

# 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  
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<b>ERHYBUDD O GYFARFOD</b>	<b>NOTICE OF MEETING</b>
<b>PWYLLGOR ARCHWILIO</b>	<b>AUDIT COMMITTEE</b>
<b>DYDD MAWRTH, 22 GORFFENNAF, 2014 am 2 o'r gloch y prynhawn</b>	<b>TUESDAY, 22 JULY 2014 at 2.00 pm</b>
<b>YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI</b>	<b>COMMITTEE ROOM 1, COUNCIL OFFICES, LLANGFNI</b>
<b>Swyddog Pwyllgor</b>	<b>Ann Holmes 01248 752518 Committee Officer</b>

## **AELODAU / MEMBERS**

Cynghorwyr / Councillors:-

### **Annibynnol / Independent**

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

### **Plaid Cymru / The Party of Wales**

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

### **Grwp Chwyldroad/Revolutionist Group**

Jeff Evans

### **Heb Ymaelodi / Unaffiliated**

R Ll 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 OF THE 10TH APRIL, 2014 MEETING (Pages 1 - 12)**

The minutes of the previous meetings of the Audit Committee held on the following dates to be submitted for confirmation:

- 10<sup>th</sup> April, 2014 (extraordinary)
- 30th April, 2014 (extraordinary)
- 8<sup>th</sup> May, 2014 (election of Chair/Vice-Chair)

**3 REVIEW OF THE STATEMENT OF ACCOUNTS 2013-14**

To present the report of the Interim Head of Function (Resources) and Section 151 Officer. *(REPORT TO FOLLOW)*

**4 GOVERNANCE AND ASSURANCE UPDATE AND DRAFT ANNUAL GOVERNANCE STATEMENT 2013-14**

To receive an update on governance and assurance and the initial draft of the Governance Statement 2013-14. *(REPORT TO FOLLOW)*

**5 ANNUAL TREASURY MANAGEMENT REVIEW 2013-14**

To present the Annual Treasury Management Review for 2013-14. *(REPORT TO FOLLOW)*

**6 TREASURY MANAGEMENT QUARTER 1 2014/15**

To present the Treasury Management Quarter 1 2014/15 update. *(REPORT TO FOLLOW)*

**7 RISK MANAGEMENT (Pages 13 - 14)**

To receive an update report with regard to risk management .

**8 EXTERNAL AUDIT - PERFORMANCE WORK PROGRAMME UPDATE (Pages 15 - 56)**

- To present an update on the Performance Work Programme
- To present the 2014-15 Improvement Plan Certificate of Compliance
- To present the Annual Improvement Report 2014

**9 INTERNAL AUDIT (Pages 57 - 68)**

To present the IA progress report for Quarter 1 2014/15.

**10**     **AGENCY WORKERS - REVIEW OF ARRANGEMENTS** (Pages 69 - 74)

To present information in relation to the Authority's deployment of agency staff.

**11**     **EXCLUSION OF THE PRESS AND PUBLIC** (Pages 75 - 76)

To consider adoption of the following:-

“Under Section 100(A)(4) of the Local Government Act 1972, to exclude the press and public from meeting during 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”.

**12**     **INTERNAL AUDIT SERVICE MANAGEMENT CONTRACT**

Interim Head of Function (Resources) and Section 151 Officer to report verbally.

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## AUDIT COMMITTEE

### Minutes of the extraordinary meeting held on 10 April, 2014

- PRESENT:** Councillor Robert Llewelyn Jones (Chair)
- Councillors John Griffith, Trefor Lloyd Hughes
- Lay Members: Mrs Sharon Warnes and Mr Richard Barker
- IN ATTENDANCE:** Chief Executive  
Deputy Chief Executive (for item 4)  
Internal Audit Manager (JF)  
Head of Housing Services (SW) (for item 3)  
Risk and Insurance Manager (JJ) (for item 8)  
Interim Head of Procurement (GD) (for item 5)  
Committee Officer (ATH)
- APOLOGIES:** Councillors Jim Evans, Vaughan Hughes, Richard Owain Jones, Dafydd Rhys Thomas, H.Eifion Jones (Portfolio Member for Finance)
- ALSO PRESENT:** Councillor Ieuan Williams (Leader), Councillor Kenneth Hughes (Portfolio Member for Housing and Social Services) (for item 3), Mr Andy Bruce (WAO) Mr Patrick Green (Baker Tilly), Mr Joe Hargreaves (Financial Audit Manager (PwC))
- 

#### 1 DECLARATION OF INTEREST

No declaration on interest was received.

#### 2 MINUTES

The minutes of the previous meeting of the Audit Committee held on 2<sup>nd</sup> February were submitted and confirmed as correct.

#### 3 HOUSING SERVICES BUSINESS MAINTENANCE UNIT

A report by the Head of Housing Services setting out the steps taken to date to review the Housing Services' Business Maintenance Unit was presented for the Committee's consideration.

The Head of Housing Services reported as follows –

- A second workshop with staff has been held and individual meetings with staff including Finance and Performance Management Officers have taken place with input from human resources. A comprehensive options appraisal of the future of the Housing Service's repairs service has been undertaken and was completed in February, 2014. A summary of the options appraisal is included in the report.
- The results from the appraisal exercise have concluded that a recommended option of retaining the service in-house, but merging the client and contractor teams into one repair service whilst modernising and transforming the service would achieve the highest possible benefits for the service at a reasonable cost.
- The draft report has been disseminated to the SLT and Executive Members and will be presented to the Corporate Scrutiny Committee on 17<sup>th</sup> April and thereafter to the Executive.
- 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

were set out in section 3 of the report and were elaborated upon in the meeting by the Head of Housing Services.

- In the period, since the report was drafted and the Audit Committee's meeting, further work has been undertaken to develop a Business Plan and Business case showing how the service will achieve excellence status.
- The key features underpinning the recommended option are documented in section 2 of the report.

Members considered the information presented and they raised the following issues on the report

- The means by which the target minimum of £250k annual savings would be achieved, whether those savings would be permanent and under which headings would they be realised.
- Whether seeking to achieve excellence status is necessary when providing a good service is an acceptable objective and whether it will have cost implications.
- The proportion of the total repair and maintenance budget which £250k represents.
- The approach taken by other authorities to maintaining the social housing stock and whether there are opportunities for learning therefrom.
- The need to conduct regular inspections of the housing stock where investments have been made to ensure that the stock is being maintained and that tenants are not allowing properties to fall into disrepair. It was suggested that tenants be informed of the costs incurred by the Council when properties are not properly maintained.

The Head of Housing Services explained in response that it is projected that the sum of £250k will be saved annually for the duration of the 3 year Business Plan and that this will be achieved partly through the engagement of multi-skilling operatives capable of delivering a high level of right first time repairs and partly by savings generated via the procurement process. The service's staff and managers are keen to provide an excellent service that will place it within the highest quartile and notwithstanding an assessment fee, this ambition will not incur costs for the Council. The Officer said that she wanted to show that the service has moved forwards. The annual Housing Repair and Maintenance budget is approximately £5m. It is also the intention to establish links with authorities in both Wales and England where there is evidence of good practice in the maintenance of social housing. In terms of ensuring that properties are maintained by tenants, the Business Plan provides for the engagement of an Anti-Social Behaviour Officer. Officers also undertake an annual inspection of council houses. It is further intended to present a Rechargeable Repairs Policy through the democratic process in due course which will allow the costs of repairs to be recovered from tenants where appropriate.

**It was resolved to accept the report and to note the process followed to review the Housing Service's Building Maintenance Unit.**

**ACTION ARISING: Head of Housing Services to include in the Tenants' Newsletter/Bulletin information regarding the costs incurred by the Council in having to repair council houses that have not been properly maintained.**

#### **4 CORPORATE ASSESSMENT**

The Deputy Chief Executive provided the Committee with a visual presentation in relation to the Corporate Assessment of the Isle of Anglesey County Council to be undertaken in February 2015 as part of the Welsh Audit Office's 4 year cyclical programme of local authority corporate assessments.

The Deputy Chief Executive highlighted the following considerations –

- The factors that make delivering a good Corporate Assessment important.
- The purpose of the Corporate Assessment in providing a position statement of the Council's capacity and capability to deliver continuous improvement and what it involves in terms of examining the Authority's track record of performance and outcomes and the key arrangements necessary to support improvements in services and functions.
- The output as regards providing assurance that the arrangements currently in place within the Authority are reasonable and sound.
- The key questions that will be asked regarding the Authority's capability in delivering on its priorities and on improved outcomes for the Island's citizens; progress on achieving planned

improvements; vision and strategic direction; governance and accountability arrangements; management of resources and the effectiveness of its collaboration and partnership arrangements.

- Meetings are to be held with all Service Heads and their management teams to discuss the key questions with a view to obtaining an understanding of where the Authority's services are currently at with regard to the areas on which the Corporate Assessment will be focussing and where and how performance needs to be driven upwards.
- Emerging priorities.
- The Governance structure and arrangements including project sponsor and responsible officer.
- Communication arrangements with staff, partners and Elected Members and the timeline leading up to the Corporate Assessment.

Members of the Committee considered the information and reassurance was sought that a framework is in place to ensure that what needs to be done in terms of the preparatory work is being done as planned, and on time. The Deputy Chief Executive said that there are three fundamental areas of work around defining and refining the self-assessment model to ensure it is robust; project management as regards assigning who does what and when and preparation in relation to communication so that everyone knows what are the objectives. As responsible Officer she would be working to ensure that this work is undertaken; that momentum is established and maintained and that progress is being made as projected.

**It was resolved to note the information.**

**ACTION ARISING: Deputy Chief Executive to keep the Chair and Vice-chair of the Audit Committee briefed on progress on project managing the preparations for the Corporate Assessment.**

## **5 PROCUREMENT FITNESS CHECK**

A summary report on the KPMG fitness review of procurement arrangements at the Isle of Anglesey County Council was presented for the Committee's information.

The Interim Head of Procurement informed the Committee that KPMG was commissioned to undertake Fitness reports on procurement arrangements at all local authorities in Wales subsequent to a review commissioned by the WG's Minister for Finance into maximising the impact of Welsh Procurement Policy. The review recommended the re-introduction of capability assessments which the Minister then confirmed would be re-introduced. The objective of the work by KPMG was to determine whether organisational procurement capability is adequate and also to enable organisations to identify their strengths and areas for improvement. The Officer explained the methodology adopted in undertaking the review and confirmed that the actions for improvement recommended for the Authority recognise the activities that are already on-going and planned and are intended to support those activities and provide practical advice to support those improvements.

Members of the Audit Committee commented to the effect that they would have liked to have seen more of the detail of the KPMG report in terms of the aspects examined and the findings thereon, given that procurement is an area of interest for the Committee and is one that has been identified as in need of strengthening.

The Interim Head of Procurement elaborated on the main conclusions of the KPMG report under each of the dimensions reviewed and the recommended actions along with explanatory comments made as to the current status and context. The Officer said that weaknesses had been highlighted in a number of areas and that overall the report concludes that the benefits of implementing the recommendations of the review along with those of the December 2012 Internal Audit report is that the Authority will have a consistent and compliant approach to procurement for the organisation which will act as a building block from which future improvements and cost savings can be achieved. The Interim Head of Procurement emphasised that he had discussed the issue of procurement with all Service Heads and that they have been proactive in seeking solutions to address the shortcomings. He confirmed that Heads of Service are fully supportive of the actions to be taken. Moreover a procurement strategy has been drafted to be presented to the Executive

and revised contract procedure rules are being looked at by the Legal Section which collectively will add to the benefits.

The Internal Audit Manager said that the review provides an opportunity to put in place a procurement system that meets the Authority's needs and will generate savings.

Members were agreed that a further meeting of the Committee was necessary to enable them to consider in greater detail the recommendations of the KPMG review and the planned actions to implement them and it was decided to reconvene for that purpose before the end of April with an invitation to attend to the Chief Executive, Deputy Chief Executive and Leader of the Council.

**It was resolved –**

- **To note the information presented.**
- **That the Committee reconvenes before the end of April to consider further the recommendations of the KPMG review of procurement arrangements and the response to them.**

**ACTIONS ARISING:**

- **Committee Officer to confirm arrangements for a further meeting in consultation with the Chair.**
- **Interim Head of Procurement to prepare a presentation for the meeting setting out the issues highlighted by the KPMG review and the actions proposed/required to address them.**

## **6 ICT SERVICES REVIEW**

Matter deferred.

## **7 CIVICA LEDGER SYSTEM**

Matter deferred.

## **8 RISK MANAGEMENT AND INSURANCE**

A report by the Head of Function (Resources) summarising the latest position with regard to risk management and insurance claims was presented for the Committee's information. The report listed the Authority's four top risks as well as three newly identified risks which are considered to be medium level. The insurance position reflects a significant increase in the number of property claims during 2013/14 which are attributable to the 2013/14 winter storms.

