 2014/15 with the aim of reducing the current level of spend wherever possible;

x. That during the first two years of the new service, a review of the model for delivery of the gas servicing and gas repairs be undertaken to ensure that a good VFM service is being achieved for the Council;

xi. That the annual operational budget for 2017/18 for the combined client and contractor service is a minimum of £250k lower in real terms than the combined repairs budget for 2013/14. This will allow for sufficient time for the new service to 'bed in' and for VFM gains to be generated;

xii. That the service will require external specialist transformational change support in order to realise the full ambitions of the service within the timescale required. It is expected that some of the costs of this investment will be offset by efficiencies generated during the transformational two year period.

4.0 Summary of the progress made on the previous action plans

4.1 The review found that positive progress is being made with the previous action plan, with almost 60% of actions either being completed, or in-progress. However, further progress is required in a number of areas to complete the action plan. It can be concluded that the service is moving in the right direction and that the client and BMU teams are starting to build a track record of achievement.

4.2 Summary findings following the review of the current working arrangements of the service:

The current working arrangements are old fashioned and in need of urgent review. There are current tensions between the client and contractor functions however the source of these problems can be attributed to the current split arrangement, rather than to the staff themselves. As the recommendation is to retain the service in house, but with a newly merged structure and a modern approach to service provision, the Consultants believe that the current difficulties being experienced can be overcome. The service will however need to be prepared to undertake a major transformation project in order to fully realise the ambitions of the Housing Service for repairs in terms of it being a modern, efficient and excellent service. The Consultants believe that this process will take an initial six months to restructure the team and then a further two years to drive the service up to the levels of an excellent service provider.

5.0 Options appraisal

5.1 Options Appraisal – summary [the full report is available]

5.1.1 Retaining the existing client contractor split but working with partnering principles and modernising the service:

Retaining the service in-house gives Anglesey ultimate control over the service delivered to customers but also responsibility for achieving the vision required by the Housing Service. A client/contractor split has been heavily criticised in the past by both the Audit Commission, the Chartered Institute of Housing and the Welsh Audit Office and therefore there would need to be a convincing argument and business case to justify its retention. Solutions for Housing would suggest that this could only be achieved if a senior management level post was created to oversee the work of both the DLO and the client side, effectively bringing the two sides together into a 'one team approach to repairs'. This would however be costly and it may be difficult to quantify what the level of value would be added to customers and the service as a result. A medium term business plan would be required to demonstrate viability and the service would need to continue with its modernisation agenda. This option would be easy to outsource in future if it did not meet the customer and performance standards required.

5.1.2 Merging the client and contractor functions and modernising the service:

This would involve restructuring the end to end repairs service and merging the client and contractor teams into one repairs team. The restructure would also necessitate a review of the current office accommodation arrangement as it would be essential that teams who predominantly work together should be located close together. This would also avoid the risk of 'the title badge changing but not the person'. This by its very nature would ensure a one team approach to repairs and would be relatively easy to integrate with the rest of the Housing Service. Anglesey Council would retain ultimate control over the service delivered to its customers, but also the responsibility for achieving the vision set by it. This merged service would avoid the considerable problems of the current structure such as: duplication in tasks as a result of the split service, poor communication, adversarial relationship, lack of joined up thinking across the repairs service and lack of strategic alignment with the Housing Service's vision. A medium term business plan would be required to demonstrate viability and the service would need to continue with its modernisation agenda. This option would directly address the concerns of the Welsh Audit Office.

5.1.3 Outsourcing the service to an external contractor:

This would involve the Council undertaking a procurement exercise to outsource the contractor side of the service to an external contractor, but with the client side remaining in house however with a possible different structure than it has at present. Anglesey could opt for a fully compliant OJEU exercise, or has the option to use an existing procurement framework which would be less costly however it may provide some limitation in terms of the ability to focus the contract specifically on Anglesey's needs. There would also be potential ongoing costs of delivering the service through a framework agreement and if this is used, typically 3% of the annual contract value is payable to the framework itself.

Anglesey could choose from a range of options from a fully managed service, to one where the social landlord takes a more active involvement. In a fully managed arrangement for example, the contractor would take calls directly from the customer and would raise the job on their system, then interfacing this back with the clients system in 'real time'. They would perform pre and post inspections, with the client required to perform some level of post inspections to assure themselves of the quality being achieved. Pre-inspections would only be required on complex jobs outside of the norm, or above a certain financial threshold. Alternatively, the social landlord may want to take a more active role and this could be achieved by the landlord taking the calls from customers and booking appointment slots into the contractor's operatives diaries.

Different structures of contracts could be considered including open book accounting, schedule of rates contract, Average Order Value contracts, or a fixed core price for certain, but not all repairs, with the remainder of repairs being agreed on a schedule of rates basis. Other incentive mechanisms could be considered which may include for example, a pain/gain arrangement where the contractor could financially benefit if high performance levels are achieved, or alternatively would receive a reduction in their contract fee if these were not achieved. Ideally, this would be based on a balanced scorecard approach in which measures for cost, quality, performance and effectiveness in terms of customer satisfaction, be achieved before a financial 'gain' was paid.

In terms of the attractiveness of Anglesey's work to an outside contractor, the issue of geographical location needs to be taken into account. Contractors tend to place their best competitive bids for areas of work in which they already have a presence, which then secures economies of scale for the contractor. It should be noted that there is only Lovell Homes working in the North Wales area and this is on a new build contract rather than repairs, however there are a number of contractors delivering gas servicing and gas repairs contracts in the area.

There would be a need to consider TUPE issues for the Council's direct workforce and a thorough review of these issues must be considered at an early stage in the development of any outsourced service project plan.

5.1.4 Outsourcing the entire service (i.e. client and contractor) to external contractors:

This would involve outsourcing the repairs to an external contractor, but also outsourcing the client management to a professional contract management company. A low level of senior management time would be required within Anglesey to manage this arrangement, thus releasing the landlord to focus solely on housing management issues. This however would result in a loss of control by the landlord of its repairs service however this could be mitigated by building in a balanced scorecard mechanism for the contractor to achieve and the contract management company to ensure it was delivered, with possible links to incentive mechanisms.

5.1.5 Outsourcing parts of the service:

This would involve a procurement exercise which would result in another service provider delivering an element of the business. This commonly would be the gas service, or the stores functions and these have been delivered recently within North Wales at very competitive prices. This would enable the Housing Service to retain stronger performing parts of the service and outsource less strong areas, or ones where VFM could be better demonstrated by delivery from outside the service.

5.1.6 Creating a joint venture:

A joint venture option is the middle ground between an external and internal repairs service.

A joint venture would involve the creation of a separate legal entity in which both the repairs contractor and the Council would have a stake, but which the contractor would manage the day to day running of the service. This option allows the Council to benefit from the expertise of a private/commercial contractor whilst also providing it with a potential financial gain if economies were achieved in delivering the service. A further potential option is to joint venture with another registered social landlord.

A comprehensive management agreement would need to be put in place between the parties to ensure that the responsibilities of each party were clearly defined. It would be usual for the contractors IT systems to be used. This therefore carries a risk if the joint venture was not successful.

5.1.7 Social Enterprise:

A social enterprise is a business that trades for a social and/or environmental purpose. The majority of its income is through trading goods and services and can only reinvest its surpluses in areas which pursue its social aims. These would generally be a separate legal entity such as a CIC (Community Interest Company) or an IPS (Industrial and Provident Society) and would be overseen by a separate board. This would be a completely new way of running the service and it should be noted that there is no other social enterprise currently in place to run repairs for a social housing landlord and therefore Anglesey would need to create its operating model from scratch which could be costly in terms of resources required to develop it. This option would also still retain a client/contractor split and TUPE would be an issue.

5.1.8 Wrekin Housing's same day fix service:

A recent development in social housing repairs delivery has been Wrekin Housing's same day fix service for repairs. This is modelled on the AA's model for car breakdowns and ensures that a very high level of repairs are attended and fixed the same day that they are reported. Customers of Wrekin Housing have reported very high levels of satisfaction with this service. This would involve the service mainly running on a continuous emergency service basis, but with flexibility to accommodate appointments where requested by tenants. This would be delivered using an internally provided DLO, but working with a completely different operating model to now.

6.0 Recommendation

That members of the Audit Committee note the process followed to review of The Building Maintenance Unit and recommend the need for any further future reports on this topic to be presented to Committee.

Report author: Shan L Williams, Head of Housing Services

Date: 24th March, 2014

KPMG Procurement Fitness Check

Background

In March 2012, the Minister for Finance commissioned a review into 'Maximising the Impact of Welsh Procurement Policy'. That review recommended the re-introduction of capability assessments or fitness checks, which the Minister subsequently confirmed would be re-introduced. This is also supported by the Public Service Leadership Group (PSLG) chaired by the Minister for Local Government and Communities

KPMG were commissioned to undertake Fitness reports on all Local Authorities within Wales.

The objective of this work was to determine whether organisational procurement capability is adequate and also enable organisations to identify their strengths and areas for improvement. These assessments include actions for improvement which are to be presented to senior management at each Local authority and a copy is to be provided to Value Wales.

Value Wales intends to provide on-going support for improvement through a 'Procurement Development Service' concept. This support will be linked to national improvement themes that this work identifies within Local Authorities across Wales. The rationale was to assess fitness for purpose of current Procurement activity in terms of Management of Authorities spend, efficiency and Compliance with Legislation.

This report was to be completed by December 2013 and a Summary provided to the Finance Minister Welsh Government

Approach

Value Wales provided the, previously developed, Welsh Government Capability Model, which KPMG used to develop an on-line questionnaire to assess the Local Authorities capability against this model.

Each local authority was invited to prepare a list of staff who would be asked to complete the on-line questionnaire confidentially. These staff were either directly or in-directly involved in procurement and the list was intended to cover procurement across the authority.

KPMG analysed the responses and prepared an initial assessment of the authority's procurement capability (based on the Welsh Governments maturity model). This assessment was then tested and moderated in face-to-face interviews conducted on site at the authority with key procurement managers and stakeholders from across the authority.

The output of this analysis and these interviews was presented in a report, together with KPMG's recommended actions for improvement.

These actions for improvement recognise the activities that are already on-going and planned within the authority and are intended to support those activities and provide practical advice to support the improvements.

Conclusion

The Authority has a Procurement Improvement Programme in development to address the recommendations and improvements

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 APRIL 2014
TITLE OF REPORT:	AUDIT COMMITTEE - REVIEW OF EFFECTIVENESS REPORT 2013/14
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	NONE

1. INTRODUCTION

- 1.1 The terms of reference of the Audit Committee are set out in the Council's Constitution. The Committee's terms of reference include at 3.4.8.1.1 (ix) a requirement 'to prepare a report for the annual meeting of the Council on its activities for the year'.
- 1.2 The CIPFA Practical Guidance for Local Authorities and Police 2013 Edition provides best practice in terms of the core functions of an Audit Committee and included in that guidance is a reference to the benefits of undertaking a regular self-assessment of the effectiveness of the Committee. The guidance suggests that such self-assessment should be used to support the planning of the committee work programme and training plans and also to inform the Committee's annual report to the Council.
- 1.3 The Audit Committee has, therefore, over the past few years set up an Annual Workshop which includes the review of its effectiveness during the current year with a view to including the results in its annual report to the Council. These Workshops are based around best practice guidance and, this year specifically, upon the CIPFA - Self-Assessment of Good Practice and the Evaluating the Effectiveness of the Audit Committee Checklists contained within the CIPFA Practical Guidance for Local Authorities and Police 2013 Edition.
- 1.4 The Audit Committee terms of reference include at section 3.4.8.1.3 that 'the Committee will also advise on the Council's Policy for Prevention of Fraud and Corruption, including (i) reviewing the effectiveness of the policy. The Audit Committee has, in previous years, used best practice Counter Fraud Checklists as part of this review and did so again in 2013/14.
- 1.5 The review of Audit Committee effectiveness and of its Counter Fraud arrangements for 2013/14 took place on 28 January 2014 at the Oriel in Llangefni.

The workshop was attended by three Members of the Audit Committee, including the Chair of the Committee, and by the Leader of the Council who had been invited to the workshop as part of the Committee's intention to enhance the awareness of the Committee and its work across the Council.

2. EFFECTIVENESS OF THE AUDIT COMMITTEE

- 2.1 CIPFA - Self-Assessment of Good Practice: The results of the Workshop's self-assessment of Audit Committee Good Practice are contained at Appendix A in the form of the completed CIPFA - Self-Assessment of Good Practice checklist.

2.2 Overall, the Audit Committee self assessment of its performance against best practice was positive with only 3 out of 20 of the specified best practice being considered not to be undertaken by the Committee and a further 8 out of 20 where it was felt that improvements could be made. The main identified areas of weakness related to:-

- Audit Committee purpose and governance –

The workshop felt that the purpose of the Committee set out in the terms of reference could be expanded in line with CIPFA guidance in order to provide more information and improve understanding of its role in the rest of the Council;

The workshop believed that, as it was difficult to determine if the Committee was making a difference and providing sufficient challenge in all the right areas, Audit Committee calendars of other Welsh authorities are obtained and compared and that Members of the Committee seek to attend other Council's Audit Committees and vice versa to identify any good practice elsewhere.

The workshop concluded that there are currently no formal arrangements for holding the Committee to account for its performance and to provide assurance that it is operating satisfactorily. This was, in effect, why the self-assessment process was important. The workshop believed that the WAO had a role to play here and should be asked to provide feedback on its performance as a Committee on a regular basis.

- Functions of the Audit Committee

The workshop believed that the terms of reference of the Committee should specifically include reviewing the obtaining of value for money and best value within the Council.

The workshop also believed that the terms of reference should be strengthened in terms of providing assurance over the assurance framework as a whole.

