

Appendix

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

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Annual Letter

Isle of Anglesey County Council

Contents

| | |
|--|----|
| Summary | 7 |
| The Appointed Auditor recommends that the Auditor General carries out an inspection under section 10A of the Local Government Act 1999 of corporate governance at the Council due to concerns that difficulties in working relationships between some Executive Members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty | 9 |
| The Appointed Auditor's report | 10 |
| The Financial Statements present fairly the Council's financial position and we did not identify any material weaknesses in internal control | 10 |
| The 2007-08 financial statements present fairly the Council's financial position and were properly prepared | 10 |
| An examination of the Council's significant financial systems did not identify any material weaknesses in internal control, but there are areas where continued improvement is required | 11 |
| We have certified that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice | 11 |
| Whole of Government Accounts returns were completed appropriately | 13 |
| The Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources, however there are various issues which need to be addressed | 13 |
| There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services | 15 |
| The Council has a good record of achieving its overall revenue budget and has appropriate arrangements in place to manage and use its financial reserves. However, there was a significant overspend in Social Services during the year | 15 |
| The Council has appropriate financial management arrangements in place but there are some areas where improvement could be achieved | 17 |
| The Council made limited use of the National Fraud Initiative | 18 |
| The Council's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required | 19 |
| The Council's Improvement Plan has been delivered appropriately and represents a balanced picture of performance in the last year | 19 |

| | |
|--|-----------|
| Our audit of the National Strategic Indicators highlights that the Council has robust arrangements in place for the collection of performance information, although it needs to improve target setting and the timing of quality assurance processes | 19 |
| Progress has been made in performance management arrangements but further work is needed to realise the full benefits of the revised arrangements and embed them into the operations of the Council | 20 |
| We consider that difficulties in working relationships between some Executive Members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty | 20 |
| Our certification of the Council's grant claims and returns is nearing completion | 21 |
| Our detailed testing of the 2006-07 Housing Benefit and Council Tax subsidy claim identified several qualification issues | 21 |
| There have been significant delays in the provision of information necessary for us to complete our audit of Communities First grant claims. The Council has shown a strong commitment to helping the Communities First partnerships to improve in this area | 21 |
| The Relationship Manager's report on behalf of the Auditor General | 23 |
| The annual joint risk assessment validated the Council's priorities for improvement although effective action has not been taken in response to many previous recommendations | 23 |
| The Council's risk assessment and risk management arrangements are improving with staff and elected members becoming more fully engaged in the process and its outcomes | 23 |
| The Council's response to the recommendations of previous inspection work has been variable but it recognises that it needs to take steps to develop mechanisms which will ensure that all recommendations are responded to appropriately | 23 |
| Reviews of corporate functions and processes have indicated a number of areas for improvement and concerns over aspects of the leadership of the Council | 24 |
| The Council is taking steps to address weaknesses in corporate and performance management that limit its ability to deliver improved service outcomes for local people, but the process is being hampered by a lack of corporate agreement on the way forward | 24 |
| The Council does not appear to have unified political and managerial leadership and this is having a negative impact on its ability to agree and implement its priorities and to deliver improving services. These issues have become increasingly apparent during the preparation of this Annual Letter | 25 |

| | |
|--|----|
| The Council has made limited progress in respect of project management since our review in 2005. However, recent links with the City and County of Swansea and Wylfa Power Station are providing a basis for development in this area | 25 |
| Reviews of services have indicated some good practice and some areas for improvement | 26 |
| The Council has responded positively to our recommendations in respect of Information Communication and Technology | 26 |
| The Council has produced a business plan for the delivery of the Welsh Housing Quality Standard across its housing stock by 2013, which it will need to closely monitor | 27 |
| The Council has responded positively to our report on planning departures | 28 |
| The Council continues to make progress towards setting up the infrastructure, equipment and services to meet national waste recycling and landfill targets but the timescales are very tight and changes to legislation, targets and funding streams may delay the process | 29 |
| The Council thoroughly examined its leisure services and produced an initial strategy; however the new administration has opted to reassess options and the way forward | 30 |
| The work of other regulators and joint inspections has indicated some good practice and some areas for improvement | 31 |
| Following a critical report by the Public Service Ombudsman for Wales, the Council is required to agree an action plan with its regulators showing how it will improve business processes and general performance within the Housing Benefits Service | 31 |
| We are monitoring the Council's progress in implementing its action plan in response to the Joint Review of Social Services | 31 |
| A joint inspection of Youth Offending Teams has concluded that the Gwynedd Môn Youth Justice Service is progressing positively, with a management board and staff team that provide leadership and direction | 32 |
| The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement | 32 |
| The Council is committed to using the Good Practice Exchange through shared learning | 32 |
| The Council is committed to delivering the Making the Connections agenda but its approach to fleet management is not making the best use of resources to support improvements in service delivery | 33 |

Appendices

| | |
|---|----|
| The Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007-08 | 34 |
| Criteria for assessing the Council's arrangements during 2007-08 for securing economy, efficiency and effectiveness in its use of resources | 35 |
| Audit of the 2008-09 Improvement Plan | 36 |
| Audit and inspection fees | 38 |



Status of this report

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

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

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Summary

1. This Annual Letter sets out the key messages arising from work undertaken over the last twelve months up to the point when it was written by:
 - the Appointed Auditor, PricewaterhouseCoopers LLP, under the Code of Audit and Inspection Practice (the Code); and
 - the Relationship Manager (RM) on behalf of the Auditor General under the studies and inspection powers of the Auditor General.
2. The Annual Letter includes a summary of audit and inspection work and reports progress against improvement actions. It draws on the published reports of other inspectorates to provide an annual summary to the Isle of Anglesey County Council (the Council). The work planned for the year was set out in the Regulatory Plan 2007-08 and more detail on the specific aspects of the work undertaken can be found in the separate reports that have been issued during the year.
3. The Annual Letter will be presented to the Audit Committee and to all members in January 2009.
4. The Auditor General's Appointed Auditor has completed the audit of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code. The Appointed Auditor has concluded that:
 - The Council's financial statements present fairly the Council's financial position and were properly prepared. No material weaknesses in internal control were identified.
 - Whole of Government Accounts returns were completed appropriately.
 - The Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources, however there are various issues which need to be addressed.
 - There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services.
5. The Auditor General's Appointed Auditor has, in accordance with section 7 of the Local Government Act 1999 (the 1999 Act), also completed the audit of the Council's Improvement Plan. The Appointed Auditor has concluded that:
 - The Council's improvement planning arrangements complied with statutory requirements but identified areas where further work is required.
 - Further information is needed on the corporate governance of the Council, due to concerns that difficulties in working relationships between some Executive Members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty. This follows concerns expressed last year by the Auditor General about the impact of member conflict on the ability of the Council to fulfil its general duty of best value.

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6. The Relationship Manager has concluded that:
- The annual joint risk assessment validated the Council's priorities for improvement, although effective action has not been taken in response to many previous recommendations.
 - Reviews of corporate function and processes have indicated a number of areas for improvement and concerns over the leadership of the Council.
 - The Council is taking steps to address weaknesses in corporate and performance management that limit its ability to deliver improved service outcomes for local people, but the process is being hampered by a lack of corporate agreement on the way forward.
 - The Council does not appear to have unified political and managerial leadership and this is having a negative impact on its ability to agree and implement its priorities, and to deliver improving services. These issues have become increasingly apparent during the preparation of this Annual Letter.
 - The Council has made limited progress in respect of project management since our review in 2005. However, recent links with the City and County of Swansea and Wylfa Power Station are providing a basis for development in this area.
 - Reviews of services have indicated some good practice and some areas for improvement:
 - The Council has responded positively to our recommendations in respect of Information Communication and Technology (ICT).
 - The Council has produced a business plan for the delivery of the Welsh Housing Quality Standard (WHQS) across its housing stock by 2013 which it will need to closely monitor.
 - The Council has responded positively to our report on planning departures.
 - The Council continues to make progress towards setting up the infrastructure, equipment and services to meet national waste recycling and landfill targets, but the timescales are very tight and changes to legislation, targets and funding streams may delay the process.
 - The Council thoroughly examined its leisure services and produced an initial strategy; however, the new administration has opted to re-assess options and the way forward.
 - The work of other regulators and joint inspections has indicated some good practice and some areas for improvement.
 - Following a critical report by the Public Service Ombudsman for Wales, the Council is required to agree an action plan with its regulators showing how it will improve business processes and general performance within the Housing Benefits Service.
 - We are monitoring the Council's progress in implementing its action plan in response to the Joint Review of Social Services.
 - A joint inspection of Youth Offending Teams has concluded that the Gwynedd Môn Youth Justice Service is progressing positively, with a

management board and staff team that provide leadership and direction.