Members of the Audit Committee highlighted the following issues on the report –

- That risk YM40 designated as a failing to comply with internal CPRs and procurement legislation is a savings as well as compliance matter in so far as a failure in this regard means that resources are not being used efficiently thus impacting ultimately on whether other services can or cannot be provided.
- There was concern that the top risks remain unchanged thus indicating that remedial actions are not having the desired effect of de-escalating those risks. Particular reference was made to compliance with Data Protection legislation.
- That it would be helpful to Members if the reporting style contained more narrative/contextual information particularly in relation to risk movements.

The Chief Executive confirmed that the Authority has invested in training in the requirements of Data Protection and that it has put in place a comprehensive Data Protection Work Programme but that these actions have cost implications. One of the top risks remains a failure to plan for a significant reduction in funding from 2015/16 and in this context, the Authority has to prioritise its resources both financial and staff and focus on its top level risks. Some of the identified risks are common to other local authorities. The challenge in addressing risks in certain areas is great and will not be resolved overnight. However, the Authority must monitor and ensure that it is keeping to targets.

**It was resolved to note the information.**



**ACTION ARISING: Insurance and Risk Manager to include within the report supporting/ explanatory information where there has been risk movement.**

## **9 ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS AND COUNTER FRAUD ARRANGEMENTS**

A report by the Audit Manager which described the output from the annual workshop of the Audit Committee's Members held on 28<sup>th</sup> January to review the Committee's effectiveness and counter fraud arrangements for 2013/14 was presented for the Committee's consideration and information. The detailed results of the Workshop's self-assessment of Audit Good Practice in the form of the completed CIPFA Self-Assessment of Good Practice checklist were contained in Appendix A to the report.

The Audit Manager reported that overall, the Audit Committee's self-assessment of its performance against best practice was positive with only 3 out of 20 of the specified best practices considered as not being fulfilled by the Committee and a further 8 out of 20 where it was felt that improvements could be made. The main identified areas of weaknesses are set out in section 2.2 of the report. The Audit Manager also completed the checklist to identify areas in which in his opinion the Committee was strong and those areas which could be improved upon. The checklist as completed by the Audit Manager was included at Appendix B to the report and the areas identified by the Officer as ones where the Committee may consider improvements listed in section 2.5 of the report. Additionally, the workshop considered the main findings of the Internal Auditor's Counter Fraud Report 1906.13/14 which review was based on the Audit Commission's Protecting the Public Purse Appendix 2 checklist. The report identified a number of areas where the counter fraud arrangements are currently weak as set out in the Executive summary of the IA report included at Appendix C.

Members raised the matter of the length of Audit Committee agendas and whether the current schedule of meetings is adequate to cover matters that need attention. The Audit Manager said that he would include the issue within the proposed Action Plan as a basis for future discussion.

**It was resolved to endorse –**

- **The development of an Effectiveness Action Plan setting out areas of improvements for the Audit Committee and how these are to be addressed in 2014/15.**
- **The development of a Counter Fraud Arrangement Action Plan setting out the weaknesses identified in counter-fraud arrangements and how these are to be addressed in 2014/15.**

**NO FURTHER ACTION ARISING**

## **10 ANNUAL REPORT OF THE AUDIT COMMITTEE**

The Chair presented the draft Annual Report of the Audit Committee for the 2013/14 municipal year for the Members' consideration.

**It was resolved to endorse the Annual Report for presentation to the County Council in May.**

## **11 INTERNAL AUDIT ANNUAL REPORT**

The Annual Report of the Internal Audit Service for 2013/15 was presented for the Committee's information. The report documented the outputs generated by the Internal Audit Service during the year in the form of 51 reviews; performance against internal targets for the year; the overall conclusion of the areas audited and what that reflects in risk terms to the Authority as well as areas identified where there are significant weaknesses in control.

**It was resolved to accept the Internal Audit Annual Report 2013/14 and to note its contents.**

## **12 INTERNAL AUDIT STRATEGIC PLAN AND PERIODIC PLAN**

A report by the Audit Manager incorporating the Internal Audit Strategic Plan 2012/15 and Periodic Plan 2014/15 was presented for the Committee's consideration. The report outlined the audit needs assessment process on which the audit approach is based along with resource issues and related considerations.

Members of the Committee sought assurance whether the Internal Audit Team is adequately staffed to be able to fulfil the programme it has set for the service given considerations around sickness absence. The Audit Manager confirmed that he believed that with a full complement of staff the Internal Audit Service will be able to achieve the Operational Audit Plan for the year. Given a sickness absence consideration and dependent on how quickly a full complement of staff can be restored, the service might have to review areas of activity.

In response to a suggestion made regarding the possibility of making a case for additional support for the Internal Audit Service, Mr Patrick Green advised that as the Internal Audit Manager reports to the Committee on a regular basis on progress against the Operational Plan, the Committee can at any point in the year and depending on the circumstances, consider making a recommendation with regard to additional support based on what the Internal Audit Manager reports about what the down resource means to the service in practice.

**It was resolved –**

- **To accept the Internal Audit Operational Plan for 2014/15 as reflecting the areas which the Committee believe should be covered.**
- **To accept the level of audit resources as appropriate for the level of assurance required subject to receiving regular updates from the Internal Audit Manager regarding the adequacy of Internal Audit staff resources.**

**ACTION ARISING: Internal Audit Manager to keep the Committee informed of any impact which the down resource is having on the Internal Audit Service's ability to fulfil the Operational Plan.**

### **13 EXTERNAL AUDIT**

13.1 The External Audit's Annual Financial Audit Outline setting out the approach to the 2013/14 financial audit and the expected outputs was presented for the Committee's consideration.

Mr Joe Hargreaves, PwC Financial Audit Manager summarised the main considerations from the report and he made particular reference to the following aspects –

- The significant risks around the control environment along with elevated risks around the financial statements as set out in exhibit 3 and the proposed responses.
- Additional identified risks around the accounts preparation process and the implementation of a new general ledger system.
- That owing to the requirements of the Public Audit (Wales) Act 2013, the approach to fee-setting has had to be revised in the way and for the reasons set out in the report. Information on the new Wales Audit Office fee sales and fee setting will be provided once finalised.

Members sought clarification of certain points in relation to the threshold for judging misstatements to be material and they also sought assurance that the pensions liability issue as regards the adequacy and accuracy of the employee information and data provided to the Gwynedd Council pension scheme would not recur this year. The Chief Executive confirmed that the Finance Service's Officers are working to provide the Gwynedd Council pension scheme with up to date information in line with the mandatory timescale.

**It was resolved to note the information.**

#### **NO FURTHER ACTION ARISING**

13.2 The External Audit communication regarding fraud, independence and quality was presented and noted by the Committee.

Mr Joe Hargreaves, PwC said that the External Auditor is obligated to issue the statement and that he would be happy to accept Members' views on fraud verbally at the meeting or subsequently by e-mail.

#### **NO FURTHER ACTION ARISING**

13.3 Mr Andy Bruce, WAO updated the Committee on the status of the Performance Work Programme. The information was noted by the Committee.

**NO FURTHER ACTION ARISING**

**14 INDEPENDENT REMUNERATION PANEL FOR WALES**

The Audit Manager reported that Independent Remuneration Panel for Wales has reviewed the implementation of the system of Co-opted/Lay Members and has effected changes to the remuneration arrangements in order to reflect the time spent by Lay and Co-opted Members on preparing for meetings and travelling thereto in addition to their actual attendance at meetings. The Panel has asked that an appropriate officer within the Authority should make a determination regarding what that should be for the Audit Committee. The fee is currently set at a daily maximum of £198 and £99 for a half day (up to 4 hours). It has been agreed that for all those committees on which Lay/Co-opted Members serve including the Audit Committee, time spent on preparation, travelling and attendance over 4 hours will be subject to a full day's claim in line with the guidance of the Independent Remuneration Panel of Wales and effective from 1 January, 2014.

**It was resolved to note the information.**

**NO FURTHER ACTION ARISING**

**15 EXCLUSION OF PRESS AND PUBLIC**

Matter not considered.

**16 INTERNAL AUDIT SERVICE MANAGEMENT CONTRACT**

Matter deferred.

**17 MEETINGS 2014/15**

Dates for the Audit Committee's meetings for the 2014/15 municipal year were presented and noted.

**Councillor R.Llewelyn Jones  
Chair**

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# AUDIT COMMITTEE

## Minutes of the extraordinary meeting held on 30 April, 2014

**PRESENT:** Councillor R.Llewelyn Jones (Chair)  
Councillors Jim Evans, John Griffith, Raymond Jones,  
Richard Owain Jones  
Lay Members: Mr Richard Barker, Mrs Sharon Warnes

**IN ATTENDANCE:** Chief Executive  
Deputy Chief Executive  
Interim Head of Procurement  
Committee Officer (ATH)

**APOLOGIES:** Councillors Trefor Lloyd Hughes, Dafydd Rhys Thomas.

**ALSO PRESENT:** Councillor Ieuan Williams (Leader of the Council)

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### 1 DECLARATION ON INTEREST

No declaration of interest was received.

### 2 KPMG PROCUREMENT FITNESS CHECK FOR THE ISLE OF ANGLESEY

In accordance with the resolution of the Audit Committee at its 10<sup>th</sup> April meeting, the Interim Head of Procurement provided the Committee with a presentation on the principal findings of the KPMG Fitness check of procurement arrangements at the Isle of Anglesey County Council along with the planned improvement actions to address the areas where shortcomings had been identified as part of a comprehensive procurement improvement programme.

*(The KPMG report was made available to the Committee's Members as background documentation)*

The Interim Head of Procurement elaborated on the following issues as part of the presentation:

- The methodology used by KPMG to undertake the fitness check which is a standard procurement maturity assessment model deployed across the public and private sectors to evaluate efficiency. The approach included an on-line questionnaire which relevant staff were asked to complete and based on which KPMG prepared an initial assessment of the Authority's procurement capability in accordance with the Welsh Government's 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 model dimensions that were assessed which comprised the following, and for which the Isle of Anglesey was given a maturity grade on a scale ranging from non-conforming as the lowest rating to advanced as the highest, with performance for each dimension benchmarked against the average of Welsh authorities and the UK public sector benchmark:
  - Procurement leadership and governance
  - Procurement strategy and objectives
  - Defining the supply need
  - Commodity/project strategies and collaborative procurement
  - Contract and supplier management
  - Key purchasing processes and systems
  - People

- Performance management
- The summary of KPMG's recommended actions against each model dimension.
- KPMG's detailed overview of the results per dimension including an explanatory commentary in support of the findings and the opportunities for improvement.
- The Authority's Programme for improving procurement and the aspects of the KPMG assessment which the programme will address and how.
- Savings capability in terms of the influencable spend; estimated overall savings and the means by which these will be delivered via the Procurement Improvement Programme including the identification of efficiency savings of £2m to £4m over a 2 year period with a £98k investment in the Procurement Function.
- An example profile of current spend by category for General Maintenance Services and the potential for savings (subject to an in-depth analysis) under this heading which a more systematic approach might yield including actions that can lead to immediate "quick wins."
- Key procurement savings areas across the Council and the potential savings to be realised.

There followed a question and answer session in which Members were afforded the opportunity to obtain clarifying information about areas regarding which they were unclear or more detailed explanation of how certain aspects would be addressed including the following –

- The methodology and the robustness of the evaluation
- Differences in the fundamental approach to procurement in the private and public sectors and how the requirements for inclusivity, transparency and equity in the public regime might make it a more complicated process.
- A historical lack of investment in the area of procurement as a contributory factor to the immaturity of the function within the Authority.
- Upskilling key staff as an essential ingredient of the Improvement Programme. It was suggested that the Improvement Plan should identify the relevant personnel and the timescale for action in this respect.
- It was suggested that contingency resources within the corporate budget be used to support the Improvement Programme.
- It was suggested that the development of the procurement function and the actioning of the KPMG report be monitored by the SLT. The Chief Executive said that procurement as a risk area will be included on the Corporate Risk Register and thereby will be tracked and monitored.
- The actions that need to be taken in the here and now to enable "quick wins."
- How adopting a more planned approach to procurement can potentially reduce the need to impose cuts by the salami slicing method by enabling the Authority to focus on areas of spend and to reduce that spend through a deliberate process.

The Deputy Chief Executive said that the proposed £98k investment in the Procurement Function on a spend to save basis will have to be supported by a Business Case setting out the rationale for additional expenditure against the savings to be made, and will have to subsequently be approved by the Executive. The Interim Head of Procurement confirmed that the Business Case is in the process of being formulated.

The Audit Committee's Members whilst recognising that they would be able to monitor the status of Procurement within the Authority via the Corporate Risk Register indicated that they would like to be kept informed about the savings made on an ongoing basis. The Interim Head of Procurement said that the proposed Benefits Realisation Model will show the areas covered and the savings generated.