The workshop felt that, in the time available at meetings, it was not possible to ensure that it fulfilled all of its functions and roles as set out in the terms of reference, especially in terms of the core function areas. Suggestion was made that consideration be given to limiting the Committee's agenda to priority issues and allowing sufficient time to review these in depth.

The workshop considered that it could do more to work with other Committees to provide assurance on matters within its core functions. For example, work more closely with the Standards Committee in terms of ethics and receiving requests from other Committees and the Council on issues surrounding risks to the Authority. This would include how significant reports are dealt with by the Authority.

2.3 Evaluating the Effectiveness of the Audit Committee: - The Committee did not have time to fully consider and discuss the Evaluating the Effectiveness of the Audit Committee checklist at the workshop. The checklist had been previously circulated with the workshop agenda to all Members of the Audit Committee and workshop invitees.

2.4 The Audit Manager had completed a copy of the checklist to identify those areas which, in his opinion, the Committee had strengths and those areas which could be improved upon. The checklist, as completed by the Audit Manager, is at Appendix B of this report.

2.5 The results of the Audit Manager's assessment of the Committee's effectiveness identified the following areas where the Committee may consider improvements could be made in 2014/15:-

- Supporting Risk Management Arrangements

Although the Audit Committee has supported the establishment of a robust Risk Management framework fully embedded within the Authority, that support has yet to be effective in producing the desired outcome.

- Supporting Value for Money Arrangements

As identified above in this report, the review of the effectiveness of the Council's arrangements for obtaining Value for Money and best value are not currently included in the Committee's terms of reference.

- Helping the Authority to implement effective arrangements for countering fraud and corruption risks

The workshop identified the Council's arrangements for Countering Fraud as an area for further development in 2014/15.

- Promoting Effective Public Reporting to the Council's Stakeholders

The Committee does not currently have a role in promoting effective public reporting to the Authority's stakeholders. This would include Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.

3. EFFECTIVENESS ACTION PLAN

3.1 The work carried out at, and surrounding, the workshop has identified areas for improvement in terms of both meeting best practice and in the Committee continuing to develop its effectiveness.

3.2 The Committee is asked to consider the weaknesses identified and to endorse the development of an Action Plan detailing how the weaknesses are to be addressed in 2014/15, by whom and by when. Performance against the Action Plan will then be reported regularly to the Audit Committee at its meetings.

4. REVIEW OF COUNTER FRAUD ARRANGEMENTS

4.1 The workshop was able to discuss the main findings of the Internal Audit Counter Fraud Report 1906.13/14 which review was based on the Audit Commission's 'Protecting the Public Purse' Appendix 2 – checklist.

4.2 The report identified a number of areas where the Counter Fraud arrangements are currently weak. These areas are detailed in the Executive summary of the above Internal Audit report, which summary is included at Appendix C of this report for information.

4.3 The Head of Function (Resources) is undertaking a review of the Council's Counter Fraud arrangements in the light of scheduled proposals to transfer local authority Benefit Investigative Teams to the DWP under a Single Fraud Service. Some residual fraud related tasks will, however, be left with local authorities.

4.4 The Committee is asked to consider the weaknesses identified and to endorse the development of an Action Plan detailing how the weaknesses are to be addressed in 2014/15, by whom and by when. Performance against the Action Plan will then be reported regularly to the Audit Committee at its meetings.

CIPFA - Audit Committees / Practical Guidance for Local Authorities 2013**Self-Assessment of Good Practice**

	Good Practice Questions	Yes	Partly	No	Comments
Audit Committee purpose and governance					
1	Does the Authority have a dedicated audit committee?	YES			See Constitution – TORs at 3.4.8
2	Does the audit committee report directly to the full Council? (applicable to local government only)	YES			Reporting lines to Council – some items such as TM Strategy – SoAs go from AC to Full Council Annual Report of AC. AC TOR 3.4.8.1.8 Workshop Comments: Would like more feedback generally on effectiveness/performance of the Committee. More reporting to the Council would be beneficial – perhaps in the form of a Highlight report of key issues / risks raised at Audit Committee as and when appropriate.
3	Do the terms and reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		PARTLY		TORs do not specifically mention purpose – But TORs are in line with purpose as set out by CIPFA. Workshop Comments: The TORs do have a brief stated purpose but this needs to be expanded to give more information on the Committee's purpose and role.
4	Is the role and purpose of the audit committee understood and accepted across the Authority?		PARTLY		TOR included in Constitution – attendance of CE, DCE, Section 151 Officer and Monitoring Officer reflect understanding. Could be more pro active in raising profile – have invited Chair of Scrutiny and Leader to Workshop as start. Workshop Comments: Consideration should be given to ensuring that Members are fully inducted into how the Council and its Committees operate and the role of each.
5	Does the audit committee provide support to the Authority in meeting the requirements of good governance?		PARTLY		Difficult to quantify but Governance Assurance framework action plan updates; risk management reports; Annual Governance Statement; ongoing review of internal control framework etc. Workshop Comments: Members agreed that it was difficult to determine if the Committee was making a difference and providing sufficient challenge in all the right areas. Suggested that Audit Committee calendars of other Welsh authorities are obtained and compared and that Member of the Committee seek to attend other Council's Audit Committees and vice versa to identify any good practice elsewhere. Chair has initiated a log of issues raised by the Committee which includes when action is due by and by whom.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			NO	There are no specific arrangements for this - But Scrutiny do complete a 'performance' self assessment after each meeting – Members may like to consider something similar? Annual Workshops to review effectiveness and performance - Annual Report to Council Workshop Comments: Members believed that the WAO had a role to play here and should be asked to provide feedback on its performance as a Committee.

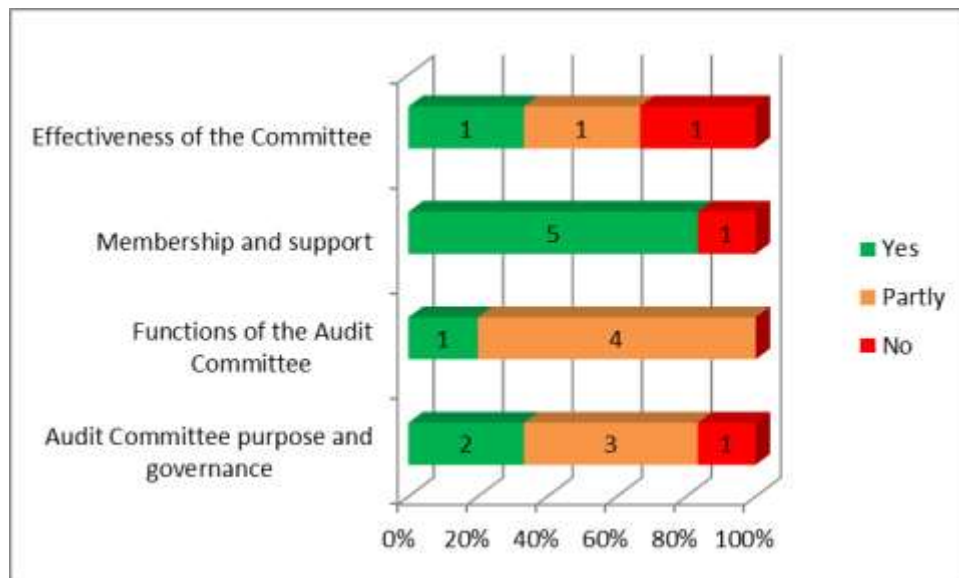
Functions of the Audit Committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
a	• Good governance	YES		AC – TOR – 3.4.8.1.9 and generally
b	• Assurance framework			NO Framework not specifically in AC TOR – AGS is included though and in general covers areas of framework.
c	• Internal audit	YES		AC TOR – 3.4.8.1.1
ch	• External audit	YES		AC TOR – 3.4.8.1.1
d	• Financial reporting	YES		AC TOR – 3.4.8.1.2
dd	• Risk management	YES		AC TOR – 3.4.8.1.9
e	• Value for money or best value			NO Not specifically in AC TOR Workshop Comments: Reports should include reference to the fact that VFM has been taken into account and how this has been done. Managers should be able to show that they have arrangements in place to obtain VFM. Procurement was discussed in relation to VFM and in relation to ensuring that local suppliers are considered.
f	• Counter fraud and corruption	YES		AC TOR – 3.4.8.1.3
8	Is the annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given in core areas?		PARTLY	Self assessment covers a number of areas – But not all – e.g. TOR 3.4.8.1.9 (ii) – 'to ensure compliance with Statutory requirements including Health and Safety.' Reporting of H&S has not been received – is now in calendar for 2014-15. Workshop Comments: Members commented on the lack of time available to the Committee to deal with all the issues in the TOR fully. Members felt that at times in a 2-3 hour meeting there was not enough time to look at in the depth required to add value. Suggestion that consideration be given to limiting the agenda to priority issues and allowing sufficient time to review these in depth.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		PARTLY	Reviews TM arrangements; Oversight of Annual Improvement Report and other public reports; Does not work with Standards Committee to support ethics or receive requests from other Committees or statutory officers in relation to risk. Workshop Comments: Members discussed issues surrounding ICT Disaster Recovery and how these are reported – including the use of ICT Audit specialists. Discussion went on to consider how significant issues reported to the Committee could be monitored to ensure that they are dealt with – e.g. issues surrounding ICT DR. Need for more accountability in relation to non-implementation of significant recommendations.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		PARTLY	Action Plan derived from the Workshop will provide action to address areas determined as needing improvement.
11	Has the committee maintained its non-advisory role by not taking any decision-making powers that are not in line with its core purpose?	YES		Decision making is in line with TOR

Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:-				
a	<ul style="list-style-type: none"> Separation from the executive 	YES			AC TOR – 3.4.8.3.2 – Executive Members not eligible to be members of AC. 3.4.8.3.5 - Chairperson not to be a Member of group on Executive.
b	An appropriate mix of knowledge and skill among the membership		PARTLY		Difficult to evaluate as the skill sets of individual members are not published anywhere. Workshop Comments: Members were supportive of arrangements to make available the skills sets of members so that determination of appropriate skills mix can be evaluated. This information is not available at present.
c	<ul style="list-style-type: none"> A size of committee that is not unwieldy 	YES			AC TOR – 3.4.8.3 Membership – eight Council Members plus two co-opted Members. Workshop Comments: The size of the Committee was appropriate but Members expressed concern about the level of attendance by some Members. Number of meetings was also considered along with the contents of the calendar of reporting. Members would like to review the number of meetings and the calendar.
ch	<ul style="list-style-type: none"> Where independent members are used, that they have been appointed using an appropriate process. 	YES			Originally by selection Sub Committee of AC – extended by vote in AC December 2013.
13	Does the chair of the committee have appropriate knowledge and skills?	YES			Chair is an experienced Chair of the AC and has attended a number of training sessions on key areas of the Committee's work.
14	Are arrangements in place to support the committee with briefings and training?	YES			This Committee has had induction training and this workshop. Specific training on TM and RM is on the Members Training programme administered by HR. Workshop Comments: Members considered issues of wider support including the validation of reports such as these in SS determining the cost effectiveness and comparison of in-house and outsourced provision? Who calculates these – on what basis? and who validates the calculations and conclusion? - are the right people getting the right information at the right time? Members discussed Transformation Programme Boards business cases and how far these were reviewed, measured and monitored to ensure that projects were meeting the original objectives set for them. Such monitoring would include formal post implementation reviews against original objectives.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			NO	Not to the knowledge of the Audit Manager. Workshop Comments: Members referred back to comments on knowledge of skill sets at 12 b above.
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	YES			All attend each Audit Committee – Workshop Comments: Members believed that relations with supporting officers was satisfactory. Comment was made that officers should report in a style and wording appropriate to Members' non professional status in the some areas. Members requested pre Committee meetings with internal and external audit to identify significant issues and to provide two way feedback between auditors and Members of the Committee.

