Public Document Pack

Mr Dylan J. Williams
Prif Weithredwr – Chief Executive
CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL
Swyddfeydd y Cyngor - Council Offices
LLANGEFNI
Ynys Môn - Anglesey
LL77 7TW

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

RHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR LLYWODRAETHU AC ARCHWILIO	**GOVERNANCE AND AUDIT COMMITTEE**
DYDD MAWRTH, 18 EBRILL, 2023 am 2:00 y. p.	**TUESDAY, 18 APRIL 2023 at 2.00 pm**
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR AC YN RHITHIOL DRWY ZOOM	**COMMITTEE ROOM 1, COUNCIL OFFICES AND VIRTUALLY VIA ZOOM**

Swyddog Pwyllgor	**Ann Holmes 01248 752518**	**Committee Officer**

AELODAU / MEMBERS
Cynghorwyr / Councillors:-

PLAID CYMRU / THE PARTY OF WALES

Geraint Bebb, Sedd Wag/Vacant Seat, Dyfed Wyn Jones, Euryn Morris *(Deputy Chair),* Margaret M. Roberts

Y GRWP ANNIBYNNOL / THE INDEPENDENT GROUP

Dafydd Roberts

LLAFUR CYMRU/WELSH LABOUR

Keith Roberts

ANNIBYNNWYR MÔN / ANGLESEY INDEPENDENTS

Aled M.Jones

AELODAU LLEYG / LAY MEMBERS

Dilwyn Evans *(Chair),* William Parry, Sharon Warnes, Michael Wilson

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A G E N D A

1   DECLARATION OF INTEREST

To receive any declaration of interest by any Member or Officer in respect of any item of business.

2   MINUTES OF THE PREVIOUS MEETING

To present the minutes of the previous meeting of the Governance and Audit Committee held on 7 February, 2023.

3   EXTERNAL AUDIT:ISLE OF ANGLESEY COUNTY COUNCIL - ANNUAL AUDIT SUMMARY 2022 (Pages 1 - 8)

To present the report of Audit Wales.

4   EXTERNAL AUDIT:AUDIT WALES WORK PROGRAMME AND TIMETABLE - ISLE OF ANGLESEY COUNTY COUNCIL (Pages 9 - 28)

To present the report of Audit Wales.

5   INTERNAL AUDIT STRATEGY 2023-24 (Pages 29 - 50)

To present the report of the Head of Audit and Risk.

6   INTERNAL AUDIT UPDATE (Pages 51 - 64)

To present the report of the Head of Audit and Risk.

7   OUTSTANDING ISSUES AND RISKS (Pages 65 - 74)

To present the report of the Head of Audit and Risk.

8   REVIEW OF THE RISK MANAGEMENT FRAMEWORK (Pages 75 - 106)

To present the report of the Head of Audit and Risk.

9   REVIEW OF FORWARD WORK PROGRAMME 2023-24 (Pages 107 - 112)

To present the report of the Head of Audit and Risk.

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the hybrid meeting held on 7 February, 2023

PRESENT:	Mr Dilwyn Evans (Lay Member) (Chair)
	Councillors Geraint Bebb, Neville Evans, Aled M. Jones, Dafydd Roberts, Keith Roberts.
	Lay Members: William Parry, Sharon Warnes, Michael Wilson
IN ATTENDANCE:	Director of Function (Resources) and Section 151 Officer Head of Audit and Risk Head of Adults' Services (for item 7) Principal Auditor (NW) Risk and Insurance Manager (JJ) (for item 9) Schools Data Protection Officer (EW) (for item 3) Committee Officer (ATH)
APOLOGIES:	Councillors Dyfed Wyn Jones, Margaret M.Roberts, Euryn Morris
ALSO PRESENT:	Councillor Robin Williams (Portfolio Member for Finance, Corporate Business and Customer Experience), Alan Hughes (Performance Audit Lead – Audit Wales), Yvonne Thomas (Financial Audit Manager – Audit Wales), Bethan H. Owen (Accountancy Services Manager), Andrew Lewis (Senior Auditor), Mr Nick McCavish (Strategic Regional Manager Galw Gofal)

The Chair welcomed everyone present to this meeting of the Governance and Audit Committee and he extended a particular welcome to Councillor Aled M. Jones as a new member of the Committee.

1. DECLARATION OF INTEREST

No declaration of interest was received.

2. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting of the Governance and Audit Committee held on 18 January, 2023 were presented and were confirmed as correct subject to amending the reference to "30 November, 2021" in the paragraph following the first bullet point under item 3 to read "30 November, 2022."

In response to a request by the Chair for an update on the accounts position, the Director of Function (Resources)/Section 151 Officer confirmed that the Authority's accounts were formally signed off by Audit Wales on 31 January, 2023 and that there had been no material changes to the accounts nor the ISA 260 report.

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3. ANNUAL INFORMATION GOVERNANCE IN SCHOOLS REPORT 2021/22

The report of the Schools Data Protection Officer setting out the key information governance issues in schools for the period November, 2021 to January, 2023 along with current priorities was presented for the Committee's consideration. The report provided the Schools Data Protection Officer's statement and overview of Anglesey primary, secondary and special schools' compliance with legal requirements in handling information during the period including compliance with the United Kingdom's General Data Protection Regulations (UK GDPR), the Data Protection Act 2018 and relevant codes of practice.

The Schools Data Protection Officer in presenting her analysis of the position confirmed that since the last report was issued in November, 2021 significant progress had been made in ensuring that schools have the necessary policies and procedures in place to be compliant with requirements under data protection legislation. The day to day information management practices within the schools have continued to improve and schools now show that they understand their responsibilities and implications as the data controller and the legal expectations that come as a result. Most school staff have received data protection training in the past year which has supported schools in improving their practices, and twenty school governing bodies have also received a data protection presentation. Schools have formally adopted the majority of policies and are in the process of adopting the final policies package which should ensure they are able to address the accountability requirements of GDPR. Whilst based on her assessment, the School's Data Protection Officer is able to provide a Reasonable assurance opinion with regard to school compliance with data protection legislation and requirements, further work needs to be done as detailed within the report specifically in relation to managing the data protection risks arising from the use of different systems and reviewing arrangements with data processors including ensuring that agreements by providers meet requirements.

The Committee welcomed the report as comprehensive and informative and the following issues were raised during the ensuing discussion –

- That the inclusion of a glossary of acronyms/terms in future annual reports would be most helpful
- The timescale for the completion of the further work identified and whether all the Island's schools have now been assessed and are signed up to receive support and guidance via a Service Level Agreement.

  The Schools Data Protection Officer confirmed that the 45 schools to which reference is made in the report covers all Anglesey primary and secondary schools along with Canolfan Addysg y Bont with the exception of Ysgol Caergeiliog Foundation School. She advised that the schedule contained in the Anglesey Schools Data Protection Development Strategy in Appendix B sets out the target completion dates for the activities outlined with the aim being that all the main elements will have been completed by the end of the current school year.

- What the further work with schools entails in order to ensure they are fully compliant with data protection regulations and requirements.

  The Schools Data Protection Officer advised that part of her role involves conducting an annual data protection audit of each of the 45 individual schools to review data protection compliance and arrangements with two such audits of all the schools having been completed to date. For the 2023 audit visit, she would be focusing on ensuring that all schools have an accurate and up to date Record of Processing Activities (RoPA); that they are monitoring and can evidence their compliance with all data protection policies; that they have appropriate data protection agreements in place with data processors i.e.

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those companies from which they procure systems, programmes and apps and that Data Protection Impact assessments have been completed for high risk data processing areas such as CCTV cameras.

- The provision of training specifically, the number of school staff who have received the necessary data protection training and whether there are any schools that have not as yet received training.

  The Schools Data Protection Officer confirmed that the majority of schools have now been provided with data protection training with most having been conducted online and the schools themselves maintaining a record of attendees for each session. As the arrangements have been made either on a catchment or individual school basis she could not say how many staff had attended; she was however aware that a few schools had not received the basic session and that she would be following this up to ensure that all remaining schools are provided with training on all the key data protection elements.

- The role of Cwmni CELyn. The Schools Data Protection Officer clarified that the company is an independent Caernarfon based company which provides specialist advice on information governance and data protection to this and other councils.

- Whether schools have the autonomy to procure software packages according to their needs and whether in that case there are any measures and/or assessment to ensure such software is appropriate and compliant with GDPR and the Data Protection Act.

  The Schools Data Protection Officer advised that she had completed in-depth assessments on Data Processing Agreements for the systems, programmes and apps that the majority of schools use in order to provide an overall risk assessment for schools regarding the current agreements they have. Normally, should a school wish to sign up to an app the Schools Data Protection Officer would first assess the agreement with the provider to ensure it covers all the required data protection components. She confirmed in response to a further query that although schools do have independence as a data controller because they are connected to the HWB network, the IT Service would have to be consulted before schools are able to upload/install any programme or system.