**It was resolved to accept the information and to acknowledge the contribution made by the Interim Head of Procurement.**

**ACTION ARISING: Head of Function (Resources) to update the Audit Committee regularly on progress on realising savings linked to developing and improving corporate procurement arrangements.**

**Councillor R.Llewelyn Jones (Chair)**

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# AUDIT COMMITTEE

## Minutes of the meeting held on 8 May, 2014

- PRESENT:** Councillors Jim Evans, Jeff Evans, John Griffith, Trefor Lloyd Hughes  
R.O.Jones, Vaughan Hughes
- IN ATTENDANCE:** Chief Executive  
Head of Function (Council Business)  
Committee Officer (MEH)
- APOLOGIES:** Councillors R.Llewelyn Jones and D.Rhys Thomas, Mr Richard Barker,  
and Mrs Sharon Warnes (Lay Members)
- 

### 1 CHAIRPERSON

Councillor Trefor Lloyd Hughes was elected Chair of the Audit Committee.

### 2 VICE-CHAIRPERSON)

Councillor John Griffith was elected Vice-Chair of the Audit Committee.

**Councillor Vaughan Hughes  
(as Chair of the County Council)**

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>22 JULY 2014</b>
<b>TITLE OF REPORT:</b>	<b>RISK MANAGEMENT</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>RISK &amp; INSURANCE MANAGER</b>
<b>ACTION:</b>	<b>FOR INFORMATION</b>

## **1. INTRODUCTION**

**1.1** The Council's Risk Management Strategy and Risk Management Guidance were endorsed by the Executive on the 15th October 2012.

**1.2** These documents require the Audit Committee to review the Risk Management Framework and review and challenge the top corporate risks.

## **2. IMPLEMENTATION OF RISK MANAGEMENT**

**2.1** Due to the difficulties with risk management becoming embedded throughout the Council, an external company has been engaged to review the current arrangements.

**2.2** This review will commence in September 2014 and will involve:-

- i. Review the existing Risk Management Strategy and Guidance and propose improvements;
- ii. Engage with Members, Managers and Services to improve their understanding and approach to risk management;
- iii. Review the current Service Risk Registers, assist in identifying gaps in the risks identified, and suggesting a method for ensuring consistency in the language used to describe risks and the likelihood and impact scoring;
- iv. Review the arrangements for escalating Service, Project and Partnership risks to the Corporate Risk Register, recommending improvements into these arrangements;
- v. Review the Corporate Risk Register and assist in identifying gaps in the risks identified.

**2.3** It is envisaged that this review will allow risk management to be fully embedded and aligned with other working practises.

**2.4** The cost of the review is funded from the existing risk management budget.

- 2.5 In the meantime, the Risk & Insurance Manager continues to support Heads of Service to develop their Service Risk Registers.

### 3. CORPORATE RISK REGISTER

- 3.1 The Corporate Risk Register was reviewed by the Heads of Service and SLT in June 2014 and the Council's high risks are identified as being:-

- YM34 Failing to reach agreement in relation to equal pay claims submitted to date
- YM31 Risk of not being compliant with Data Protection legislation
- YM44 Lack of capacity to deliver day to day services in key areas
- YM46 Failing to communicate and engage effectively with employees
- YM47 Not having sufficient budget to cover existing commitments
- YM49 Failure to collect income / monies due effectively or at all

- 3.2 The risk associated with the equal pay claims has been escalated due to the number, senior management time and cost associated with these claims.

- 3.3 The level of risk associated with information governance is expected to fall once the Information Governance Project work streams are completed and embedded into working practises.

- 3.4 The remaining high risks are newly identified risks which will be scrutinised in further depth in the coming weeks.

- 3.5 Following work to mitigate risks, the following risks are no longer considered high risks:-

- YM08 Failing to plan for a significant reduction in funding from 2015/2016
- YM33 Failing to provide services within the budget provided
- YM36 Failing to plan for the impact of the effects of reforms in the health sector.

These risks are now all considered to be medium risks to the Council's ability to deliver its objectives.

### 4. RECOMMENDATIONS

- 4.1 The Committee is requested to note the content of this report.

**JULIE JONES**  
**RISK & INSURANCE MANAGER**

**15 JULY 2014**



## Performance work programme update for Audit Committee 22 July 2014 **Isle of Anglesey County Council**

### **Improvement Plan Audit**

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

Timing – Work complete and certificate issued to the Council in June 2014.

### **Assessment of Performance Audit**

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

Timing – Planned for November 2014.

### **Corporate Assessment**

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

Timing – February 2015.

### **Financial Position review**

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

Timing – May to August 2014.

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

### **Governance review**

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

Timing – July to October 2014.

### Performance management review

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

Timing – July to September 2014.

### Local Government studies

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

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

Timing – To be confirmed.

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

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

Timing – To be confirmed.

### Previous Local Government studies 2013-14

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

The study is complete and the report is being drafted.

#### **Welfare reform**

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

#### **Safeguarding**

The study is complete and the main outputs from the study will be a national report and a short local summary consisting of the main findings from the fieldwork.

## Work specific to Anglesey

### Local review

#### Finance

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

Timing – July to August 2014.

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## Certificate of Compliance

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### Audit of Isle of Anglesey County Council's 2014-15 Improvement Plan

#### Certificate

I certify that I have audited the Isle of Anglesey County Council's (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

#### Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council have regard to guidance issued by Welsh Ministers in preparing and publishing its Plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

### Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the Plan to ascertain whether the Plan included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its Plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

### Recommendations under the Local Government (Wales) Measure 2009

No recommendations.



**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**

cc: Lesley Griffiths, Minister for Local Government and Government Business

Huw Lloyd Jones, Manager

Andy Bruce, Performance Audit Lead



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report

## Isle of Anglesey County Council

Issued: June 2014

Document reference: 323A2014

# About the Auditor General for Wales

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Huw Lloyd Jones and Andy Bruce under the direction of Alan Morris.

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# Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities and national park authorities are planning for improvement in delivering their services. This report draws on the work of the relevant Welsh inspectorates, as well as work undertaken on the Auditor General's behalf by the Wales Audit Office. The report covers the Isle of Anglesey County Council's (the Council) delivery and evaluation of services in relation to 2012-13, its planning of improvement for 2013-14 and, taking these into account, concludes whether the Auditor General believes that the Council will make arrangements to secure continuous improvement for 2014-15.
  - some progress has been made in the management of data security and information assets, but there is still more to do;
  - initiatives to promote and support the use of the Welsh language are supported by the re-establishment of the Anglesey Strategic Language Forum; and
  - the Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create social and economic growth.
- 2 We found that the Council made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services. We came to this conclusion because:
  - performance across a range of the Council's services is improving, although there is scope to make further progress;
  - services for vulnerable people have improved, though some risks remain in the provision of social care;
  - the Council is responding well to the findings of the Estyn inspection in 2012 and the performance of schools in Anglesey has improved;
  - the Council is making some progress to improve its housing repairs service by modernising and transforming the service;
- 3 We also found that more thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services. We came to this conclusion because:
  - the Council's first self-assessment and annual self-evaluation report are balanced and improvement reporting duties required under the Measure have been met;
  - the Council has developed more thorough ways than before to assess its progress and provide greater consistency in the evaluation of delivering services and outcomes for citizens;
  - a revised governance and accountability framework reflects recent structural changes, while scrutiny and audit committees continue to provide valuable input and challenge;

- the Council has improved its processes for developing its Annual Governance Statement and has identified further ways to strengthen future arrangements; and
- the Council complied with financial reporting requirements.

4 Finally, we found that, if delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead. We came to this conclusion because:

- the Council's improvement planning arrangements for 2012-13 improved and resulted in Welsh Government intervention ending in May 2013;
- the 2013-14 Improvement Plan and improvement objectives were developed through consultation with the public and stakeholders and met the requirements of the Measure;
- transformational planning arrangements are making good progress, but the Council has recognised the programme may need further fine-tuning to sustain improvement;
- clearer planning and accountability have improved the prospects for education services for children and young people;
- the Council has complied with its duties under the Equality Act 2010; and

- the Council continues to manage its finances and budget but faces challenges in its capacity to provide sufficient and appropriately skilled resources to support the corporate finance service.

5 Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

### Proposal for improvement

- |    |  |
|----|--|
| P1 | <p>To make progress and achieve the objectives of the Transformational Plan, the Council should:</p> <ul style="list-style-type: none"> <li>• secure sufficient capacity, capability and stability in its corporate finance service; and</li> <li>• identify and improve weaknesses in the management of the financial ledger system.</li> </ul> |
|----|--|

# Detailed report

## Introduction

- 6 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities and national parks are planning for improvement in delivering their services. **Appendix 1** provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (CSSIW), and the Welsh Language Commissioner we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, considering all this, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 7 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of our prioritised work which, this year, included an assessment of the Council's progress against two of its improvement objectives:
- Improve Children Services – To ensure that children are protected from harm and abuse and that their wellbeing, independence and stability are promoted; and
  - Improve Corporate Governance – To ensure the Council fully achieves its promise to promote and protect the interests of the Island, its citizens and its communities.
- 8 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect them to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection and publish a report and make recommendations; and
  - recommend to Ministers of the Welsh Government that they intervene in some way.
- 9 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@wao.gov.uk](mailto:info@wao.gov.uk) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.



## The Council made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services

### Performance across a range of the Council's services is improving, although there is scope to make further progress

- 10 Performance indicators for Council services – including Public Accountability Measures (PAMs) and National Statutory Indicators (NSIs) – improved in 2012-13. Of the 36 NSI and PAM indicators that are directly comparable from previous years, two-thirds had improved in 2012-13 with one-third declining. Further analysis shows that 27 per cent of indicators are in the top quartile, whilst only 18 per cent are within the bottom quartile, with the remaining 55 per cent in the middle quartiles.
- 11 The Welsh Government's Local Authority Services Performance Report, published in January 2014, also showed that the Council performed well in a number of areas in 2012-13. When compared with the other local authorities in Wales, the Council's performance was in the upper or middle quartiles for 14 of the 18 indicators included in the Report. Performance exceeded the Welsh average in two-thirds of the indicators.
- 12 Despite this improving picture, the Council has more to do to re-establish public confidence in its ability to provide high quality services. Each year the Welsh Government undertakes a national survey to obtain the views of the people of Wales on a range of issues including health, education and local services. The 2012-13 survey

showed that 48 per cent of Anglesey's residents strongly agreed or tended to agree that the Council provided high-quality services. This is below the Welsh average of 57 per cent and placed the Council's performance in the lowest quartile when compared with the other local authorities in Wales.

### Services for vulnerable people have improved, but some risks remain in the provision of social care

- 13 The CSSIW concluded in their review and evaluation of the provision of social care services in 2012-13 that, overall, there were positive changes across both adult and children's services, although there remain areas for future improvement. The CSSIW reported that the Council's corporate improvement agenda is working in parallel with the service improvement agenda, but that the Council now needs to embed its quality assurance system into day-to-day practice.
- 14 The Council's improved website became operational in July 2012 and a project has begun within adult services to decide how best to use the new facility. The Council has a wide selection of publicly available information leaflets describing its social services and is to review them to assess their usefulness and practicality. Children Services are also planning to develop their website information.

- 15 The CSSIW found that the Council had made excellent progress in the improvement of many areas of children's services, and there had been improvements in the stability of the workforce. Despite this, problems remained in recruiting to key posts, retaining personnel and the use of agency staff, which could undermine the Council's capacity to improve the service and increase the financial risk for the Council.
- 16 Performance in 2012-13 shows a year-on-year improvement, which the Council attributes to increased management attention, social work training and improved resources, including increasing the number of staff within the front-line team. Nevertheless, CSSIW found that services for disabled children and their families, and the range of services available to them, remain areas for development.
- 17 Within children's services, there is an upward trend in the looked-after population and increased rates of children on the child protection register. The Council plans to review and modernise children's services, anticipating that significant redesign will be required to achieve efficiencies and better outcomes for children and families. The CSSIW has identified that the Council plans to spend less each year on children's services, but has not determined how to reconcile this with increasing demand.
- 18 CSSIW reported the Council has suffered delays in implementing plans to modernise adult services and current resources are committed to sustaining residential care homes. Until political agreement is secured, the Council is unable to develop the community services which are needed. Despite this, CSSIW found a range of established services providing good-quality care for adults, including Agewell Hywliog Môn, which won a Care Council for Wales accolade for being citizen-led and run by older people.
- 19 The use of tighter eligibility criteria is resulting in fewer community care packages and increased signposting to the independent and voluntary sectors. CSSIW's findings also indicate that the Council identified fewer carers, offered fewer assessments and provided fewer carers within the service in 2012-13 than they did the previous year. The adult services risk register does not include the risk of failing to care for those who do not meet the Council's tighter eligibility criteria and CSSIW plans to follow up progress during the next year.
- 20 The Council has very effective arrangements in place for the protection of vulnerable adults. Nevertheless, the number of Deprivation of Liberty Safeguards (DoLS) assessments and authorisations are low, and this, in turn, is causing concern that the appropriate assessments may not be being made and that safeguards are potentially not being implemented.

21 In May 2012, Estyn published a report, following their inspection of the quality of the Council's education services for children and young people. Estyn concluded the Council had appropriate procedures which reflect safeguarding policies, and confirmed the Council had taken steps to monitor the safe recruitment of staff and governors. The inspection also identified that the Council was working on a corporate safeguarding policy and formalising wider arrangements for safeguarding within the Lifelong Learning service. The Council had also created plans to put a new system in place to collect and analyse safeguarding information from schools. As part of our 2013-14 regulatory programme, we conducted a national review of safeguarding and will be reporting the outcomes in 2014-15.