17	Is adequate secretariat and administrative support to the committee provided?	YES			<p>Committee Clerks send out agenda and take minutes. Translation Unit attend each meeting. Agendas are sent out in advance of meetings.</p> <p>Workshop Comments: Members believed support to be adequate but that consideration should be given over the timing of the Audit Committees related to the SoAs to ensure that agendas and reports including draft SoAs went out in time to allow appropriate scrutiny by Members before the Committee meeting.</p>
Effectiveness of the Committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			NO	<p>Not to the knowledge of the Audit Manager</p> <p>Workshop Comments: Members asked that the WAO be requested to provide such feedback. Next year would see a corporate inspection and such feedback would be timely.</p>
19	Has the committee evaluated whether and how it is adding value to the organisation?		PARTLY		<p>Through self assessment and annual report to Council.</p> <p>Not formally in the past.</p>
20	Does the committee have an action plan to improve any areas of weakness?	YES			<p>An action plan is produced after each Workshop and included in a report on the workshop and outcomes to the next full Audit Committee.</p> <p>Workshop Comments: Action plan to be produced from the outcome of the Workshop.</p>

Summary of Results by Area

Area Considered	Yes	Partly	No	Total
Audit Committee purpose and governance	2	3	1	6
Functions of the Audit Committee	1	4	0	5
Membership and support	5	0	1	6
Effectiveness of the Committee	1	1	1	3
	9	8	3	20



CIPFA - Audit Committees / Practical Guidance for Local Authorities 2013**Evaluating the Effectiveness of the Audit Committee**

	Areas where the Audit Committee can add value by supporting improvement	Examples of how the Audit Committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5-1
1	Promoting the principles of good governance and their application to decision making.	Providing robust review of the AGS and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner adult committees to review governance arrangements in partnerships.	<ul style="list-style-type: none"> Review of AGS; Support for governance reviews throughout year from IA and WAO etc. Involved in review of AGS – becoming involved in supporting the governance assurance framework; Self assessment workshops including governance. <p>Suggested Areas for Improvement:</p> <ul style="list-style-type: none"> Partnership arrangements – IA report 2013 - need to produce a Partnership framework - Committee could champion this. 	3
2	Contributing to the development of an effective control environment	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising sufficient concerns over controls with appropriate senior managers.	<ul style="list-style-type: none"> Monitor implementation rate of IA reviews in Audit Manager's Progress Report; Call in Managers to explain control weaknesses in Red reports; <p>Suggested Areas for Improvement:</p> <ul style="list-style-type: none"> Extend recommendation tracking to all reports – need to support a central register of recommendations, actions and implementation. 	4
3	Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risk.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	<ul style="list-style-type: none"> The Audit Committee has continued to challenge the time taken to fully implement risk management into the Council. The Committee has supported the establishment – But that support has not been effective in producing the desired result. <p>Suggested Areas for Improvement:</p> <ul style="list-style-type: none"> The Committee should continue to challenge officers as to why this process has not been fully embedded. 	1

4	Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Review the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	<ul style="list-style-type: none"> The Committee has begun to include the review of the governance assurance framework on its calendar and has supported its development; Production of governance assurance framework aims to streamline process. <p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> Consider ways in which the effectiveness of internal and external audit, risk management and governance assurance providers can be reviewed and measured – perhaps self assessment along the lines of that of the Audit Committee. 	4
5	Support the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	<ul style="list-style-type: none"> The Committee reviews the Internal Audit Charter and Protocol which includes its independence; Receive progress report from IA on a regular basis; Approve the IA Plan each year including a review of the resources necessary to implement the Operational Internal Audit Plan. <p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> As above – could consider ways in which the effectiveness of internal audit, risk can be reviewed and measured. Requirement for IA to do so every five years in PSIAS. 	4
6	Aiding the achievement of the Authority's goals and objectives through helping to ensure appropriate governance, risk, and control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	<ul style="list-style-type: none"> The Committee does aid in these respects by its work and support during the year. <p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> The Committee does not review major projects and programmes; The Committee does not review performance arrangements. 	3
7	Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on the value for money arrangement is included in the assurances received by the Audit Committee. Considering how performance in value for money is evaluated as part of the AGS.	<p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> The VFM conclusion covers a number of elements of efficiency, effectiveness and economy and is much more far reaching than VFM issues. VFM is not currently included in the TOR of the Audit Committee. The specific criteria for the conclusion on VFM are: <ul style="list-style-type: none"> Securing financial resilience (AC review of MTFP); Challenging how it secures economy, efficiency and effectiveness. 	1

8	Helping the Authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standard set out in CIPFA's <i>Managing the Risk of Fraud</i> (Red Book 2).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of the ethical governance arrangements for both staff and governors.</p>	<ul style="list-style-type: none"> · The Audit Committee has included the review of the Council's Counter Fraud arrangements in its annual Workshops. · The Committee receives an Annual Fraud Report detailing the results of the work undertaken during the year by the Benefits Investigation Team and Internal Audit. <p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> · Fraud risks and mitigation are not currently reported to the Committee; · The Committee does not review the Council's ethical governance arrangements for both staff and Members. 	2
9	Promoting effective public reporting to the Authority's stakeholders and local community and measures to provide transparency and accountability.	<p>Improving how the Authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain Welsh/English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p>	<p><u>Suggested Areas for Improvement:</u></p> <ul style="list-style-type: none"> · The Committee does not currently have a role in promoting effective public reporting to the Authority's stakeholders. 	0

CIPFA - Audit Committees / Practical Guidance for Local Authorities 2013

Evaluating the Effectiveness of the Audit Committee

Assessment Key	
5	Clear evidence is available from a number of sources that the Committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area.
3	The Committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the Committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the Audit Committee has supported improvements in this area.

Extract from Internal Audit Report - Counter Fraud -1906.13/14**1. EXECUTIVE SUMMARY****1.1 INTRODUCTION**

An audit of the Council's counter fraud Arrangements was undertaken to ascertain and record the processes currently in place and to identify gaps in the current counter fraud framework.

The Council has a dedicated Housing Benefits Investigative Team within Revenues and Benefits which itself sits within the Resources Function of the Council. The Investigative Team consists of three staff, an Acting Fraud Manager, a Benefit Fraud Investigator and a Fraud Collator.

The Council's Internal Audit Team also resides with the Resources Function and along with its roles in relation to governance, risk management and internal control also has responsibility for the receipt and investigation of referrals relating to fraud committed by Council employees or fraud committed against the Council.

The Council has a Policy for the Prevention of Fraud and Corruption which is part of the Council's Constitution. The Policy at paragraph 5.6.5.2 states that: *'The Section 151 Officer has responsibility for co-ordinating the Council's activities to counter fraud and corruption and, together with the Head of Function Legal and Administration, will advise the Council, the Executive and the Council's Committees on policies, strategies and procedures to support this policy.'*

In terms of work load In 2012/13, the Benefits Investigative Team received a total of 616 referrals of possible Benefit fraud relating to Housing/Council Tax benefit and 532 cases which were considered as suitable for investigation. Of the 532 cases, 39 resulted in some form of formal sanction. A total of £236,555 worth of overpaid benefit was identified as "fraud and error" by the Counter Fraud Section during this period.

The Internal Audit Team received a total of 11 referrals relating to allegations of fraud or other wrong doing during the same period. The investigation of these allegations found evidence of weak internal control in some instances and found positive evidence of irregularity and/or fraud taking place in two of the investigations.

This review took the form of a self-assessment of Council's practice and procedure against the best practice contained in the Audit Commission's 'Protecting the Public Purse' Appendix 2 - checklist for those responsible for governance. This checklist was used as there is no equivalent available as yet from the Welsh Government.

The audit was designed to assess the controls in place to manage the following objectives and risks:-

Objective:	Counter Fraud arrangements are in line with best practice, policy and regulation in order to effectively prevent, detect and deal appropriately with fraud and irregularity.
Risk:	Counter Fraud arrangements are not in line with best practice, policy and regulation and / or fail to prevent, detect and deal appropriately with fraud and irregularity.

1.2 CONCLUSION

The review has identified some areas where current procedures and practices do not comply fully with the requirements of the relevant best practice from the Audit Commission's Protecting the Public Purse Appendix 2 "checklist for those responsible for governance."

Consideration is required as to the benefits and dis benefits of amending the Council's counter fraud arrangements more in line with best practice and the risks of not doing so.

1.3 SCOPE OF THE REVIEW

The objective of our audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

Limitations to the scope of the audit:-

- The review involved the self-assessment of the Council's current counter fraud arrangements against the best practice set out in the Audit Commission's 'Protecting the Public Purse' - Appendix 2 - "checklist for those responsible for governance";
- The review was based upon discussions with management responsible for the areas covered by the checklist. No formal audit testing of arrangements was undertaken as part of this review, which aimed to ascertain and record the arrangements in place;
- The work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist. We will not confirm the appropriateness or other wise of payments made.

1.4 FINDINGS SUMMARY

The following table highlights the number of areas in which gaps have been identified in the Council's current arrangements against the best practice contained in 'Protecting the Public Purse.'

	Number	Percentage
Total number of processes / procedures in best practice:	27	
Number self -assessed as in fully place:	15	56%
Number self-assessed as not fully in place:	12	44%

The findings show that the Council is currently only fully complying with approximately half of the processes expected of an Authority which is abiding by best practice in the area of counter fraud.

The Findings at Section 3 list the areas of non compliance and provide a categorisation as to how significant an omission from best practice we perceive these areas to be. Areas where we have assessed that the Council is fully compliant with best practice have been shaded out.

The significant issues identified from this review are:-

- The Authority does not raise awareness or provide adequate training on potential fraud risks with new staff, existing staff, elected Members or contractors;
- The Authority has not reassessed fraud risks since the change in the financial climate, reallocated staff or amended counter-fraud action plan as a result;
- The Council's Procurement Framework has been assessed as not fit for purpose and is in need of review and updating;
- Contract letting procedures have not been reviewed since investigations by the Office of Fair Trading into cartels;
- Insufficient action is being taken to ensure that the Authority only awards discounts and allowances to those who are eligible (Council Tax);
- The Authority does not make full use of internal and private data matching when tackling Housing and Council Tax benefit fraud;
- Appropriate and proportionate defences against emerging fraud risks within business rates and schools have not been introduced.

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 APRIL 2014
TITLE OF REPORT:	ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE MUNICIPAL YEAR 2013/14
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT COMMITTEE CHAIR
ACTION:	ENDORSE REPORT FOR PRESENTATION TO MAY FULL COUNCIL

Introduction

The Audit Committee is a statutory Committee of the Council and has ten elected Members and two Lay Members. The role of the Audit Committee is to provide independent assurance of the adequacy of the Council's governance arrangements, the associated control environment and the adequacy of the risk management framework. The Committee is also responsible for independent scrutiny of the Authority's financial and non financial performance (to the extent that it affects the Authority's exposure to risks and weakens the control environment), and to oversee the financial reporting process and annual accounts review and approval to Council.

The Chair of the Audit Committee is Councillor Robert Llewelyn Jones and the Vice Chair is Councillor Trefor Lloyd Hughes.

Meetings

During the municipal year, the Committee has met fully five times with attendance figures for the five regular meetings being provided for information at Appendix A.

The regular meetings followed the Audit Committee calendar and considered among the regular Committee business: progress reports from the internal and external auditors, the statement of accounts and the external auditor's report on the statement. The Committee also received reports on Treasury Management progress and the Treasury Management Annual Report, the corporate risk management framework and risk register, progress with the National Fraud Initiative, the Annual Governance Statement and Governance and Assurance arrangements, and the Annual Report on the Prevention of Fraud and Corruption. The Committee also received specific reports concerning the Three Towns Capital Project, Information Governance, the Buildings Maintenance Unit, Enhancing the Audit Committee, the Transformation Programme, Information Management and Data Security, Certification of Grants and Returns 2011/12, Statement of Accounts 2012/13 Major Judgements and Estimates and the Gwynedd Local Government Pension Fund.

The completion of the audited Statement of Accounts for 2012/13 was completed by the 30 September 2013 deadline and recommended by the Committee for approval by the Council. The Committee has continued to support management in measures to strengthen the Finance function further and to ensure current progress in this area is sustainable going forward.

Governance Statement

The Committee adopted an Annual Governance Statement for 2012/13 as statutorily required. The Annual Governance Statement was produced as a result of widespread consultation and review of governance processes in year. As with the 2011/12 Statement, the 2012/13 Statement was consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Annual Governance Statement continued to report some weaknesses in governance arrangements. An Action Plan has been produced in order that these weaknesses can be addressed.

The Audit Committee

The Audit Committee has worked within its terms of reference which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit Committee in monitoring Risk Management, Governance and Internal Control within the Council.

The Audit Committee reappointed its two Lay Members during the year and the Committee has continued to benefit from their knowledge, skills and experience during meetings. This 'outside' view of Council issues is to be particularly welcomed.

The Committee has again this year undertaken a self-assessment of its effectiveness using a checklist derived from CIPFA's 'Audit Committees: Practical Guidance for Local Authorities,' and the outcome of this self assessment has guided the training programme and actions for the Committee. A report on the outcome of this self assessment was presented to the Audit Committee held on 10 April 2014.

Training

During the year, training was arranged for the induction of new Audit Committee Members appointed in May 2013. Further training for Members has been scheduled for later on in 2014 including training in relation to the Statement of Accounts; Treasury Management; and the Risk Management Framework.

Effectiveness

Audit Committee Members take their role in respect of governance and stewardship extremely seriously. They acknowledge that this is a non-political Committee and, as such, the Committee's role is to hold regulators and officers to account and to discharge the duty of regulating the risk management, governance and assurance framework within the Council.

The Committee takes reports regularly to gain assurance over key areas of activity and also completes a self-assessment on its own effectiveness.

A self-assessment of the Committee's effectiveness, as described earlier, was undertaken in January 2014 to review progress in 2013/14 against the checklist based upon CIPFA best practice for Audit Committees.

Discussion at the workshop has highlighted a number of areas where further improvement can be made and an improvement action plan is being produced for consideration and ongoing monitoring by the Audit Committee in 2014/15. One area identified for improvement in 2014/15 was the need to raise the profile of the Audit Committee and to make stakeholders more aware of the important work that it undertakes.

External Audit

The Council is audited externally by the Wales Audit Office (WAO) although part of the work, covering the financial aspects of the audit and some performance work is covered by PwC working to the Appointed auditor in the WAO. Regular reports from PwC have been considered by the Audit Committee and an update is considered at each meeting.

The Audit Committee has been taking regular updates from the WAO on the Performance Work Programme. The Committee has also received updates from the WAO on the Improvement Assessment Programme including Improvement Assessment Letters 1 and 2 during the year. This is an important aspect of the Committee's business to ensure that external reports are being considered, either by the Audit Committee or one of the Scrutiny Committees, and that appropriate action is being taken.

As well as updates on the Performance Work Programme, the Committee also receives updates from PwC on the financial audit work being undertaken. Updates this year have included both the workplan and timetabling of work.

Internal Audit

The Council has an in-house Internal Audit Team managed under a contract with Baker Tilly Ltd. The Committee approved the Internal Operational Plan 2013/14 at its meeting held in July 2013. Internal Audit Operational Plan outcomes are reported by the Audit Manager to each of the Committee's regular meetings as part of the Internal Audit Progress report. Progress reports also include progress of services in implementing Internal Audit recommendations.

Reports of completed Internal Audit reviews, along with the assurance levels given, is also provided in Progress reports and builds over the year into a picture of the assessed strength of the Council's internal control framework . During this year, the Internal Audit Progress reports have contained additional information on each review undertaken, including details of the key findings arising from the work undertaken.