- The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement.

The Appointed Auditor recommends that the Auditor General carries out an inspection under section 10A of the Local Government Act 1999 of corporate governance at the Council, due to concerns that difficulties in working relationships between some Executive Members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty

7. Under section 7 of the 1999 Act, the Appointed Auditor is required each year, in relation to the Council's Improvement Plan, to recommend whether the Auditor General should carry out an inspection of the Council under section 10A of the 1999 Act. Under the same provisions, the Appointed Auditor is also required each year to recommend whether Welsh Ministers should give a direction under section 15 of the 1999 Act.
8. On the basis of the conclusions in paragraphs 59 and 60, the Appointed Auditor:
 - recommends that the Auditor General should carry out an inspection of the Council in relation to corporate governance under section 10A of the 1999 Act; and
 - does not recommend at this stage that Welsh Ministers should give a direction under section 15 of the 1999 Act.

The Appointed Auditor's report

9. The Financial Statements are an essential means by which the Council accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Code identifies that it is the Council's responsibility to:
- put systems of internal control in place to ensure the regularity and lawfulness of transactions;
 - maintain proper accounting records; and
 - prepare Financial Statements in accordance with relevant requirements.
10. As auditors we are required to audit the Financial Statements and to issue an auditor's report which includes an opinion on whether the Financial Statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure and cash flows for the year then ended.

The Financial Statements present fairly the Council's financial position and we did not identify any material weaknesses in internal control

The 2007-08 Financial Statements present fairly the Council's financial position and were properly prepared

11. International Standard on Auditing (ISA) 260 requires auditors to report to 'those charged with governance' the findings of our accounts audit. The Appointed Auditor's report *Audit of the Financial Statements – reporting to those charged with governance* was presented to the Audit Committee on 17 September 2008. A summary of the findings is set out in Exhibit 2.

Exhibit 2: ISA 260 reporting to the Council

| Reporting requirement | Auditor's response |
|--|---|
| Modifications to the auditor's report. | No modifications to the auditor's report. |
| Unadjusted misstatements. | Some adjustments were made following our audit in respect of matters of interpretation of accounting guidance. There were a small number of unadjusted misstatements which were not material individually or in aggregate. |

| Reporting requirement | Auditor's response |
|--|---|
| Material weaknesses in the accounting and internal control systems identified during the audit. | No matters arose. |
| Views about the qualitative aspects of the entity's accounting practices and financial reporting. | We recommended that the Council ensures that appropriate procedures and resources are in place, in order that the 2008-09 accounts are produced in full within the deadline prescribed by the Accounts and Audit Regulations (Wales) 2005, and that members are given sufficient time to scrutinise the accounts prior to approval. |
| Matters specifically required by other auditing standards to be communicated to those charged with governance. | No matters arose. |
| Any other relevant matters relating to the audit. | On 26 August 2008 we received notice of objection to an item of expenditure in the accounts for 2007-08. |

12. On 30 September 2008 we issued an unqualified auditor's report on the Financial Statements.

An examination of the Council's significant financial systems did not identify any material weaknesses in internal control, but there are areas where continued improvement is required

13. Our review of the Council's financial systems has involved documenting them and where necessary testing the operation of the internal controls. We have concluded that the Council's significant financial systems can be relied upon to produce materially correct outputs. We have, however, identified scope to improve controls in some areas and reported these to management.
14. In summary, the improvements required are in relation to:
- general computer security controls, including disaster recovery;
 - the development of a contracts register; and
 - the annual accounts closure processes.

We have certified that the audit has been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice

15. In accordance with the Accounts and Audit (Wales) Regulations 2005 the Council has advertised the rights of local electors to:
- inspect and make copies of the Annual Return;
 - question the auditor about the accounts; and
 - attend before the auditor and make objections to the accounts or any item in them.

16. These rights have been exercised. A local elector who is also a councillor has requested that the Appointed Auditor seek a declaration under section 32 (1) of the Public Audit (Wales) Act 2004 (the 2004 Act) that an item of account included in the 2007-08 financial statements is contrary to law. The request related to expenditure in the Financial Statements on the purchase by the Council of a property (Craigwen) by auction in Amlwch, in order to access Council land behind the property.
17. We found that the Executive of 16 July 2007 was constituted in a way that breached section 11(7) of the Local Government Act 2000. We have reached this conclusion as that meeting of the Executive was chaired by the Chairman of the Council.
18. Nevertheless, we understand that the Council has the substantive legal powers to undertake a purchase of property by auction, even if there were defects in the decision making process. For example, section 120 of the Local Government Act 1972 confers on principal councils broad power to acquire land by agreement.
19. We also noted the unanimity of the Executive decision both on 16 July 2007 and a subsequent meeting held on 10 September 2007. This strongly indicates that the proper constitution of the Executive on 16 July 2007 would not have resulted in a different decision. The legal advice we have received indicates that the Court would be unlikely to wish to intervene by making an order in these circumstances.
20. Having considered the matter carefully, we have decided not to exercise our discretion to seek a declaration under section 32 (1) of the 2004 Act.
21. In particular our reasons for reaching this decision are:
 - the transaction has been completed and it would be complex and costly to unravel;
 - it is not clear that the transaction is indeed unlawful as the Council has the power to purchase property at auction;
 - had the Executive been properly constituted on 16 July 2008 it appears unlikely that it would have reached a different decision; and
 - we have received legal advice that the Court would be unlikely to make an order in the circumstances of this issue.
22. However, it is clear that this purchase was procedurally flawed in certain aspects as follows:
 - The approval of the expenditure was not in accordance with the Council's constitution and breached section 11 (7) of the Local Government Act 2000.
 - The approval of expenditure was treated as an urgent and confidential matter on 16 July 2007, however, there is evidence that the potential purchase was being considered as early as May 2007.
 - There was no mention of a covenant on the property in the report to the Executive prior to the purchase. Officers had obtained legal advice before the meeting on 17 July 2007 that the covenant would not prevent access to the land behind the property and the covenant has subsequently been extinguished. Notwithstanding this action, we would have expected the covenant to have been brought to members' attention along with the relevant legal advice relating to the covenant when the Executive Committee considered the purchase. It cannot be determined with certainty

how the Executive would have determined had they been presented with the facts concerning the covenant.

- The officers who decided to proceed with the purchase in the knowledge of the flawed approval process and the necessary approval required by the Council's constitution did not document at the time their reasons for doing so. The reasons were later documented in an e-mail from the Monitoring Officer to the Head of Service (Finance) and in a report of the Monitoring Officer to the Executive.
23. During the year the Wales Audit Office concluded their work on an objection relating to the 2000-01 accounts. As a result, the audits of the financial years 2000-01 to 2006-07 were certified as complete during 2008. We have also certified that the 2007-08 audit has been completed.

Whole of Government Accounts returns were completed appropriately

24. In accordance with the Government and Resources and Accounts Act 2000 and relevant guidance issued by the Assembly Government, a Consolidated Pack (C-Pack) is prepared annually by the Council to assist HM Treasury with its production of the Whole of Government Accounts (WGA).
25. On behalf of the National Audit Office (NAO) as auditor of the WGA, the Wales Audit Office is required to audit the C-Pack in accordance with statutory requirements and NAO audit instructions.
26. Our audit on behalf of the Wales Audit Office of the Council's return this year found that:
- arrangements are in place to ensure satisfactory production of the WGA C-Pack;
 - the C-Pack was consistent with the audited statutory accounts;
 - material transaction streams and balances with other WGA bodies were identified completely and correctly; and
 - transaction streams and balances with the Assembly Government in excess of £5 million were formally agreed as required.

