



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Isle of Anglesey County Council

Issued: June 2016

Document reference: 336A2016



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Andy Bruce, Fflur Jones, Dyfrig Williams and Jeremy Evans under the direction of Jane Holownia.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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.

# Contents

## Summary report

About this report	4
2015-16 performance audit work	5
The Council has continued to make progress in priority areas while restructuring its leadership and governance arrangements and it remains self-aware	6
Recommendations	6

## Detailed report

### Performance

The Council continues to improve performance across its priority areas and has complied with the Local Government Measure 2009, although it recognises the need to improve some services	9
--	---

### Use of resources

The Council has appropriate financial management arrangements which are continuing to improve	15
---	----

### Governance

Members and officers continue to co-operate well within a new leadership and governance framework and corporate processes for responding to reports and recommendations from external regulators are adequate	20
---	----

## Appendices

Appendix 1 – Status of this report	23
Appendix 2 – Annual Audit Letter	24
Appendix 3 – National report recommendations 2015-16	26

# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) was prepared by the staff of the Wales Audit Office on behalf of the Auditor General for Wales. The report summarises the audit work undertaken at Isle of Anglesey County Council (the Council) since the last such report was published in December 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner (the Commissioner). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 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@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## 2015-16 performance audit work

- 5 The work carried out since the last AIR and Corporate Assessment, including that of the 'relevant regulators', is set out below.

Project name	Brief description
Wales Audit Office Financial Resilience	Review of the Council's financial position and how it is budgeting for and delivering required savings.
Wales Audit Office Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering improvement objectives.
Wales Audit Office Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, including testing and validation of performance information.
CSSIW Annual Report	Annual review and evaluation of performance of the Council's social services functions for 2014-15.
Wales Audit Office Performance management: Benchmarking social services costs against performance	Review across the North Wales councils to explore the value of the current social services performance indicators and the links, if any, with costs.
Welsh Language Commissioner: Review of the Council's Welsh Language Scheme	Assessment of the effectiveness of the scheme in providing Council services to the public in Welsh.
Wales Audit Office Follow-up work	To provide assurance that the Council has appropriate corporate processes for responding to reports, tracking implementation of recommendations and reporting progress to the appropriate committee.
National Reports	<ul style="list-style-type: none"> <li>• The financial resilience of councils in Wales</li> <li>• Community safety partnerships</li> <li>• Income generation and charging</li> <li>• Council funding of third-sector services</li> </ul>

## The Council has continued to make progress in priority areas while restructuring its leadership and governance arrangements and it remains self-aware

- 6 Based on, and limited to, the work carried out by the staff of the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Measure and secure improvement during 2016-17.
- 7 The Auditor General has reached this conclusion because:
  - a the Council continues to improve performance across its priority areas and has complied with the Local Government Measure 2009, although it recognises the need to improve in some service areas;
  - b the Council has appropriate financial management arrangements which are continuing to improve; and
  - b Members and officers continue to co-operate well within a new leadership and governance framework and it has adequate corporate processes for responding to reports and recommendations from external regulators.

## Recommendations

- 8 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 9 During the course of the year, the Auditor General did not make any formal recommendations. However, lower-priority issues, known as proposals for improvement, are contained in our other reports but may be referred to later on in this report. We will continue to monitor proposals for improvement during the course of our improvement assessment work.

- 10 The Auditor General also makes recommendations that may be relevant to the Council in his Local Government National Reports. A list of recommendations contained in reports issued in 2015-16 can be found in [Appendix 3](#).
- 11 In addition, the Care and Social Services Inspectorate Wales (CSSIW), Estyn and the Welsh Language Commissioner included areas for improvement in their inspection reports and letters issued to the Council during the year. These are available at [www.cssiw.org.uk](http://www.cssiw.org.uk), [www.estyn.gov.wales](http://www.estyn.gov.wales) and [www.comisiynyddygydraeg.org](http://www.comisiynyddygydraeg.org).