**The Council is responding well to the findings of the Estyn inspection in 2012 and the performance of schools in Anglesey has improved**

22 In my 2013 Annual Improvement Report, I referred to the inspection in May 2012 by Estyn and the Wales Audit Office of the Council's Education Services for Children and Young People. The inspection found that the services were unsatisfactory and that they had unsatisfactory capacity to improve.

23 The Minister for Education and Skills subsequently appointed a Recovery Board to provide support and external challenge and the Council responded constructively to the report. Since then, the Recovery Board has reviewed detailed strategic and operational information and received regular progress reports.

24 In November 2013, Estyn conducted their first monitoring visit to assess progress against the recommendations in the post-inspection improvement plan. Estyn concluded that the Council had identified a number of obstacles and responded appropriately to overcome them by:

- appointing the Director of Lifelong Learning, with effective support provided by a permanent senior standards and inclusion officer;
- restructuring at head of service level, which strengthened corporate capacity to lead transformation projects to ensure specific improvements;
- managing transformation projects at a higher level, which enables the Council to build a political consensus;
- members having a better understanding of the Council's responsibilities, and being involved increasingly in holding schools to account and identifying priorities for scrutiny; and
- establishing effective arrangements for monitoring progress against the post-inspection improvement plan and working well with a Recovery Board that provides an external challenge.

- 25 The Council has reviewed and adapted its partnership agreement with schools to reflect the partnership with GwE, the North Wales Regional School Effectiveness and Improvement Service. The agreement outlines an expectation that schools should take responsibility for their own performance and lead the discussion on improvement. It outlines the roles of the Council and schools in relation to supporting, monitoring and challenging effectively.
- 26 Estyn reported that the performance of schools in Anglesey has improved since 2011 and is now higher than the average for Wales in all key stages. During 2013 and in key stage 4, no schools are in the bottom 25 per cent for any of the five main indicators. In the Foundation Phase, and in key stages 2 and 3, the majority of schools are in the top 50 per cent compared with similar schools elsewhere in Wales.
- 27 The Council's procedures for monitoring and promoting learners' attendance are having a positive effect. Officers, schools and relevant agencies have co-operated effectively to form a clear policy for promoting good attendance. Stakeholders are aware of the policy and comply with it. Subsequently, attendance rates have improved in the primary and secondary sectors since the 2012 inspection.
- 28 Attendance rates in secondary schools have risen by 2.3 percentage points over two years. This improvement is significantly better than the average for Welsh schools during the same period. In primary schools, attendance is consistently higher than the average for Wales. However, it has improved at a slightly lower rate than the average for Wales since 2010.
- The Council is making some progress to improve its housing repairs service by modernising and transforming the service**
- 29 The Auditor General's 2013 Annual Improvement Report referred to our 2012 review of how effectively the Council's maintenance service for responsive repairs to housing were being delivered, as this is an important function for Council tenants.
- 30 The review found that the Council's arrangements for its Building Maintenance Unit had been in place for a number of years and were out of date. The Compulsory Competitive Tendering (CCT) arrangements were replaced with a duty to secure best value many years ago and there was no requirement, therefore, for the Council to organise service delivery based on a client/contractor split. A subsequent and related review, conducted by the Council's Internal Audit, found weaknesses in the Building Maintenance Unit's procurement arrangements.

31 The Council has responded constructively and responsibly, having implemented a formal project management approach and action plan to modernise and transform the service. To provide a clear direction for what it needs to improve, the Council has developed an option appraisal process, informed by workshops and individual meetings with service, performance and finance staff. The approach was independently evaluated to address the weaknesses from the previous reviews and provide a number of options for the service. The advantages and disadvantages of different types of provision were assessed and the Council has chosen to retain the service in house. The option merges both client and contractor teams into a single housing repairs unit, whilst modernising and transforming the service. The option supports better customer focus, whilst achieving approximately £250,000 savings per annum. We will continue to monitor progress as the service develops.

Some progress has been made in the management of data security and information assets, but there is still more to do

32 The 2013 Annual Improvement Report concluded that the Council's arrangements for the management of its information assets were limiting its ability to improve. Specifically, there were weaknesses in data security and information management. Similar weaknesses were identified in a range of reports dating from May 2011, including Internal Audit's reports on Modern Records Management, Data Security and Business Continuity, issued in September 2012.

33 Following breaches of the Data Protection Act 1998, the Council agreed to the Information Commissioner's Office carrying out a consensual audit of the Council's arrangements for the processing of personal data. The Information Commissioner's auditors undertook fieldwork in July 2013 and their report confirmed and added to the recommendations made in the previous regulatory reports.

34 Historically, some capacity issues have been a factor, which contributed to the Council's lack of data protection compliance. To help tackle the weaknesses, the Council has appointed a Senior Information Risk Officer (SIRO), set up an Information Governance Project Board and produced an action plan to ensure that the recommendations made by the Information Commissioner's Office are implemented.

35 The Information Governance Project Board is part of the Council's transformation programme to improve services and is the body responsible for delivering the action plan. Four core policies, which cover the key areas of information governance and associated risks, have been developed and endorsed by the Council. Although some progress has been made, the project's timescales have slipped, partly due to the absence of a lead operational officer and project manager. As a response, interim arrangements are in place to drive the project forward to meet its target date of August 2014. There are planned improvements which remain outstanding and relate to weaknesses in property access, security, and ICT storage arrangements.

36 In addition, CSSIW identified the management of personal information as a risk and a priority for action. The project's timeframe does provide some flexibility to manage slippage, but further delays may affect other subsequent elements of the project. The Information Commissioner's Officer has indicated they will conduct follow-up work during 2014, and failure to implement change could result in enforcement action being taken against the Council. In the meantime, the risks associated with some areas of the project will remain and we will continue to monitor progress.

### Initiatives to promote and support the use of the Welsh language are supported by the re-establishment of the Anglesey Strategic Language Forum

37 The role of the Welsh Language Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by the virtue of powers inherited under the Welsh Language Act 1993.

38 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report; provides a formal response and collects further information as required.

39 The Council has commissioned a baseline study of the Welsh language in Anglesey. The intention is to collect comprehensive information about the state of the language, which will be a basis for policies and the Council's impact assessment work. The Anglesey Strategic Language Forum has been re-established jointly with the Menter Iaith<sup>1</sup> in order to promote the objectives of the Welsh Government's 'Iaith Fyw: Iaith Byw' (A Living Language: A Language for Living) strategy at community level. Nineteen per cent of the Council's front-line staff do not possess adequate skills in Welsh to be able to offer a service in the language. When new members of staff are appointed to front-line posts where Welsh is essential, learning requirements are imposed unless the workers are bilingual. The Council has provided information about a sample of contracts which were monitored and that complied with the requirements of the Language Scheme, but there is a need to provide a full report for the next reporting period. The Council has identified that a risk remains in terms of the capacity of the Translation Unit and it will be necessary to monitor the situation to ensure that there are no shortcomings.

### The Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create economic growth

- 40 The Anglesey Energy Island Programme is a collective effort between the Council and several stakeholders within the public and private sectors. Working in partnership, the programme aims to put the island at the forefront of energy research and development, production and servicing, bringing with it potentially significant economic rewards.
- 41 The Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create substantial numbers of new jobs and housing as a result of the planned investment in, and growth potential of, the low carbon energy sector. The Council is looking at developing schemes which increase employment opportunities for young people and improve the island's infrastructure. One of the schemes is the development of a new nuclear power station at Wylfa. We reported in the 2013 Annual Improvement Report that an overseas consortium had purchased the plant for future development.
- 42 The next stage in the development has been announced and there are plans to build the renamed Wylfa Newydd on land near the current Wylfa nuclear power station. This is, however, a long-term initiative, which will require assessments by the Office for Nuclear Regulation (ONR) and Natural

<sup>1</sup> Menter Iaith is a community-based organisation which works to raise the profile of the Welsh language in a specific area.

Resources Wales before site-specific proposals are put forward. Regulators will look at the safety, security, environmental and waste implications of the new reactor designs, while decommissioning of the previous site is conducted over a significant period. Subject to the relevant consents being granted by the Secretary of State for Energy and Climate Change, the Planning Inspectorate and the Council, up to 6,000 jobs are expected to be created while the new reactors are built and around 1,000 when the plant is operating.

- 43 The Council also continues to support and develop other key sectors of growth such as tourism, which helps drive the Island's economy. The Council estimates that the tourism industry generated £256 million during 2013 and supported over 4,000 full-time jobs.



## More thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services

The Council's first self-assessment and annual self-evaluation report are balanced and improvement reporting duties required under the Measure have been met

44 Welsh Government intervention in Anglesey ended formally in May 2013. Prior to that date, the Council agreed to complete and submit its first self-assessment to the Commissioners and Welsh Government. The assessment provided a fair and balanced evaluation of performance and included information about what the Council was doing to sustain improvement.

45 The Council subsequently produced its 2012-13 Performance Report and, in the Auditor General's December 2013 Improvement Assessment Letter, we reported that the Council has complied in full with its improvement reporting duties under the Measure. The report provides a balanced assessment of delivery and links the analysis of performance data to the Council's improvement objectives. The report includes all the required elements and, in particular, explains how its contents contribute to the Council's statutory duty to make arrangements to secure continuous improvement and be accountable. It also sets out the Council's performance against all statutory performance indicators. The reporting style and content have improved from last year, which reflects the Council's constructive response to last year's feedback.

The Council has developed more thorough ways than before to assess its progress and provide greater consistency in the evaluation of delivering services and outcomes for citizens

46 The Council has developed twice-yearly service reviews which form part of its revised corporate planning and performance management framework. The reviews provide robust challenge, thus enabling senior managers and members to understand better how well each service is performing against targets and to identify what needs to be done in areas that are performing less well. The reviews have promoted greater consistency of self-evaluation across services and include:

- an analysis of financial and performance information;
- horizon scanning for any issues or changes that may affect the service; and
- an analysis of past performance and future objectives.

47 The Auditor General's 2013 Annual Improvement Report concluded that the Council's track record in self-evaluation during 2011-12 was inconsistent, with external assessments providing a picture of varying reliability in the Council's self-evaluation of its performance. Since then, both Estyn and CSSIW have indicated that the Council's arrangements for self-evaluation have improved.

- 48 In November 2013, Estyn concluded that leaders and managers have developed and ensured consistency in the self-evaluation arrangements across the Council's services. Service providers are included in the process and understand the self-evaluation arrangements, and staff have an increased understanding of their individual contribution towards the education service's strategic aims.
- 49 The Council produced a self-evaluation report which Estyn considered was evaluative, precise and identified strengths and areas that need attention. Education service officers hold regular meetings in order to track progress and challenge staff on developments in their areas of responsibility. There is now a common format for planning across services, which facilitates the process of self-evaluation, impact assessment and risk assessment. Nevertheless, there is no formal process to record decisions and this weakens the element of accountability.
- 50 Estyn reported that the target-setting process is transparent, thorough and improved by using data more effectively, including appropriate performance thresholds of free school meals families and regression lines. The Council now monitors and evaluates performance, and challenges schools and individual subject departments much more effectively than in the past. The Council uses the guidelines in the revised partnership agreements to categorise schools in order to identify those that need additional challenge or support to improve.
- 51 Estyn found that officers present a balanced evaluation of performance across the Council to elected members, but the information does not include the names of schools that are causing concern or underachieving. However, the Council has established a Schools Standards Monitoring Group to scrutinise in detail the performance of schools that are underachieving and hold them to account. Three schools have already been brought before the group and further meetings have been arranged for the near future. It is too early to judge the impact of this work.
- 52 Estyn reported that comprehensive arrangements are in place to ensure effective accountability and scrutiny. The Council provides useful guidance and training for members of the scrutiny boards and members are developing a better understanding of their role. The Council realises, however, there is a need to enhance the system as the process matures. The Council's education priorities are steered by the transformational project boards which are using project management disciplines effectively. As a result, there are early signs that there is timely and appropriate progress in achieving the operational aims of the individual projects.
- 53 Estyn concluded that Members' understanding of the service's strengths and weaknesses has improved since the inspection in 2012. The quality of information provided to members is consistently good and has resulted in improved challenge and accountability. The Lifelong Learning Service has provided comprehensive training for members on challenging schools.

This supports the work of the School Standards Monitoring Group in scrutinising the performance of individual schools that are underachieving and strengthened arrangements.

- 54 During 2012-13, CSSIW also concluded that the Council had established effective processes for ensuring corporate oversight of the services. Children's services made monthly reports to the improvement and sustainability board that consisted of the commissioners, executive members and councillors. The CSSIW acknowledges that the recently formed Scrutiny Committee needs to continue and develop its oversight of social services.

**A revised governance and accountability framework reflects recent structural changes, while scrutiny and audit committees continue to provide valuable input and challenge**

- 55 The Auditor General's 2013 Annual Improvement Report concluded the Executive and monitoring arrangements for scrutiny had been established and the audit committee and scrutiny meetings were being conducted in a professional manner. The Council has since then revised its democratic governance and accountability framework to reflect the reduction in the number of councillors from 40 to 30 following the election in May 2013.