The Council had satisfactory arrangements in 2007-08 to help it achieve economy, efficiency and effectiveness in its use of resources, however, there are various issues which need to be addressed

27. The 2004 Act requires auditors to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This requirement is reflected in the Code.
28. Our conclusion has been reached as part of our annual audit of the accounts. We examined evidence of the existence of the Council's corporate performance management and financial management arrangements. In this work we do not comment on or provide assurance on the effectiveness of those arrangements during the year.

29. Separate value-for-money work does consider where arrangements or their operation could be improved. The results of such work carried out during 2007-08 are set out later in this Annual Letter. This work informs our conclusion on the existence of arrangements but is not essential to it.
30. The auditor's report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources during 2007-08 is set out in Appendix 1. The criteria used to assess this are set out in Appendix 2.
31. We have concluded that in 2007-08 the Council had satisfactory arrangements in place to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. However, the detailed results of our assessment summarised in Exhibit 3, indicate that there are various issues which need to be addressed in the short term at the Council. Moderation on an all-Wales basis of value-for-money conclusions by the Wales Audit Office has shown that the Council has more areas of partial arrangements than the majority of other councils in this assessment.

Exhibit 3: Assessment of proper arrangements

| Aspect | Arrangement | Yes or No |
|---|---|---|
| Strategic and operational objectives | Has the Council put in place arrangements for establishing, reviewing and implementing its strategic and operational objectives? | Yes. |
| Meeting the needs of users and taxpayers | Has the Council put in place arrangements to ensure that services meet the needs of users and taxpayers, and for engaging with the wider community? | Yes. |
| Internal controls | Has the Council put in place arrangements to ensure compliance with established policies, procedures, laws and regulations? | Yes. |
| Risk management | Has the Council put in place arrangements for identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting? | In part – work has been undertaken to raise the importance of risk management, but further work is needed to embed risk management in the organisation. |
| Resource management | Has the Council put in place arrangements for managing its financial and other resources, including arrangements to safeguard its financial standing? | In part – but there is no documented medium-term financial strategy. |

| Aspect | Arrangement | Yes or No |
|-----------------------|---|---|
| Reviewing performance | Does the Council have arrangements in place to monitor and review performance, including arrangements to ensure data quality? | In part – arrangements have improved in the year, although there is room for further improvement in this area. The Council should agree a balanced set of indicators for services |
| Standards of conduct | Has the Council ensured that its affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption? | Yes. |
| Overall conclusion | Has the Council put in place proper arrangements to secure 'economy, efficiency and effectiveness' in its use of resources? | Yes – but there are several areas highlighted above where weaknesses need to be addressed. |

There are opportunities for the Council to secure the best use of resources and further improvement in its delivery of services

The Council has a good record of achieving its overall revenue budget and has appropriate arrangements in place to manage and use its financial reserves. However, there was a significant overspend in Social Services during the year

32. We are responsible for assessing whether the Council has put in place adequate arrangements to monitor, control and report on its financial standing. Our audit was based on a review of:
 - the revenue budget and capital programme setting process;
 - financial monitoring and reporting;
 - meeting financial targets; and
 - financial reserves.
33. We have examined budget reports and procedures and we are satisfied that:
 - suitable arrangements are in place;
 - the Council's revenue and capital budgets cover all relevant areas of income and expenditure and are based on realistic assumptions; and
 - the Council has in place sound arrangements for financial monitoring and reporting which should ensure that any potential material misstatements and variances will be identified.
34. The Council has a good track record of operating within its revenue budget and this continued in 2007-08 with a small underspend. The most recent budget monitoring reports indicate that the Council faces significant challenges in its attempts to achieve its budget in 2008-09. A number of financial pressures that will need to be considered and managed over the next few years are described in Exhibit 4.

35. The impact of the credit crunch and the banking crisis on the public sector continues to be an area of concern. The Council does not have any funds deposited in Icelandic banks. The wider implications of the current economic climate will inevitably have an effect on the Council. For example, many local authorities are finding that budgeted capital receipts may not be realised due to the fall in land and property values.

Exhibit 4: Financial pressures

| Financial pressures | Implications |
|----------------------------------|--|
| Job evaluation and Single Status | The job evaluation process is ongoing and the Council needs to assess the future revenue costs, building these into budget forecasts. A small number of single status claims has been received and the Council is considering the extent of the liability which is as yet undetermined. |
| Welsh Housing Quality Standard | The Council has examined its options for meeting the WHQS. It has produced a Business Plan for the retention of the stock which allows it to achieve the WHQS by 2013. The Council's current estimate is that it will need £19 million of unsupported borrowing to achieve the Standard. |
| Local government settlement | The local government settlement for 2009-10 has resulted in a 1.5 per cent increase in Assembly Government funding to the Council compared with a Wales average of 2.85 per cent. The settlement which is the lowest in Wales represents a significant challenge to the Council in respect of setting a balanced budget. |

36. Members and officers continue to review reserves annually to ensure that the reasons they were established remain valid and that the amount reserved is based on realistic assumptions of need. Exhibit 5 identifies that, as at 31 March 2008, the Council had some £19.3 million in reserves (excluding school reserves) which is a £2.1 million increase compared to last year.

Exhibit 5: The Council's cash-backed reserves, 2006-07 and 2007-08

| | 2006-07 £ 000s | 2007-08 £ 000s |
|-------------------------------|-------------------|-------------------|
| Earmarked | 10,924 | 10,982 |
| General | 5,172 | 6,438 |
| Housing Revenue Account (HRA) | 1,125 | 1,889 |
| Sub total | 17,221 | 19,309 |
| Schools | 2,609 | 3,194 |
| Total | 19,830 | 22,503 |

Source: Isle of Anglesey County Council Audited Accounts 2007-08

37. Earmarked reserves have been set aside for known commitments such as Equal Pay, Single Status and Job Evaluation and Insurance. A full schedule of earmarked reserves is shown in the Council's accounts. At £6.4 million, general reserves are £1.2 million more than last year. Since 31 March 2008 the Council has utilised £1.3 million of these reserves to cover overspends in the social services budgets for previous years, £1.1 million of which relates to 2007-08. As part of the budget setting approval process the Council must continue to ensure that these reserves are appropriate and taken into account. The CIPFA recently issued LAAP Bulletin 77 which provides guidance on local authority reserves and balances. The Council must also continue to work with schools to ensure that their reserves are appropriate.
38. The Council is a scheduled body in the Gwynedd Pension Fund in respect of its staff eligible to take part in the Local Government Pension Fund. It should be noted that teachers and uniformed fire fighters are part of separate pension schemes. As set out in Exhibit 6, the actuary for the Gwynedd Pension Fund identified a net liability of £41.7 million on the Council's Pension Fund using the methodology within Financial Reporting Standard 17 compared with £51.3 million last year. The long-term aim is to achieve a fully funded (no net liability) position over a 20-year period. One of the ways to achieve this is for the contribution rates from the admitted and scheduled bodies to increase. As any increase in contribution rates will impact on future revenue expenditure it will require careful planning and continued monitoring.
39. It should be noted that this net liability position on the pension fund is a common issue for authorities across the country and it is necessary to take a long-term view of the situation, as fluctuations in the financial markets and the assumptions used by the actuary can have a significant impact on the position.

Exhibit 6: The Council's Pension Fund valuation

| | 2006-07 £ million | 2007-08 £ million |
|---|----------------------|----------------------|
| Estimated value of assets in the scheme | 138.79 | 152.88 |
| Estimated liabilities | (190.11) | (194.58) |
| Net liability | (51.32) | (41.70) |

Source: Isle of Anglesey County Council Audited Accounts 2007-08

The Council has appropriate financial management arrangements in place but there are some areas where improvement could be achieved

40. The Council's significant financial systems are generally effective and we are able to place reliance on the work of Internal Audit.
41. To demonstrate financial stewardship, the Council needs to ensure effective financial management including:
- effective internal financial controls, such as robust standing orders and financial regulations, strong budgetary control and effective Internal Audit;
 - recognised standards of financial conduct;

- appropriate arrangements to ensure that the Council only enters into transactions where there is specific legal provision for it to do so; and
 - effective arrangements to prevent and detect fraud and corruption.
42. Our review of these areas found:
- that the arrangements to maintain the systems of internal control were generally effective;
 - that Internal Audit has met the required professional standards and we have been able to place reliance on its work;
 - that subject to our previous comments in relation to the purchase of a property at auction effective arrangements were in place to ensure that the Council enters into transactions only where there is specific provision for it to do so; and
 - the ethical framework of the Council was operating effectively as were the arrangements for preventing and detecting fraud and corruption.
43. We have therefore concluded that effective financial management arrangements are in place, although there are some areas for improvement which have been reported to management.