An overall statement on internal control is provided in the Audit Manager's annual report and in the Council's Annual Governance statement.

Risk Management

The Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the Authority. The Audit Committee in its Terms of Reference is charged with fulfilling these requirements.

The Committee has continued to support the development of the Risk Management framework within the Council during the year, and consideration of Risk Management and the receiving of the Corporate Risk Register is to be a standing agenda item from 2014/15 onwards.

The Committee sees its key role in the Risk Management process as satisfying itself as to the adequacy of the structures, processes and responsibilities for identifying and managing the key risks facing the organisation.

Counter Fraud

The Audit Committee received the annual Policy for the Prevention of Fraud and Corruption: Report for 2012/13 in September 2013. The report included an update on the Council's participation in the National Fraud Initiative (NFI) 2012/13 (results issued 2013).

A background to counter fraud and a presentation of the work of the Benefits Fraud Team was included in the January 2014 Audit Committee Workshop. The outcome of the January workshop included an action to consider the formal adoption of the 'Managing the Risk of Fraud' guidelines against which to benchmark the Council's current counter fraud and corruption processes.

The Internal Audit progress report includes reference to the number of referrals resulting in formal reports during the year.

Plans for the Future

As well as its regular business, the Committee will continue its development programme, informed by the self-assessment of effectiveness and outcome of the review of the Council's counter fraud arrangements. This will, again, include relevant training events geared to its activities in 2014/15.

The Committee will continue to develop its role in relation to Risk Management during 2014/15 and will look to adopt a method of being able to assess the adequacy of the Council's anti-fraud and corruption arrangements on an on-going basis.

The Audit Committee's proposed future work programme is provided at Appendix B.

Chair's Remarks

The Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year and also to those Council employees who have attended and contributed so much.

The Chair would take the opportunity to remind the Council of the importance of the work of the Committee which is even more relevant in the current economic situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.

The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2014/15.

APPENDIX A

AUDIT COMMITTEE - ANALYSIS ON REGULAR MEETING ATTENDANCE - 2013-14

Members	% Attendance Scheduled Meetings	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Number of Meetings Attended
Cllr. Robert Llewelyn Jones (Chair)	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014		
Cllr. Trefor Lloyd Hughes (Vice Chair)	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Apologies	04/02/2014	Yes	10/04/2014		
Cllr. Dafydd Rhys Thomas	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Apologies	10/04/2014		
Cllr. Jim Evans	0%	23/07/2013	Yes	24/09/2013	No	11/12/2013	Yes	04/02/2014	Yes	10/04/2014		
Cllr. John Griffiths	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014		
Cllr. Raymond Jones	0%	23/07/2013	No	24/09/2013	Apologies	11/12/2013	No	04/02/2014	Yes	10/04/2014		
Mr Richard Barker	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Apologies	10/04/2014		
Cllr. Richard Owain Jones	0%					11/12/2013	Yes	04/02/2014	Yes	10/04/2014		
Mrs Sharon Warnes	0%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014		
Cllr. Vaughan Hughes	0%	23/07/2013	Apologies	24/09/2013	No	11/12/2013	No	04/02/2014	No	10/04/2014		
Cllr. Peter Rogers	100%	23/07/2013	Apologies	24/09/2013	Yes							2

Figures as at 31-03-14

AUDIT COMMITTEE CALENDAR FOR MUNICIPAL YEAR 2014/15

	ACCOUNTS	INTERNAL AUDIT	EXTERNAL AUDIT	TREASURY MANAGEMENT	RISK MANAGEMENT	GOVERNANCE	OTHER
FEBRUARY			Progress Report	Consideration of TM Strategy 2014/15		Audit Committee – Terms of Reference	DCE Briefing on Transformation programme framework (Mins 11/12/13)
Mid/Late APRIL		IA Annual report for financial year just ended Consider and adopt internal audit plan for year starting and medium term strategy Review of Internal Audit Charter and Protocol	Consider and adopt plan for year starting Progress Report	Qtr 3 Treasury Management Report	Annual Review of Risk Management Strategy	Governance and Assurance Update Review of Terms of Reference	Annual review of Audit Committee Effectiveness and Counter Fraud Arrangements Review Governance Framework Annual Members’ Training Plan Approve Annual report of the Committee for Annual Council meeting. CIVICA – Post Implementation (Mins 11/12/13)
JULY	Review Statement of Accounts	Progress Report	Progress Report	Treasury Management Annual Report Qtr 1 Treasury Management Report	Corporate Risk Register Report of DCE on RM Implementation (Mins 11/12/13)	Governance and Assurance Update; Consider Governance Statement Review Code of Governance Annual Health & Safety report	Annual Report – Gwynedd Local Gov’t Pension Scheme Three Towns Project Closure Report (Mins 11/12/13)
SEPTEMBER	Recommend for Approval of Council the Statement of Accounts (30 Sept deadline)	Progress Report	Receive report on accounts to those charged with Governance Progress Report		Corporate Risk Register	Governance and Assurance Update Adopt Governance Statement	Inspection of registers and declarations Annual Report on Fraud and Corruption
DECEMBER		Progress Report	Receive annual letter on audit year just ended Progress Report	Qtr 2 Treasury Management Report Scrutiny of mid-year report and preparation for following year	Corporate Risk Register	Governance and Assurance Update	

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 APRIL 2014
TITLE OF REPORT:	INTERNAL AUDIT ANNUAL REPORT 2013/14
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	NONE

1. INTRODUCTION

- 1.1 The following report summarises the work of the Internal Audit Section for 2013/14. The Audit Manager makes regular progress reports in year to the Audit Committee which allows an on-going evaluation of the overall internal control framework as reflected within Audit coverage.
- 1.2 A common set of Public Sector Internal Audit Standards (PSIAS) became effective from 1 April 2013. The PSIAS apply to all public sector internal audit service providers and were adopted by the Council's Internal Audit Service for 2013/14.

2. OUTPUT GENERATED DURING THE YEAR

- 2.1 The following table gives a comparison of the planned number of audits with the actual audits carried out as at 31 March 2014. As in any year, in 2013/14 it was necessary to amend the audit plan to take account of various factors throughout the year. This year, these factors mainly related to additional work being required to meet emerging risks and referrals. In particular, Internal Audit was requested to carry out work outside of the Audit Plan in relation to the implementation of the CIVICA system and additional work requested by the Head of Function (Resources).
- 2.2 In all 51 reviews (Final and Draft report issued/debriefed) were carried out to the completion of field work during 2013/14, compared to the 56 in the original Internal Audit Operational Plan. Five reviews were either postponed to 2014/15 or otherwise superseded at the request of the review sponsor or for other reasons. Thirteen reviews not included in the Operational Plan were carried out which were not originally planned for this period but were necessary for risk and/or compliance purposes or as the result of work relating to referrals. In all fifteen reviews included in the original Plan and not having been superseded or postponed were not carried out in the period.
- 2.3 Where reviews have not been carried out in 2013/14 but there is an assessed on-going level of risk that requires review, these reviews have been included in the Internal Audit Operational Plan for 2014/15.
- 2.4 The key financial reviews in the plan were completed to report in the period with the exception of Housing Rents (WIP), Treasury Management (debriefed) and Housing Benefits (debriefed).
- 2.5 In addition to the work on the 2013/14 Internal Audit Operational Plan, the first quarter of 2013/14 was taken up in part with the finalisation of work from the 2012/13 Internal Audit Operational Plan with nine final reports being issued during this period.

3. PERFORMANCE INDICATORS

- 3.1 Each year the Council's Internal Audit Service participates in pan Wales benchmarking against indicators relating to cost and output. This benchmarking is carried out in May/June each year and, therefore, the results for 2013/14 were not available in time to be included in this annual report.
- 3.2 When the results are published, they will be included in the next Internal Audit progress report thereafter.
- 3.3 The Internal Audit Service also sets internal Team targets each year and the performance against these is set out below with comparative data from previous year for information.

Performance Measure	Target 2013/14	2012/13 Actual	2013/14 Actual
% of 2013/14 reviews completed to draft in year - following amendment for those superseded, postponed and with addition of replacement reviews in year - please see paragraph 2.2 above. 51 reports issued compared to 56 in plan - 91%.	90%	81%	91%
Overall customer satisfaction levels from questionnaires.	90%	100%	100%
% of High & Medium IA recommendations implemented - from 01/04/11 as at 03/04/14.	80%	53%	46%

- 3.4 The percentage of High and Medium recommendations implemented is below target at 53%;
- 3.5 There have been in-period reporting of Internal Audit issues including implementation rates. During 2013/14, the Internal Audit Progress Report format has been amended so that details of the outstanding High category recommendations are highlighted for the Audit Committee's information. Internal Audit Progress reports are now being presented to the Senior Leadership Team for their information and support in ensuring that identified High level risks are being addressed promptly. It is intended that these reporting improvements will help increase the implementation rates for Internal Audit recommendations in 2014/15.
- 3.6 Internal Audit will carry out a review of outstanding recommendations in April 2014 and will again in 2014/15 be working with Services to update the 4Action system with the latest implementation data which, it is hoped, will assist in an improvement against target.
- 3.7 For 2014/15 Internal Audit will again review the format of reporting of completed reviews and their outcomes to the Committee and how implementation of individual review recommendations should be monitored and reported.
- 3.8 The Committee is asked to consider whether it believes that reporting upon all outcomes of reports and upon progress with recommendation implementation is being reported appropriately to the Committee.

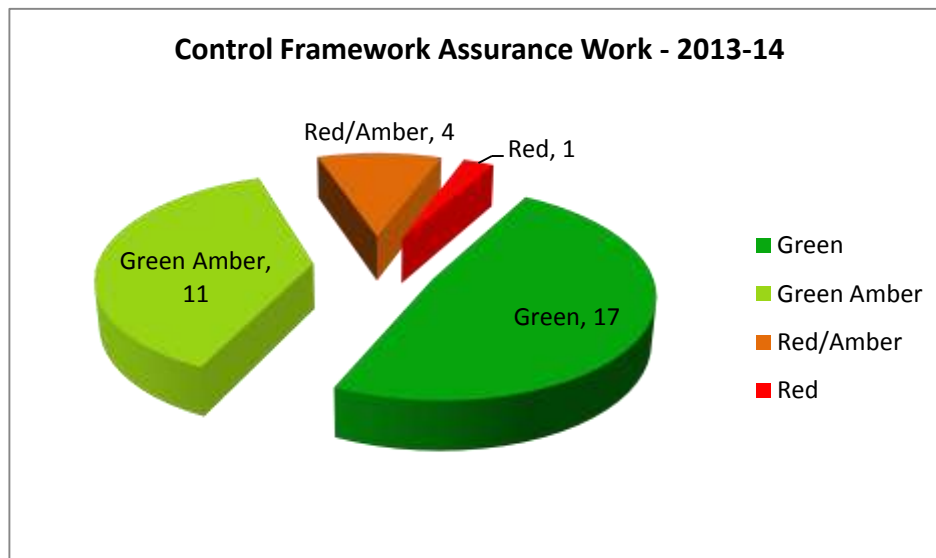
4. OVERALL CONCLUSION ON THE AREAS AUDITED

- 4.1 Table 1 shows the number of reviews undertaken in 2013/14 for which an opinion of either Green; Green/Amber; Red/Amber or Red opinion was given and includes the definition for each assurance level.

Table 1

RAG Opinion/ Grade	What is meant by the RAG Opinion/Grade	System/ Risk 2013/14
Green	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.	17
Green Amber	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	11
Red Amber	Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	4
Red	Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	1
Advisory/ Referral	Advisory review designed to provide best practice advice – No formal opinion.	14
Report Awaited	Field work completed but no Draft or Final report issued with RAG opinion as at 31/03/14	4
Total		51

Table 2 – Pie Chart of RAG Opinions



4.2 Table 2 shows graphically the overall results of our Internal Audit work which resulted in a RAG assurance opinion in the period. The table shows 28 (85%) of such reviews resulted in ‘positive’ opinions (Green or Green/Amber) and 5 (15%) resulted in ‘negative’ assurance opinions (Red and Red/Amber). The 15% of reports receiving negative assurance opinions includes three reports directly relating to the Implementaion of a significant new system in the CIVICA Ledger, Creditors and Debtors system.

The overall opinion for the systems reviewed is a positive Green/Amber opinion which is in line with previous years.

- 4.3 This overall RAG Opinion translates to a minimal to low risk to the Authority, based on the scope of the work carried out, the action recommended to management being implemented and those systems continuing to operate as intended.
- 4.4 The Audit Manager is, however, aware of 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. These areas are:-

- **Business Continuity** - The Council has continued to make progress in strengthening its Business Continuity arrangements that have been identified as an area of weakness by a number of assurance providers, including Internal Audit. Addressing the issues has been delayed due to regional collaboration and changes to the responsible line management of the function. It is understood that at the time of writing that strengthening Business Continuity is currently on the list of projects marked as medium/ low priority within the transformation process.

The Council still does not have a formal documented ICT Disaster Recovery Policy and work was still in progress at the end of the period to finalise the Council's Business Continuity arrangements and to strengthen the ICT back up and recovery processes for the Finance server.

- **Risk Management** - The Council is in the process of developing its Risk Management Framework and has yet to embed risk management into the Authority. Development work is scheduled to be undertaken onwards into 2014/15. In the meantime, the risks associated with not having a robust risk management framework in place continue.

Work has progressed on the Corporate Risk Register but at the end of the period the Corporate Risk Register still lacked recorded mitigating actions and calculated residual risk scores. Discussions were still on-going as to the reporting of the Corporate Risk Register when it is in a more complete format.