It was resolved –

- **To accept the Schools Data Protection Officer's report and statement.**
- **To endorse the Schools Data Protection Officer's proposed next steps – the Schools Data Protection Plan in order to enable schools to fully operate in accordance with data protection requirements.**

No further action required

4. TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The report of the Director of Function (Resources)/Section 151 Officer incorporating the Treasury Management Strategy Statement for 2023/24 was presented for the Committee's consideration. The report was presented to ensure that the Council is implementing best practice in accordance with CIPFA's Code of Practice on Treasury Management and included the Annual Investment Strategy, the annual MRP Policy Statement, the annual Treasury Management Policy Statement and the Treasury Management Scheme of Delegation.

The Treasury Management Strategy sets out the Council's strategy and approach as regards borrowing and investment, the constraints on borrowing, determines a set of

prudential indicators and determines the Council's risk appetite and strategy in respect of investments. It covers the following two main areas –

- Capital issues including the Council's capital expenditure plans and prudential indicators along with the Minimum Revenue Policy Provision (MRP) Statement and,
- Treasury management issues including the Council's current treasury position, the prospects for interest rates, the Council's Borrowing and Investment Strategies; the Policy on Borrowing in Advance of Need; Debt Re-scheduling, the Creditworthiness Policy and the arrangements for governance and control over treasury management processes, decisions and performance.

The report also included a commentary on the wider economic background and outlook and how these influence treasury management decisions.

In providing an overview of the report the Director of Function (Resources)/Section 151 Officer highlighted the following –

- That any surplus cash which the Council has is currently invested in short-term deposit accounts, Call accounts and with other UK local authorities. The balance invested in these accounts was £46.2m as at 31 December, 2022. It is envisaged that this balance will reduce to around £38m and that an investment due to mature in February 2023 will not be reinvested but will instead return to the Council Fund to be used to support cash flow requirements and fund capital expenditure at the end of the financial year.
- The Council's capital expenditure plans and how these are to be financed (Table 3 of the report). The borrowing need for capital expenditure for 2023/24 is £26.118m.
- The impact of the Council's capital expenditure plans and the MRP charge on the level of external and internal borrowing as set out in Table 4 of the report.
- A change to the Minimum Revenue Provision Policy. In 2018 the Council revised its MRP policy and adopted the Equal Instalment Asset Life method to calculate its MRP charge for both supported and unsupported borrowing. The revised policy from 1 April, 2022 adopts an annuity method following a similar method to a standard repayment mortgage where the combined repayment sum of principal repayment and interest remains constant and as a result, the amount of principal repaid in the early years is low and increases over time. Therefore under the annuity method, the MRP charge is low in the initial years and increases over time. Although the actual sum charged remains the same with both methods, when the value of future charges are discounted back to current prices, the Annuity method provides a positive Net Present Value compared to the Equal Instalment Asset Life method. This is considered to be a more prudent approach.
- The need to adopt an agile investment strategy for 2023/24 in order to optimise returns. The Committee was advised that if the Bank Rate continues to rise, then new deposits will be on a short-term basis. Conversely if the Bank Rate falls consideration will be given to locking in higher rates obtainable for a longer period. However, investing the Council's surplus cash means that the money is not available for day to day purposes or to fund capital expenditure so the Council has to borrow. The challenge lies in maintaining a balance between obtaining the best from investments while avoiding borrowing at a high rate – the strategy therefore is to go longer term with investments while keeping borrowing short term.
- That the Council's investment priorities remain security first, portfolio liquidity second and then yield (return) although a more nuanced approach will be taken to liquidity and yield and where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investment will be carefully assessed.

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In response to points raised by the Committee on the contents of the report, the Director of Function (Resources)/Section 151 Officer clarified the following –

- That any minor amendments/corrections will be made to the Strategy Statement ahead of its submission to the Executive and Full Council.
- That although the capital budget is set in a way that shows how elements of it will be funded whether through grants, receipts, reserves and/or borrowing, on a day to day basis borrowing is undertaken to meet the Council's cash flow requirements and to replenish cash balances but is not specifically linked to any particular item of capital expenditure.
- That Link Group has been acting as the Council's Treasury Advisors for a number of years and were successful when the contract was last tendered in 2018/19.
- That borrowing is increasing because the Council has reached the limits of internal borrowing meaning that ongoing capital expenditure has to be funded from external borrowing. The Housing Revenue Account generates the greatest amount of borrowing need and this is in order to meet the housing development priorities set out in the HRA Business Plan. Whilst HRA reserves have been used to fund this expenditure, as these are run down to a level which the Council deems is appropriate, any new capital expenditure has to be financed by external borrowing. With regard to repayments, the principal of a loan taken out is not paid back on an annual basis in the same way as a mortgage but is repaid when the loan term comes to an end. Appendix 5 to the report provides a loans maturity analysis from 2023/24 onwards. However, as part of any decision on future borrowing the Council will aim to ensure that the repayment date is arranged so as to smooth out repayments as far as possible.
- With regard to the decrease in non HRA/General Fund capital expenditure over the course of the next three years, this is funded as part of the annual settlement from Welsh Government and includes the General Capital Grant which can be spent as the Council wishes and supported borrowing where the revenue costs of borrowing are funded by Welsh Government through the annual revenue settlement. While these funding streams have remained at much the same level for a number of years and are not expected to increase significantly in future, Welsh Government is increasingly using grant funding to drive projects in areas where it wishes to see improvements and/or change e.g. school modernisation. The capital allocation for 2023/24 therefore includes a provision for grant funding from Welsh Government which the Council knows will be forthcoming while for the following two years the allocation covers the core funding only. However, when the Strategy is reviewed next year it is likely that further capital grant funding will have been made available by Welsh Government which means that the figures for 2024/25 and 2025/26 can be revised upwards. It is also expected that an increasing amount of Welsh Government grant funding in future years will come with net zero conditions. In addition, the scale of the Council's capital programme is reducing because the funding now buys less. Given that the core capital funding is presently just about sufficient to cover the maintenance of the Council's existing assets, the Council is reliant on grant funding to support any additional capital expenditure.

It was resolved to accept and to note the Treasury Management Strategy Statement for 2023/24 and to forward the report to the Executive without further comment.

No further action required

5. **REVIEW OF THE GOVERNANCE AND AUDIT COMMITTEE'S TERMS OF REFERENCE**

The report of the Head of Audit and Risk incorporating the Committee's current terms of reference was presented for consideration. Good practice suggests that committees should periodically review their terms of reference for appropriateness. The Governance and Audit

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Committee last approved fully revised terms of reference in April, 2022 following changes made as a result of the Local Government and Elections (Wales) Act 2021.

The Head of Audit and Risk confirmed that although the Chartered Institute of Public Finance and Accountancy (CIPFA) issued updated sector-specific guidance in December 2022, it does not contain any changes that affect the Committee's terms of reference therefore no changes are required.

It was resolved to approve the Committee's existing terms of reference.

No further action required

6.   REVIEW OF FORWARD WORK PROGRAMME

The report of the Head of Audit and Risk incorporating the Committee's Forward Work Programme and Training Schedule was presented for the Committee's consideration.

The Head of Audit and Risk advised that the review of the Risk Management Framework had been deferred to the Committee's April, 2023 meeting pending the implementation of a new Version 2 of the Risk Management software.

It was resolved to accept the Forward Work Programme for 2022/23 with the change outlined as meeting the Committee's responsibilities in accordance with its terms of reference.

No further action required

7.   INTERNAL AUDIT UPDATE

The report of the Head of Audit and Risk providing an update as at 31 January, 2023 on the audits completed since the previous update to the Committee as at 30 November, 2022 was presented for the Committee's consideration. The report also set out the current workload of Internal Audit and its priorities for the short to medium term going forward. Members of the Committee were provided with copies of the four pieces of assurance work completed in the period in relation to the UK Community Renewal Fund (Grant Audit) (Reasonable Assurance); IT Vulnerability Management (First Follow-Up) (Reasonable Assurance), Council Tax Direct Debit Error (assurance opinion not applicable) and Galw Gofal (Partnership Governance Arrangements) (Limited Assurance) under separate cover.

The Head of Audit and Risk provided an overview of the report including a summary of the outcome of the work completed and the areas of work currently in progress as at the table at paragraph 23 of the report. She referred to the recruitment challenges which the Service was experiencing in seeking to fill two vacant posts at Senior Auditor level and she confirmed that the service is continuing to deliver the Annual Internal Audit Strategy for 2022/23 as approved by the Committee with priority being given to reviewing the red and amber residual risks not yet reviewed or not reviewed in the last two years. Three strategic risks remain to be reviewed before the end of the year.

In considering the report, the Committee discussed the following matters –

* The audit of the Local Government Pension Scheme which had been prompted by concerns raised during the Teachers' Pensions audit. Further assurance was sought that the issue of gaps in teachers' pensionable service had been resolved and errors corrected.