# Detailed report





# Performance

The Council continues to improve performance across its priority areas and has complied with the Local Government Measure 2009, although it recognises the need to improve some services

## Estyn's evaluation of school performance

- 12 The proportion of pupils eligible for free school meals in Anglesey is just below the Wales average. This is taken into account when evaluating the performance in the Council.
- 13 The percentage of pupils achieving the Foundation Phase indicator<sup>1</sup> has improved over the last four years. In 2015, performance for this indicator is just below the average performance in Wales. At key stage 2, the percentage of pupils achieving the core subject indicator<sup>2</sup> has improved over the last four years and, in 2015, performance in this indicator is well above the Wales average.
- 14 Performance at the key stage 3 core subject indicator has improved steadily over the last three years and, in 2015, is above the Wales average. At key stage 4, performance in the level 2 threshold including English or Welsh first language and mathematics, and the core subject indicator has improved over the last four years. However, the rate of improvement for the three indicators is at a slower rate than the average in Wales. The percentage of pupils achieving five A\* to A grades or equivalent qualifications has declined since 2012 and in 2015 is lower than the Wales average.
- 15 In most of the indicators for primary and secondary schools, the performance of pupils eligible for free school meals is above the Wales average. Attendance rates for both primary and secondary schools have slowly improved over the last four years, but no longer compare well with attendance rates in similar authorities.

<sup>1</sup> The **Foundation Phase indicator** refers to the percentage of pupils who reach the expected performance (outcome level 5) in three areas of learning in the Foundation Phase: literacy, language and communication in English or Welsh first language; mathematical development; and personal and social development, wellbeing and cultural diversity.

<sup>2</sup> The **core subject indicator** refers to the percentage of pupils who attain the level expected of them in mathematics, science and either English or Welsh as a first language. This equates to level 4 or above at key stage 2 and level 5 or above at key stage 3. The performance indicators for the Foundation Phase key stages 2 and 3 are based on teacher assessment. The performance indicators for key stage 4 are based on externally verified qualifications such as GCSEs.

**The Council's services for adults and children continue to improve but further progress is necessary in a number of areas identified in CSSIW's previous report**

- 16 The CSSIW published its Performance Evaluation Report 2014-2015 in October 2015 and this is available on their website.
- 17 The CSSIW found that in adult services the Council is making good use of available resources and is delivering on its aim of supporting people to be independent and as self-sufficient as possible. The Council is performing strongly in delivering against its business plan and in many areas including meeting its targets. Significant steps have been made in modernising services, and engaging with communities in line with the principles of the Social Services and Wellbeing (Wales) Act. There are some positive outcomes demonstrating the impact of the changes such as the increased support for carers. However, there has been less progress in developing services for younger adults, and the full impact of the change for older adults needs evaluating to ensure they are not exposed to any unnecessary risks.
- 18 The Council is aware of the risks within children's services where improvement is fragile. The CSSIW found good results in meeting performance targets in children's services, but there is a need for sustained improvement in the quality of the services as development has been slower, which the Council attributes to allowing time for improvements to embed.
- 19 The CSSIW found that Social Services has benefited from improvements in corporate support, oversight and scrutiny. However, the capacity to deliver on improvement plans is an issue within the service, and this is reflected in the lack of progress in relation to a number of areas for improvement identified in last year's report.
- 20 Although good progress has been made in both adult and children's services, a significant increase in demand within children's services during 2015-16, accompanied by the continuous drive to secure consistent practice across the service has presented challenges. The Head of Service has secured the support of the Senior Leadership Team to both the immediate and medium-term action plan, while a children's services Transformation Board was established to provide a framework for measuring progress against the action plan.

- 21 As part of the work undertaken by Wales Audit Office staff on Social Services Sustainability across the six North Wales councils, we produced a document for the Council that presented:
- a future demand for social services in Anglesey through benchmarking population projections for children and older people; and
  - b a suite of graphical analyses that combined financial and performance data for social services in Anglesey over multiple years and which also placed the Council within the context of the other 21 Welsh councils.
- 22 There were no recommendations or conclusions from this work as we provided each Council with a data pack that displayed information from a value-for-money perspective and facilitated a North Wales-wide workshop for Directors of Social Services and other key senior managers. We received positive feedback on the output and await to see how the Council uses this approach as part of its internal challenge processes.