- **Governance** - Issues relating to non-compliance with key corporate policy and procedure were identified again in 2013/14. The Council also ceased the use of an electronic policy compliance system it had been operating in previous periods. At the time of reporting, discussions were on-going as to whether to and how to procure a system for use in 2014/15. Without such a system, it is more difficult to show that policies have been adequately disseminated to relevant staff and that staff have read, understood and agreed to abide by policies.

Corporately, following a thematic review of policy compliance by Internal Audit previously, a database of policies is being compiled along with details of the policy authors, last review and next review dates, authorising body (if applicable) and determination of significant 'key' policies and target audience. It is hoped that this database can be used to feed into an electronic policy compliance system when one is procured and implemented.

A number of policy areas are known to be in need of revision, examples of which are Financial Procedure Rules and Contract Procedure Rules which are receiving attention within the Resources Function. The SIRO has also begun introducing a suite of Information Governance policies which will also strengthen governance across the Council.

Policy and procedure and compliance with them is a key component of the Council's Governance framework. Failure to adequately ensure that staff are made aware of such policies and procedures increases the risk of non-compliance.

- **Information Management** - The Council was subject to a review of its Information Governance arrangements by the Information Commissioner's Office in 2013/14. This review re-iterated and expanded on known weaknesses within the Council's arrangements. The Council has subsequently set up an Information Project Group and produced an associated Action Plan to ensure that the recommendations made by the Information Commissioner's Office are implemented in line with agreed timescales with the Information Commissioner's Office.

At the time of reporting, some progress has been made in furthering the implementation of the recommendations and this work is scheduled to be on-going into 2014/15. In the meantime, the risks associated with the identified weaknesses in arrangements will continue.

- **System Implementations** - The Council undertook a significant system implementation in 2013/14 with the replacement of its key financial systems. The implementation also required a move to electronic entry of purchase orders, goods receipts and order authorisation within Services rather than centrally within the Finance Service. Reviews of the ledger, Creditors and Debtors systems following the implementation have identified some control gaps and some non-compliance with system controls which are being addressed by staff within the Resources Function.

As with all significant system implementations, such control issues are to be expected but still pose a risk to the Council if they are not addressed promptly.

These are considered important issues for the Council which need on-going work to address them in 2014/15.

- 4.5** It should be noted that any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The audits undertaken and completed did not identify any other areas of concern which are considered significant or business critical for the Council as a whole beyond those stated at 4.4 above.

5. STATEMENT ON INTERNAL CONTROL

- 5.1** The outcome of all completed Internal Audit reports is reported to the Audit Committee via the Audit Manager's quarterly Internal Audit Progress reports. Any system based review receiving a 'Red' assurance opinion is reported in detail to the Audit Committee.
- 5.2** One such report was presented to the Audit Committee in 2013/14. This review related to the Creditors system following the CIVICA implementation. A follow up of the recommendations made in this report along with top up testing from the implementation date to the date of testing was undertaken and a draft report issued with a revised RAG Assurance opinion of Red/Amber resulted.

Reports Issued In Period with RAG Opinion

APPENDIX A

	Report Title	IA Plan	Service Area	Report Status	RAG Opinion
1	Maritime Income	2012/13	Highways and Transportation	FINAL	Green
2	Members' Allowances – Follow Up	2012/13	Corporate	FINAL	Good Progress
3	Main Accounting System	2012/13	Finance	FINAL	Green
4	Cash Receipting	2012/13	Finance	FINAL	Green
5	Payroll	2012/13	Finance	FINAL	Green/Amber
6	Housing Rents	2012/13	Finance	FINAL	Red/Amber
7	CIVICA Implementation	2012/13	Finance	FINAL	Advisory
8	Ysgol David Hughes	2012/13	Primary School	FINAL	Green
9	Ysgol Beaumaris	2012/13	Primary School	FINAL	Green/Amber
10	Human Resources Systems – Self Service and Payroll	2013/14	Corporate	FINAL	Green/Amber
11	Mid Term Financial Plan – Efficiency Savings	2013/14	Corporate	FINAL	Advisory
12	Partnerships - Governance Arrangements	2013/14	Corporate	FINAL	Advisory
13	Housing Rents	2013/14	Housing	WIP	
14	Appointees / Deputies Practices	2013/14	Social Services	FINAL	Advisory
15	Direct Payments - Follow Up	2013/14	Social Services	FINAL	Good Progress
16	Cash Collection	2013/14	Finance	FINAL	Green
17	Sundry Debtors	2013/14	Finance	FINAL	Red/Amber
18	Creditor Payments	2013/14	Finance	FINAL	Red
19	Financial Ledger & Bank Reconciliation	2013/14	Finance	FINAL	Red/Amber
20	CIVICA Ledger – Post Implementation Review	2013/14	Finance	FINAL	Advisory
21	Housing Benefits	2013/14	Finance	DEBRIEFED	
22	Treasury Management	2013/14	Finance	DEBRIEFED	
23	Council Tax	2013/14	Finance	FINAL	Green/Amber
24	NNDR	2013/14	Finance	FINAL	Green/Amber
25	Payroll	2013/14	Finance	DRAFT	Green/Amber
26	Grant Claim Processes	2013/14	Finance	FINAL	Green
27	Car Park Fees and Excess Charge Notices - Collaborative	2013/14	Highways and Transportation	FINAL	Advisory
28	Waste Disposal – including Trade Waste	2013/14	Highways and Transportation	FINAL	Green

	Report Title	IA Plan	Service Area	Report Status	RAG Opinion
29	Blue Badges	2013/14	Highways and Transportation	FINAL	Green
30	Property & Environment Grant (PEG) Scheme	2013/14	Housing	FINAL	Green
31	David Hughes Leisure Centre	2013/14	Lifelong Learning	FINAL	Green
32	Ysgol Bodorgan	2013/14	Primary School	FINAL	Green/Amber
33	Ysgol Gyfun Llangefni	2013/14	Secondary School	FINAL	Green/Amber
34	Ysgol Kingsland	2013/14	Primary School	FINAL	Green
35	Ysgol Llanfachraeth	2013/14	Primary School	FINAL	Green/Amber
36	Ysgol Caergeiliog Foundation School	2013/14	Primary School	FINAL	Green
37	Ysgol David Hughes	2013/14	Secondary School	FINAL	Green
38	Schools – Follow Up Red and Red/Amber	2013/14	Schools	FINAL	Unsatisfactory Progress
39	WG Free Breakfast	2013/14	Education	FINAL	Green
40	School Thematic Review	2013/14	Education	FINAL	Advisory
41	Counter Fraud Arrangements	Not in Plan	Corporate	FINAL	Advisory
42	HR Procurement	Not in Plan	Human Resources	FINAL	Advisory
43	BMU Stock Check	Not in Plan	Housing BMU	FINAL	Green
44	Agency Staff - Method of Payment	Not in Plan	Finance	FINAL	Advisory
45	NFI Matches	Not in Plan	Corporate	FINAL	Green/Amber
46	Orchard - Logical Access Controls	Not in Plan	Housing	FINAL	Advisory
47	Treatment of Creditors and Debtors - Migration to CIVICA	Not in Plan	Finance	FINAL	Advisory
48	Microsoft Outlook - Administration	Not in Plan	ICT	FINAL	Advisory
49	VAT - Framework	Not in Plan	Finance	DRAFT	Green/Amber
50	Highways Grant - Late Claim - Ref 1862.13/14	Not in Plan	Highways and Transportation	FINAL	Advisory
51	Creditors Follow Up of Red Assurance report	Not in Plan	Finance	DRAFT	N/A Updated Creditors Opinion

Red: 1

Red/Amber: 4

Green/Amber: 11

Green: 17

Advisory: 14

Incomplete/No Opinion at 31-03-14: 1 WIP – 2 debriefed – 1 Drafts Follow Up issued = 4

This page is intentionally left blank

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 APRIL 2014
TITLE OF REPORT:	INTERNAL AUDIT STRATEGIC PLAN 2012/2015 AND PERIODIC PLAN 2014/2015
PURPOSE OF REPORT:	FOR INFORMATION AND ADOPTION
REPORT BY:	AUDIT MANAGER
ACTION:	FOR ADOPTION

1. Internal Audit Strategic Plan 2012-2015

The current Internal Audit Strategic Plan covers the period 2012/13 to 2014/15 and was approved by the Audit Committee held on 23 July 2013. The Internal Audit Operational Plan 2013/14 was also approved on that date and updates on progress against that Operational Plan have been presented to the Committee during 2013/14.

Internal Audit Plans are living documents and need to be constantly updated as new systems are developed, significant changes to existing systems occur, legislation changes, objectives change and new risks are identified.

Resource issues also affect the analysis on an ongoing basis. Fewer resources than planned will result in the need to prioritise further and reduce the number of reviews, or the coverage of each individual audit. Increased resources will allow more areas to be reviewed or individual planned reviews to be increased in depth.

2. The Audit Needs Assessment Process

Our audit approach is risk based. In order to identify the areas that require internal audit coverage, we need to understand the risks facing the organisation. We have undertaken a revised needs assessment for 2014/15 using the following processes:-

- We reviewed the Council’s Corporate Risk Register with specific regard to risks categorised as High risk to the Council;
- We confirmed the core objectives of the organisation and the specific key risks associated with the achievement of those objectives through liaison with the management of the Council;
- We used cumulative knowledge of the organisation from previous internal audit work to identify areas that would benefit from internal audit coverage;
- The Audit Needs Assessment also identified areas of coverage that do not appear as high priority risks but where internal audit coverage can provide a tangible input to assurance, for example:
 - Requirements of Public Sector Internal Audit Standards and the CIPFA Code of Practice for Internal Audit;
 - Work required in order for external audit to place reliance on internal audit work on core financial systems in accordance with the managed audit concept;
 - Areas of concern flagged by management or the Audit Committee;
 - Emerging issues; and
 - Need for on-going assurance in relation to key aspects of risk management, governance and internal control.

Other documents consulted in developing the Plan included, but were not limited to: IOACC Annual Governance Statement 2012/13; the PWC Audit of Accounting Statements; Corporate Risk Register; IOACC Single Integrated Plan 2013-2025; and liaison with External Audit (WAO), PWC and Scrutiny on their work plans for 2013/14.

Our preferred risk based approach is to use the Council's Corporate Risk Register to drive the Internal Audit Strategic and Operational Plans and to use our limited resources to provide assurance over the greatest risks to the Council where possible and where appropriate. Assurance will then be reported against risks familiar to the management and Members of the Council through their knowledge of corporate risk.

At the time of this Audit Needs Assessment, the Corporate Risk Register was still in development and did not include all of the controls in place to mitigate the identified risks and, therefore, any residual risk scores after mitigation. Although use was made of the Register, this could only be limited to the identification of potential high risk areas.

A review of the Risk Management framework and of the effectiveness of actions to mitigate the Council's highest risks has been included in the 2014/15 Internal Audit Operational Plan.

3. **Value for Money (VFM)** – The Audit Committee has identified VFM as a significant gap in their current terms of reference and has asked, via their Workshop held in January 2014, that additional specific Internal Audit work is undertaken in this area in 2014/15.

VFM related reviews should be used to support and monitor how the Council makes best use of reducing resources and should be included in the work of Internal Audit wherever possible with identified cases of non achievement of VFM being reported.

4. **Annual Operational Internal Audit Plan**

For each year of the Internal Audit Strategic Plan, an annual Operational Plan is produced to provide Internal Audit with its work programme for the year. The Audit Needs Assessment is reviewed and the input of Corporate Directors, Heads of Function and Heads of Service is sought to identify any risks not currently covered. The revised Audit Needs Assessment is used to direct Internal Audit resources to those aspects of the organisation that are assessed as generating the greatest risk to the achievement of its objectives.

As part of the process of developing the 2014/15 Internal Audit Operational Plan, we have met with the Deputy Chief Executive, the Section 151 Officer and liaised with the other Directors, Head of Function and with Heads of Service to discuss their requirements. The External Auditor (WAO), PWC and the Scrutiny Manager have also been consulted on the proposed Operational Plan for 2014/15.

The proposed Internal Audit Operational Plan at Appendix A reflects the results of this year's review of the Audit Needs Analysis and the resource available to the Internal Audit Service in 2014/15.

5. **Resource Issues**

The Internal Audit budget for 2014/15 has been based upon a full Internal Audit team complement. The number of programmed audit days has, again, been reviewed to provide a challenging target for the section in 2014/15 and represents a prioritised plan developed to allow coverage across all Functions, Departments and Services and include identified new, or enhanced risk areas for 2014/15.

Absence Cover – As a small Internal Audit Team, the effects of staff absence can impact quite quickly on the ability of the Team to complete its compliment of reviews in period. As such, long terms absences may require to be covered by additional resources from outside of the Team.

Resource Targeting - The targeting of limited Internal Audit resources is paramount to ensure that resources are utilised where they are most needed. In this respect, Internal Audit uses a number of methods to assist management including: consultancy; compliance; assurance; risk management; governance; internal control, value for money and reducing the risk of fraud and error. In order to truly add additional value, Internal Audit looks at the key risks, work streams and priorities of the Council and concentrates effort into these areas.

However, this is only possible where an organisation has sound risk management, governance and control frameworks in place and operating effectively. Our work in these areas in the past few years has identified and reported significant areas of weakness in these processes which are still being addressed. Therefore, the limited Internal Audit resources that we have will need to continue to be used in strengthening these frameworks in terms of design of controls, compliance and assurance.

'Additional Value' - There is, therefore, a reduced amount of resource to provide the 'additional value' that the Service has the potential to provide. We have, however, been able to include in the Operational Plan areas where we believe that we can assist management and add additional value in relation to complying with our Information Governance responsibilities, efficiency saving agenda and budget setting and monitoring processes, safeguarding arrangements, performance against key performance plans, and the developing Corporate procurement framework.