- 56 The number of scrutiny committees has reduced from five to two, with the Audit Committee operating on similar terms as before. Members of all committees have received induction and development workshops to provide a consistent approach to governance. The quality of reports and level of debate in scrutiny and audit committee meetings have generally been of a good standard and a number of issues, critical to the ongoing improvement, have progressed through the democratic process. Both elected and lay members of committees are continuing to provide valuable input and challenge to the governance process.

- 57 Following the election in May 2013, a ruling coalition was democratically formed, with a new Leader elected and Executive chosen. The Council has also created a shadow cabinet and shadow service portfolio holders from the opposition party to promote greater consensus across the Council's governance arrangements.

- 58 The Auditor General's September 2013 Improvement Assessment Letter concluded that good progress had been made in relation to our previous proposal for improvement to develop the role of Council middle managers so that:

- collectively, they provide feedback to senior managers about the implementation of change; and
- both individually and collectively, they are accountable for the operational delivery of change in the services which they manage.

- 59 The Council has since restructured its team of heads of service from 16 to 10. The restructure revises and brings greater accountability to the role of head of service. The team operates collectively under the name of 'Y Penaethiaid' and is responsible for service change programmes and projects under the Transformational Plan. Y Penaethiaid are subject to service challenge reviews, carried out in their own services twice yearly, and conducted by the Performance Review Group, consisting of officers and members.
- 60 The restructure of the Senior Leadership Team is complete and makes best use of the individuals within it. The Leader, Chief Executive, Deputy Chief Executive and three Directors continue to provide strong and visible leadership, which adds significantly to the Council's capacity and capability to deliver further improvement in both corporate and service-specific functions.

- aligning the Annual Governance Statement with the Corporate Self-Assessment, the Transformation Plan and the Risk Register;
- using the Performance Review Group to ensure that corporate planning and performance issues contribute more strongly than before to the production of the Annual Governance Statement;
- developing an action plan to provide updates on progress made and to minimise outdated risks and information remaining within its governance framework;
- considering the approach of other authorities with recognised good practice; and
- raising awareness and understanding of governance and reducing the perception that governance relates predominantly to financial matters.

### The Council has improved its processes for developing its Annual Governance Statement and has identified further ways to strengthen future arrangements

- 61 The Auditor General's September 2013 Improvement Assessment Letter reported that the Council had been open to learning, as demonstrated by the improvements it had made to its arrangements for drafting its Annual Governance Statement for 2012-13. Additionally, the Council identified further ways to improve its future arrangements, such as:

### The Council complied with financial reporting requirements

- 62 The auditor appointed by the Auditor General issued her opinion on the Council's accounts on 29 November 2013. [Appendix 3](#) gives more details.

## If delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead

### The Council's improvement planning arrangements for 2012-13 improved and resulted in Welsh Government intervention ending in May 2013

63 The Auditor General's 2013 Annual Improvement Report concluded that Welsh Government intervention was scaled back in October 2012, with decision-making powers being returned to the Leader and his Executive Committee. Three of the five Commissioners were retained until 31 May 2013, to monitor and report progress to Ministers and offer ongoing guidance, mentoring and support to the Council and officers. The remaining Commissioners also retained the power to reverse any Council decision which went against the advice of statutory officers. This period was known as the 'improvement and sustainability' phase of the intervention.

64 During the 'improvement and sustainability' phase of intervention, the Council developed and adopted a Transformational Plan as the basis of its strategic development and improvement over the next three years. The Transformational Plan brings together the Council's priorities for improvement and incorporates the Commissioners' 10 corporate governance themes under a programme management framework. Further progress was made during this period. In particular:

- the Executive resumed democratic control of the Council in a mature and considered way while continuing to work with the Commissioners and others in their desire to secure long-term improvement;

- the Council made good progress in establishing transformational change plans and in the robustness of the arrangements which are in place to deliver them;
- the Council agreed a challenging budget for 2013-14 and strengthened its constitution; and
- there was careful planning prior to the May 2013 election, including agreeing a revised Committee structure to enable the new 30-member Council to fulfil its duties.

65 The Commissioners' seventh progress report in April 2013 highlighted the Council's progress and the Commissioners' positive view of the Council's ability to deliver longer-term, sustainable improvements without the need for continued external intervention.

66 Prior to the election in May 2013, the Council worked well with the Electoral Commission, promoting and raising public awareness. The newly elected members changed the Council's make-up, lowering the age profile, slightly improving the gender balance and bringing in a more diverse range of skills, backgrounds and experiences. Following the election, councillors continued to demonstrate the group discipline that the Commissioners had previously supported and developed. This group discipline resulted in the orderly formation of a ruling coalition and the subsequent appointment of a new Leader and Cabinet. Since then, a small number of members have changed groups, but this has not undermined the stability and orderly function of the Council.

- 67 The Council had anticipated that some newly elected councillors may be less experienced and therefore devised an induction programme designed to reflect individual members' development and training needs. A series of briefings were provided to assist new members with the Council's transformational change programme and their important role within it.
- 68 The strength of the Senior Leadership Team, improved managerial capacity and a more robust constitutional framework helped the Council to prevent and, where necessary, to respond to any potential problems that could have undermined progress.
- 69 On 10 May 2013, the Commissioners wrote to the Minister for Local Government and Government Business (the Minister), recommending that the intervention by the Welsh Government in the affairs of the Isle of Anglesey County Council be brought to an end when the Ministerial Direction expired on 31 May 2013. On 13 May 2013, the Auditor General wrote to the Minister acknowledging the Council's progress and indicated that he saw no further purpose in continuing the intervention. On 23 May 2013, the Minister formally announced that intervention would end.

### The 2013-14 Improvement Plan and improvement objectives were developed through consultation with the public and stakeholders and met the requirements of the Measure

- 70 The Council's 2013-14 Improvement Plan (the Plan), the annual review of its Corporate Plan 2013-17, was deliberately delayed, to give the newly elected members sufficient time to review the Council's current Improvement Objectives and align these with the improvement programme and Medium Term Financial Plan. The Auditor General's December 2013 Improvement Assessment Letter reported that the Council had discharged its improvement planning duties under the Measure.
- 71 To help develop the Plan's priorities, the Council consulted a range of stakeholders and the public before finalising the 2013-14 improvement objectives. A comprehensive six-week public consultation entitled *Making a Difference* covered most of the island and was promoted through social media, local press and radio, posters at private businesses including supermarkets, local shops, GP and dental surgeries.
- 72 The Plan was published following the analysis of the consultation and further discussions at Council, Scrutiny and Executive meetings in October and early November 2013. The Plan was made available on the Council's website with hard copies distributed in public buildings and Council offices.

- 73 The Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners. The Council has defined 56 Improvement Objectives, but these are usefully grouped together under 19 Development Priorities. These, in turn, cover three major service areas including Education, Adult Services and Children's Services. The plan emphasises a citizen, partnership-centred approach to its development and implementation, and many of the elements are preventative in nature.
- 74 The Council has helped to define its ambition for 2013-14 by choosing a number of outcome indicators for most of its Improvement Objectives. Each set of indicators encapsulates the improvements that the Council hopes that citizens will experience during the year. In setting its targets for these indicators, the Council has carefully considered current and past performance.
- 75 Each service area in the Plan contains a useful section entitled 'What do our citizens tell us', which identifies learning points from previous consultations and emphasises the Council's commitment to feedback and engagement.
- 76 The objectives are the Council's priorities for 2013-14, but the Council acknowledges in its Plan the need to progress and report on outstanding areas of work originating from its Corporate Plan 2013-2017. Progress will be monitored through the revised performance management framework referred to earlier in this report.

### Transformational planning arrangements are making good progress, but the Council has recognised the programme may need further fine-tuning to sustain improvement

- 77 Earlier in this report, we referred to the fact that the Council had developed and agreed a Transformational Plan as the basis of its strategic development and improvement over the next three years. The Transformational Plan is an ambitious programme, based on six improvement themes and work streams, which link directly to the Council's corporate objectives and the previous Commissioners' governance themes.
- 78 With any large-scale plan, robust arrangements are required to manage and implement change. The Council has developed a programme management framework consisting of three Programme Boards to help deliver the Plan. Each Programme Board is responsible for a specific theme and work streams relating to:
- Island of Enterprise;
  - Service Excellence; and
  - Business Transformation.
- 79 The aims of the three Programme Boards are to oversee the delivery of the Plan and to ensure that individual change programmes and projects are managed, delivered and monitored. The Boards include senior officers and councillors, therefore providing both leadership and co-ordination of the transformation journey.

The Boards receive regular progress reports and have the authority to report and make recommendations to the Executive and Senior Leadership Team. Board members have the necessary status within the Council to be able to influence Executive decisions and to ensure that these decisions are subsequently implemented.

80 The transformation programme provides the apparatus whereby change plans and improvement can be effectively taken forward using project management disciplines. Staff involved in supporting the transformational programme have received project management training and good progress is being made in a number of work streams and change plans for improvement.

81 The Council has identified, however, the need for additional capacity to take specific projects forward and is allocating further resources to achieve this aim. As the transformational programme is approaching the end of its first 12 months, the Council is to review the governance arrangements to identify any further improvements in the programme's processes and the prioritisation of transformation activities.

### Clearer planning and accountability has improved the prospects for education services for children and young people

82 During February 2014, Estyn conducted its second monitoring visit of education services for children and young people and concluded that good progress was having a positive effect on standards and the quality of provision in the Lifelong Learning Service.

83 Since the 2012 inspection, the Education service has formalised its internal systems and improved their consistency, including its business planning, project planning and risk assessment processes. Under the leadership of the Director of Lifelong Learning, staff across the service have contributed to developing the processes and there is a greater sense of ownership and a clear commitment and understanding of the new systems from staff at all levels.

84 Estyn reported that the Council's planning provides a clear direction to the work of the Lifelong Learning Service and staff have a better understanding of their individual contribution towards achieving the service's aims and objectives. Corporate, service and personal plans are clearly linked with relevant personal targets and success criteria, which are monitored quarterly by line managers. In addition, officers conduct regular meetings to challenge and discuss progress against service targets.



85 The Council has sound arrangements for identifying and recording risk. Significant risks are brought to the attention of the senior leadership team and the risk register is reviewed regularly. This enables officers to mitigate against risks and to respond in a balanced and appropriate way when there is potential of slippage against timescales for a specific action.

86 Additionally, Estyn found the Council has implemented further ways to improve the service's future arrangements, such as:

- developing sound project management techniques with staff receiving appropriate training and arrangements in place for initiating and reporting progress on project programmes;
- resources for the service have improved and officers' accountability to scrutiny and members has increased significantly; and
- adopting more robust methods of controlling schools that over or under spend and providing guidance where necessary, although there is scope to strengthen the arrangements to all schools in Anglesey.

87 Good progress has been made in the provision of post-16 education through partnership arrangements with Gwynedd Council. Both councils have agreed to support the Gwynedd and Môn 16+ Partnership, which is an initiative to increase the number of young people who follow collaborative courses. The Partnership

Agreement sets out clearly the expectations for schools and school leaders and makes effective use of performance data to challenge schools and agree targets.

88 Estyn concluded that the restructure of the Lifelong Learning service has expanded its capacity and strengthened lines of accountability, including setting meaningful and challenging targets.

89 Following the conclusion of Estyn's monitoring visits, Her Majesty's Chief Inspector of Education and Training in Wales announced on 20 June 2014 that the Council is no longer in special measures and that there is no need for further follow-up activity by Estyn.

### The Council has complied with its duties under the Equality Act 2010

90 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 (the Act) sets out specific requirements for local authorities in Wales. The Council has complied with the Act, which requires authorities to develop and publish Equality Objectives and a Strategic Equality Plan by 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must consider in setting Improvement Objectives under the Measure.

91 The Council's Improvement Objectives include an equality impact assessment, which includes information about the Council's equality work. We believe the

Council has met the requirements of the Act in setting its Improvement Objectives.

**The Council continues to manage its finances and budget but faces challenges in its capacity to provide sufficient and appropriately skilled resources to support the corporate finance service**

- 92 For the Council to succeed in delivering its Transformational Plan, it is necessary for the Executive to receive timely and consistent financial information. The Council faces challenges in its corporate finance service, having experienced problems with the implementation of its new financial ledger system. There is also a lack of capacity to provide and retain sufficient and appropriately skilled resources. The Council is therefore relying too heavily on temporary and agency staff for key positions within the finance team.
- 93 The Council is acting proactively and responsibly to address these issues and has been open and transparent in discussions with auditors, seeking advice where necessary. As the Council is included in the second year of the Auditor General's corporate assessment programme for 2014-15, we have agreed to bring forward our review of financial management to help identify and address potential weaknesses which may impede progress.
- 94 The Council has clearly stated its Improvement Objectives and has included broad details, linked to its Medium Term Financial Plan, on the resources available,

both revenue and capital, to support their delivery. Despite a challenging grant settlement from the Welsh Government, the Council has set a balanced budget for 2014-15, which includes a 4.5 per cent increase in Council Tax and savings of £7.4 million. For the period 2015-18 further savings will be required. As is the case in many other councils, the Council therefore faces a significant future challenge in responding to the increasingly austere financial climate.