**The Council continues to produce balanced evaluations of its performance and complies with the Local Government Measure 2009, but several national indicators have declined from the previous year**

- 23 The Council has met its improvement reporting duties under the Measure and the Auditor General's November 2015 Improvement Assessment Certificate concluded that the Council had discharged its improvement reporting duties under the Measure.
- 24 The Council produced a balanced assessment of its performance in 2014-15 and acknowledged a dip in performance from the previous year. The Council noted the number of performance indicators in the top quartile<sup>3</sup> declined from 17 in 2013-14 to 10 in 2014-15. Similarly, there has been a small increase in the number of performance indicators in the lower quartile – from 13 in 2013-14 to 15 in 2014-15. Whilst there has been an increase in the number of performance indicators in the upper middle quartile, from six in 2013-14 to eight in 2014-15, there has also been a corresponding increase in the numbers of performance indicators in the lower middle quartile, from five in 2013-14 to nine in 2014-15.
- 25 The Council is also 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. The Auditor General's May 2015 Improvement Plan Certificate concluded that the Council had discharged its improvement planning duties under the Measure.

<sup>3</sup> Quartiles are the values that divide a list of numbers into quarters – in this context to be in the top quartile, Council performance needs to place it amongst the top quarter of all councils in Wales.

## Welsh Language Commissioner's evaluation of Anglesey's performance

- 26 The Welsh Language (Wales) Measure 2011 created the role of the Welsh Language Commissioner (the Commissioner). New powers to impose standards on organisations came into force through secondary legislation on 31 March 2016. The Commissioner will continue to review Welsh-language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 27 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.
- 28 The Commissioner included areas for improvement in their inspection reports and letters issued to the Council during the year. These are available on their [website](#).

## The Council responding to weaknesses in information security is making progress to address the Information Commissioner's recommendations

- 29 We previously reported, in our December 2015 Annual Improvement Report and Corporate Assessment, concerns about the Council's information security arrangements. We noted a report by the Information Commissioner's Office (ICO) in July 2013, following a succession of serious security breaches, which concluded that the Council's arrangements provided 'very limited assurance'.
- 30 The Council responded positively to the ICO's report, by implementing an action plan that combined the ICO's recommendations with those contained in internal audit reports. In addition, the Council set up a Corporate Information Governance Board to provide the necessary leadership. A further report by the ICO in January 2015 reduced the Council's risk rating from 'red' to 'amber', and removed the Council from the ICO's formal monitoring category. Despite this reduced risk rating and the Council's progress in addressing a number of recommendations, some weaknesses remained and in October 2015, the ICO issued an Enforcement Notice under the Data Protection Act 1998. The ICO concluded that the Council has contravened the Seventh Data Protection Principle by failing to 'take appropriate security measures against the unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data'.

- 31 The Council's Corporate Information Governance Board subsequently produced a revised action plan addressing the ICO's Enforcement Notice and nine recommendations. The Council prioritised the most important recommendations and states that six of the nine recommendations are complete, while three remain partially completed. In particular the Council notes the following important areas as having been addressed:
- a data protection key performance indicators are now in place and reported;
  - b a mandatory data protection training programme is in place and the Council is looking to develop an e-learning package;
  - c completion of training is now monitored and properly documented;
  - d the Council is currently discussing the implementation of a policy acceptance system with its service provider and, in addition, has undertaken a manual sign-up process to provide assurance; and
  - e the Council undertakes consistent and regular monitoring to enforce the clear desk policy.

**Actions to improve the Council's procurement and contracts management function are progressing well**

- 32 We reported in our December 2015 Annual Improvement Report and Corporate Assessment that a programme of procurement fitness checks had been undertaken in 2013 across all local authorities by KPMG on behalf of the Finance Minister for the Welsh Government. The purpose of the fitness check was to identify whether organisational procurement capability was adequate and to enable individual councils to identify their strengths and areas for improvement. The Council's Audit Committee considered its procurement fitness check in April 2014. The check identified that the Council was performing poorly relative to other local authorities in Wales in the area of procurement.
- 33 In order to address some of the recommendations made, the Council established a procurement improvement project. The project team reports to a corporate board and to the Council's Audit Committee twice a year on its progress.
- 34 The Council has made good progress by adopting a new procurement strategy and the development of a Contracts Management Strategy, which centralises the management of some main contracts. The Council has also increased the staffing of the procurement team to improve its capacity.