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The Head of Audit and Risk confirmed that Internal Audit had conducted an audit of Teachers' Pensions last year which examined what had caused the problem with the administration of teachers' pensions and whether the arrangements to accurately pay pension contributions and account for teachers' pensionable service information to the Teachers Pensions Service are effective. The issues/risks raised by the audit were incorporated in an Action Plan the progress of which is due to be followed up by Internal Audit.

The Director of Function (Resources)/Section 151 Officer advised that the issue was not isolated to the Isle of Anglesey with widespread problems of inaccuracies/gaps in teachers' service records having been reported. He explained the arrangement for submitting information to the Teachers' Pension Service (TPS) which involved the preparation of two data files the one in relation to the monthly service record and the other in relation to employee and employer contributions. Although the TPS validates the information it receives, issues arose with the reporting of discrepancies which meant that errors were not actioned. An additional resource to deal with pension queries and records has since been obtained. The TPS is implementing a new data collection process whereby the information which the Council is required to submit is consolidated into one single file. However, issues with upgrading the Council's system has meant a delay of several months in the submission of information to the TPS. The Council has reverted to the previous system and is now in the process of catching up; once the software issues have been successfully resolved, it is hoped records can be updated and any gaps addressed. It should be noted that all contributions deducted from teachers' pay have been paid into the pension scheme and that an annual return of information and declaration of pension contributions is submitted which is subject to external audit verification.

In response to further questions, the Section 151 Officer clarified that while Gwynedd Council is responsible for payroll records pre-dating 1996, Anglesey Council will provide assistance where it can. The Teachers' Pension scheme is an unfunded scheme administered by the Department for Education; the liability for the scheme lies with the UK Government. Unlike the Teachers' Pension Scheme, the Local Government Pension Scheme is a funded scheme with the Council and employees making contributions into a fund calculated at a level intended to balance the pension's liabilities with investment assets. In the past the fund's liabilities exceeded the value of its assets meaning the Council was contributing additional funding to cover the past deficit on the fund as well as future service costs. The valuation that will take effect from April, 2023 shows a slight increase in the employer contributions to cover future service costs as Anglesey's part of the fund is now 110% funded with the value of the assets exceeding the liabilities. The Council is liable for its share of the Gwynedd Pension Fund but that liability is unlikely to crystallise as the fund is ongoing and employer contribution adjustments control the level of under or overfunding.

- The staffing position within Internal Audit and the potential impact of the two vacant posts on the Service's assurance provision. Questions were asked about the steps that could be taken to overcome current recruitment challenges.

  The Head of Audit and Risk advised that while the Service will again run the recruitment process for the two vacant posts within the section, in the meantime it is utilising the budget savings to commission additional external support in complex areas including technical IT audit from the IT Audit Team at Salford Council. She assured the Committee that the progress made on delivering the Internal Audit Strategy for 2022/23 meant that she would be in a position to provide an annual audit opinion.

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- The Council Tax Direct Debit Error. While the Committee accepted that steps had been taken and improvements made to ensure that the error would not be repeated, assurance was sought that the Council has in place appropriate processes to prevent its accounts being emptied and the funds transferred to the wrong beneficiary and/or destination.

  The Director of Function (Resources)/Section 151 Officer explained the processes in place for direct debit collection and for making payments including the checks involved for each transaction. As the Internal Audit review confirms, the Council Tax direct debit error was the consequence of human error made possible by unique circumstances over the Christmas and New Year bank holiday period whereby the direct debit files for three payment due dates were processed in advance causing confusion and error. As a result of the incident, the Service is implementing a more robust authorisation process so that an independent officer checks all Council Tax and NNDR direct debit files prior to their release with all the checks to be supported by documentation. The Section 151 Officer also outlined the swift action that was taken to rectify the situation as confirmed by the Internal Audit review and what that had entailed. The Section 151 Officer said that he was confident that the Council has appropriate processes in place to prevent its accounts from being emptied and monies transferred to an unauthorised destination.

- The Internal Audit Limited review of the Galw Gofal (Partnership Governance Arrangements*). (This report was taken at the end of the meeting in closed session as it was resolved that under Section 100 (A) (4) of the Local Government Act 1972, the press and public should be excluded from the discussion of the report on the grounds that it involved the disclosure of exempt information as defined in paragraph 14 of Schedule 12A to the said Act).*

  The Head of Audit and Risk clarified that it was recommended that the matter be considered in private session as the review refers to the business affairs of the Council which could prejudice the interests of the Council commercially, financially and legally. Additionally, Galw Gofal provides services to other organisations which raises issues of commercial sensitivity. She referred to the scope of the review which examined whether Galw Gofal's partnership governance is fit for purpose to ensure governance, performance and financial stability are adequate, and to its outcome in a Limited Assurance opinion. The audit review raised five issues/risks which have been incorporated within an Action Plan and agreed by the Partnership Board. She confirmed that there were no concerns about the service being provided to individuals or about the use that the Isle of Anglesey County Council's Housing Service makes of Galw Gofal as an out of hours call centre, but there were issues around GDPR compliance and a number of governance control weaknesses were identified in connection with data protection obligations.

  The Head of Adults' Services and Mr Nick McCavish, the Galw Gofal Regional Strategic Manager provided assurance that the matters raised by the audit are being addressed and they outlined the steps being taken to expedite that process. The Regional Strategic Manager advised that those matters are being prioritised and while it is expected that most of the issues/risks raised will be addressed within timescale, evaluating the value for money aspects of the partnership may take longer as he would wish that undertaking to be conducted thoroughly and comprehensively. The Committee was further advised that the review had found no data protection breaches with the robustness of data protection arrangements and controls being the main issues raised.

  In considering the Internal Audit review report, the Committee deemed that it raised important questions about the governance of partnerships generally and it concurred with the comment made in the review that the outcome prompts a need to consider and review governance and data protection arrangements of the other partnerships that the Council

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is involved in according to their level of risk. The Committee thought that it should be giving time to reviewing the effectiveness of partnership governance as part of its work plan. The Committee further highlighted a lack of clarity around lines of responsibility within the Galw Gofal Partnership which it considered needed to be addressed as part of ensuring good governance.

The Regional Strategic Manager confirmed that the Section 101 agreement will set out the responsibilities of each organisation within the partnership.

It was resolved to accept the update report and to note Internal Audit's assurance provision and priorities going forward.

No further action required

8. EXCLUSION OF THE PRESS AND PUBLIC

Consideration was given to excluding the press and public for the following item on the grounds that it may involve the disclosure of exempt information as defined in Schedule 12A of the Local Government Act 1972 and in the Public Interest Test as presented.

A query was raised on the necessity of excluding the Strategic Risk Register in its entirety from being discussed in open session on the basis that it was deemed there were elements of the Register which were of public interest.

The Head of Audit and Risk advised that the Strategic Risk Register contains information about the business affairs of the Council which could prejudice the Council commercially, financially and legally and it is therefore recommended that the matter be discussed privately.

While the explanation was accepted for this meeting it was subsequently agreed that the treatment of the Strategic Risk Register for future meetings in terms of whether it should be considered in open or private session or a combination of both be referred to the Chief Executive and Monitoring Officer for further guidance and clarity.

It was resolved under Section 100 (A) (4) of the Local Government Act 1972 to exclude the press and public from the meeting during the discussion on the following item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 14 and 16 of Schedule 12A to the said Act and in the Public Interest Test presented.

Further action – Head of Audit and Risk to seek the advice of the Chief Executive and Monitoring Officer on the private and/or public status of the Strategic Risk Register.

9. STRATEGIC RISK REGISTER

The report of the Head of Audit and Risk incorporating the Strategic Risk Register was presented for the Committee's consideration. The report provided an update on the amendments to the Strategic Risk Register since it was last presented to the Committee in September, 2022.

The Insurance and Risk Manager reported that all but two of the thirteen risks currently on the strategic risk register are directly aligned to the Council's corporate priorities. The two risks not directly linked to the corporate priorities - YM1 (funding related) and YM4 (cyber related) have been included because they are considered fundamental to the Council's ability to deliver services that underpin the corporate priorities. With the exception of YM12 (corporate safeguarding) each of the risks have been reviewed at least once since the last

report to this Committee; no new risks have been identified in that time. Since reporting to the Committee in September, 2022 the following changes have been made –

- Upon review in January, 2023, risk YM6 (Covid related) was closed on the basis that the pressures brought about by the Covid pandemic have now receded and are covered by risk YM7 (changes beyond the Council's control). Therefore Covid is still covered by the Strategic Risk Register but not as a risk in its own right.
- Following its review in October, 2022 the residual risk rating of risk YM1 (funding related) was uprated to reflect the uncertainty in the UK economy and financial markets at the time.
- Following its review in September, 2022, the risk description of risk YM5 (Schools' Modernisation Project) was amended to more accurately reflect the current situation as there is no longer a schools' modernisation project and it now refers to the suitability of the Island's schools in terms of their being able to meet future educational challenges and maintain standards.

The Strategic Risk Register will be reviewed in its entirety once the Council adopts its new strategic priorities/Corporate Plan. It was confirmed that the new Council Plan is due to be presented for approval to Full Council in March, 2023.