The Council made limited use of the National Fraud Initiative

44. The National Fraud Initiative (NFI) is a biennial computerised data matching exercise conducted across England and Wales. The Audit Commission is responsible for the exercise in England and the Auditor General is responsible for the exercise in Wales through his appointed auditors at local government bodies.
45. The exercise is designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the 2006-07 exercise were released in January 2007 to participating bodies including local councils. The matches have been investigated and resulted in the identification of £4.7 million of fraud and overpayment across Wales. In May 2008, the Auditor General published a national report on the overall findings of the 2006-07 exercise.
46. The Council reported no savings in respect of the NFI in 2006-07. This is mainly due to staff shortages which have hindered progress in investigating NFI data. The Council does not feel that the investment that would be required for additional staff would be offset by the gains from further investigation.
47. Data extractions for the 2008-09 exercise commenced in October 2008 and authorities should receive data matches in early 2009. The Auditor General is undertaking the 2008-09 exercise in accordance with the powers set out in the Serious Crime Act 2007 to conduct data matching exercises to assist in the prevention and detection of fraud in Wales. The Auditor General has recently published a Code of Data Matching Practice to help ensure that people's information is protected and processed appropriately during data matching exercises such as NFI.

The Council's improvement planning arrangements complied with statutory requirements but we identified areas where further work is required

The Council's Improvement Plan has been delivered appropriately and represents a balanced picture of performance in the last year

48. Under the Local Government Act 1999 and subsequent guidance issued by the Assembly Government in Circular 28/2005, an Improvement Plan must be published by 31 October each year. We are required to audit the Improvement Plan in accordance with statutory requirements and guidance, and to report our findings, including on the completion of the joint risk assessment, our audit of the Council's Performance Indicators (PIs) and on its performance measurement arrangements.
49. The Plan was produced and published on time and complied fully with the guidance in Circular 28/2005:
- the detailed Plan is a well written document which reports a balance of good performance and areas for improvement;
 - the Council's key risk areas and actions for addressing them are clearly set out; and
 - the Council decided not to produce a 'Stage 1' Improvement Plan.
50. It should be noted that at the time of the Improvement Plan audit the Public Summary was in the process of completion and has now been published.
51. Detailed responsibilities, the scope of our work and the audit certificate are set out in Appendix 3.

Our audit of the National Strategic Indicators highlights that the Council has robust arrangements in place for the collection of performance information, although it needs to improve target setting and the timing of quality assurance processes

52. The 2008 Improvement Plan reports performance during 2007-08 against 38 PIs. It shows 68 per cent of the PIs as having met or exceeded their target. In terms of comparative performance against the NSIs for 2006-07:
- 55 per cent demonstrate some measure of improvement;
 - 32 per cent show that performance has remained static; and
 - 13 per cent indicate that performance has deteriorated.
- The overall trend in respect of NSIs is therefore of improvement year on year.
53. Our analysis, based on the 22 National Strategic Indicators that are subject to statutory audit highlights the need for additional work in a number of areas. The Council needs to ensure that its arrangements for setting targets are consistent across the organisation and that those arrangements deliver targets that are realistic but challenging.

54. The Council also needs to address gaps in its arrangements for the validation of performance information across the Council – notably for the benefits service we identified some system issues which hindered the collection of reliable data for 2007-08.

Progress has been made in performance management arrangements but further work is needed to realise the full benefits of the revised arrangements and embed them into the operations of the Council

55. The Council's Improvement Plan draws upon the Community Strategy themes as its key priorities for improvement. Business planning arrangements are continuing to improve corporately with the introduction of quarterly performance reviews partway through the year and investment has been made in appointing an interim manager to facilitate greater focus to these reviews.
56. Risk management arrangements continue to improve, with greater emphasis being placed on risk assessment through the quarterly performance reviews and the development of risk registers. The use of the pan-Wales performance management system ('Ffynnon') has been piloted in the Economic Development Service and further use is being considered by management in support of developments in performance management processes.
57. It is important that the progress that has been made over the past 12 months is continued during 2008-09 with a true corporate focus on the objectives and risks faced by the Council and their impact on service plans. The quarterly review forum represents a good opportunity to embed performance management into the day-to-day management of the organisation. The development of a Corporate Plan should also be linked to the risk assessment and performance information processes that are being developed. This is important to embed a robust, connected business planning cycle into the business of the Council.

We consider that difficulties in working relationships between some Executive Members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty

58. In last year's Annual Letter concerns were expressed about the impact of member conflict on the ability of the Council to fulfil the general duty under section 3(1) of the 1999 Act: 'To make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.' Whilst a statutory inspection was not considered to be justified at that stage, we stated that we would continue to monitor the Council's progress in addressing this issue closely.
59. The Appointed Auditor has been reviewing matters brought to their attention in relation to the purchase of a property in Amlwch. Comments on this review are made earlier in this Annual Letter (paragraphs 15-22). However, during this review it has become apparent to the Appointed Auditor that there are difficulties in the working relationships between some members of the Executive and some senior officers. In particular, some Executive Members have expressed concerns about poor communication and the level of information shared with them.

60. This has led, for example, to a situation where Executive Members did not engage fully in recent workshops aimed at developing a clear policy direction for the Council. The Appointed Auditor notes in relation to this situation that the Relationship Manager concludes in this Annual Letter that the Council does not appear to have unified political and managerial leadership. We consider that further information is needed on the corporate governance of the Council.

Our certification of the Council's grant claims and returns is nearing completion

Our detailed testing of the 2006-07 Housing Benefit and Council Tax subsidy claim identified several qualification issues

61. The Council is reimbursed by the Department for Work and Pensions (DWP) for payments awarded to Housing and Council Tax Benefit claimants. This reimbursement, through submission of a subsidy claim to the DWP, exceeds £16 million. We are required to certify the subsidy claim by testing a significant sample of individual benefit claims.
62. Our detailed testing of the 2005-06 benefit claim identified missing claim files, claim forms which were not signed or dated, insufficient information in respect of rent officer referrals, problems in data from the legacy system and incorrect National Insurance numbers in respect of claimants.
63. As a result of our findings, the 2005-06 claim was qualified. The DWP are currently requesting additional information from the Council in respect of the qualified items.
64. The claim for 2006-07 has recently been certified with qualifications in several areas.
65. The 2007-08 claim sees the introduction of a new methodology 'HB Count'. In our experience this new system has increased the time needed to audit the claim and as it is influenced by risk the increase is expected to be significant at the Council.

There have been significant delays in the provision of information necessary for us to complete our audit of some Communities First grant claims. The Council has shown a strong commitment to helping the Communities First partnerships to improve in this area

66. At an early stage, the Council shared with us concerns regarding financial irregularities at two of the Communities First partnerships. As a result, the Council was initially unwilling and unable to certify the claims for audit, as there was uncertainty as to whether the grant monies had been spent on eligible expenditure. Further, the Council noted concerns regarding the evidence maintained at the partnerships.
67. A review by Internal Audit and officers at the Council confirmed that records were missing and claims were not supported by sufficient evidence. The standard of documentation provided to the Council and to us in some instances has been totally inadequate, with records including handwritten notes on serviettes and scraps of paper. The supporting records for one particular partnership are so bad

that the Council is unsure as to what to include in the claim which consequently has not been submitted to us for review.