- 35 The Council subsequently conducted an internal self-assessment of its procurement function based on the initial fitness check. The results of the self-assessment concluded the Council's maturity was improving and developing towards conforming. However, in order to provide a greater level of assurance, the Council has commissioned an independent assessment of its procurement function scheduled for July 2016. The Council has also engaged with Value Wales which will provide support over the next 12 months.
- 36 As part of the Auditor General's audit programme for 2016-17, we are currently conducting a national study covering the procurement of goods and services across the Welsh public sector. We will subsequently feedback to the Council on relevant findings arising from the national report.

# Use of resources

## The Council has appropriate financial management arrangements which are continuing to improve

- 37 On 10 December 2015, the Auditor General issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Annual Audit Letter can be found in [Appendix 2](#) of this report.

## The Council has developed an appropriate corporate framework for financial planning, but could improve the links between its Corporate Plan and Medium Term Financial Plan

- 38 Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
- a helps authorities take the right decisions for the short, medium and long term;
  - b helps authorities deliver services to meet statutory obligations and the needs of local communities;
  - c is essential for good corporate governance;
  - d is about managing performance and achieving strategic objectives as much as it is about managing money;
  - e underpins service quality and improvement;
  - f is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - g is a key management discipline.
- 39 Financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.
- 40 There is an effective corporate framework for financial planning at the Council. The Council's vision is clearly expressed in both its Corporate Plan 2013-17 and Transformation Plan 2013-16. There is a framework to deliver the Council's improvement objectives which are linked to service delivery plans and financial plans. The Council's Medium Term Financial Plan (MTFP) is updated annually and provides extensive information on the Council's financial planning strategy. Although the Council has a number of policies supporting its financial planning arrangements, the MTFP does not explicitly link to the delivery of its Corporate Plan and aims; neither does it include any specific Key Performance Indicators (KPIs).

- 41 Each Council service is required to produce an annual service delivery plan, based on an analysis of its performance, their role in contributing to the Corporate Plan, and an analysis of any potential risks. However, the quality of annual service delivery plans can vary and the Council recognises a more consistent approach is needed to feed into the financial planning process. To help improve consistency, the Council has adopted a new approach, where heads of services must align their service priorities with corporate objectives and service delivery planning to the budget-setting process.
- 42 Council services are required to conduct two annual self-assessment reviews. The first focuses on their financial position, which helps inform the MTFP and budget setting process. The second review focuses on the service's annual performance, which helps inform the priorities for the following year. An appropriate group of officers and members, including the Council Leader, relevant Cabinet, Shadow Cabinet and Scrutiny Members, challenges all service review self-assessments.
- 43 In a change from previous years, services will not be permitted to change their savings plans other than by a formal re-budgeting process. This approach will help provide greater clarity over whether the Council is successfully delivering its savings plans rather than, as has sometimes been the case in the past, by finding cost savings in areas it had not anticipated. Where savings plans are not simple one-off items, budget managers will be required to comply with project management principles to ensure that savings become firmly embedded year-on-year.
- 44 Despite a challenging grant settlement from the Welsh Government, the Council set a balanced budget for 2015-16 by identifying £4.3 million in savings from its services, along with a 4.5 per cent Council Tax increase.
- 45 The Council's 2015-16 budget takes appropriate and relevant account of the future financial pressures the Council faces. Assumptions made by the Council in identifying the shortfall were comprehensive, reasonable and are supported by robust data.

**The Council's finance department is more stable and arrangements for financial control, including processes for budget setting and consultation, have improved**

- 46 As we reported in the December 2015 Annual Improvement Report and Corporate Assessment, the Council's budget-setting process significantly changed for its 2015-16 budget. The process saw a move away from savings targets driven by the Finance Department to a comprehensive process involving consultation with services, councillors and the public. Both officers and members were highly supportive of these changes and the way they enhanced shared understanding and ownership within the budget-setting process.