It was resolved to note the amendments made to the Strategy Risk Register and to take assurance that the Leadership Team has recognised and is managing the risks to the achievement of the Council's priorities.

Mr Dilwyn Evans
Chair

Archwilio Cymru
Audit Wales

Isle of Anglesey County Council
Annual Audit Summary 2022

This is our audit summary for Isle of Anglesey County Council.

It shows the work completed since the last Annual Audit Summary, which was issued in January 2022. Our audit summary forms part of the Auditor General for Wales' duties.

More information about these duties can be found on our website.

About the Council

Some of the services the Council provides

Key facts

The Council is made up of 35 councillors who represent the following political parties:

- Plaid Cymru Party of Wales 21
- Welsh Labour 3
- Y Grwp Annibynnol 4
- Anglesey Independents 7 (Includes one Liberal Democrat Member)

The Council spent £143.8 million on providing services[1] during 2021-22[2].

[1] We define spending on services as the cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

[2] Source: 2021-22 Statement of Accounts

The Auditor General's duties

We completed work during 2021-22 to meet the following duties

- **Continuous improvement**

    During 2021-22, the Auditor General had to assess whether the Council had met its performance reporting requirements in relation to 2020-21.

- **Audit of Accounts**

    Each year the Auditor General audits the Council's financial statements to make sure that public money is being properly accounted for.

- **Value for money**

    The Auditor General examines whether the Council has put in place arrangements to get value for money for the resources it uses, and he has to be satisfied that it has done this.

- **Sustainable development principle**

    Public bodies need to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives. The Auditor General must assess the extent to which they are doing this.

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[3] We define useable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

[4] Source: 2021-22 Statement of Accounts

[5] An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

[6] Source: Stats Wales

What we found

Audit of Isle of Anglesey County Council's 2021-22 Accounts

To meet the Auditor General's duties we complete specific projects, but we also rely on other audit work, and the work of regulators such as Care Inspectorate Wales and Estyn (the education inspectorate). We take the findings of our audit work into account when assessing whether the Council has put in place arrangements to secure value for money. Our findings and conclusions are summarised below.

Each year we audit the Council's financial statements.

For 2021-22:

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements on 31 January 2023.

- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.

- the quality of the draft statements presented for audit on 20 June 2022 was generally good.

- a number of changes were made to the Council's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in January 2023.

- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. The audit of the Teachers' Pension and Non-Domestic Rates returns is nearing completion. The 2019-20 Housing Benefit Subsidy was certified on 22 December 2022. Our work on auditing the 2020-21 Housing Benefits Subsidy is underway,

- the Auditor General issued the certificate confirming that the audit of accounts for 2021-22 has been completed.

Continuous improvement

The Auditor General certified that the Council had met its remaining Local Government (Wales) Measure 2009 duties for the financial year 2021-22, as saved by an order made under the Local Government and Elections (Wales) Act 2021.

Assurance and risk assessment review

We reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Our work focused on the following aspects of the Council's arrangements, and they are set out in our letters:

- The Local Government and Elections Act (Wales) 2021 (letter)
- Carbon reduction plans (letter)

Springing forward review – assets and workforce

During 2021-22, we examined how councils are strengthening their ability to transform, adapt and maintain the delivery of services. Our work focused on the Council's strategic management of its assets and workforce. We found that more prominent consideration and application of the sustainable development principle would lead to a more complete understanding of the challenges presented by both the Council's building assets and workforce, and lead to improved visions, strategies, and plans.

Housing Benefit Subsidy

We reviewed the Council's progress to accurate processing and timely certification of the Housing Benefit Subsidy claim. We identified that the Council needs to address long standing capacity issues to enable subsidy claims to be certified within the national timetable, and a culture of learning needs to be embedded to develop and improve the accuracy of processing.

Other inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response. CIW published their Report of performance evaluation inspection: Isle of Anglesey County Council's adults and children's services in October 2022. Estyn published their report on Isle of Anglesey Local Authority in June 2022.

Local government studies

As well as local work at each council, each year we also carry out studies across the local government sector to make recommendations for improving value for money. Since the last annual improvement report, we have published the following reports:

Joint working between Emergency Services (January 2022)

This report examines whether emergency services in Wales are working more closely together to make better use of resources. Joint working across emergency services to make best use of resources is not a new concept. Emergency services have been working closely together to provide a better service to the public for many years. Innovative partnership initiatives have saved money, reduced local response times and have contributed to protecting the public. Despite this, there are growing expectations from government policy and legislation that collaboration needs to happen more deeply and quickly to ensure front line services can meet the challenges facing 21st century Wales. Overall, we concluded that blue light emergency service collaboration is slowly growing but requires a step change in activity to maximise impact and make the best use of resources.

Direct Payments (April 2022)

Direct Payments are an alternative to local-authority-arranged care or support and can help meet an individual's or a carer's need. They aim to give people more choice, greater flexibility and more control over the support they get. Our report looked at how Direct Payments help sustain people's wellbeing and whether they are improving quality of life. We also looked at how local authorities manage and encourage take up of Direct Payments and whether these services present value for money. We found that Direct Payments are highly valued, with the people we surveyed acknowledging that they help them remain independent. But we also found that managing and supporting people to use Direct Payments varies widely resulting in service users and carers receiving different standards of service.

'Time for Change' – Poverty in Wales (November 2022)

Poverty in Wales is not a new phenomenon and tackling poverty, particularly child poverty, has been a priority for both the Welsh Government and councils in Wales. The current cost-of-living crisis means that more people are being affected and families who have been living comfortably are moving into poverty for the first time. Many of the levers that could be used to alleviate poverty are outside of Wales's control. The Welsh Government adopted a Child Poverty Strategy in 2011, but this is out of date and the target to eliminate child poverty by 2020 was dropped. Councils and partners are prioritising work on poverty, but the mix of approaches and a complicated partnership landscape mean that ambitions, focus, actions,

and prioritisation vary widely. The Welsh Government makes significant revenue funding available but, due to the complexity and nature of the issues, the total level of spend is unknown, and no council knows the full extent of its spending on alleviating and tackling poverty. The short-term nature of grant programmes, overly complex administration, weaknesses in guidance and grant restrictions, and difficulties spending monies means that funding is not making the impact it could. Councils find it hard to deliver preventative work because of the sheer scale of demand from people in crisis.

'A missed Opportunity' – Social Enterprises (December 2022)

Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. Social enterprise work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. While local authorities claim they value Social Enterprises, few have mapped their activity and most authorities do not know the scale of provision within their area. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector. As a result, local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people's quality of life. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage because they are overly bureaucratic. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities. Most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises.

'Together we can' – Community resilience and self-reliance (January 2023)

At a time when there is likely to be further reductions in public spending, local authorities are showing an increasing interest in encouraging and growing community resilience; equipping people to do more for themselves and be less reliant on the state. While 19 of the 22 local authorities are prioritising community resilience, too often the work is poorly defined and the actions that underpin plans are narrowly focussed. Given the societal, financial and demographic challenges facing Wales there is a need to scale and speed up activity. Capacity, resources and skills are scarce, people are facing tougher choices and struggling to cope with the cost-of-living crisis. Communities and local authorities themselves also have different abilities and are starting from different places with their own unique challenges to overcome. We highlight positive practice and examples of how others are seeking to address the challenge of enabling people to be less reliant on local authority services and how they are supporting and enabling this transition.

Planned work for 2022-23

We also looked at the key challenges and opportunities facing the Council. These could have an effect on the Council's ability to meet its legal obligations in relation to the sustainable development principle and the use of its resources.

Our planned work for 2022-23 includes:

- Assurance and risk assessment including a focus on:
    – Capital programme management
    – Use of performance information – with a focus on service user feedback and outcomes
    – Setting of well-being objectives
- Thematic review – unscheduled care. This review covers the health and local government sectors
- Thematic review – a review of the Council's digital strategy
- A review of the effectiveness and resilience of the development control and planning enforcement service.

Audit Wales Work Programme and Timetable – Isle of Anglesey County Council

Quarterly Update: 31 December 2022

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in January 2023.	March 2023	Draft report to be issued in February 2023.

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2021-22 statement of accounts	To provide an opinion on the 'truth and fairness' of the financial statements for the financial year ended 31 March 2022.	January 2023	Audit will be completed in January 2023.

Description	Scope	Timetable	Status
Certification of Grant returns: Teachers' Pension Contributions for the financial year 2021-22	Certification that nothing has come to our attention to indicate that the return is: • Not fairly stated • Is not in accordance with the relevant terms and conditions	Council deadline last working day in May 2022. Certification deadline 30 November 2022.	Return received on 5 August 2022. The Teachers' Pension Agency is aware of the delay in the timing of the audit. Audit fieldwork is nearing completion and is expected to be certified by mid-February 2023.
Certification of Grant returns: Non-Domestic Rates 2021-22	Certification that nothing has come to our attention to indicate that the return is: • Not fairly stated • Is not in accordance with the relevant terms and conditions	Council deadline 30 June 2022. Certification deadline 30 November 2022.	Return received on 21 June 2022. The Welsh Government is aware of the delay in our audit. Audit fieldwork is underway and is expected to be completed by the end of February 2023.