68. Whilst the Council concluded that in some instances, they were able to certify the claims following the removal of some unsupported expenditure, our subsequent audit identified that some evidence to support the remaining eligible spend was insufficient and inappropriate. We have therefore qualified a number of the claims as a result. The Council points to what they describe as the anomalous position where it is regarded by the Welsh Assembly Government as the accountable body for Communities First grants yet is unable to exercise control over independent partnerships who incur the expenditure.
69. Secondly, we noted that a number of the claims had been put together on an incorrect basis; for example staff at one partnership were under the mistaken impression that if they ordered something before the end of the financial year, then irrespective of whether they had received the service or provision of goods the expenditure could still be included. We identified a number of errors in the accruals and requested that the Council undertake a review to establish the correct position. This review took some time to complete and added to the delays experienced.
70. Thirdly, following the completion of our audits, we requested a number of amendments to claim forms. The basis for the amendment was that in instances where there was an overspend against the approved amount, this expenditure was ineligible and should therefore be excluded from the grant claim. The Council queried this treatment with the Assembly Government on the basis that the total expenditure incurred by the partnership was below the approved amount.
71. The Assembly Government confirmed that 'each CF8 will be looked at as per individual line and not the final total line' ie, agreeing with our proposed amendments. Officers at the Council subsequently requested that they were able to resubmit the claims to include a virement from a category with an underspend into an area of expenditure showing an overspend. We have agreed that the Council will therefore amend a number of claims in order to show the actual expenditure incurred. We will also report in an accompanying qualification letter that the virements were not appropriately authorised. This will enable the Assembly Government to take a view on the overspent expenditure and whether it should be funded.

The Relationship Manager's report on behalf of the Auditor General

The annual joint risk assessment validated the Council's priorities for improvement although effective action has not been taken in response to many previous recommendations

The Council's risk assessment and risk management arrangements are improving with staff and elected members becoming more fully engaged in the process and its outcomes

72. The Council has completed, and agreed with its regulators, a risk assessment of its services and corporate functions. The outcomes of the risk assessment were reported in the Council's Improvement Plan, supporting the identification of its priorities for the next year.
73. We have noted further improvements in the Council's arrangements for identifying and monitoring its risks. Service areas are more actively involved in these arrangements and the Council has initiated quarterly reporting of the key strategic risks to the Corporate Management Team, the Cabinet and Overview and Scrutiny Committees. Further work is needed to ensure that these arrangements are aligned with business planning and that appropriate mitigating actions are in place.

The Council's response to the recommendations of previous inspection work has been variable but it recognises that it needs to take steps to develop mechanisms which will ensure that all recommendations are responded to appropriately

74. We have followed up the implementation of recommendations arising from our work in the following areas:
 - Arts and Culture;
 - Corporate Improvement Assessment;
 - Civil Contingencies Act;
 - Customer Focus and Engagement;
 - Management of Energy and Water;
 - People Management;
 - Private Sector Housing;
 - Regeneration; and
 - Sustainable Development.
75. The follow-up work for the individual areas is not yet complete but it is clear that there is variation in the extent to which recommendations have been addressed.
76. The Council recognises that its arrangements for monitoring responses to recommendations from external regulators need to be improved and we are in the process of reviewing the arrangements the Council intends to implement.

Reviews of corporate functions and processes have indicated a number of areas for improvement and concerns over aspects of the leadership of the Council

77. During 2008 the Appointed Auditor and the Wales Audit Office undertook work in relation to aspects of the Council's corporate working, including service improvement, member conflict, democratic arrangements and project management.
78. The following paragraphs report on this work, which identified a number of areas for improvement and some significant concerns over aspects of the leadership of the Council.

The Council is taking steps to address weaknesses in corporate and performance management that limit its ability to deliver improved service outcomes for local people, but the process is being hampered by a lack of corporate agreement on the way forward

79. Between March and May 2007 we undertook an assessment of whether the Council's corporate arrangements support the delivery of continuous service improvements that provide better outcomes for the public. Last year we reported our interim conclusion that there was general agreement that political and managerial leadership had recognised, and were taking steps to address, weaknesses in corporate and performance management that limit the Council's ability to deliver improved service outcomes for local people.
80. The main conclusions of our assessment were as follows:
 - the Council places great emphasis on responding to local agendas, and there is political consensus on the high-level aims, but the Council's ability to deliver has been limited by ineffective corporate management and many policies and plans are not implemented;
 - there are weaknesses and inconsistencies in the Council's approach to performance management and reporting focuses on activity rather than on outcomes, measured against clear success criteria;
 - there is a risk of an ad hoc, opportunistic approach to improvement rather than a strategic, planned and sustainable process for developments; and
 - the Council recognises the impact of these limitations, and political and managerial leaders are keen to deliver improvements, but the challenge remains for the Council to turn its aims into sustainable action.
81. In November 2008 we received an action plan from the Council which we understand was drafted in June 2008 as a response to our findings. The corporate management team requested a further meeting before our report was finalised. At this meeting, which took place in December 2008, we provided feedback to the effect that the action plan was not, in our view, fit for purpose. We also found that the Council's management team had not formed a corporate view on how to address the issues raised in the report, and therefore, it had not formulated and agreed a response to the report. The Council recognises that, although it has undertaken some activities that may represent an improvement on

the previous position, it needs to carry out further work in response to the issues raised.

The Council does not appear to have unified political and managerial leadership and this is having a negative impact on its ability to agree and implement its priorities and to deliver improving services. These issues have become increasingly apparent during the preparation of this Annual Letter

82. In last year's Annual Letter we expressed concern about the impact of member conflict on the ability of the Council to meet its continuous improvement duty under the 1999 Act. We noted that we would monitor this situation closely along with the development of the Council's decision making, scrutiny and accountability arrangements.
83. We intended to carry out a piece of work involving members and officers that would provide us with evidence as to whether the Council has sufficient unified leadership and effective governance arrangements in place to implement its agreed priorities and to deliver improved services for local people.
84. Difficulties in relationships between some Executive Members and senior officers, which are referred to in the Appointed Auditor's part of this Letter, have prevented us from completing this work. This was partly because many councillors were unwilling to participate in planned workshops due to tensions between them and some senior officers. This has led us to the interim conclusion that the Council does not appear to have unified political and managerial leadership. We have come to this conclusion because:
 - the absence of unified leadership has the potential to cause reputational damage and deflect senior officer and member time away from providing the necessary corporate governance of the Council; and
 - there appears to have been an erosion of trust between some senior councillors and officers.
85. This lack of unified leadership has become apparent during the preparation of this Annual Letter. During the drafting of the Letter the Appointed Auditor and Relationship Manager have had separate meetings with and comments from the Executive Members and the management team. The comments received from the Council Leader on behalf of the Executive Members are very critical of many of the actions of the corporate management team. This situation illustrates the erosion of trust and effective communication between some members and officers.

The Council has made limited progress in respect of project management since our review in 2005. However, recent links with the City and County of Swansea and Wylfa Power Station are providing a basis for development in this area

86. In May 2005 we reported on the Council's arrangements for project management. We found that there was no developed framework for project management in the Council.

87. Little progress was made in respect of project management until earlier this year when the Managing Director sought learning from the City and County of Swansea and Wylfa Power Station (Magnox North Ltd). Through links with these bodies there have been several useful seminars for officers of the Council.
88. The next stage will be a programme of training on project management for officers. We will need to revisit this area during the next audit year to ensure the recent progress is maintained.

Reviews of services have indicated some good practice and some areas for improvement

89. During 2008 the Appointed Auditor and the Wales Audit Office undertook performance audit and inspection work relating to a number of the Council's services and functions together with examinations of specific issues. This work provides evidence of good performance in some areas but also identifies areas where there is scope for improvement.
90. The following paragraphs report on this performance audit and inspection work and are grouped together under overall conclusions that summarise the findings from the work. Individual areas reviewed included ICT, housing, planning, waste management and leisure.