Referrals – Again during 2013/14, the Internal Audit Service received twenty -six referrals relating to weaknesses in governance and control systems which required a level of Internal Audit involvement. It is envisaged that this level of referral will continue and an element of resources has been allocated for this type of work in 2014/15.

In order to ensure that enough resources are available for the completion of the Internal Operational Plan, the Audit Manager retains the prerogative (in consultation with the Section 151 and Monitoring Officers) to be selective in terms of the referrals which the Service can operationally take forward to investigation and report.

6. Annual and Strategic Plans

The Strategic Internal Audit Plan for 2012/13 to 2014/15 which includes the Internal Operational Plan for 2014/15 has been updated and is presented for consideration by senior management and by Members, in accordance with the CIPFA Code of Audit Practice for Internal Audit in Local Government (see Appendix A). The Strategic Internal Audit Plan can be found at Appendix C and resource issues are detailed at Appendix B.

7. Considerations required of the Audit Committee

- Does the detailed Internal Audit Operational Plan 2014/15 reflect the areas that the Audit Committee believe should be covered as priority?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

ISLE OF ANGLESEY COUNTY COUNCIL

INTERNAL AUDIT OPERATIONAL PLAN – 2014/15

Internal Audit Operational Plan 2014/15			
Ref	Service	Title	Source
CORPORATE			
1	Corporate	Counter Fraud Arrangements - Service Level Arrangements	Audit Committee AP
2	Corporate	Risk Management Framework and Top 5 Risks – Risk Strategy and Risk Registers	Corporate Risk
3	Corporate	Information Governance - Follow Up of ICO Response Action Plan	Corporate Risk YM31
4	Corporate	Review of Compliance with Information Governance Policies; Y Standard DPA Contracts; Fair Privacy Notices; Data Marking / Classification; Handling of Official Sensitive Documents etc. – Required August 2014	Hof Function (Legal) YM31
5	Corporate	Value for Money - Service Level Arrangements	IA Assessed Risk
6	Corporate	Logical Access Controls & Access Rights (Segregation of Duties) - key corporate systems	IA Assessed Risk
7	Corporate	PIR Processes - Corporate	DCE Request
8	Corporate	Assets and Capital – Including Agile Working Project	DCE / MO Request
9	Corporate	Corporate Assessment – including Scrutiny Effectiveness	DCE Request
10	Corporate	Corporate Complaints Procedure - Qtr 1	MO Request
11	Corporate	Safeguarding Framework - Compliance	Corporate Risk YM16
12	Corporate	Whistle Blowing Procedure and Corporate Overview	MO Request
13	Corporate	Corporate Planning Processes	Section 151 Officer Request
14	Corporate	Corporate PIs – Right ones and set at challenging levels.	Section 151 Officer Request
ECONOMIC & COMMUNITY REGENERATION			
15	Economic	Holyhead Vibrant & Viable Places (VVP) - Governance	HoS Request
16	Economic	Plas Arthur Leisure Centre	Cyclical IA
17	Economic	Sports Development	Cyclical IA
18	Economic	Amlwch Leisure Centre	Cyclical IA
EDUCATION			
19	Education	Primary school 1	Cyclical IA
20	Education	Primary school 2	Cyclical IA
21	Education	Primary school 3	Cyclical IA
22	Education	Primary school 4	Cyclical IA
23	Education	Primary school 5	Cyclical IA
24	Education	Primary school 6	Cyclical IA
25	Education	Secondary school 1	Cyclical IA
26	Education	Schools – Follow Up Red and Red/Amber	Cyclical IA
27	Education	School Thematic Review	Cyclical IA
28	Education	Free School Meals	External Assurance
29	Education	Performance against post Estyn inspection plan	Corporate Risk YM 23
30	Education	School Financial Management Arrangements - Review of Audit Methodology	IA Assessed Risk

RESOURCES			
31	Finance	CIVICA - Operational Compliance - Service and Finance	Corporate Risk YM33
32	Finance	Teachers Payroll	Cyclical IA
33	Finance	Cash Collection	External Assurance
34	Finance	Sundry Debtors	External Assurance
35	Finance	Creditor Payments	External Assurance
36	Finance	Financial Ledger & Bank Reconciliation	External Assurance
37	Finance	Housing Benefits	External Assurance
38	Finance	Treasury Management	External Assurance
39	Finance	Council Tax	External Assurance
40	Finance	NNDR	External Assurance
41	Finance	Payroll - including the payment of non employees	External Assurance
42	Finance	Budget Setting and Monitoring	Corporate Risk YM33
43	Finance	Accounts Closure Timetable - Process Review	S 151 Officer Request
44	Finance	Efficiency Savings Processes and Robustness – 2015/16 Budget and Efficiency Strategy	Corporate Risk YM8
45	Finance	Corporate Procurement Framework	Corporate Risk YM40
46	Finance	Mid Term Financial Plan	S 151 Officer Request
47	ICT	ICT Service review (external commission)	S 151 Officer Request
48	ICT	Disaster Recovery Arrangements	Corporate Risk YM??
ENVIRONMENT & TECHNICAL			
49	Highways	Highways Rechargeable Works	Cyclical IA
50	Transport	Penalty Charge Notices	External Assurance
HOUSING			
51	Housing	Housing Rents	External Assurance
52	Housing	Housing Management - including Lettings and Counter Tenancy Fraud	IA Assessed Risk
53	Housing	BMU – Stock Check Report	Annual
54	Housing	Housing – Rechargeable Works	HoS Request
CHILDREN'S SERVICES			
55	Children	Procurement, monitoring and contract compliance	HoS Request
56	Children	Joint commissioning within Children's Services	HoS Request
ADULT SERVICES			
57	Adult	Ucheldre Community Living	Cyclical IA
58	Adult	Extra Care Housing Scheme	MO Request

RESOURCES

1. Assessing Resource Level Requirements

Our professional judgement has been applied in assessing the level of resource required for the audits identified in the strategic cycle. The level of resource applied is a product of:-

- The complexity of the system in place;
- Factors such as number of locations, number of transactions or frequency of transactions;
- The assurance which can be brought forward from previous year's audits;
- The type of audit undertaken.

2. Available Resources within Internal Audit Section

The available resources in the Internal Audit Service for 2014-15 are based on:

Audit Manager	144 days
Senior Internal Auditor	260 days
Internal Auditor x 2	520 days
Auditors x 2	520 days
Total:	1444

The Plan is based on the above available resources for 2014/15 less an element of 466 days non chargeable relating to annual and sick leave, training, administration Audit Committee work etc. duties that are necessary for the function of the Section but which are not directly involved with audit reviews. A further allocation of 150 days has been planned for the undertaking of non programmed work which includes referrals, contingency, advice, follow up etc. The number of days available for allocation to the Internal Audit Operational Plan is, therefore, 825 auditor days.

3. Resource Coverage

The allocation of the percentage of audit days available across the Council's activities is detailed below. The allocation reflects the current corporate high risk areas identified from the Audit Needs Analysis including those corporate risk areas detailed in the Internal Audit Annual Report 2013/14. Therefore, the highest percentage of days in 2014/15 is scheduled to be spent on reviews in the areas of the corporate centre, Finance and ICT and Lifelong Learning (including schools).

Council Area	No. of Reviews	% Plan Allocated
Resources	18	31%
Corporate	14	24%
Learning	12	22%
Economic & Community Regeneration	4	7%
Environment & Technical	2	3%
Housing	4	7%
Children's Services	2	3%
Adult Services	2	3%
Total No. of programmed reviews in Plan	58	100%

4. Collaboration

A North and Mid Wales Audit Partnership, consisting of the six North Wales local authorities and four other public sector organisations, exists to allow the partner organisations to work more closely together with the aim of increasing efficiency. The intention of the Partnership is to work collaboratively on new and emerging areas of audit interest and to share the results of this work.

The Internal Audit Service also participates in meetings of the Welsh Chief Auditors Group and aims to further develop these links in 2014/15.

Isle of Anglesey County Council

STRATEGIC INTERNAL AUDIT PLAN 2012/13 TO 2014/15 AS AT APRIL 2014

Audit Area	Actual 2012/13	Planned 2013/14	Planned 2014/15
CORPORATE AND CENTRAL SERVICES			
Risk Management Framework and Corporate Risk Register - High Risk related reviews			2
Human Resources Self Service – including Corporate Health Indicators			
Travel & Subsistence Policy			
Overtime processes including Flexi-time system			
Performance Management			14
Outcome Agreements			
Car Loans	Not in Plan		
Members' Allowances			
Information Governance and Data Security			3
Data Protection / FOI / Privacy Impact Assessments			
VFM Arrangements			5
Training Allowances			
Inventories			
ICT Disaster Recovery and Business Continuity			48
Recommendation Tracking – IA Self Assessments Verification Review		Ongoing	Ongoing
Recommendation Tracking – Non IA			
Corporate Health Review including sickness		See HR Above	
Business Planning Processes			13
Record Management & Storage			See IG
Data Security			See IG
Safeguarding Framework Recruitment			11
Energy - VFM	Not in Plan		
National Fraud Initiative (NFI) - System			
Corporate Manslaughter – Fleet Management+			
Community Safety			
Gofal Môn			
Mid Term Financial Plan			46
Corporate Recovery , Arrears and Write Off Management			
Partnerships – Governance Arrangements			
Counter Fraud Arrangements			1
Compliance with Information Governance Polices			4
Logical access controls			6
PIR Process - Corporate			7
Assets and Capital – including Agile working			8
Corporate Assessment			9
Whistle Blowing Procedure			12
Electoral Register			
<i>Legal Services</i>			
Complaints process			10
SUBTOTAL	8	2	16
FINANCE & INFORMATION TECHNOLOGY			
<i>Finance</i>			
Grant Claim Process			
Civica Ledger Implementation Review			
Civica Ledger – Post Implementation Review and ongoing compliance			31
Accounts Closure Timetable - Assurance			43
Teachers Payroll			32
NNDR			40
Housing Benefit			37
Council Tax			39
Payroll Including Payment of Non Employees			41
Sundry Debtors			34
Creditors			35
Financial Ledger & Bank Reconciliation			36
Treasury Management			38
Imprest Accounts & Reconciliation			
Cash Collection			33
Budget Setting & Monitoring			42
VAT			
Corporate Procurement Cards			
Fixed Asset Report			
Efficiency Savings Processes and Robustness			44
Procurement Procedures, Compliance and E-Tendering			45

Information Technology			
ICT Health Check / Service Review			47
ICT DR			DR Above
Internet Access / Usage			
ICT Strategy			
Networks			
SUBTOTAL	13	12	16

LIFELONG LEARNING			
<i>Lifelong Learning & Information</i>			
Oriel Ynys Môn			
Uned Llyfryddol			
Archives			
Plas Arthur Leisure Centre			16
Sports Development			17
Amlwch Leisure Centre			18
Beaumaris Leisure Centre			
Audit Certification – LA Sixth Form			
David Hughes Leisure Centre			
SUBTOTAL	1	1	3

<i>Education</i>	<i>– See IA Operational plan</i>		19-25
Ysgol Bodedern			
Ysgol Bodffordd			
Ysgol Llanbedrgoch			
Ysgol Rhosneigr			
Ysgol Goronwy Owen			
Ysgol y Tywyn			
Ysgol y Morswyn			
Ysgol Pencarnisog			
Ysgol David Hughes			
Ysgol Y Bont			
Ysgol Bryngwran			
Ysgol Llanfechell			
Ysgol Llanfairpwll			
Ysgol Kingsland			
Ysgol Llanfawr			
Ysgol Beaumaris			
Ysgol Dwyran			
Ysgol Esceifiog			
Ysgol Gyfun Llangejni			
Ysgol Llanerchymedd			
Ysgol Llanfachraeth			
Ysgol Llangristiolus			
Ysgol Moelfre			
Ysgol Niwbwrch			
Ysgol Ffrwd Win			
Ysgol Uwchradd Bodedern			
Ysgol Syr Thomas Jones			
Ysgol Uwchradd Caergybi			
SUBTOTAL	8	7	7
Follow up – Schools (All Red or Red Amber in previous year)			26
WG - Clothing Grants			
School Meals Income			
Free School Meals			28
Schools Thematic Review			27
WG – Free Breakfast			N/A
Sixth Form Funding - PLASC / Learning Network	In Schools	In Schools	In Schools
School Transport Income			
Financial Management Arrangements –Including Audit Methodology			30
Integration			
Ysgol Uwchradd Caergybi - Budget			
Student Fees			
Performance against post Estyn Report			29
SUBTOTAL	8	7	5

COMMUNITY			
<i>Housing</i>			
Homelessness			
Housing Grants			
Communities First			
BMU Stock Check			53
BMU Procurement			
Asbestos Management			
BMU Job Costing			
Housing Management - including Lettings			52
Housing Rents			51
Housing Rechargeable Works			54
<i>Social Services</i>			
Out of County Fees - Children's Services			
Adult Services – Provision and Costing			
Service Continuity Plans			
Case Files – Compliance			
Thematic – Statutory Key Work Streams			
Client Finance Unit – CIVICA Opportunities			
Children's Services – Assessment and Monitoring			
Appointees / Deputies			
Beaumaris Day Centre			
Social Services - Procurement			
Canolfan Byron			
Plas Penlan Elderly Home			
Meals on Wheels			
Suspense Accounts & Amenity Funds			
Direct Payments to Clients			
Ucheldre Community Living			57
Plas Crigyll Elderly Home			
Garreglwyd Elderly Home			
Hafan Day Care			
Extra Care Housing Scheme			58
Procurement, monitoring and contract compliance			55
Joint commissioning within Children's Services			56
SUBTOTAL	6	5	7

SUSTAINABLE DEVELOPMENT			
Blue Badges – Procedures NFI			
Fleet Maintenance / Management			
Asset Management Arrangements			
Post 2013 European Funding Governance			
Waste Contracts			
Excess Charge Notices			50
Car Park Fees & Income			
Maritime			
Industrial Units Rent			
Carbon Trading			
Public Transport			
Waste Management Targets			
Highways Rechargeable Works			49
Grounds Maintenance			
Highways Fees & Charges			
Markets			
Pavement Term Contract			
Small Holdings Rents			
Economic Development Grants			
Property & Environment Grant (PEG) Scheme			
Holyhead Vibrant & Viable Places (VVP) - Governance			15
SUBTOTAL	6	4	3
OTHER AREAS			
Provision for special investigations			
Provision for ad-hoc requests from Section 151 Officer			
Provision for General Advice to Services			
Follow Up Work			
Contingency			
SUBTOTAL			

TOTAL FOR YEAR

50

38

58

This page is intentionally left blank



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Financial Audit Outline

Isle of Anglesey County Council

Audit year: 2013/14

Issued: April 2014

Document reference: C14148

Status of document

This document has been prepared for the internal use of Isle of Anglesey County Council as part of work performed/to be performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

To the maximum extent permitted by law, the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor do not accept any liability for losses incurred by any member, officer or other employee in their individual capacity, or any third party arising from use of this document.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. 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, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This document was produced by PwC on behalf of Anthony Barrett, the Appointed Auditor.