Description	Scope	Timetable	Status
Certification of Grant returns: Housing Benefit Subsidy 2019-20	Certification that nothing has come to our attention to indicate that the return is: • Not fairly stated • Is not in accordance with the relevant terms and conditions	Council deadline 30 April 2020. Certification deadline 31 January 2021.	Claim certified 22 December 2022.
Certification of Grant returns: Housing Benefit Subsidy 2020-21	Certification that nothing has come to our attention to indicate that the return is: • Not fairly stated. • Is not in accordance with the relevant terms and conditions.	Council deadline 30 April 2021. Certification deadline 28 February 2022	Return received 28 April 2021. Audit Fieldwork is underway.
Certification of Grant returns: Housing Benefit Subsidy 2021-22	Certification that nothing has come to our attention to indicate that the return is: • Not fairly stated • Is not in accordance with the relevant terms and conditions	Council deadline 30 April 2022. Certification deadline 31 January 2023.	Return received on 29 April 2022. Audit not yet started.

Performance Audit work

2021-22 Performance audit work	Scope	Timetable	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	We will seek to integrate the delivery of our WFG examinations of steps to deliver well-being objectives with our other audit work. We will discuss this with the Council as we scope and deliver the audit projects listed in this plan.	Not applicable	Not applicable
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.	October 2021	Certificate issued August 2021.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. At the Isle of Anglesey County Council the project is likely to focus on: • Financial position • Implications of the Local Government and Elections (Wales) Act • Carbon reduction plans	April 2021 to March 2023	**Ongoing:** Financial position **Completed:** Implications of the Local Government and Elections (Wales) Act **Completed** Elections (Wales) Act Carbon reduction plans

2021-22 Performance audit work	Scope	Timetable	Status
Springing Forward – Examining the building blocks for a sustainable future	As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.	October 2021 – July 2022. Focus on workforce and asset management.	Completed
Review of Improving through Learning: Housing Benefit	Identify learning opportunities and improve the Housing Benefit Claim Certification process.	January to March 2022	Letter issued to the Council in March 2022.

2022-23 Performance audit work	Scope	Timetable	Status
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle. The project is likely to focus in particular on: • Capital programme management • Use of performance information – with a focus on service user feedback and outcomes • Setting of well-being objectives	April 2022 to July 2023	Ongoing

2022-23 Performance audit work	Scope	Timetable	Status
Thematic Review – Unscheduled Care	A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.	August 2022 – March 2023	Report drafting
Thematic review – Digital	This project is being scoped with further details of the specific focus of the review to be confirmed.	To be confirmed.	Setting up fieldwork
Review of Development Control and Planning Enforcement	The review will seek to establish: Does the Council have an effective and resilient development control and planning enforcement service?	July 2022 – March 2023	Report drafting

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Anglesey Council
Building Social Resilience and Self reliance	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Clearance – publish January 2023	Yes – interview with nominated officer at the Council.
Building safety	Review of how well local authorities are delivering their responsibilities for building safety	September 2022 – August 2023	Evidence Gathering – fieldwork planned for January – March 2023	Yes – interview with nominated officer at the Council and survey.
Planning for sustainable development – Brownfield regeneration	Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites	October 2022 – September 2023	Evidence gathering – fieldwork being set up for January – March 2023	Yes – interview with nominated officer at the Council and survey.
Governance of special purpose authorities – National Parks	Review of systems and effectiveness of governance	November 2022 – September 2023	Planning	No

Study	Scope	Timetable	Status	Fieldwork planned at Anglesey Council
Corporate Joint Committees	Assessing CJCs' progress in developing their arrangements to meet their statutory obligations and the Welsh Government's aim of strengthening regional collaboration.	September 2022 – January 2023	Fieldwork complete	Yes – We are exploring the Council's perspective via our routine liaison meetings. Fieldwork includes interviews with the chief executive, director of finance and chair of each of the four CJCs.

Estyn

Estyn planned work 2022-23	Scope	Timetable	Status
Local Government Education Services Inspections	Estyn carried out a post-inspection improvement conference in Torfaen in September as part of our follow-up process for an authority causing significant concern. Pembrokeshire was removed from our follow-up category following our monitoring visit in early October. Wrexham local authority is still in a causing concern category and we convened a progress conference in December to look specifically at the school improvement recommendation. We are proposing to re-visit Wrexham in the summer term. We inspected Blaenau Gwent in December and we will be inspecting RCT in early spring.	RCT inspection week beginning 23 January	N/A
Education Other than at School (EOTAS) thematic review	Field work being carried out in late autumn/early spring term across all local authorities.	Report published on 30 June	N/A

Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
Programme 2022-23	Following our testing phase we are making the final amendments to our approach and code of practice. This will result in a revised code of practice. We will consult on this early 2023 with implementation from 01 April 2023.	April 2022-March 2023	In progress
Joint work	We continue to work with partners, sharing information and intelligence including completing joint reviews. We currently are working in collaboration with HIW for a national review of the stroke pathway and CMHT inspections.	Current	In progress
Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22	Following the publication of the 2020-21 report planning is underway for the next report: publication date to be confirmed.	Publication to be confirmed	Pre-publication
Annual meeting with Statutory Directors of Social Services	CIW will meet with all Directors of Social Services.	December 2022 and January 2023	Delivery

CIW planned work 2022-23	Scope	Timetable	Status
National review of Care Planning for children and young people subject to the Public Law Outline pre-proceedings	Purpose of the review To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings. To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.	September 2022 – Spring 2023	Delivery
Joint Inspection Child Protection Arrangements (JICPA)	Cross-inspectorate approach. Areas to be determined. We will complete a further four multi-agency joint inspections. We will publish a national report in late 2023.	Autumn 2022 – Spring 2023	Planning

Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
A Picture of Flood Risk Management	December 2022
'A missed opportunity' – Social Enterprises	December 2022
Poverty Data Tool	November 2022
'Time for change' – Poverty in Wales	November 2022
Learning from cyber-attacks	October 2022 (distributed privately to audited bodies)
National Fraud Initiative 2020-21	October 2022
COVID-19 business support in 2020-21 – Memorandum for the Public Accounts and Public Administration Committee	October 2022
Payment to the Welsh Government's Former Permanent Secretary on Termination of Employment	September 2022
Equality Impact Assessments: More than a Tick Box Exercise?	September 2022
Welsh Government – setting of well-being objectives	September 2022

Report title	Publication date and link to report
Welsh Government workforce planning and management	September 2022
NHS Wales Finances Data Tool – up to March 2022	August 2022
Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report	August 2022
Public Sector Readiness for Net Zero Carbon by 2030	July 2022
Sustainable Tourism in Wales' National Parks	July 2022
Third Sector COVID-19 Response Fund – Memorandum for the Public Accounts and Public Administration Committee	July 2022
The Welsh Community Care Information System – update	July 2022
Tackling the Planned Care Backlog in Wales – and waiting times data tool	May 2022
The new Curriculum for Wales	May 2022
Unscheduled care – data tool and commentary	April 2022
Direct Payments for Adult Social Care	April 2022

Report title	Publication date and link to report
Local Government Financial Sustainability data tool	February 2022
Joint Working Between Emergency Services (including data tool)	January 2022

Audit Wales national reports and other outputs (work in progress/planned)[1]

Title	Anticipated publication date
The Welsh Government's purchase of Gilestone Farm – letter to the Public Accounts and Public Administration Committee	January 2023
Quality governance in the NHS	February 2023
Orthopaedic services	February 2023
Digital inclusion	February 2023
NHS workforce planning data briefing	March 2023
Maximising EU funding	May 2023

[1] We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. Since the previous update we have progressed planning work on several new topics although the scope and timetable for some of these pieces of work are still to be confirmed.

Title	Anticipated publication date
Covering teachers' absence – follow-up	July 2023
Affordable housing	To be confirmed
Ukrainian refugee response	To be confirmed
Active travel	To be confirmed
Cancer services	To be confirmed

Good Practice Exchange events and resources

Title	Link to resource
Tackling poverty in Wales: responding to the challenge – this shared learning event brought people together from across public services to share ideas, learning and knowledge on how organisations can respond to the challenges caused by poverty. We shared examples of approaches being taken by organisations within Wales and across the UK.	Tackling poverty resources
Making Equality Impact Assessments more than a tick box exercise: This shared learning event aims to assist public bodies to improve use and application of EIAs beyond an exercise in compliance by bringing people together from across public services to share ideas, learning and knowledge.	Making EIAs more than a tick box exercise: Online event registration

Title	Link to resource
'A missed opportunity': Social Enterprises: Following on from our Tackling Poverty in Wales: responding to the challenge event held in October, we will be holding another shared learning event on our themed work looking at social enterprises in the new year. This event will bring people together from across public services to share ideas, learning and knowledge to lessen the challenges caused by poverty.	Further detail will be available on our event page shortly.