- 95 The Chancellor of the Exchequer announced the 2010 spending review to Parliament on 20 October 2010. This formed a central part of the coalition government's response to reducing the national deficit, with the intention of bringing public finances into balance. The Chancellor's policies represent the largest reduction in public spending since the 1920s and come at a time when demographic changes and recession-based economic pressures are increasing demand for some services. To effectively plan their finances, authorities should analyse details of financial trends, appropriate benchmarking information, possible scenarios and their likely impact over the short, medium and long term. The current financial climate and the recent tough settlement for local government mean that good financial planning is critical to sustaining financial resilience.
- 96 The Wales Audit Office is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust

approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enables them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

## The Council is likely to make arrangements to secure continuous improvement for 2014-15

- 97 Based on the conclusions outlined in the previous sections of this report the Auditor General for Wales believes that the Isle of Anglesey County Council is likely to meet the requirements of the Measure in making arrangements to secure continuous improvement. Nevertheless, there are specific challenges the Council faces in the year ahead and we will continue to monitor progress.

# Appendices

## Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national park authorities, and fire and rescue authorities.

This report has been produced by the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Wales Audit Office is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2

### Useful information about Anglesey and Isle of Anglesey County Council

#### The Council

The Council's gross revenue budget for 2013-14 was approximately £155.2 million. This equates to about £2,220 per resident. In the same year, the Council also planned to spend £26.4 million on capital items.

The average band D council tax in 2013-14 is £939 per year. This is an increase of

4.7 per cent over the previous year. Seventy-three per cent of housing is in council tax bands A to D.

The Council is made up of 30 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 12 Independent
- 12 Plaid Cymru
- 2 Labour
- 4 Not affiliated

The Council's Chief Executive is Richard Parry Jones. He is supported by a Deputy Chief Executive, Bethan Jones, and three corporate directors: Director of Lifelong Learning – Dr Gwynne Jones; Director of Community – Gwen Carrington; and Director of Sustainable Development – Arthur Owen.

#### Other information

The Assembly Member for Anglesey is:

- Rhun ap Iorwerth, Ynys Môn, Plaid Cymru

Regional Assembly Members are:

- Llyr Huws Gruffydd, Plaid Cymru
- Mark Isherwood, Welsh Conservative Party
- Aled Roberts, Welsh Liberal Democrats
- Antoinette Sandbach, Welsh Conservative Party

The Member of Parliament for Anglesey is:

- Albert Owen, Ynys Môn, Labour

For more information, see the Council's own website at [www.anglesey.gov.uk](http://www.anglesey.gov.uk) or contact the Council at: Isle of Anglesey County Council, Council Offices, Llangefni, Anglesey, LL77 7TW.

## Appendix 3

### Annual Audit Letter

Cllr. Ieuan Williams  
Isle of Anglesey County Council  
Council Offices  
Llangefni  
Anglesey  
LL77 7TW

Dear Cllr Williams

#### Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.



Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 27 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 27 September 2013.

The departure of the finance manager in early September resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant final draft of the Statement of Accounts.

I identified a material misstatement through the course of the audit fieldwork of £61.6m which occurred as a result of a member of the finance team reversing internal recharges incorrectly. Whilst it had no effect on the Net Cost of Services, Income and Gross Costs of Services were materially overstated in the draft accounts presented to the audit team.

Additionally, several immaterial errors of a similar nature were identified where opening accruals were incorrectly reversed, or grants income and expenditure were duplicated in error. These issues could have been identified by a more detailed review during the production of the accounts.

It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

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

- the financial outlook for the Council remains challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required in the short term to secure the savings required; and
- 38% of the grant claims certified by PwC in respect of 2011/12 were subject to a qualification letter (50% in 2010/11). 39% of the grant claims were submitted by the Council after the submission deadline, compared with 10% for 2010/11.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2013.

The financial audit fee for 2012/13 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning, accruals and the production of the final draft of the financial statements.

Yours sincerely

**Lynn Pamment**

For and on behalf of the Appointed Auditor  
29 November 2013

## Appendix 4

# Isle of Anglesey County Council's improvement objectives and self-assessment

### The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2013-14 in its Improvement Plan 2013-14 which can be found on the Council's website. They are:

Improvement Objectives 2012-2013	Improvement Objectives 2013-2014
<b>Improve Children Services</b> To ensure that children are protected from harm and abuse and that their wellbeing, independence and stability are promoted.	Sustaining and Modernising Children's Services
<b>Regenerating our Communities</b> To prevent homelessness and to meet the housing needs and associated needs of homeless people.	Improving our Education Provision
<b>Improve Corporate Governance</b> To ensure the Council fully achieves its promise to promote and protect the interests of the Island, its citizens and its communities.	Transforming our Adult Social Care
<b>Realisation of our Outcome Agreements</b> To ensure that the County Council aligns itself and works in partnership towards the aims of the Welsh Government.	

### The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found on the [Council's website](#).

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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>22 JULY 2014</b>
<b>TITLE OF REPORT:</b>	<b>PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL 2014 – 30 JUNE 2014</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>AUDIT MANAGER</b>
<b>ACTION:</b>	<b>N/A</b>

**1. INTRODUCTION**

- 1.1 The Operational Plan for 2014-15 was presented to and accepted by the Audit Committee at its meeting held on 10 April 2014. The Plan was produced in consultation with the External Auditor, the Section 151 Officer and various meetings and communications with Heads of Service.
- 1.2 The following report summarises the work of the Internal Audit Section up to the 30 June 2014 and gives a summary for each of the final reports issued since the last Audit Committee.
- 1.3 Final reports which result in a 'Red Assurance' opinion will be subject to a Follow Up review which will include an audit opinion on the progress of management in implementing the recommendations categorised as High and Medium within the original final report. The results of the Follow Up review will be presented to the next Audit Committee.
- 1.4 There was one review in the previous period which resulted in a 'Red Assurance' opinion. This was the review of the Creditors system which has subsequently been the subject of a Follow Up review by Internal Audit the results of which are included in this report.
- 1.5 There is one review from this period which resulted in a Red audit assurance opinion. This report relates to the management of Agency Staff. The results of the review are summarised at section 2.1.8 and a more detailed summary is to be presented to the Audit Committee to be held on 22 July 2014.
- 1.6 The Internal Audit Service uses a Risk Based approach wherever possible but may use System Based, Key Controls, Establishment or Advisory reviews if these approaches are more appropriate.
- 1.7 The individual final reports are available to members of this Committee, in confidence, on request to the Audit Manager.

**2. REPORTS ISSUED SINCE LAST UPDATE REPORT**

Listed below are the Final Internal Audit Reports issued since the last progress report to Committee along with a summary of the results of each review.

### **2.1.1 Creditors 2013-14 – Follow Up Review**

A review of the Creditors system was undertaken in Quarter 3 2013-14 and resulted in a Red Assurance Internal Audit opinion. The review was the first of this area undertaken since the implementation of the CIVICA ledger system in April 2013. The final report from this initial review was issued in November 2013 and included six recommendations categorised as 'High'; eleven as 'Medium' and six as 'Low' category. All recommendations made in the initial Creditors report were followed up as part of this review.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing was completed to assess the level of compliance with this status and the controls in place.

**Opinion:** An overall RED – AMBER audit opinion resulted from the review with two High; six Medium and four Low category recommendations either being implemented or not implemented at the time of the follow up.

Management has provided agreed implementation dates for the outstanding recommendations.

### **2.1.2 Efficiency Savings Process 2014-15 Budget**

An audit the Efficiency Savings Process 2014-15 Budget was undertaken as part of the approved internal audit periodic plan for 2013/14. Internal Audit was asked to carry out a review to provide assurance over the robustness of challenge made to the proposed efficiency savings bids submitted by Services.

It must be stressed that the review concerned the efficiency savings process for the budget 2014-15 and did not aim to provide assurance over the achievability of any of the individual proposals made. However, we have made reference in feedback to the Finance Service during the review as to where we consider there to be a lack of evidence to support such assurance over achievability and made recommendation that further assurance is sought on these proposals.

It should also be stressed that the efficiency savings proposals are owned by the Services and it is the Services who have ultimate responsibility for ensuring that the proposals put forward are realistic and achievable within the timescales identified. Services would therefore be expected to have in place procedures and processes that provide the relevant Head of Service and / or budget holder with adequate assurances that the proposals will be achieved. It should be noted that such procedure and process was not included within the scope of this review.

**Advisory Review Conclusion** - Our review identified some areas of good practice in relation to the process adopted for the efficiency savings proposals for the 2014-15 budget and also found evidence of challenges to Services having been undertaken by Service Accountants within Finance.

However, the process itself and the level of evidence to support the achievability of savings and the relevance, accuracy and completeness of the calculations, assumptions, forecasts and timescales used when determining the amount of savings was not formally documented. In consequence the actual evidence available on which to base any assurance for a significant amount of the total savings proposed was not available within Finance at the time of this review.

There is evidence of considerable work having been undertaken in the challenge process; however there is insufficient documentary evidence available for Internal

Audit to provide assurance that in all cases proposals are realistic and achievable and that related calculations, assumptions, forecasts and timescales are complete, accurate and relevant in all cases.

The review resulted in seven uncategorised recommendations for improvements being agreed with management in an agreed Action Plan.

### **2.1.3 Housing Benefit – 2013-14**

An audit of Housing Benefit - Key Controls was undertaken as part of the approved internal audit periodic plan for 2013/14.

The total amount of Housing Benefit paid in 2013/14 from 01-04-2013 to 31-03-2014 in respect of private tenants was approx. £10.5m and for Local Authority tenants £8m. The total amount of Council Tax Reduction awarded was approx. £5m.

Taking account of the issues identified, the Council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

**Opinion:** An overall GREEN/AMBER audit opinion resulted from the review with five Medium and six Low category recommendations being agreed with management.

### **2.1.4 Payroll – 2013-14**

An audit of Payroll was undertaken as part of the approved internal audit periodic plan for 2013/14.

The Payroll system currently in use is 'Resourcelink' provided by Northgate and is an integrated Human Resources and Payroll system. The Council has an internal Team of five staff involved with Payroll functions. Staff within Human Resources are also involved with the initial set up of new starters on the integrated system. We were informed that normal practice is that educational staff and staff working for the provider unit are set up by Payroll and the remaining staff by central Human Resources.

There were 264 new starters on the Payroll and 407 leavers processed from April 2013 up to October 2013. The number of live Payroll records currently is 3971.

The key findings from this review were:

- The Senior Payroll Officer has system administration rights giving access to establishment and payroll functions;
- There is currently no procedure for the regular verification of establishment to Payroll by Budget Holders confirming on at least an annual basis that a review of the current staff structure and pay grades has been undertaken to verify the accuracy and completeness of the information held on the integrated HR and Payroll system.
- Segregation of duties in relation to the creation of new employee records was not maintained as appropriate in all cases; Payroll staff create new employee records if, at the pay run deadline, HR has not created the new record as appropriate. Payroll is required to set up establishment details of some staff on behalf of Social Services and HR Education.

- Pension contribution deductions relating to childcare vouchers have been incorrectly applied and have not been amended and corrected since informed in November 2013.
- A follow up of recommendations from the last Payroll report found that recovery of overpayments are still outstanding.

**Opinion:** An overall GREEN/AMBER audit opinion resulted from the review with six Medium and five Low category recommendations being agreed with management.

#### **2.1.5 Treasury Management – 2013-14**

An audit of Treasury Management was undertaken as part of the approved internal audit periodic plan for 2013/14. The Treasury Management function operates within the approved Treasury Management Strategy and the Annual Investment Strategy which are both approved by the Audit Committee each year. The Current Treasury Management position (for quarter 3) was reported to the Audit Committee in February 2014.

**Opinion:** An overall GREEN audit opinion resulted from the review with three Medium category recommendations being agreed with management.

#### **2.1.6 VAT – 2013-14**

An audit of VAT - Systems was undertaken as part of the approved internal audit periodic plan for 2013/14. This review was based upon the CIPFA Local Authorities and Similar Bodies VAT guidance on auditing (June 2013) which provides best practice for the accounting for and recording of VAT by local authorities.

Under Section 33 of VAT Act 1994 specified bodies, including local authorities, are entitled to recover VAT incurred on supplies made to them which relate to their non-business activities. The total VAT recovered by Ynys Môn – Isle of Anglesey County Council for the financial year 2012/13 amounted to £9,451,112.91.

**Advisory Review Conclusion** - Taking account of the issues identified, whilst the Council can take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, some areas of weakness have been identified which management needs to address to ensure that this risk continues to be managed.

The review resulted in one Medium and eleven Low category recommendations being agreed with management.