- 47 Further changes have been introduced for the 2016-17 budget-setting process, termed 'Cyllid Môn 2016-17'. The changes include, challenging every budget line on its needs and estimates, based on the service being statutory or non-statutory. In addition, services are challenged to look at new ways of delivering its provision. The process began during summer 2015 when services were asked to submit formal proposals with efficiencies, which in turn, would be subject to service challenges and an assessment of their feasibility. The proposals have subsequently been submitted for member workshops and public consultation.
- 48 The Council has established a number of policies to help control its finances, which clearly outline details of the responsibilities, timelines and guidance. Some initiatives were introduced during 2014-15, such as holding services to account for their savings plans and centralising individual services' contingency funds to be used as and when necessary following approval by the Finance Department. The re-launch of the Council's general ledger system, Civica, after a difficult first year of implementation, has been successful and there is now greater confidence in the financial information available to the Council's services.
- 49 The Council has taken steps to address issues of inconsistency among individual services applying the Council's authority-wide policy on income generation and charging. A new charging procedure has been agreed by the Executive and ensures a schedule of all fees and charges are adopted Council-wide and is included and reviewed as part of the budget-setting process. The schedule is managed by the Finance Department to ensure controls are upheld effectively and consistently.
- 50 The Council manages its useable reserves prudently, and is taking constructive steps to ensure school reserves and balances are maintained and any school deficits managed. The reserves policy is clear and comprehensive and was considered by the Executive as part of the budget setting process in March 2016.
- 51 Over the previous five years, four different individuals, two of whom were appointed on an interim basis, had led the Council's Finance Department. Key positions in the department had historically been filled on a temporary or agency basis because of a high level of staff turnover and difficulties in recruitment. The temporary status of staff in the Finance Department has affected adversely on the Council's capacity to develop financial management expertise among its service managers and pursue its stated aim of 'growing its own'. However, during 2015, the Council has taken positive steps to reduce the Finance Department's reliance on agency staff through the recruitment of a permanent Section 151 Officer and by using agency staff to help support and mentor permanent Council finance staff in key positions. The Council has also recruited two finance trainees to start the process of building knowledge and experience in the department using locally based staff, and to increase its resilience to staffing changes.

52 The Council's 2015-16 savings and efficiencies plans are being effectively managed and look likely to be achieved. The plans were developed across all services and departments and their feasibility was tested through rigorous challenge from individual departments, service accountants, finance managers and the Section 151 Officer. The plans clearly describe where savings come from, including realistic part-year assumptions, costings and savings from transformational change.

**The Council has strengthened its governance arrangements in holding services to account for any variances on financial performance, and the Audit Committee is increasingly effective in challenging officers to provide regular updates on progress**

53 The Council has improved its arrangements for reporting and reviewing financial performance and has systems in place for holding underperformance to account. Quarterly budget reports are submitted to the Executive and Corporate Scrutiny Committee on the budgetary performance of the Council.

54 The Council held services more closely to account for their 2015-16 savings plans than has been the case in previous years. Services are required to report on progress against their stated savings plans to the finance team and to the Senior Management Team, and are held to account for significant variances. Senior managers, members of the Executive and scrutiny representatives take part in regular service challenges, reviewing the performance of each service against its business and financial plans and reinforcing the accountability of heads of service.

55 We also identified that progress in implementing some internal audit recommendations has been slow and there was a backlog of recommendations rated as high to medium risk that have not been implemented since 2012. The Council's Audit Committee is increasingly aware of this issue and regularly challenges officers to address recommendations in a timely manner and provide regular updates on progress made.

56 The Council has no system to record that staff have read, understood and complied with policies and procedures. There have been instances of non-compliance in important areas such as corporate procurement and information security, even though both internal and external reports have highlighted issues with compliance since 2011. Without any records of compliance, it is difficult to show that the relevant policies have been appropriately circulated or understood by staff. The Council is aware of this issue and is considering options to introduce an electronic system to update staff on corporate policies, verify they have understood and are applying procedures, and providing an e-learning facility.

## The Council is addressing high levels of sickness absence

- 57 Council employees are the most important resource to delivering services, therefore maintaining low levels of sickness absence is an important factor. The Council acknowledges staff sickness absence has been a problem and has set aside a dedicated resource to provide support and guidance to managers in their role in managing absence. In 2013, the role of a Corporate Sickness Absence Management Co-ordinator was established on a temporary basis with the responsibility to support and work with the heads of service, service managers and team of HR officers to improve the levels of sickness absence.
- 58 Over the past three years, the Council has seen an improvement in sickness absence rates amongst staff, Sickness levels reduced from 14.4 days per employee in 2012-13 to 12.4 days in 2013-14. A further reduction followed in 2014-15 to 11.4 days. However, an analysis of the first three quarters of 2015-16 indicates that the Council is unlikely to improve on last year's average. The Council is aware of this issue and has sharpened its focus on preventing long-term sickness absence and increasing the levels of absence review meetings to the same percentage as return to work interviews. To enable services to gain the support they need to help improve sickness levels, the Council has subsequently extended the contract of the Sickness Absence Management Co-ordinator to September 2017.
- 59 To support the Council in reducing its sickness absence levels we will undertake a local review of sickness absence management. The findings of this review will be reported to the Council later this year.