Recent Audit Wales blogs

Title	Publication date
A perfect storm – the cost of living crisis and domestic abuse	21 November 2022
Tackling poverty means tackling poverty data	11 November 2022
Cost of living and putting away the bayonet	21 September 2022
Heat is on to tackle Climate Change	18 August 2022
Direct Payments in Wales	15 June 2022
Unscheduled Care in Wales – a system under real pressure	21 April 2022
Skills Competition Wales	18 February 2022

Title	Publication date
Cyber resilience – one year on	9 February 2022
Helping to tell the story through numbers (Local government financial sustainability data tool)	3 February 2022
Call for clearer information on climate change spending	2 February 2022
Actions speak louder than words (Building social resilience and self-reliance in citizens and communities)	14 January 2022

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Governance and Audit Committee
Date	18 April 2023
Subject	Internal Audit Strategy 2023-24
Head of Service	Marc Jones, Director of Function (Resources) / Section 151 Officer MarcJones@anglesey.gov.wales
Report Author	Marion Pryor, Head of Audit and Risk MarionPryor@anglesey.gov.wales

Nature and Reason for Reporting:
This report submits the proposed Internal Audit Strategy for 2023-24 for the Governance and Audit Committee's consideration to determine if it meets the Council's assurance requirements. The Public Sector Internal Audit Standards require the chief audit executive to establish a risk-based strategy to determine the priorities of the internal audit activity, consistent with the organisation's goals, which the Governance and Audit Committee must approve, but not direct (Standard 1110).

1. INTRODUCTION

1.1. The proposed Internal Audit Strategy for 2023-24 is attached for review and consideration by the Committee.

2. BACKGROUND

2.1. The Public Sector Internal Audit Standards (PSIAS) require me, as the chief audit executive, to establish a risk-based strategy to determine the priorities of the internal audit activity, consistent with the Council's goals. In prioritising our finite resource, we have to undertake sufficient work to enable me to deliver an annual internal audit opinion for the Council to inform its Annual Governance Statement.

2.2. As its basis, I have used the strategic risk register to determine the priorities for internal audit activity. In addition, I have met with the Senior Leadership Team and heads of service to discuss their views on the proposed areas for review and their areas of concern.

2.3. I will keep the priorities under review, as necessary, adjusting them in response to changes in the Council's business, risks, operations and programmes to ensure that they remain relevant. I will report changes to the Director of Function (Resources) and Section 151 Officer and the Governance and Audit Committee.

3. RECOMMENDATION

3.1. That the Governance and Audit Committee considers the Internal Audit Strategy for 2023-24 and considers whether the approach and priorities outlined fulfil the Council's assurance needs.

INTERNAL AUDIT STRATEGY 2023-24

Marion Pryor BA MA CMIIA CPFA ACFS   **April 2023**

Head of Audit & Risk

MarionPryor@anglesey.gov.wales

CONTENTS

FOREWORD – CURRENT CONTEXT

In 2022, organisations were hit by a perfect storm of high-impact, interlocking risks that threw the UK into a permanent state of crisis. Following the unprecedented circumstances of the global coronavirus pandemic, the war in Ukraine intensified supply chain failures, caused a spike in energy prices, and fuelled inflation, all of which shaped the risk environment for the Council. Now a state of crisis is the new normality. Climate-related natural disasters, economic downturn, an accelerating cost-of-living catastrophe in Europe, food shortages, employee welfare and skills deficits, and a rapidly industrialising cyberattack landscape are overlaid by intensifying geopolitical tensions and the very real threat of financial liquidity and solvency risks for businesses.

Following the Spring Budget 2023 announcement, the Office for Budgetary Responsibility (OBR), has raised its expectations for gross domestic product (GDP) growth over the short-term, reflecting the better-than-expected performance of the economy and lower wholesale gas prices since its forecast in November last year. However, the OBR still anticipates the economic downturn that began in mid-2022 to continue during the first half of 2023, with high inflation resulting in lower consumer spending.[1]

The OBR's latest forecast indicates that inflation will more than halve this year, and the economy is on track to avoid recession with (GDP) higher and debt falling in the medium term. However, the cost-of-living crisis will continue, with real household disposable income per person – a measure of real living standards – expected to fall by a cumulative 5.7% over 2022-23 and 2023-24, increasing the pressure on the demand for Council services and increasing the triggers for fraud to be perpetrated against it, both internally and externally.

As a result of decisions at the Spring Budget, the devolved administrations will receive funding through the Barnett formula, with an additional £180 million for the Welsh Government across 2023/24 and 2024/25.

[1] GDP is forecast to grow by -0.2% in 2023, 1.8% in 2024, 2.5% in 2025, 2.1% in 2026 and 1.9% in 2027.

INTRODUCTION

Internal Audit is an independent and objective internal team that provides assurance and advice to all levels of management and elected and lay members on the quality of operations within the Council.

We operate to the Public Sector Internal Audit Standards[2] (PSIAS), which define internal auditing as:

> Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

An important aspect of internal auditing is the extent to which it helps the organisation to achieve its objectives and improve. This means that our work must focus on the things that matter to the organisation, and the opinions and improvement suggestions that we provide must help the organisation and be valued by stakeholders. The team's objectives are therefore to:

- provide independent assurance and advice to management and elected and lay members on risk management, governance and internal control

- develop and promote our role to make a significant contribution to the Council's aim to modernise, deliver efficiencies and improve services for our customers

- add value in all areas of our work, providing excellent service to our customers

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[2] The Relevant Internal Audit Standard Setters (CIPFA, Department of Health, Welsh Government, Department of Finance (NI), HM Treasury and the Scottish Government) issue the Public Sector Internal Audit Standards (2017) and are mandatory for all local and central government bodies.

SERVICE STRUCTURE, CAPACITY AND TRAINING

Structure

The Internal Audit function has undergone significant change in recent years. The integration of the Internal Audit and Risk Management teams and adopting a fully risk-based approach and an 'agile audit' approach, has improved the assurance it provides to the Council. The team has responded well; staff have adapted their skill sets, delivered more complex and strategic-level audits, and managed higher workloads.

The team includes a wealth of internal and external audit experience, along with an excellent mix of professional qualifications, including CIPFA[3] , CIIA[4] , IRRV[5], ACFS[6] , ACFTech[7], and AAT[8], along with academic qualifications in Change Management, Business and Accountancy.
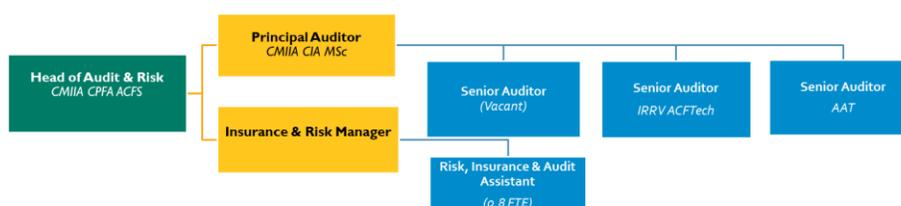
Internal Audit & Risk Management, April 2023

A recent successful recruitment exercise has provided a welcome new member of the team, who joins us on 1 April 2023. We are currently now only carrying a vacancy (1.0 FTE) at Senior Auditor level due to secondment, which we are using to fund the commissioning of external

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[3] The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for people working in public services,
[4] The Chartered Institute of Internal Auditors (CIIA) is a professional association for internal auditors.
[5] The Institute of Revenues Rating and Valuation (IRRV) is the professional body for local taxation, benefits and valuation.
[6] The ACFS (Accredited Counter Fraud Specialist) is a professional counter fraud qualification accredited by the Counter Fraud Professional Awards Board.
[7] The ACFTech (Accredited Counter Fraud Technician) is a professional counter fraud qualification provided by CIPFA and accredited by the Counter Fraud Professional Accreditation Board.
[8] The Association of Accounting Technicians

expertise. With a productivity level of 72%, we have around 700 days of audit resource available to provide the annual assurance opinion.

In a small team, staff absence and unfilled vacancies has had a significant impact. CIPFA[9] and the CIIA have identified recruitment and retention of staff as a particular challenge for internal audit teams and are planning to undertake some research on options for career paths and routes into internal audit to encourage long-term, sustainable recruitment into the role.

Training

Internal audit's ability to support the organisation in achieving its strategic objectives and priorities is dependent on the quality of the internal audit team. Therefore, increasing the capacity and capability of internal audit is a priority for improving its impact and effectiveness and to build a highly competent and relevant team that can tackle shifting assurance needs with confidence. There are challenges in ensuring there are sufficiently experienced auditors to complete more complex work as well as providing coaching and support to new and inexperienced staff.