#### **2.1.7 Complaints Procedure – 2014-15**

An audit of the Corporate Complaints Procedure was undertaken as part of the approved internal audit periodic plan for 2014/15. The Council has adopted a Concerns and Complaints Policy which is based upon best practice from the Public Services Ombudsman for Wales. The policy was approved by the Executive Committee on 19 November 2012 and by the Council on 05 March 2013 and implemented from 01 April 2013. During the period April 2013 to March 2014 the Council recorded 62 processed and reported complaints.



The policy does not apply to complaints relating to Social Services or against schools, both of which have their own complaints policy and procedures. The procedures relating to complaints relating to Social Services and to schools were not included in this review.

The review found that there were adequate procedures in place to ensure compliance with the Policy both within Services and Corporately. The two control weaknesses identified related to the training of staff in relation to the Concerns and Complaints Policy and the production of an annual report to provide an analysis of complaint patterns and lessons to be learnt from the previous year. Both of these weaknesses relate to non compliance with stated controls within the Policy.

We found that of the 62 formal complaints received and processed during April 2013 to March 2014 only two complaints had been referred to the Ombudsman. This equates to 3.3% of all complaints processed which is considered to be low in terms of overall referrals. Of the complaints referred to the Public Service Ombudsman for Wales neither was subsequently upheld as representing maladministration by the Council. The figures provide assurance that the Concerns and Complaints Policy is being consistently applied within Services and corporately and that it is effective.

**Opinion:** An overall GREEN audit opinion resulted from the review with two Medium category recommendations being agreed with management.

#### **2.1.8 Agency Staff – 2014-15**

A review of the procurement and use of Agency staff was undertaken at the request of the Audit Committee. The Audit Committee held on 04 February 2014 resolved that: *the 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.*

The review found that there was a lack of awareness amongst relevant staff of the Council's Policy on the procurement and monitoring of Agency staff and an associated lack of compliance. The Audit Committee will be provided with a separate copy of this report for information.

**Opinion:** An overall RED audit opinion resulted from the review with three High and six Medium category recommendations being agreed with management.

#### **2.1.9 Further Reports**

At the instruction of the Section 151 Officer a further four in depth reviews outside of the 2013-14 and 2014-15 Internal Audit Operational Plans were also completed to Final report and issued in the period. These reports related to:

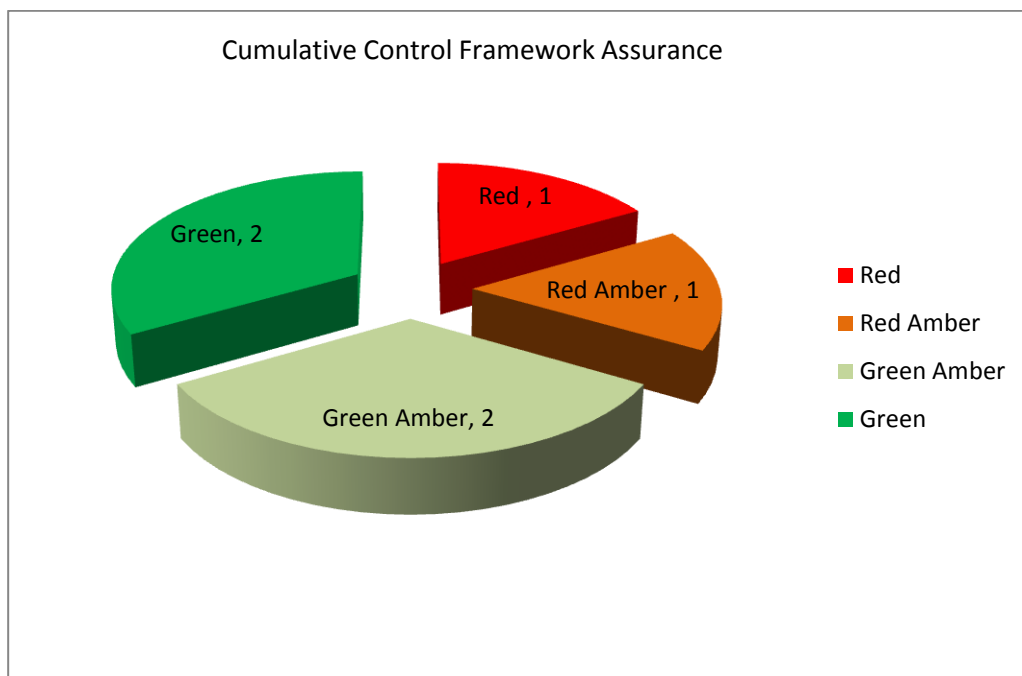
- HSBC Bank Contract Renewal;
- Cheque Stocks – Signatures;
- 2013-14 Efficiencies; and
- Debit on Service Reserve Contingency.

These reports were mainly historical and advisory in nature and did not result in any formal audit opinion.

**2.2 Summary of Outcomes of Reports Issued to Date** – since the 01 April 2014 we have issued six final reports from the Internal Audit Operational Plan 2013-14; two from the 2014-15 plan, four further reports as instructed by the S 151

Officer and three referral reports. To date therefore a total of eleven final reports have been issued in 2014-15.

A summary of the grades given for the final reports issued with RAG opinions is shown in the pie chart below:



This pie chart will be updated cumulatively in each subsequent Internal Audit Progress Report and will therefore provide an indicator of the audit opinion of the overall control framework which will be reported in the Annual Report of the Chief Audit Executive.

### 3 INTERNAL AUDIT FORWARD WORK PROGRAMME

Scheduled Review Title	Service Area	Current Status
Housing Rents 2013-14	Housing	Draft Report Issued
Homelessness	Housing	Work in Progress
Closure of Accounts - Processes	Finance	Draft Report Issued
Home Care Hours	Adult SS	Debriefed
Logical Access Controls - Compliance	Corporate	Work in Progress
School Financial Management – Budgets	Lifelong	Work in Progress
Ysgol Pentraeth	Lifelong	Work in Progress
Ysgol Henblas	Lifelong	Work in Progress
Penalty Charge Notices	Highways	Work in Progress
Sports Development	Economic	Work in Progress

Charitable Trust – Governance and Financial	Finance	To Start July 2014
Follow Up – Outstanding High Recommendations	Corporate	To Start July 2014

#### **4. REFERRALS**

- 4.1** During the course of the year the Internal Audit Section is required to carry out work on matters which come to light during the programmed audit work, or matters which are brought to its attention by other Departments, or work which other Departments request the Internal Audit Section to carry out. Work may also be requested by the External Auditor to provide information or to assist in the provision of information. Some of these referrals result in the issue of formal audit reports whilst others will be recorded in File Notes (e.g. where the allegation / information is found to be incorrect and therefore there is nothing to report, or the amount of work is not sufficient to warrant a full audit report or the matter is covered by an External Auditor's report).
- 4.2** A number of File Notes have been produced in the period to date in 2014/15. None of the work resulting in a File Note has identified any evidence of fraud or irregularity. One file note involved assisting an investigation being carried out by Betsi Cadwaladr, one related to the inappropriate use of the Council's Gas Certificate reference.
- 4.3** A report was also produced following an attempt to defraud the Council via a letter requesting the changing of an existing supplier's bank details which letter did not originate from the supplier. The matter has been reported to senior management and the Police and controls in this area have been strengthened as a result. Referral reports have also been issued in relation to referrals made concerning Maritime issues at Porth Amlwch and various issues relating to a school.
- 4.4** As previously reported at the last Audit Committee one referral from 2012/13 is being investigated by the Police. The Internal Audit Team received a visit from a police officer in June 2014 following up details of the referral made. The Committee will be informed of the outcome of this case in due course.

#### **5. RECOMMENDATION TRACKING**

- 5.1** For reporting to this Committee only recommendations made since 01-04-2012 have been included in the recommendation tracking analysis.
- 5.2** The performance in implementing all recommendations in the period is below target with 44% of all 'High' and 'Medium' recommendations having been recorded as implemented. The performance in relation to recommendations other than those in Education is 69% (Figures as at 30-06-14).
- 5.3** A graph showing the breakdown of recommendation implementation by Service is provided at Appendix A.

#### **6. CURRENT AUDIT CONCERNS**

- 6.1** These are concerns that have been identified from previous internal audit work that have not been addressed and those identified from work during this period.

- **Business Continuity** – Recommended actions to strengthen controls in this area have been collated from a number of assurance provider reports, including those of Internal Audit and have been included in a Corporate Information Management Action Plan. We understand that progress on arrangements are now being made on a North Wales basis.
- **Risk Management** – The Council is in the process of developing its Risk Management Framework and embedding risk management in the organisation. The Corporate Risk Register is still in development and a regular reporting regime to be implemented.
- **Information Management** – The Information Commissioner’s Office has also undertaken a review in this area and identified similar issues and control weaknesses to those identified by the WAO, PWC and Internal Audit in previous reports. A Programme Board has been established to implement the Action Plan from the Information Commission’s report. A number of actions have been implemented since the ICO’s report.
- **Governance** - Issues relating to non-compliance with key corporate policy and procedure were identified again in 2013-14, for example in relation to corporate procurement. The Council has stopped the use of its electronic policy compliance and sign off of policies system which recorded users as having read, understood and agreed to abide by policies. Without such record of sign off it is more difficult to show that the policies have been adequately disseminated to relevant staff. A report concerning these issues was issued in 2011-12, however a number of key recommendations remained unimplemented at the end of 2013-14.
- **Corporate Procurement Framework** – An Internal Audit report on the Corporate Procurement Frameworks was issued in December 2012 and identified a number of areas where the framework needed to be strengthened. During testing it was found that a majority of the officers contacted who had signed approval for large value invoices were unaware of whether a contract was in place or not and invariably suggested another contact within their Service who ‘might’ know. The review identified that the underlying problem was the lack of a robust corporate procurement framework within the Council. For example there was no requirement for Services to register high value contracts with the corporate centre and therefore no way of identifying where significant expenditure is undertaken without a required contract under CPRs.

The fact that so many Authorised Signatories were certifying high value payments without knowing if an appropriate contract was in place in compliance with CPRs, or, if such a contract was in existence, what rates should be charged, was a significant finding in itself with regards to the effectiveness of the existing procurement framework.

A KPMG Procurement Fitness Check for the Isle of Anglesey issued in 2014 reinforced the Internal Audit findings and included a more in depth review of the weaknesses of the current arrangements. A Project Board has been assigned to implement the recommendations made in this report to strengthen the Corporate Procurement Framework.

In the current economic position it is considered vital that corporate procurement framework supports the efficiency savings being made throughout the Council by realising real savings from new or renewed high

value contracts. The weaknesses identified in these reviews need to be addressed if this support is to be provided.

- **Partnerships Framework** - The Council does not have a formal Partnership Framework in place to provide assurance that all partnerships have adequate governance, management and performance arrangements in place to meet their stated objectives and that they provide value for money in relation to the Council's financial and other resources invested in them.

The Council does not have a central register of partnerships detailing the purpose, resources invested, expected target outcomes, responsibilities or reporting lines of significant partnerships.

Current arrangements do not provide the necessary assurances that the stated benefits of partnership are being achieved or that the negative risks of partnership working identified by the Audit Commission and others are not being realised within existing Council partnerships.

- **Schools Recommendation Implementation** – There is a continuing issue with regards to schools implementing internal audit recommendations. These recommendations relate to financial and governance issues within schools which should be of concern to Head Teachers and to the Education Department.
- **Unimplemented High Category Recommendations** – High Category recommendations showing as status unimplemented are recorded in the following review areas:
  - **HR MyView 1866.13/14** – issued: July 2013 – Report Sponsors: HR Manager and Head of Function – Resources; Issue: lack of segregation of duties over some system areas between establishment and payroll; Current recorded status: Finance and HR are liaising on system administration and access groups on the Northgate system to provide an adequate separation between access to amend establishment records and access to amend payroll details.
  - **Corporate Procurement 1825.12/13** – Issued: December 2012 – Report Sponsor – the then Head of Service Finance - Issue: lack of an adequate framework; need to update Contract Procedure Rules (CPRs) and Financial Procedure Rules (FPRs); Need for training for all Authorised Signatories on new CPRs and FPRs; Current recorded status: - Revised Contract Procedures Rules are still in development.
  - **Business Continuity 1812.12/13** – issued: September 2012: Report Sponsors: Head of Planning and ICT Manager; Issues: lack of an ICT Disaster Recovery Policy in line with ISO 27002 standards for Information Security and need for roles and responsibilities for Business Continuity to be defined; Current recorded status: There is a draft ICT DR Plan which is being integrated into the developing Business Continuity arrangements. A group has been set up to look formally at Business Continuity corporately.
  - **Direct Payments 1883.13/14:** Issued: July 2013 – Report Sponsor: Head of Service – Adult Services; Issues: Evidence of CRB checks to be provided for staff employed as carers by Service Users; Current recorded status: Following receipt of legal advice procedures have been amended to ensure that CRB checks are obtained where appropriate.