The Council has responded positively to our recommendations in respect of Information Communication and Technology

91. In February 2007 we issued a report on the Council's ICT strategy. The report included the following recommendations for improvement:
 - the Council should review its allocation of ICT between central functions and departments and establish a policy for future allocations;
 - the Council should produce an ICT Strategy covering a five-year horizon;
 - a five-year systems replacement schedule should be prepared and business cases should be produced for any new developments in the schedule; and
 - two separate forums should be established to consider ICT strategy and user issues respectively.
92. When we followed up progress in August 2008 we found:
 - The ICT Steering Group (ICTSG) has now taken on a corporate role to review ICT developments across the Council and, therefore, where the funds for ICT development are allocated within the budget has become less of an issue.
 - The ICTSG has reviewed ICT Strategy documents from across the Council and where appropriate has endorsed them. The ICTSG has also agreed a mission statement in respect of the Council's ICT. The Council considers that a five-year perspective is difficult to achieve with the pace of technology change but a 'visioning' event is planned to determine where the Council wants to be in ICT terms in the medium term.

- The Council does not consider a five-year plan as achievable at present but has established project briefs and business cases for all developments in the current development plan.
- The ICTSG has been established and has met five times since July 2007 and the ICT user group was formed in February 2008.

The Council has produced a business plan for the delivery of the Welsh Housing Quality Standard across its housing stock by 2013, which it will need to closely monitor

93. The Council employed independent consultants to undertake a stock condition survey to inform its business plan (the Plan). The survey identified that there was a shortfall in capital resources of £19.73 million by 2014-15 to maintain the housing stock to the required standard.
94. The Plan developed by the Council, which was submitted to the Assembly Government in July 2007, identifies the initiatives to be undertaken by the Council to improve the housing stock so that all council dwellings meet the WHQS by 2013. The Plan was revised following a review by the Assembly Government. Our review was based on that revised Plan which was provided to us by the Council.
95. We note that the Council has taken action aimed to ensure that the Plan has been comprehensively drafted through the appointment of independent consultants, a tenant panel and applying internal resources in the form of a funded post.
96. The outcome of the Plan, agreed with the Assembly Government, is for the Council to retain the housing stock and through a combination of supported and unsupported borrowing and the use of internal sources of finance to meet the WHQS by 2013 and maintain the standard over the remaining period of the 30-year plan.
97. The Plan developed by the Council makes a number of key assumptions and provides a detailed analysis of the initiatives proposed by the Council to achieve the WHQS by 2013.
98. Our review has identified that the Plan is subject to pressures when a number of the key assumptions are remodelled. This could have a subsequent impact on the level of unsupported borrowing and reserve funding that may be required to support the expenditure required over the 30-year period, or require changes to other aspects of the Plan.
99. A reduction in the number of sales of right to buy properties when the major repairs allowance is capped at 2007-08 allowance levels, for example, would result in an increase in unsupported borrowing that could impact on the feasibility of the Plan.
100. We have also noted that inflationary increases greater than the 2.5 per cent used in the Plan also impact on the level of unsupported borrowing or require other changes to the Plan. However, should the Bank of England achieve its fiscal target of two per cent inflation, a lower level of unsupported borrowing could be required. However, in the current economic climate this is appearing increasingly unlikely.

101. The Council has acknowledged that due to the sensitivities of the key assumptions, should they require further revision the viability of the Plan could be reduced. Close monitoring of performance against the key assumptions should therefore continue to be undertaken by the Council throughout the period covered by the Plan.

The Council has responded positively to our report on planning departures

102. In December 2006 we reported the results of our review of the high level of departures from Plan at the Council.
103. The following table shows the recommendations made and the progress we found when we undertook a follow up review.

Exhibit 7: Development control follow-up

| Recommendation | Progress as at July 2008 |
|--|---|
| The Council should review the work undertaken on the Unitary Development Plan in relation to clusters and in the context of national policy should consider whether producing Supplementary Planning Guidance could help in clarifying the definition and understanding of clusters in Ynys Môn. | Various proposals have been considered by the Council, however, the decision has now been deferred pending the completion of the Local Development Plan. |
| The Council should review its procedures concerning affordable housing to ensure that they are supporting those in need adequately. | Consultation has taken place with stakeholders, the Development Overview Committee and the Affordable Housing Panel. The final Executive decision is pending. |
| The Chair of the Planning Committee should intervene where Committee Members use affordable housing as a justification for supporting a planning application unless the application has been properly designated and meets the relevant criteria and Council procedures for such applications. If necessary, the application should be reconsidered by Committee at a later date, being designated as an 'affordable housing application' once the criteria have been proved and any approval will then be subject to a Section 106 agreement. | Planning Committee agendas make clear whether applications are on the basis of affordable housing or general housing. |
| The preparation of the Local Development Plan should be completed in line with the target timescales. All political groups should be fully involved to ensure that their views are represented and to increase the likelihood of the plan being agreed and used productively. | Prior to the May 2008 election the opposition did not fully engage in the LDP process and there has been slippage in the timetable which has been reported to the Assembly Government. The Council has now issued a public consultation on the Deposit Plan of the Local Development Plan (LDP). |

| Recommendation | Progress as at July 2008 |
|---|---|
| The Chair of the Planning Committee should support the planning officers and Monitoring Officer in reminding members about their duty to adhere to genuine and material planning discussions in their decision making process. | Council Constitution amended to strengthen reference to material planning reasons on 18 September 2007. |
| Planning Committee members should adhere to the Council Constitution rules on making planning decisions and take policy guidance from planning officers in due regard and only vote against their recommendations where genuine and material planning reasons can be identified. | Council Constitution amended to strengthen reference to material planning reasons on 18 September 2007. Committee members have also received training on this issue. |
| Planning Committee members should adhere to the Council Constitution rules on making planning decisions and ensure that they act in a 'quasi-judicial' manner and do not 'favour or appear to favour a person, company, group or locality' or 'take into account any political considerations' in their decision making. | Council Constitution amended to strengthen reference to material planning reasons on 18 September 2007. Committee members have also received training on this issue. |
| The Monitoring Officer should conduct a review of all departure permission discussions and decisions on a monthly basis over the next six months. If, after this period, the Monitoring Officer has continued to identify non-compliance with the Constitution, the Council should consider other options to control the situation including referring all departures approvals to the National Assembly or changing the Constitution to prevent departure applications being determined by Committee at all. | Full Council on 18 September 2007 resolved to (i) amend the constitution to end Councillors' call in powers for departures of fewer than five dwellings and fewer than five jobs for a trial period of 12 months and (ii) establish a member panel to scrutinise officer delegated decisions and all appeals. In September 2008, following the 12-month trial, these amendments were confirmed. |

The Council continues to make progress towards setting up the infrastructure, equipment and services to meet national waste recycling and landfill targets but the timescales are very tight and changes to legislation, targets and funding streams may delay the process

104. Waste management is a significant corporate risk for the Council and is identified as such in the 2007-08 Improvement Plan. The Council is seeking to meet the performance targets in the European Community Landfill Directive (the Directive), for the diversion of municipal waste away from disposal at landfill sites. The Council will incur considerable penalties if it fails to meet these targets which escalate towards 2020. The national waste strategy, Wise About Waste, contains milestone targets for recycling and composting that aim to guide councils to meet the requirements of the Directive.

105. The Council has developed a strategic approach to waste management with five other councils in North Wales. Documentation is being prepared for the procurement of regional residual waste treatment and disposal facilities but the timetable for this is very tight if landfill infraction fines are to be avoided. Local partnerships have also been developed for the treatment of green and food waste which, in the short term, will help reduce the risk of exceeding the landfill allowance. Changing legislation and targets and uncertainty over the Assembly Government's funding arrangement for waste partnerships may result in delays to the procurement process, and increase the risk of the Council being unable to meet some waste targets in the near future.
106. The Council has developed a number of initiatives designed to improve waste recycling including the planned provision, with Gwynedd County Council, of an in-vessel composting plant. This plant will process green and food waste and will help the Council meet the waste targets until the larger residual waste treatment facility has been commissioned around 2012.
107. The Wales Audit Office is currently undertaking a study into waste management across North Wales. This study looks at individual council plans and actions and also the North Wales Waste Partnership. The final report for that study is expected in the spring of 2009.