The service will therefore continue to invest significantly in training and development to ensure the team continue their professional development, stay abreast of emerging risks and developments in the sector, and are retained. We will also participate in the mandatory corporate training, where required. We will invest 115 days (12%) in training and development during 2023-24, consisting of:

TRAINING AND DEVELOPMENT

Corporate 7%
Induction 9%
Leadership and Management 2%
Welsh 39%
Professional 43%

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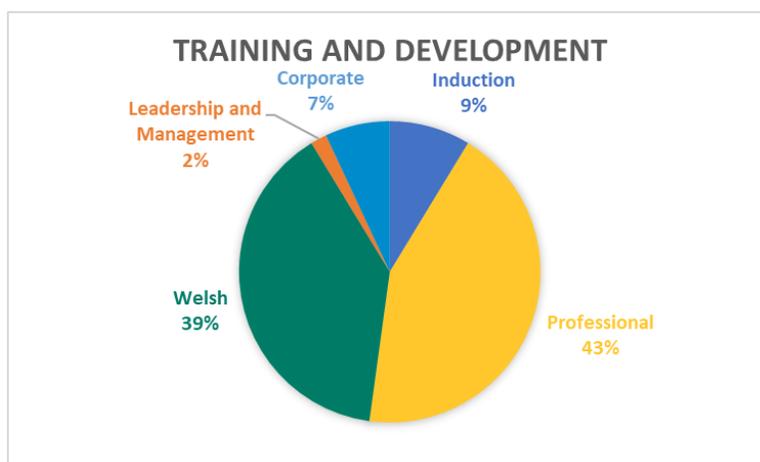
[9] 'Internal audit: untapped potential', Chartered Institute of Public Finance and Accountancy, May 2022

AUDIT APPROACH

The Internal Audit profession has undergone radical change since its days as compliance checkers when auditing was mostly focused on evaluating the past and ensuring compliance. Compliance is management's responsibility. Auditing has evolved, moving through 'systems-based' to 'risk-based' audit, and more recently adopting an 'agile-audit' approach to help organisations look forward, and address issues that could affect performance more flexibly.

Unlike traditional internal auditing, where audit plans are carried out within a strict timeframe and may not necessarily cover the most important risks, risk-based internal auditing is driven by the most recent risk assessments, with the top threats being covered first and far more frequently.

Risk-based Audit Approach

Standard 2010 of the Public Sector Internal Audit Standards states that the chief audit executive must establish a risk-based approach to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Consequently, a professional internal audit activity can best achieve its mission as a cornerstone of governance by positioning its work in the context of the organisation's own risk management framework. Therefore, we have aligned our internal audit activity with the strategic risk register.

To provide a more flexible approach and to take account of changes in the organisation and the risk environment, we also meet with senior management to discuss their latest risks, concerns and requirements. In this way, we are fully up to date with, and aware of, emerging issues and are able to focus our resources in areas of greatest priority and risk.

Assurance Mapping

Internal audit is uniquely positioned within the organisation to provide holistic assurance to the Governance and Audit Committee and senior management on the effectiveness of internal controls, governance and risk management.

The 'three lines model' is a framework that is used to bring these sources of assurance together, and gives assurance to members, sector regulators and external auditors that appropriate controls and processes are in place and are operating effectively and will support the Council's Annual Governance Statement.

We are working with the first and second line to secure these assurances and support the Corporate Business and Performance Team to use our risk management software (4risk) to record the 'three lines':

- **First Line:** Management - operational functions
- **Second Line:** Support functions such as HR, Finance, IT, Legal, Information Security, Health & Safety, Risk Management
- **Third Line:** Overall assurance provided by internal, external or other regulatory and governing bodies

Agile audit

The main difference between agile auditing and traditional auditing is flexibility. Instead of rigid, single-phase planning, agile auditing centres around fluid, iterative planning on an ongoing basis. In traditional audit, planning happens months if not years in advance, which can render the 'plan' out of date before it is even approved.

The elastic planning cycle of agile audit allows teams to prioritise tasks based on risks and the organisation's needs. Instead of following a rigid internal audit plan, there is a continually updated backlog of audits and projects.

There is also a core focus on collaboration and communication between the audit team and stakeholders throughout the entire experience. Audit quality is always a key consideration, communication is more frequent and informal and there are no surprises.

The more we know, and the sooner we know it, the better we can help the organisation address potential control and risk issues. This helps to limit the negative impact on customers, staff and members.

PRIORITIES

Strategic risk register

To ensure we are concentrating on what matters most to the Council, most of our work focuses on reviewing the strategic risk register over a two-year cycle. We focus on the inherent risks rated as 'red', and where the residual risk is rated as 'red' or 'amber'.

Currently, the Council has rated 12 of its strategic risks as inherently 'red', eight (five in 2022-23) risks where the Council has assessed both the inherent and residual risk as 'red' and three (seven in 2022-23) 'red' inherent risks which have an amber-rated residual risk.

Consequently, the risks last reviewed during 2021-22 and any new risks will be prioritised for review (see Appendix A for details of the proposed audits).

IT Audit

Cybersecurity and data security continues to be perceived to be the top threat in a survey[10] of chief audit executives – with 82% saying it was a top five risk (the same as in 2022). The threat landscape has become more dangerous – not least because of the war in Ukraine. Following Russia's attack, the National Cyber Security Centre – part of GCHQ – has called for UK organisations to strengthen their online defences.

In addition, ransomware attacks increased by 80% in 2022, according to cyberthreat analyst Sophos22[11]. That growth was driven in part by hackers taking advantage of the burgeoning ransomware-as-a-service industry. The average price for recovering stolen data soared from $170,000 per infringement to $812,360, according to the survey.

Hackers are also moving into the more ominous area of so-called "killware" to put pressure on organisations to pay up - those attacks target critical infrastructure. Ransomware risk continues to be difficult to mitigate and poses a potential existential threat to organisations.

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[10] Risk in Focus 2023: Hot topics for internal auditors', European Confederation of Institutes of Internal Auditing (2023)
[11] https://www.sophos.com/en-us/whitepaper/state-of-ransomware

A recent example occurred in August 2022 in the NHS, when its IT systems were targeted with the LockBit 3.0 malware with devastating results – some trusts lost software for two months, and the cost was huge.

A major breach can impact on the quality of the Council's services, trust and reputation, fines in relation to GDPR breaches and its financial situation, but more critically on the Council's ability to continue delivering its services to its vulnerable clients.

Having exhausted our technical capabilities in this area, we have commissioned the IT Auditors of Salford City Council to undertake a programme of work to provide the Council with the assurance that its IT vulnerabilities are being effectively managed.

During 2023-24, we propose to seek assurance that the Council has properly risk assessed and put in effective mitigation in the areas of:
- Cyber Security - Gap Analysis
- Programme / Project Management (Business Change Management Process)
- Corporate Access Management (Key Risks)
- Supplier Management

Fraud

When people commit fraud against the public sector and public services, they take money away from the services on which the public depend, and damage citizens trust in the government. Fraud and corruption are evolving issues and, as such, the Council's response needs to be agile and adapt to its changing nature.

We will therefore continue to keep under review the Council's approach to counter fraud, anti-bribery and corruption, anti-money laundering and terrorism financing through the Counter Fraud, Bribery and Corruption Strategy 2022-25 and will update the Fraud Response Plan accordingly.

Other audit work

Partnerships

The Governance and Audit Committee's Terms of Reference require it to review the governance and assurance arrangements available for significant partnerships or collaborations (3.4.8.6) and review the assurance available for managing partnership risks, including the risk profile of the Council as part of the partnership (3.4.8.8.1). In the absence of an annual report being available from the Partnership and Regeneration Scrutiny Committee, we will undertake a piece of work to provide the Committee with this assurance.

The Council's Preparedness for the Procurement Act

At the time of writing, the Procurement Bill has completed its passage through the Committee Stage in the House of Commons. The Bill will now progress to Report and Third Reading. Once the Bill receives Royal Assent (which is expected to be later this spring) work will be undertaken to finalise the secondary legislation (Statutory Instruments, or regulations). Following a public consultation, the final version of the secondary legislation will then be laid in Parliament, and the Cabinet Office expect that this would be the earliest point they could give six months advance notice of go-live of the new regime, which they expect to be spring 2024 at the earliest.

It is expected that the new Act will place a heavy load on all aspects and people involved in procurement. Enhanced transparency requirements are a key feature of the new public sector Bill, and this will have a significant impact on day-to-day procurement activities. From governance and control, to staffing, processes, procedures, and systems. Having up to date and accurate data will become essential. Among many other new requirements, procurement teams will need to develop new processes to keep track of contract spend across their organisation to ensure compliance with transparency related notices and track when financial limits that trigger notification action are reached.

This review will provide assurance that the Council is on track and prepared for the requirements of the new legislation.

Contract Management

An investigation into a duplicate payment highlighted vulnerabilities within contract management processes within the Council. This audit will provide assurance that management has addressed these vulnerabilities and that they do not exist within other parts of the Council.

Fuel Card System

A recent theft of a Council fuel card highlighted vulnerabilities within the fuel card system. This audit will provide assurance that management has addressed these vulnerabilities.