# Governance

**Members and officers continue to co-operate well within a new leadership and governance framework and corporate processes for responding to reports and recommendations from external regulators are adequate**

**A revised leadership and governance framework reflects recent structural changes, and arrangements should ensure that members across all political groups are well informed**

- 60 As we reported in our December 2015 Annual Improvement Report and Corporate Assessment, the Council's political leadership sought the Chief Executive's advice on how it might reduce senior management costs following his retirement in May 2015. A number of options were considered including a restructure aimed to reduce the size of the Senior Leadership Team whilst, at the same time, increasing officer capacity to focus on corporate issues. The departure of the Deputy Chief Executive during the same period introduced greater complexity and risk to the planning of the new structure. The potential loss of the entire senior leadership over a short period brought with it a risk that the Council might lose both direction and momentum in implementing its transformation programme.
- 61 The Executive agreed a new framework, which removes the post of Deputy Chief Executive and the tier of three Corporate Directors and replaces it with two Assistant Chief Executives who report directly to the Chief Executive. The Executive also decided to include the Monitoring Officer and S151 Officer as full members of the Council's Senior Leadership Team alongside the two new posts.
- 62 The new Chief Executive was formally appointed in June 2015 from within the existing management team. He has been involved in the Council's transformational programme from its inception and has a comprehensive knowledge of the challenges facing Anglesey. The two Assistant Chief Executives were appointed, from outside the Council, in September 2015 and bring a range of experience and knowledge to the Council. Since then, the new arrangements have embedded and maintained the Council's momentum for improvement.

- 63 As part of the Council's corporate governance arrangements, three Programme Boards were initially developed. The aims of the Programme Boards were to oversee the delivery of the Council's Delivery Plan and to ensure that individual change programmes and projects are managed, monitored and delivered. The Boards include senior officers and councillors, therefore providing both leadership and co-ordination. The Boards receive regular progress reports, 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. Following an agreed review of the arrangements, the Council has subsequently reduced the number of Programme Boards, from three to two. The new arrangements have helped reduce potential overlap of Council business, while reflecting similar arrangements for scrutiny. The two Programme Boards have clearly defined areas of responsibility, one that focuses on corporate and internal Council business, while the other focuses on external issues including partnerships. Both Programme Boards are respectively led by the recently appointed Assistant Chief Executives.
- 64 The Council has effective arrangements to ensure that Members across all political groups are well informed about Council business. These arrangements have helped to build mutual trust between Members and officers. Following the election in May 2013, the Council established a Shadow Executive to keep members informed and engaged, and to help build the capacity of opposition members. The Shadow Executive exists through an informal agreement between the controlling and opposition groups, with the support of the Senior Management Team, to help to ensure good governance within the Council. Regular meetings between the Council Leader, group leaders and Chief Executive, and the use of informal Executive briefings has helped improve trust and relationships between officers and members. Officers can consult with members before any significant work is undertaken, and Members remain well briefed about significant planned developments at the Council. In addition, the Council's Heads of Service Group, 'y Penaethiaid', has been refreshed and is an effective body, which encourages more corporate working across services.
- 65 Senior managers, members of the Executive and scrutiny representatives take part in regular service challenges, reviewing the performance of each service against its business and financial plans. This is reinforcing the accountability of heads of service.