Contents

Annual Financial Audit Outline

Introduction	4
Financial statements audit	4
Use of resources audit	11
Certification of grant claims and returns	12
Auditor General's Regulatory Programme	12
Fee, audit team and timetable	13

Appendices

Roles and responsibilities	13
----------------------------	----

Annual Financial Audit Outline

Introduction

1. This Annual Financial Audit Outline has been prepared by PricewaterhouseCoopers LLP on behalf of Anthony Barrett, the Appointed Auditor.
2. As your external auditor my objective is to carry out an audit which discharges my statutory duties as Appointed Auditor and fulfils my obligations under the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are ‘true and fair’; and
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources.
3. The purpose of this outline is to explain to you:
 - My audit team’s approach to:
 - the audit of your financial statements for the year ending 31 March 2014 including the significant risks of material misstatement in your financial statements and how we plan to address them; and
 - the assessment of your arrangements for securing economy, efficiency and effectiveness in the use of resources.
 - The planned timetable, fees and audit team.
 - The scope of the audit, our respective responsibilities and how we ensure independence and objectivity in our work.
4. There have been no limitations imposed on me in planning the scope of this audit.

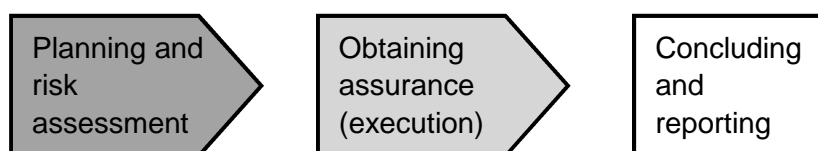
Financial statements audit

5. It is my responsibility to issue a report on the financial statements which includes an opinion on:
 - Whether or not the accounts give a ‘true and fair view’ of the Isle of Anglesey County Council’s (the Council) financial outturn and position. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
 - The consistency of information in the Explanatory Foreword with the financial statements.
6. My report must also state by exception if the Annual Governance Statement for 2013-14 does not comply with requirements.

Audit approach

7. My team's audit work uses a range of techniques to assess risk and obtain audit evidence and assurance and is based on a thorough understanding of your business. This understanding allows my team to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. Our audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: Our audit approach

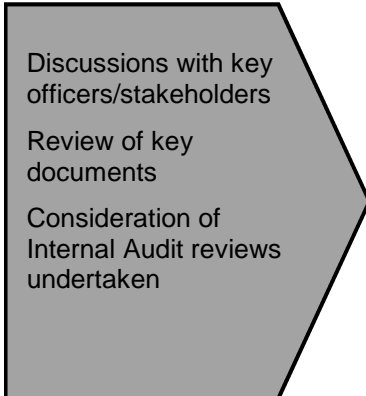


8. The work undertaken in each of these three areas is set out in more detail in [Exhibit 2](#).
9. I do not seek to obtain absolute assurance that the financial statements and related notes are true and fair, but adopt a concept of materiality. In planning and executing the audit, we aim to identify material misstatements in the financial statements and related notes, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be £2.2m, based on the 2012/13 financial statements. I will update this when the 2013/14 draft financial statements are issued.
10. For reporting purposes, we will treat any misstatements below a 'trivial' level of £100,000 as not requiring consideration by those charged with governance and therefore will not report them.

Exhibit 2: Our audit approach

Planning and risk assessment

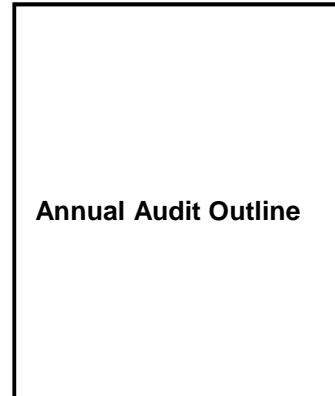
Key tasks



Objectives

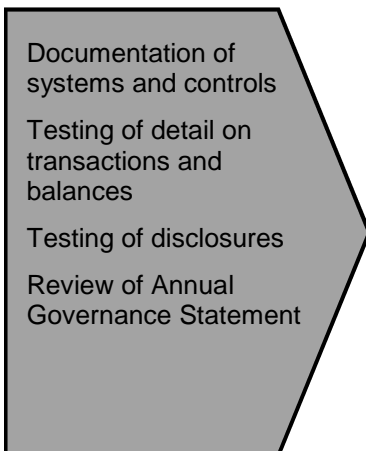


Output

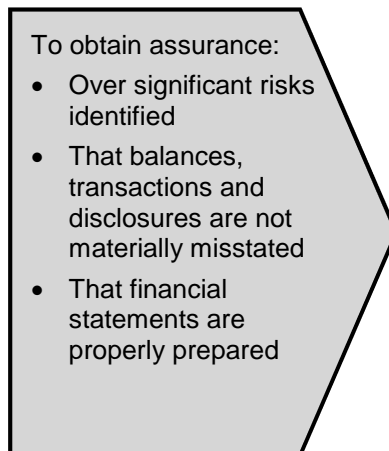


Obtaining assurance (execution)

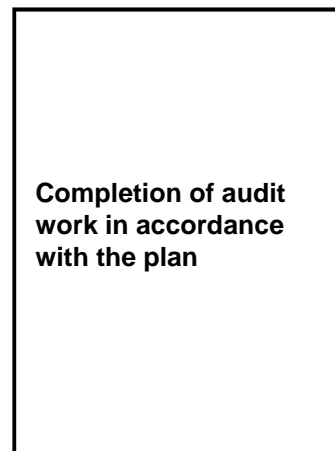
Key tasks



Objectives

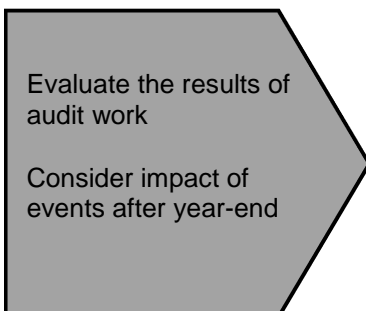


Output

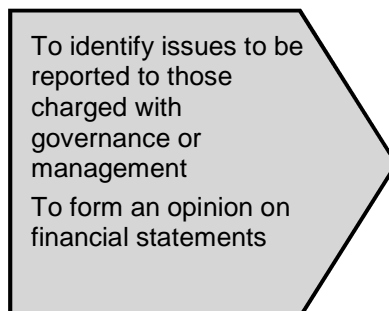


Concluding and reporting

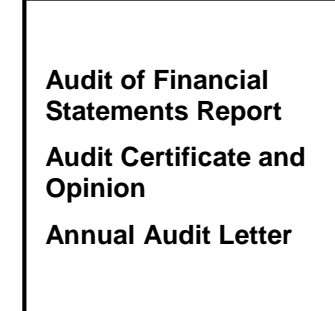
Key tasks



Objectives



Output



-
11. In planning my work and obtaining an understanding of the Council I consider the control environment including the activities of Internal Audit to determine the potential impact of its work on my planned procedures and to evaluate the extent to which I can rely on that work.
12. As part of the planning process, my staff considered the information which would be required to support the accounts submitted for audit. The fees, once agreed, will assume that this information will be provided by the timescales agreed and to the quality standards that we expect. My other main assumptions in setting the estimated fees will be that:
- appropriate accommodation and facilities are provided to enable my audit team to deliver our audit in an efficient manner;
 - the financial statements and supporting working papers have been subject to review and validation by management, to provide the Responsible Financial Officer with assurance that they are 'true and fair';
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit has completed its planned programme of work and that management has taken all necessary remedial action on issues that could have affected the financial statements.

Audit risks and issues

Risks of material misstatement in the accounting statements

13. **Exhibit 3** provides information regarding the main operational and financial risks faced by the Council that could affect my audit. These are the main risks that I have identified during the initial audit planning process, based upon information currently available, and the actions proposed to address them. I may need to change the audit plan if any new risks emerge. I will not make any changes to the audit plan without first discussing them with officers and, where relevant, those charged with governance. The issues identified are designated as significant (highest level of risk) or elevated (elevated level of risk).

Exhibit 3: Summary of main audit risks and proposed responses

Significant risks

Risks	Action proposed
Control environment risks	
<p>Management override of controls</p> <p>In any organisation, management may be in a position to override the financial controls that you have in place. A breach of controls of this nature may result in a material misstatement.</p>	<ul style="list-style-type: none"> • We will understand and evaluate internal control processes and procedures as part of our planning work. • We will review the appropriateness of journals processed during the year. • We will also look carefully at any management estimations and consider if they are subject to bias. • We will design and perform procedures in relation to the business rationale for significant transactions. • Our audit procedures are also planned to include an unpredictable element that varies year on year.
<p>Revenue and expenditure recognition</p> <p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the Comprehensive Income & Expenditure Statement.</p> <p>We have specifically identified two risks. The first is in respect of non-recurring revenue grants funding, in that revenue may not be recognised in line with the terms and conditions of its funding where these grants are for specific programmes or one-off purposes.</p> <p>The second is in respect of expenditure relating to non-payroll costs which may be recognised incompletely, inaccurately, or in the wrong accounting period.</p>	<ul style="list-style-type: none"> • We will understand and evaluate the controls in place to mitigate this risk and: <ul style="list-style-type: none"> • test key reconciliations. • test non-recurring revenue grant income and non-payroll expenditure to ensure that it is appropriately included in the accounts. • test that transactions that occur around year-end are appropriately classified within the financial year to which they relate. <p>We will consider the accounting policies adopted by the Council and subject income and expenditure to the appropriate level of testing to identify any material misstatement.</p>

Elevated risks

Risks	Action proposed
Financial statements risks	
<p>Property, plant and equipment (PPE) The Council is required to ensure that its PPE held on the Balance Sheet is valued sufficiently regularly to ensure that the carrying amount is not materially different to the fair value of these assets at the year end.</p> <p>We have previously identified audit adjustments around assets not formally valued in year which have not been adjusted on basis of immateriality. There is a risk that any such adjustments proposed in future could be material.</p>	<p>We will consider the Council's approach to assessing and justifying valuation of its PPE at 31 March 2014 and consider whether it is sufficient and appropriate. We will engage our internal valuation experts to consider the robustness of key management assumptions and estimates.</p>
<p>Pensions liability The Council currently holds a material net liability in respect of its pension obligations on the balance sheet.</p> <p>We identified errors in the census data underlying the net pension liability figure in the Council's accounts in 2012/13 as a result of the Council's failure to provide Gwynedd Council pension scheme with sufficient information regarding employee movements and role changes on a timely basis.</p>	<p>We will assess the Council's approach to assessing its net pension liability at 31 March 2014 and test the accuracy and completeness of the underlying census data provided to the pension scheme.</p>
<p>Equal pay provision and Job Evaluation The Council currently holds a material provision on its balance sheet in respect of a number of Equal Pay claims which it has calculated it may be required to settle. We are not aware that any offers have yet been issued to claimants.</p> <p>The Council is additionally currently undertaking a pay and grading scale review as part of its Job Evaluation exercise. Based on the extent to which a liability may arise to backdate any pay differences and compensate staff, the Council may require further provision to be put in place for this.</p>	<p>We will assess the impact that any offers to claimants for Equal Pay that the Council may have made on its provision as well as identifying further claims in the intervening period and consider their impact on the liability.</p> <p>We will assess the Council's progress in undertaking the pay and grading scale review and whether a liability may be required as a result of this.</p>

Other risks

14. I have additionally identified two further risks which the significant and elevated audit risks set out above should be considered in light of.
15. **Accounts preparation:** Difficulties in filling positions permanently in the Finance Team had an adverse effect on the Council's accounts production process in 2009/10 and 2010/11. Experienced interim staff were successful in meeting deadlines in 2011/12 and 2012/13. However, two experienced interim staff members occupying key accounting roles have left the Council. It is essential that the council ensures that sufficient and appropriate resources are dedicated to the production of the statutory accounts in accordance with required timetables.
16. **Implementation of new general ledger system (Civica):** A new general ledger system was implemented as at 1 April 2013. The accuracy and integrity of the 2013/14 financial statements will be contingent on the new system being implemented effectively, and closing balances from the prior year being rolled forward accurately and completely.

Accounting and reporting issues

17. In addition to the significant audit risks set out above, I also need to consider any new financial accounting and reporting requirements which impact on my responsibilities. I summarise the more significant accounting and reporting changes that apply to 2013-14 in [Exhibit 4](#).