The Council thoroughly examined its leisure services and produced an initial strategy; however the new administration has decided to reassess options and the way forward

108. We agreed with the Council that, in reviewing its leisure services, we would take a phased approach which, as well as giving us some assurance, would also provide support and challenge to the Council especially in relation to the development of its leisure strategy.
109. The first phase concluded that the Council had thoroughly examined its leisure services and set out a way forward in its draft strategy, but that there were a number of key areas that the strategy did not address.
110. We came to this conclusion because:
 - the Council had thoroughly examined its leisure services provision and highlighted areas for improvement;
 - the island of Anglesey is relatively well provided for in terms of the range and number of leisure facilities, although some facilities are in poor condition and incur high running costs; and
 - the Council had produced a strategy to improve its leisure services provision but there were a number of key areas that the strategy did not address.
111. In August 2008 the executive overturned the previous administration's decisions to bid for the 2015 Island Games and to proceed with the joint school and community sports hall at Holyhead. The Leisure Strategy is therefore being revised and the Wales Audit Office continues to play a support and challenge role in this process. The Council is now investigating options for future leisure and physical activity provision on the island.

The work of other regulators and joint inspections has indicated some good practice and some areas for improvement

Following a critical report by the Public Service Ombudsman for Wales, the Council is required to agree an action plan with its regulators showing how it will improve business processes and general performance within the Housing Benefits Service

112. In August 2008 the Public Service Ombudsman for Wales published a report on an investigation into two complaints against the Council about the handling of housing benefit claims during 2006. The investigation found numerous and severe administrative failings within the Housing Benefit service including: an absence of accurate housing benefit performance information; failure to report accurate information to regulatory bodies in Wales; failure to implement internal procedures with regard to complaint and post handling; and extensive and repeated failures to abide by statutory targets in the Housing Benefit Regulations in respect of the two complainants' claims.
113. The Ombudsman upheld the complaints and recommended that the Council take urgent action to improve its housing benefit performance through training, improved systems and communication between staff.
114. The Ombudsman recommended that the Council fully engages with the regulatory bodies and implements their recommendations. He requires to see within three months of the date of his report, an action plan, agreed with the regulatory bodies, in which it shows how the Council will, within nine months, improve its business processes and general performance.
115. Since the period to which the complaints related there have been improvements to a number of aspects of the Benefits Service. An action plan for service improvement had been drafted in April 2008 and was agreed by councillors in September 2008. The Council has sent its action plan and a progress report to the Ombudsman. We are continuing to work with the Council to ensure the actions highlighted in this strategic action plan are translated into annual business plans.
116. The Ombudsman also recommended that the Council reviews its internal arrangements for recording, monitoring and responding to complaints in order to ensure that complainants receive timely responses of appropriate clarity and quality. A review of the Council's complaints system was already underway and since the investigation was completed new arrangements for the handling of complaints have been agreed and introduced. We propose to include an inspection of these arrangements in our next regulatory plan.

We are monitoring the Council's progress in implementing its action plan in response to the Joint Review of Social Services

117. Following the publication of the report of the Joint Review of Social Services in 2007 the Council prepared an action plan setting out its response to the recommendations. The Wales Audit Office and the Care and Social Services Inspectorate Wales have been monitoring the implementation of the action plan

and had planned to carry out follow-up work during 2008 before signing off the Joint Review process. However, in the light of the sad death of the Director of Housing and Social Services in September it was agreed that this follow-up work should be postponed until early 2009.

A joint inspection of Youth Offending Teams has concluded that the Gwynedd Môn Youth Justice Service is progressing positively, with a management board and staff team that provide leadership and direction

118. The Gwynedd Môn Youth Justice Service (YJS) is a partnership accountable to a Management Board, currently chaired by the Isle of Anglesey County Council, and is a service of the following partnerships:
 - Gwynedd and Môn Local Authorities;
 - Education;
 - Community Safety Partnerships;
 - North Wales Police;
 - Gwynedd and Môn Local Health Board; and
 - North Wales Probation Service.
119. The YJS is resourced and funded by this partnership in addition to the Youth Justice Board which has responsibility for the administration and management of youth justice issues in England and Wales.
120. An inspection of the Gwynedd Môn YJS, led by Her Majesty's Inspectorate of Probation, took place in March and April 2008. The inspection found that restructuring has taken place and a new YJS Operational Management Group has been established. Service audits have taken place, improvement action plans have been introduced, and progress is monitored by the Management Board.
121. The YJS had been a cause of concern in 2005, but action has been taken and significant progress has been achieved. There is a committed staff team and some good examples of innovative and constructive work in all areas.
122. Our overall assessment of the Gwynedd Môn YJS was that it is striving to work to national standards, is fully aware of both its strengths and weaknesses and has good prospects for future development.

The Council has engaged positively with the Wales Audit Office's initiatives to promote improvement

The Council is committed to using the Good Practice Exchange through shared learning

123. In 2007, the Wales Audit Office embarked on a long-term programme of promoting improvement across public services through the capture, evaluation and dissemination of good practice. Web-based facilities to support improvements in sickness absence management, fleet management, occupational health and grants management have been launched and the ability to access Wales Audit Office case studies and facilities to share learning across public services have been developed.

124. This year we have focused on Smarter Ways of Working, aiming to provide a convenient stimulus for innovation and creative thinking in gearing the organisation of work and the people who deliver it to the opportunities that new ways of working may offer. It aims to support an overall organisational strategy of improvement, generating benefits in relation to cost control, sustainability, and employee engagement. At the heart of Smarter Ways of Working is citizen-centred service design.
125. We are currently working with the Council on how best to use our resources to support managers with the opportunities that Smarter Ways of Working may provide.

The Council is committed to delivering the Making the Connections agenda but its approach to fleet management is not making the best use of resources to support improvements in service delivery

126. The Wales Audit Office is committed to an ongoing programme of work focussing on the Making the Connections (MtC) agenda across the public sector in Wales. In 2007 we completed a baseline assessment of progress made in implementing that agenda, following which we concluded that a phased review of asset management would provide a framework for future work.
127. The first phase of that work – on fleet management – was designed to identify whether public sector organisations' arrangements made the best use of resources to support improvement in service delivery. The Welsh public sector collectively uses approximately 16,000 vehicles which cost some £200 million per annum to run. We estimate that these vehicles drive some 250 million miles per annum which generates some 110,000 tonnes of carbon dioxide (CO₂). Effective fleet management can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.
128. The Council's vehicle fleet costs £0.8 million to run each year. We estimate that these vehicles travel 1.96 million miles each year and produce 1,169 million tonnes of CO₂. The Council's fleet size of 170 vehicles is relatively small due to the outsourcing of waste collection and highways maintenance.
129. Our review noted that the Council does not have the following:
 - A robust fleet management strategy. There is currently a vacancy for the post of fleet manager. When this post is filled the Council intends to prioritise the production of a corporate strategy for its fleet.
 - Established fleet management procurement arrangements. Procurement is undertaken on a department-by-department basis, and there is little or no input from the central procurement function.
 - Arrangements in place to ensure the efficient use of its fleet. The Council has not tested the value for money of the in-house vehicle maintenance function in recent years.
 - A formal disposal policy in place, the general approach is to advertise the vehicles internally and to sell them to Council staff through a bidding process. We have made a series of recommendations about these issues that the Council should take into account which can improve service delivery, reduce operating costs and minimise the environmental impact of the fleet.