## The Council has satisfactory processes for responding to recommendations arising from external scrutiny

- 66 The Council has satisfactory corporate processes for responding to reports from the Auditor General for Wales, tracking implementation of recommendations and reporting this to meetings of the Council. In our December 2015 Annual Improvement Report and Corporate Assessment, we identified those audit recommendations that may be relevant to the Council arising from the Auditor General's reports applicable to local government.
- 67 The Council has a clear process to feed findings and recommendations from external reviews to the Senior Leadership Team, who determine and prioritise the recommendations, which present the highest potential risk to the Council, and require follow up.
- 68 Priority recommendations are subsequently presented to Heads of Service who decide on the appropriate action that needs to be taken. The process helps to minimise services potentially duplicating actions already planned and ensures that any corresponding activity is aligned to the Council's corporate priorities. Services record their improvement through a Service Self-Assessment and Departments are assessed on progress through a RAG (Red, Amber and Green) basis. Departments are required to update the register of recommendations every three months.
- 69 The Audit Committee provides an overview control mechanism and receives a report of recommendations and when they can be expected to be put into practice. The committee provides an over-arching management of the implementation of findings from audit work.
- 70 Since our last Annual Improvement Report was published we have produced a further five National Reports with recommendations that may be relevant to the Council. A list of recommendations contained in reports issued in 2015-16 can be found in [Appendix 3](#).

# 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 parks, and fire and rescue authorities.

This report has been produced by staff of 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 Auditor General 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 – Annual Audit Letter

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

Dear Cllr. Williams

## **Annual Audit Letter – Isle of Anglesey County Council 2014-15**

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

### **Isle of Anglesey County 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 the Auditor General for Wales 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 the completion of the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2015, the Auditor General for Wales issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. This report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit and Governance Committee in the Audit of Financial Statements report on 23 September 2015, and a more detailed report will follow in due course.



**The Auditor General for Wales is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

The Auditor General for Wales' consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

**The Auditor General for Wales issued a certificate confirming that the audit of the accounts had been completed on 30 September 2015.**

**Work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems**

A more detailed report on grant certification work will follow in 2016 once this year's programme of certification work is complete.

The financial audit fee for 2014-15 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely

**Lynn Pamment**  
**Partner, PricewaterhouseCoopers LLP**

For and on behalf of the Auditor General for Wales

# Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial resilience of Councils in Wales</b></p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> <li>• is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;</li> <li>• maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and</li> <li>• should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.</li> </ul> <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> <li>• strengthen budget setting and monitoring arrangements to ensure financial resilience; and</li> <li>• review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.</li> </ul>

Date of report	Title of review	Recommendation
April 2015	<p>The Financial resilience of Councils in Wales</p>	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (paragraphs 2.2 to 2.20). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services).</li> </ul> <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy).</li> <li>• The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> <li>– information sharing and consultation about developments related to school improvement;</li> <li>– developing collaborative relationships of shared accountability; and</li> <li>– undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies.</li> </ul> </li> </ul> <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and</li> <li>• local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> <li>• improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements;</li> <li>• improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money;</li> <li>• make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level;</li> <li>• develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities;</li> <li>• develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees;</li> <li>• ensure the openness and transparency of consortia decision making and arrangements;</li> <li>• recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and</li> <li>• develop robust communications strategies for engagement with all key stakeholders.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements;</li> <li>• the appointment of a lead member for safeguarding; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> <li>• ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children;</li> <li>• creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and</li> <li>• requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement.</li> </ul> <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> <li>• ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes;</li> <li>• creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and</li> <li>• requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> <li>• benchmarking and comparisons with others;</li> <li>• conclusions of internal and external audit/ inspection reviews;</li> <li>• service-based performance data;</li> <li>• key personnel data such as safeguarding training, and DBS recruitment checks; and</li> <li>• the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities.</li> </ul> <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services;</li> <li>• realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people;</li> <li>• the appointment of a member champion for older people's services; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> <li>• ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and</li> <li>• engaging with residents and partners in the development of plans, and in developing and agreeing priorities.</li> </ul> <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.</li> </ul>



Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> <li>• setting out how changes to services or cuts in budgets will affect groups with protected characteristics;</li> <li>• quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics;</li> <li>• indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and</li> <li>• ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them.</li> </ul> <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> <li>• setting a performance baseline at the start of projects to be able to judge the impact of these overtime;</li> <li>• agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and</li> <li>• improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focusing on the Council's position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul> <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council 'subsidy';</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the Council's wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council 'subsidy';</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of 'new commercial' initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul> <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected Members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru  
24 Heol y Gadeirlan  
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)