Exhibit 4: Significant accounting and reporting changes for 2013-14

Accounting and reporting change

IAS 1 *Presentation of Financial Statements*

The Comprehensive Income and Expenditure Statement has been amended as a result of the June 2011 amendments to IAS 1 *Presentation of Financial Statements* (where relevant to an authority) and the June 2011 amendments to IAS 19. The requirement for Financing and Investment Income and Expenditure to include 'pensions interest cost and expected return on pensions assets' has been replaced by 'net interest on the net defined benefit liability (asset)'. Financing and Investment Income and Expenditure also now includes 're-measurements of the net defined benefit liability (asset) for long-term employee benefits recognised in accordance with section 6.2'.

IAS 19 *Employee Benefits*

Chapter 6 of the code includes revisions as a result of the June 2011 amendments to IAS 19 *Employee Benefits*:

- amendments to the definitions in section 6.1;
- updated terminology, amendments to the recognition requirements and clarifications of the disclosure requirements in section 6.2;
- amendments to the recognition requirements of section 6.3 Termination Benefits and clarification of the disclosure requirements; and

-
- amendments to the classification, recognition, measurement and disclosure requirements in section 6.4 Post-employment Benefits.

Use of resources audit

- 18.** To discharge my responsibilities regarding the arrangements that the Council has established to secure economy, efficiency and effectiveness in its use of resources, I shall place reliance upon:
- the results of the audit work undertaken on the financial statements;
 - the Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
 - the results of work carried out by the Auditor General, including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
 - the results of the work of other external review bodies where relevant to my responsibilities; and
 - any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

Certification of grant claims and returns

- 19.** PwC, acting as an agent of the Auditor General, undertakes certification work on the Council's grant claims and returns in accordance with instructions issued by the Auditor General.

Overall issues identified

- 20.** **Exhibit 5** summarises the more significant and/or recurring issues identified when undertaking grant certification work in 2012-13.

Exhibit 5: Overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2012-13

Based on the work we have undertaken to date, 21 of the 23 claims we have examined have been qualified (7), adjusted (3) or both qualified and adjusted (11). The reasons for this are principally due to the Council not being able to appropriately evidence expenditure through supporting documentation, or that expenditure defrayed is ineligible under the terms of grant funding.

Issues related to specific grant claims and returns

21. In addition to the overall issues identified above, I summarise the more significant issues I have identified relating to individual grant claims and returns in [Exhibit 6](#).

Exhibit 6: Significant issues relating to specific grant claims and returns

Housing Benefit

A number of issues were identified during the course of our certification of this claim. We have identified these issues in detail in the letter accompanying the certified claim, a copy of which was sent to the Council. We draw this to your attention here given the size and complexity of the Housing Benefit grant claim, and potential for future errors.

Auditor General's Regulatory Programme

22. A separate document, the Auditor General's Regulatory Programme for Performance Audit, will be issued setting out the work to be delivered by the Auditor General under the Measure.

Fee, audit team and timetable

Fee

23. We are currently unable to provide you with an estimate of our fee for our 2013-14 audit work.
24. Owing to the requirements of the Public Audit (Wales) Act 2013, we have needed to revise our approach to fee setting. This Act introduces a slightly revised fee-setting requirement on the new Wales Audit Office for all our audit work once its provisions come into effect from 1 April 2014. In anticipation of this new requirement, we have needed to take legal advice to clarify a number of its provisions. In the light of that advice, we have reviewed our cost allocation and apportionment processes to ensure that going forward our fee setting will fully comply with these new statutory

requirements. This unfortunately has been a time-consuming process. The exercise has now been completed and the Auditor General has consulted on his fee scales, which take account of revisions made in anticipation of the new legislation. That consultation provides further information about the new legislative requirements.

25. Following the end of the consultation process, , your proposed fee is currently being moderated. We anticipate being able to provide you with an estimate of your fee for 2013-14 soon.
26. Planning will be ongoing, and changes to my programme of audit work and therefore my fee may be required if any key new risks emerge. I shall make no changes without first discussing them with the section 151 officer. Further information on the new Wales Audit Office fee scales and fee setting will be provided once finalised.
27. In previous years, there have been some formal objections to the Council's financial statements for which I have billed separately for the work of my team.
28. I do receive a number of queries and items of correspondence from members of the public and other interested parties. A small amount of time will be included within the fee to deal with minor queries, as part of the overall management of the audit.
29. Any detailed investigations or other work required to respond to queries and objections will result in an additional fee. Any such additional fee will be charged at daily rates based on the specific grade or skill mix required for the work, but will be discussed with the Council, prior to undertaking the work.
30. The Auditor General is required to recover, in respect of each grant or return, an amount that covers the full cost of the relevant work undertaken. Grant and return certification work is charged on a daily basis in line with the skill-related fee scales set out in the Auditor General's local government fees letter. The fees will reflect the size, complexity and particular issues relating to the specific grants.
31. Further information on the Auditor General's fee scales and fee setting can be found on our website at: www.wao.gov.uk/aboutus/4240.asp.

Audit team

Exhibit 7: My team

Name	Role	Contact number	E-mail address
Anthony Barrett	Appointed Auditor	029 2032 0500 / 012 4452 5970	anthony.barrett@wao.gov.uk
Lynn Pamment	Engagement Lead – Financial Audit	029 2080 2390	lynn.pamment@uk.pwc.com
Ian Davies	Financial Audit Senior Manager	029 2080 2358	ian.j.davies@uk.pwc.com
Joe Hargreaves	Financial Audit Manager	029 2080 2198	joe.hargreaves@uk.pwc.com

Name	Role	Contact number	E-mail address
Martin George	Financial Audit Team Leader	029 2080 2014	martin.r.george@uk.pwc.com
Gar-Yee Wright	IT Manager	029 2080 2369	gar-yee.wright@uk.pwc.com

32. I can confirm that my team members are all independent of the Council, its officers and any joint committees. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

33. I will provide reports, or other outputs as agreed, to Audit Committee covering the areas of work identified in this document. My key milestones are set out in **Exhibit 8**.

Exhibit 8: Timetable

Planned output	Work undertaken	Report finalised
Annual Financial Audit Outline for 2014	March 2014	April 2014
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum • Whole of Government Accounts 	July 2014 – September 2014	September 2014
Use of Resources Work	July 2014 – September 2014	November 2014
Annual Audit Letter 2014	November 2014	November 2014
Outline of Audit Work for 2015	March 2015	April 2015

Appendix 1

Roles and responsibilities

This Annual Financial Audit Outline has been prepared to meet the requirements of auditing standards and proper audit practices. It provides the Council with an outline of the financial audit work required for the 2013-14 financial statements.

The Public Audit (Wales) Act 2013 (the 2013 Act) sets out that the Auditor General is to be the auditor of local government bodies in Wales. The 2013 Act does, however, provide transitional arrangements where the appointment of a person as an auditor under section 13 of the Public Audit (Wales) Act 2004 continues to have effect until the end of the period for which the appointment was made (subject to any earlier termination). The Auditor General has appointed me as the auditor of the Council's accounts for the year ending 31 March 2014.

As Appointed Auditor, I am required by the Public Audit (Wales) Act 2004 to examine and certify the accounts of the Council. In accordance with professional standards that apply by virtue of the Code of Audit Practice set under the act, this involves giving an opinion on whether the accounts give a true and fair view of the Council's financial position and of its income and expenditure for the year. The act also requires me to satisfy myself of these things:

- that the accounts are prepared in accordance with regulations under section 39 of the act (the Accounts and Audit (Wales) Regulations 2005);
- that the accounts comply with the requirements of all other statutory provisions applicable to them;
- that proper practices have been observed in the compilation of the accounts; and
- that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

I am also required to certify that the audit has been completed in accordance with the Public Audit (Wales) Act 2004.

The audit does not relieve the Council of its responsibility to:

- establish systems of internal control 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 sets out the rights of the public and electors to inspect the Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts.

The Auditor General is required to certify certain grant claims and returns. PwC, acting as an agent of the Auditor General, undertakes the audit work relating to those claims and returns.



WALES AUDIT OFFICE

SWYDDFA ARCHWILIO CYMRU

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Tel: 029 2032 0500

Ffôn: 029 2032 0500

Fax: 029 2032 0600

Ffacs: 029 2032 0600

Textphone: 029 2032 0660

Ffôn Testun: 029 2032 0660

E-mail: info@wao.gov.uk

E-bost: info@wao.gov.uk

Website: www.wao.gov.uk

Gwefan: www.wao.gov.uk



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:

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

PricewaterhouseCoopers LLP, One Kingsway, Cardiff CF10 3PW
T: +44 (0) 29 2023 7000, F: +44 (0) 29 2080 2400, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



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.

Support provided by PwC	Value £'000	Threats to independence and safeguards in place
Certification of grant claims and returns	150	<p>Self Review Threat: 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>Self Interest Threat: 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>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: 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>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: 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. Further details about the complaints process are available at 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

Improvement Assessment Letter 1 – Improvement planning

The review is complete and Letter issued.

Improvement Assessment Letter 2 – Testing and Audit of Council’s Performance Assessment Publication

The review is complete and Letter issued.

Annual Improvement Report

The Annual Improvement Report (AIR) summarises all the work carried out by the Wales Audit Office as well as that carried out by relevant regulators, such as Estyn, CSSIW and the Welsh Language Commissioner. The draft AIR is being finalised and will be reported at the next Audit Committee.

Corporate Assessment

The second year of the four-year cycle of corporate assessments commences in 2014. Six corporate assessments are planned for 2014-15, and Anglesey is included. The proposed period of the corporate assessment is Winter 2014-15.

Improvement study – Safeguarding

This study will focus on the robustness of councils’ internal management arrangements to assure themselves that safeguarding arrangements are working effectively. The study will be conducted across all 22 authorities. The main outputs from the study will be a national report on the findings from the local work and a short summary report for each council consisting of the main findings from the fieldwork. The study is being conducted between March and April 2014.

Local Government National Study – Welfare reform

The study will focus on preparing to deal with the impact of the Welfare Reform Act 2012 and look at how well local government has planned for the introduction of welfare reform by tracing the implications on social housing. Fieldwork has commenced and PwC have sent out detailed landlord and council surveys to the main housing association providers in Wales and all 22 Welsh councils, a total of 62 separate surveys. Fieldwork is completed and moving to the reporting stage. Anglesey is not included as a fieldwork site.

Local Government National Study – Delivering with less – the impact on Environmental Health Services and citizens

The fieldwork is complete. A report will be published and the Chartered Institute of Environmental Health have agreed to launch the report conclusions at their Welsh conference on May 7 and 8 2014.

Effectiveness of scrutiny

This is a 2012-13 study. A national report is due to be published by March 2014.

Annual Governance Statement

This is a 2012-13 study. The work is complete and local summaries finalised and distributed to councils. A national report is due to be published by March 2014.

Local Government Study – NEETS (young person who is not in education, employment, or training)

This is a 2012-13 study. The study is complete and publication of the report is due by March 2014.

Local Government Study - Managing the financial challenge

The report was published on 28 January 2014.

2014-15 Local Government Studies

1. The short-list of study options for 2014-15 has been sent out to councils for consultation. The consultation covers the following six topics:
 - Option 1: Year 2 Delivering with less – focussing on either Leisure services; Regulatory/Enforcement/Planning; or Waste.
 - Option 2: Joined-up working to address Health and Social Care demand.
 - Option 3: Meeting the needs of Gypsies and Travellers.
 - Option 4: Highway Infrastructure.
 - Option 5: Economic Development and Job Creation.
 - Option 6: Waste Management – prevention and recycling.We have received replies from Councils, CSSIW, Estyn, the Children's Commissioner for Wales, the Older Persons Commissioner for Wales, and SOLACE. A draft programme for 2014-15 is being considered and will be finalised in due course.

Work specific to Anglesey

Local review

The focus of the local work has changed and will now review elements of the corporate governance arrangements, in preparation for the comprehensive review in February 2015. The work is planned for April 2014 and will be reported through local feedback and in the Annual Improvement Report (AIR).

This page is intentionally left blank

PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

(Teitl yr Adroddiad/Teitle of Report)

Contract Rheoli Archwilio Mewnol / Internal Audit Management Contract

Paragraff(au)	14	Atodlen 12A Deddf Llywodraeth Leol 1972
Paragraph(s)	14	Schedule 12A Local Government Act 1972 [un neu fwy o/one or more of 12,13,14,15,16,17,18,18A,18B,18C]
Y PRAWF – THE TEST		
<p>Mae yna fudd i'r cyhoedd wrth ddatgelu oherwydd / There is a public interest in disclosure as:-</p> <p>Mae'r mater yn ymwneud â gwariant cyhoeddus. The matter concerns public expenditure.</p>	<p>Y budd i'r cyhoedd with beidio datgelu yw / The public interest in not disclosing is:-</p> <p>Mae'r mater yn ymwneud â thelerau dyfarnu contract a allai fod yn niweidiol i fuddiannau masnachol yr awdurdod neu gontractwr arfaethedig petai'r telerau'n dod yn hysbys i gwmnïau a fedrai gystadlu.</p> <p>The matter covers the terms on which a contract may be awarded and may harm the commercial interests of the authority or a proposed contractor if the terms were to be made known to potential competitors.</p>	
<p>Argymhelliad - Mae budd i'r cyhoedd wrth gadw'r eithriad o bwys mwy na/llai na* budd y cyhoedd wrth ddatgelu'r wybodaeth. [* - dilëwch y geiriau amherthnasol]</p> <p>Recommendation - The public interest in maintaining the exemption outweighs/does not outweigh* the public interest in disclosing the information. [* - delete as appropriate]</p>		

This page is intentionally left blank