Appendix 1

The Auditor's report on the arrangements for securing economy, efficiency and effectiveness in its use of resources in 2007-08

| | |
|--|-------------------------------------|
| Conclusion on the Council's arrangements for the year ended 31 March 2008 for securing economy, efficiency and effectiveness in its use of resources | |
| The Council's responsibilities | |
| The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance. The Council is also responsible for regularly reviewing the adequacy and effectiveness of these arrangements. | |
| Auditor's responsibilities | |
| We have a responsibility under section 17(2)(d) of the Public Audit Wales Act 2004, to conclude from our audit of the Council's annual accounts and other relevant information whether we are satisfied that it has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For the purposes of our work in this area, we have assessed 'proper arrangements' as principally comprising an organisation's corporate performance management and financial management arrangements, significant elements of which are defined in paragraph 48 of the Auditor General's Code. | |
| We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. In carrying out our work, we have not considered whether the arrangements in place represent all those that could be in place. We are also not required to consider, nor have we considered as part of this aspect of our work, the effectiveness of the arrangements in place in securing value for money during the year under review. | |
| Conclusion | |
| The following conclusion has been based on, and limited to, work carried out as part of our audit of the 2007-08 accounts, together with any other information that we have considered to be relevant to our examination, to establish, in all significant respects, what arrangements the Council had in place during the year to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources. | |
| Based on the Council's Statement of Internal Control and as a result of the work carried out, as described above, as part of our audit of the 2007-08 accounts, and all other information that we have considered to be relevant, we are satisfied overall as to the existence of the arrangements that the Council had in place during the year to support the achievement of its responsibility for securing economy, efficiency and effectiveness in its use of resources. We have also raised various issues with the Council, and made recommendations to improve its arrangements. These matters are further discussed and explained in the Annual Letter. | |
| PricewaterhouseCoopers LLP Appointed Auditor 28 November 2008 | One Kingsway Cardiff CF10 3PW |

Appendix 2

Criteria for assessing the Council's arrangements during 2007-08 for securing economy, efficiency and effectiveness in its use of resources

| Corporate performance management and financial management arrangements | Questions on arrangements |
|--|---|
| Establishing objectives, determining policy and making decisions | 1. Has the Council put in place arrangements for setting, reviewing and implementing its strategic and operational objectives? |
| Meeting the needs of users and taxpayers | 2. Has the Council put in place channels of communication with users and taxpayers, and other stakeholders including partners, and are there monitoring arrangements to ensure that key messages about services are taken into account? |
| Compliance with established policies | 3. Has the Council put in place arrangements to maintain a sound system of internal control, including those for ensuring compliance with laws and regulations, and internal policies and procedures? |
| Managing operational and financial risks | 4. Has the Council put in place arrangements to manage its significant business risks? |
| Managing financial and other resources | 5. Has the Council put in place arrangements to evaluate and improve the value for money it achieves in its use of resources? |
| | 6. Has the Council put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities? |
| | 7. Has the Council put in place arrangements to ensure that its spending matches its available resources? |
| | 8. Has the Council put in place arrangements for managing and monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior management and the Council? |
| | 9. Has the Council put in place arrangements for the management of its asset base? |
| Monitoring and reviewing performance | 10. Has the Council put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to the Council? |
| | 11. Has the Council put in place arrangements to monitor the quality of its published performance information, and to report the results to Council members? |
| Proper standards of conduct etc | 12. Has the Council put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business? |

Appendix 3

Audit of the 2008-09 Improvement Plan**Certificate**

We certify that we have audited the Isle of Anglesey County Council's Improvement Plan in accordance with Section 7 of the 1999 Act and the Auditor General's Code. We also had regard to supplementary guidance issued by the Assembly Government such as Circular 28/2005.

Respective responsibilities of the Council and the auditors

Under the 1999 Act the Council is required to prepare and publish a Best Value Performance Plan summarising:

- its assessments of performance; and
- its position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

This was supplemented by further guidance on how the WPI will be implemented under sections 3, 5 and 6 of the 1999 Act as set out in the National Assembly Circular 18/2002. Under this guidance, the statutory Best Value Performance Plan has been replaced by a statutory Improvement Plan.

Assembly Government circular 28/2005 superseded Circular 18/2002 and requires the Plan to be published no later than 31 October of the financial year to which it relates.

The Council is responsible for preparing the Plan and for the information and assessments set out within it. The Council's future work programme set out in the Plan should connect to the outcomes of the updated risk assessment.

The Council is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its Plan are derived, and for ensuring that it provides sufficient capabilities and capacity needed to manage change and improvement. The form and content of the Plan are prescribed in section 6 of the 1999 Act and the statutory guidance issued by the Assembly Government.

As the Council's appointed auditors, we are required under section 7 of the 1999 Act to carry out an audit of the Plan, to certify that we have done so, and to report whether we believe that the Plan has been prepared and published in accordance with statutory requirements set out in section 6 of the 1999 Act and statutory guidance and, where appropriate, recommending how the Plan should be amended so as to accord with statutory requirements; and to recommend:

- Where appropriate, procedures to be followed in relation to the Plan.
- Whether the Auditor General should carry out an inspection of the Council under section 10A of the 1999 Act.

- Whether the Assembly Government should give a direction under section 15 of the 1999 Act – for example, directing the Council to amend its Plan, carry out a review of a specific function or hold a local inquiry. Details of all possible directions can be found in the 1999 Act.

Scope of the Improvement Plan audit

We planned and performed our work to obtain all the information and explanations that we considered necessary in order to report and make recommendations in accordance with section 7 of the 1999 Act.

For the purposes of our report, we have interpreted compliance with the statutory guidance issued by the Assembly Government in the document, *Wales Programme for Improvement: Guidance for Local Authorities*, as being sufficient to meet the statutory requirements under section 6 of the 1999 Act.

We are not required to form a view on the completeness or accuracy of the information, or realism and achievement, of the Plan published by the Council. Our work therefore comprised a review and assessment of the Plan and, where appropriate, an examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the Plan complied with the requirements of the legislation and statutory guidance. For the purpose of determining whether or not to make recommendations on procedures to be followed in relation to the Plan, our work included:

- a review and assessment and, where appropriate, examination on a test basis of evidence relevant to the adequacy of the systems set in place by the Council for collecting and recording specified performance information; and
- the testing of specific NSPIs selected on the basis of criteria set out by the Wales Audit Office.

The work we have carried out in order to report and make recommendations in accordance with section 7 of the 1999 Act cannot be relied upon to identify all weaknesses or opportunities for improvement.

We planned our work so as to collect sufficient evidence to satisfy ourselves that the Plan includes those matters prescribed in legislation and statutory guidance, and the arrangements for publishing the Plan, complied with the requirements of legislation and statutory guidance.

Other recommendations under the Local Government Act 1999

Under section 7 (4) (e) of the Local Government Act 1999 we are recommending that the Auditor General carries out an inspection of the Authority under section 10 of the same Act.

| | |
|---|-------------------------------------|
| PricewaterhouseCoopers LLP Appointed Auditor 28 November 2008 | One Kingsway Cardiff CF10 3PW |
|---|-------------------------------------|

Appendix 4

Audit and inspection fees

Your 2007-08 audit and inspection fees were based on the risks identified and an assessment of the work needed to address those risks. They are currently expected to be as summarised below.

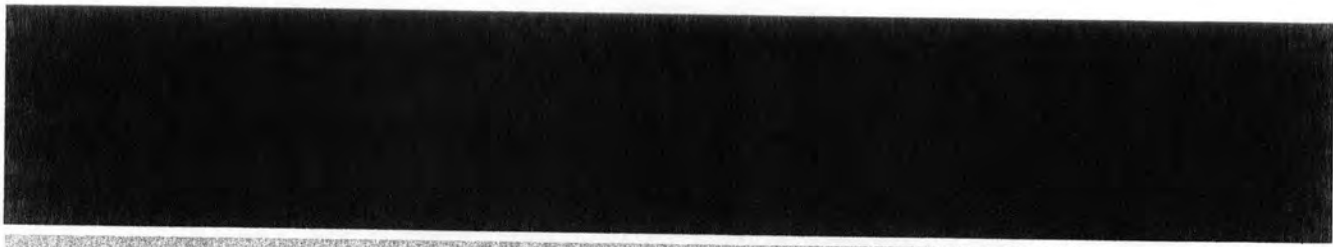
Audit and inspection fees 2007-08 (excluding VAT)

| | 2007-08 planned (£) | 2007-08 expected actual (£) |
|------------------------|------------------------|--------------------------------|
| Accounts | 138,378 | 138,378 |
| Performance audit | 75,000 | 75,000 |
| Performance inspection | 85,522 | 85,522 |
| Total | 298,900 | 298,900 |

In addition to the fee above, we are required to certify your government grant claims and returns for which we must charge the actual time taken to undertake the work at skill related fee rates. This work is not complete: at this stage we anticipate this work will cost approximately £150,000 plus VAT.

We have incurred additional cost for work undertaken in respect of public correspondence, challenges and objections. This includes the cost of legal advice which was necessary in the case of the objection relating to the property in Amlwch purchased at auction. As at 30 November these additional fees total £43,000. Should our decision in respect of the property purchase be subject to judicial review then there will be significant additional costs to the Council.





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