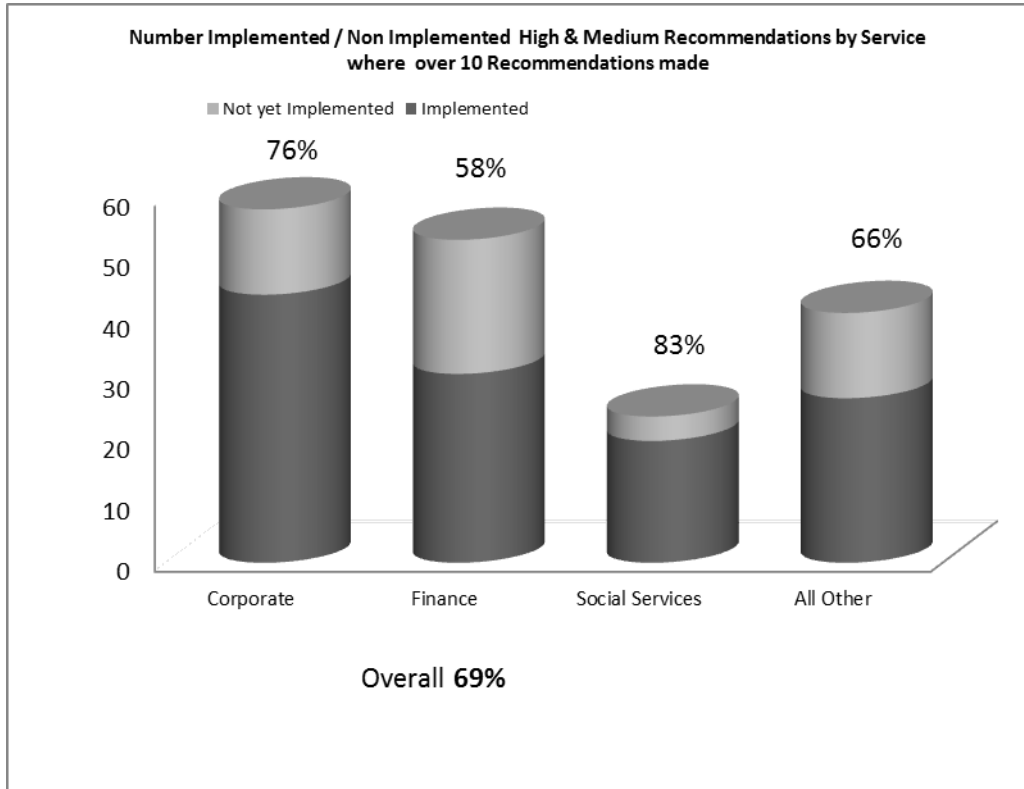
**AUDIT MANAGER**

14 JULY 2014

**APPENDIX A**

**Recommendation Tracking Table –Non Education High & Medium Recommendations Created Since 01-04-2012** **Progress Table:** % implemented / non implemented of high and medium category recommendations by service where over 10 recommendations made But excluding Education; which total at the end of the period was **69%** of all such recommendations.

In our opinion therefore based on the self assessed data in the Progress Table above the Council has made **'adequate progress'** in the period in implementing High and Medium categorised Internal Audit recommendations.



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<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>COMMITTEE:</b>	<b>AUDIT COMMITTEE</b>
<b>DATE:</b>	<b>22 JULY 2014</b>
<b>TITLE OF REPORT:</b>	<b>AGENCY WORKERS - REVIEW OF ARRANGEMNTS</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>AUDIT MANAGER</b>
<b>ACTION:</b>	<b>N/A</b>

## 1. INTRODUCTION

- 1.1 A review of the procurement and use of Agency staff was undertaken at the request of the Audit Committee. The Audit Committee held on 04 February 2014 resolved that: *the 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.*
- 1.2 The review was undertaken based on the coded amounts shown on the ledger relating to such staff for 2013-14 and on the records of such staff held within Services.
- 1.3 Since 10 March 2014 the Council has commissioned Matrix SCM to support the procurement of agency workers' services. Matrix SCM is a procurement services company, with over seven years' experience in public sector procurement of such staff.

## 2. SCOPE

- 2.1 The review was limited to the agency costs as recorded on detail code A0500 on the Council's ledger for 2013-14 (includes agency staff, contractors and self-employed staff). The review aimed to assess the extent of the use of agency staff, contractors and self-employed staff the reasons for their use and the costs of use.

The review considered the Services' compliance with existing policy in this area including Services level records and monitoring of the use of such staff.

The review also included the arrangements for the use of Matrix SCM for the procurement of agency staff within the Council.

Our work does not provide any guarantee against material error, loss or fraud

or provide an absolute assurance that material errors or fraud do not exist.

### 3. BACKGROUND

3.1 **Policy and Regulation** – The Isle of Anglesey County Council Agency Workers Policy (dated August 2011 and updated March 2014 and June 2014) was found to be published on the Council’s Intranet website “MONITOR” and therefore available to all staff with intranet access. However enquiries made with staff involved in the procurement process for agency workers’ services show that relevant staff were not aware of the existence of the Council’s policy on Agency Workers.

3.2 **Costs on ledger** – The total expenditure on Agency staff for the financial year 2013/2014 as shown on the financial ledger detail code A0500 was £1,023,398. Analysis and breakdown of expenditure per section / service is as follows:-

- Sustainable Development - £281,722
- ICT - 19,503
- Finance - £383,931
- Job Evaluation - £43,511
- Personnel - £735
- Corporate Projects & Information - £12,522
- Talnet - £372
- Social Services - £239,282
- Transition Key Working - £7,273
- Estate Management - £34,547.

During discussions with staff and examination of invoices paid it appears that in some instances that some costs have been charged against the Agency Staff ledger code A0500 in error. Consequently the Auditor cannot give categorical assurance that the figures extracted from the financial ledger and quoted above can be relied upon to determine the accuracy of agency staff costs. In the Auditor’s opinion it would be more appropriate for the costs identified as incorrectly coded to be allocated to the Consultancy ledger code D0423.

3.3 **Consultancy** - The total expenditure on Consultancies for the financial year 2013/2014 as shown on the financial ledger detail code DO423 was £3,866,759. Analysis and breakdown of expenditure per section / service is as follows:-

- Lifelong Learning - £1,485,871
- Sustainable Development - £1,323,757
- Resources - £147,089
- Chief Executive - £461,993
- Community - £165,663

- Housing - £282,386.

Costs relating to contractors and self-employed staff engaged by the Council (because of the diverse nature of services that they provide) are not designated to any specific code within the financial ledger, consequently it is not possible to provide meaningful statistical information in relation to expenditure.

## 4 REVIEW CONCLUSIONS

In order to determine the level of awareness of Policy and compliance with the internal controls contained within it we visited a number of Services shown on the ledger to be using agency staff. The following are the main findings from the review.

- 4.1 Relevant staff are not aware of the existence of the IOACC Agency Workers Policy and are therefore not complying with it.
- 4.2 Agency staff costs shown on the Council's general ledger are not entirely reliable for reporting purposes as they include other types of worker / services (i.e. consultancy).
- 4.3 Service records of agency staff are not maintained within all Services or are not maintained to an adequate standard to allow for accurate analysis of the full use and cost of agency staff within the Council and why they have been employed, at what rates, or for how long.
- 4.4 Monitoring of the duration of contracts within Services was found to be inadequate and implications of the Agency Workers Regulations 2010 were not being taken into account. This increases the risk that such staff continue to be employed when the operational need for their employment has ceased or where the employment of full time staff would be more appropriate.
- 4.5 The use of a sample of agency workers found that they had not been procured in accordance with IOACC Agency Workers Policy in that alternatives to their procurement had not been discussed with the relevant Human Resources Officer prior to appointment. Following the updating of the policy in June 2014, services are now also required to complete Appendix 1 - REASON FOR HIRING AN AGENCY WORKER and return it to HR before agency workers are hired in confirmation that other possible solutions have been considered.
- 4.6 Services had not complied in all cases with Contract Procedure Rules when hiring agency workers.
- 4.7 The Matrix SCM procurement service cannot in some cases provide agency workers with the necessary competencies to fulfil required duties. This has resulted in a number of agency staff being procured through alternative means since March 2014.
- 4.8 The internal control and management of the procurement of agency, contract, self-employed and consultancy staff has been devolved to Services away from Human Resources at the centre. In practice this has led to widespread ignorance of corporate policy and to widespread non-compliance with a corporate policy designed to ensure that agency, contract, self-employed and consultancy staff are only employed where all other options have been

explored and that all such contracts are regularly and closely monitored to ensure that they continue to be relevant and that the Council continues to benefit from these arrangements.

## 5 RECOMMENDATIONS AND ACTION PLAN

Ref	Recommendations	Category	Management Response	By Whom and When
5.1 (a)	Staff involved in the procurement of agency workers' services should be made aware of The Council's policy on Agency Workers.	High	Heads of Service to be asked to bring the Policy to the attention of relevant staff in their Service.	Audit Manager via Heads of Service meeting and email.  31 July 2014
5.1 (b)	Staff should be required to confirm by signature that they have read, understood and agreed to abide by the Policy	Medium	Heads of Service to be reminded of need to maintain records of employees' declaration of having read, understood and agreed to abide by.	Audit Manager via Heads of Service meeting and email.  31 July 2014
5.2	Services should be required to list all their current agency, contract, self-employed and consultancy staff with details of the nature of work, supplying agency, why required, start date, end date, rate of pay and projected costs etc.	High	Heads of Service to be requested to instruct relevant employees to maintain adequately detailed records of all agency staff, self employed and contractors within their Service.	Audit Manager via Heads of Service meeting and email.  31 July 2014
5.3	Services should be required to review all their current agency, contract, self-employed and consultancy staff to ensure that they are still required.	High	Heads of Service to be requested to require that relevant employees review all agency, contract, self-employed and consultancy staff contracts to ensure that all are still required on an ongoing basis.	Audit Manager via Heads of Service meeting and email.  31 July 2014
5.4	Agency staff and consultancy staff costs should be correctly code in the financial ledger to ensure integrity of the financial ledger and data reported.	Medium	Heads of Service to be requested to require that relevant employees review the coding of all agency, contract, self-employed and consultancy staff to ensure that expenditure is correctly shown on the relevant budget line.  Accountancy Manager to be requested to request that Service Accountants review any pre coded CIVICA references for codes relating to agency, contract, self-employed and consultancy staff.	Audit Manager via Heads of Service meeting and email.  31 July 2014
5.5	Agency worker placements should be monitored and also reviewed after a period of 10 weeks in compliance with the Council's Agency Workers Policy and to take account of the	Medium	Heads of Service to be requested to instruct relevant employees to monitor and review all arrangements for agency, contract, self-employed and consultancy staff after a period of 10 weeks in compliance with the Council's Agency Workers Policy and to take	Audit Manager via Heads of Service meeting and email.

Ref	Recommendations	Category	Management Response	By Whom and When
	Agency Workers Regulations 2010.		account of the Agency Workers Regulations 2010.	31 July 2014
5.6	<p>Any new use of agency workers should be in accordance with IOACC Agency Workers Policy and alternatives to use to be discussed with HR Officers.</p> <p>The revised Agency Workers Policy now requires that Appendix 1 – REASON FOR HIRING AN AGENCY WORKER should be completed by Services and returned to HR prior to any agency workers being hire.</p>	Medium	Heads of Service to be requested to instruct relevant employees to comply with the revised Agency Workers Policy in terms of the requirement to complete the form at Appendix A and forward it to HR prior to employing any agency, contract, self-employed and consultancy staff.	<p>Audit Manager via Heads of Service meeting and email.</p> <p>31 July 2014</p>
5.7	Procurement of agency workers should be subject to the Council's Contract Procedure Rules when not undertaken via Matrix SCM.	Medium	Heads of Service to be requested to remind relevant employees of the need to comply with the Council's Contract Procedure Rules when undertaking any procurement activity including those related to the employment of any agency, contract, self-employed and consultancy staff.	<p>Audit Manager via Heads of Service meeting and email.</p> <p>31 July 2014</p>
5.8	Considering the widespread ignorance of, and non – compliance with corporate policy senior management should review whether the internal control and management of the procurement of agency, contract, self-employed and consultancy staff should remain with individual Services or be returned to the corporate centre.	High	Audit Manager to present this report to the Senior Leadership Team including considerations concerning the return of the internal control and management of such procurement back to the corporate centre.	<p>Audit Manager via Senior Leadership Team.</p> <p>31 July 2014</p>

\_\_\_\_\_END OF REPORT\_\_\_\_\_

# PRAWF BUDD Y CYHOEDD PUBLIC INTEREST TEST

*(Teitl yr Adroddiad/Title 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/one or more of 12,12,14,15,16,17,18,18A,18B,18C]	
Y PRAWF – THE TEST	
Mae yna fudd i'r cyhoedd wrth ddatgelu oherwydd / There is a public interest in disclosure as:-  Mae'r mater yn ymwneud â gwariant cyhoeddus  The matter concerns public expenditure	Y budd i'r cyhoedd wrth beidio datgelu yw / The public interest in not disclosing is:-  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  The matter concerns 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><b>Argymhelliad:</b> Mae'r budd i'r cyhoedd wrth gadw'r eithriad o bwys mwy na'r budd i'r cyhoedd wrth ddatgelu'r wybodaeth</p> <p><b>Recommendation:</b> The public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	

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