Payroll ('Starters' Processes)

The processing of the Council's payroll system can have a significant impact on employees and the Council. There are risks around productivity, morale, reputation and financial implications, including higher costs and fines, as well as the threat of increased fraud due to the cost-of-living crisis. This audit will provide assurance that payroll processes are accurate, as efficient as possible and minimise the threat of fraud.

Direct Debit Management

An error processing the Council Tax and National Non-Domestic Rate direct debit during December 2022 highlighted vulnerabilities in this system. This audit will provide assurance that these vulnerabilities do not exist within other areas of the Council where a significant direct debit system is in operation.

Debt Recovery

The Director of Function (Resources) and Section 151 Officer has requested that we undertake this audit to provide assurance that the debt recovery processes within the Council are effective and expedite the recovery of debt.

Outstanding work from 2022-23

Due to ongoing staff vacancies, our ability to undertake some of the lower priority work we had identified was set aside. A successful recruitment exercise will enable us to restart this work:

Adult Social Care Finance

There is a widening social care funding gap, which puts critical pressure on the Council to manage its income and expenditure in this area. There is an increasing demand for services and assistance, but reduced resources and capacity to deliver. There is also a direct financial cost to local authorities and a reputational risk from the failure to meet statutory requirements. We will therefore review the charging framework for adult social care services.

The Administration of Teachers' Pensions – Part 2

During 2021-22, following complaints of gaps in some teachers' pensionable service records, the Director of Function (Resources) and Section 151 Officer requested Internal Audit review the process of submitting pension contribution and service information to the Teachers' Pensions Scheme (TPS). We identified a number of issues that could lead to teachers' pensionable service records held by the TPS being inaccurate and could lead to criticism and/or fines from the Pension Regulator.

The TPS developed a new process for submitting data, which should have gone live in April 2022. However, problems with reports have delayed implementation. We will review the accuracy of the new data file, once the new process is fully implemented.

The Administration of Local Government Pensions

Issues within pension administration more generally were identified during the audit of the administration of teachers' pensions and the follow up review of the Leavers' Process audit. We will therefore undertake an audit of the administration of the Local Government pension.

Unofficial School Funds

We are continuing to support the Director of Education, Skills and Young People to provide assurance that income and expenditure within unofficial school funds are properly accounted for

and the governance arrangements are appropriate. This will involve further feedback and training to head teachers, and the quality assurance of school fund audit certificates.

Financial management in Schools

The work to quality assure audit certificates of school unofficial funds, and during the audits of some funds highlighted that financial management processes within schools would benefit from closer review.

Continuous monitoring

In 2021, we purchased software to enable us to analyse large volumes of data quickly and easily. As well as analysing data during other audits, we will continue to work with colleagues in the Payments function to identify duplicate payments and other failures in the purchasing and payment processes.

Through this continuous monitoring, we will identify potential control failures, and the financial ramifications, sooner. Whether it saves the Council money, or it is not a significant loss, discovering control failures early allows for timely remediation and action.

FOLLOW UP

Standard 2500 states that the chief audit executive must establish a follow-up process to monitor and ensure that management has effectively addressed the risks raised or that senior management has accepted the risk of not taking action.

Competing priorities, budget limitations and other factors may prevent managers from addressing Issues/Risks in the agreed timeline or as previously designed to mitigate the risk.

Managers who do not address Issues/Risks arising from internal audit work expose the organisation to risk. By following up, this helps to prevent it becoming an issue.

In accordance with our agreed Internal Audit Charter, we will formally follow up all Issues/Risks included within audit reports with a 'Limited' or 'No' Assurance rating. Where reports continue to attract a 'Limited' or 'No' Assurance rating, the Governance and Audit Committee may invite the risk owner or head of service to attend a meeting to discuss the report.

We will continue to help the Council to track the implementation of all actions and will log all agreed actions on an internal tracking system (4action).

PERFORMANCE MEASURES

Risk-based internal audit is at the cutting edge of internal audit practice. It is a dynamic process and therefore more difficult to manage than traditional methodologies. Monitoring progress against a plan that is constantly changing is a challenge. However, the rewards outweigh these difficulties and we have reviewed our performance measures to ensure the difficulties in measuring internal audit's effectiveness are considered.

We have in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit service. We have adopted a reduced and streamlined suite of performance measures to determine the effectiveness of our work, which can be seen in the table below.

Performance Indicator	Target 2021-22	Performance 2021-22	Target 2022-23	Performance 2022-23	Target 2023-24
Red and Amber Residual Risks in the Strategic Risk Register audited (over a rolling 24-month period)	60%	83%	80%	82%	80%
Audits completed within six months	100%	76%	85%	89%	85%
Clients' responses at least 'satisfied'	100%	100%	100%	100%	100%
Number of staff	5.0 FTE	3.1 FTE	5.0 FTE	3.0 FTE	4.0 FTE

Benchmarking

The Welsh Chief Auditors Group is currently reviewing its suite of performance measures for benchmarking to ensure they remain relevant and consistent across all 21 member councils.

CHALLENGES AND OPPORTUNITIES GOING FORWARD

Change and uncertainty has defined the last three years. The ECIIA argues that 'In many cases this will require a complete rethink of internal audit's strategy, planning and where it focuses its efforts'[12]. It continues 'Internal audit must be bold. If audit committees expect the third line to concentrate on traditional risk areas that are already well controlled, the business is not realising the full potential of internal audit. Chief audit executives must push back and educate stakeholders, urging them to harness the third line to assess big, rapidly emerging risk themes.'

The factors in the external environment acting upon the organisation will require mature and well-established risk management. In addition, internal control systems will be critical amid the continued disruption. Against the backdrop of this increased risk, we will continue to evaluate our focus, and frequently revisit agreed audit priorities with the Leadership Team to determine priorities and provide real-time assurance targeted at the risks of greatest concern.

We will continue to exploit a nimble, agile approach by being forward-looking, proactive and staying as close to the organisation as possible to understand both its risks and its needs. We will use our limited resources wisely to maintain a delicate balance of managing immediate, short and long-term assurance needs, carefully balancing our focus between operational considerations and strategic risks.

The Governance and Audit Committee and the Leadership Team will depend on this independent and agile viewpoint for insights into the organisation and its risks during a continuing challenging period. The experience from the last three years has provided valuable learning. New and enthusiastic staff have placed the internal audit team in a good position to ensure delivery of its strategy. Consequently, it will continue to support the Council as a key component of its governance structure, **enabling the Head of Audit and Risk to fulfil the requirement to produce an annual internal audit opinion, to support the Annual Governance Statement.**

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[12] 'Risk in Focus 2022: Hot topics for internal auditors', European Confederation of Institutes of Internal Auditing

APPENDIX A: RED INHERENT AND RED AND AMBER RESIDUAL RISKS IN THE STRATEGIC RISK REGISTER

Risk Ref	Risk	Inherent Risk Priority	Residual Risk Priority	Audit Year 2018/19	Audit Year 2019/20	Audit Year 2020/21	Audit Year 2021/22	Audit Year 2022/23	Proposed for Audit Year 2023/24
YM1	The risk that a real reduction in Council funding would lead to a reduction in statutory services, priorities not being delivered, and increasing staffing pressures	E / I = 5 T / L = 4 B1 (20)	E / I = 4 T / L = 4 B2 (16)		Financial Resilience (April 2020) Risk created May 2019			Financial Resilience (November 2022)	Robustness of estimates and adequacy of reserves assessment (Section 25 of the Financial Management Code) (PROPOSED)
YM2	The risk that the Council is unable to recruit, retain and develop suitable staff, or that the staffing structure is not suitable, to provide efficient and effective services	E / I = 4 T / L = 5 A2 (20)	E / I = 4 T / L = 4 B2 (16)	Recruitment & Retention (March 2019)				Recruitment & Retention (June 2022)	
YM3	The risk of IT failure significantly disrupting service delivery	E / I = 5 T / L = 5 A1 (25)	E / I = 4 T / L = 4 B2 (16)		IT Audit - IT Resilience (April 2020)	IT Audit - IT Resilience (Follow Up) (May 2021)	IT Audit - Software Licence Management (January 2022)	IT Audit - Cloud Computing (March 2023)	Programme / Project Management (Business Change Management Process) (PROPOSED) Supplier Management (PROPOSED)
YM4	The risk that a cyber-attack has a significant impact on the Council's ability to provide frontline	E / I = 5 T / L = 5 A1 (25)	E / I = 5 T / L = 3 C1 (15)	IT Audit - Cyber Security		IT Audit - IT Service Continuity		IT Audit - IT Service Continuity (Phishing)	Cyber Security - Gap Analysis (PROPOSED)

Risk Ref	Risk	Inherent Risk Priority	Residual Risk Priority	Audit Year 2018/19	Audit Year 2019/20	Audit Year 2020/21	Audit Year 2021/22	Audit Year 2022/23	Proposed for Audit Year 2023/24
	and support services and results in a significant fine from the Information Commissioner			(February 2019)		(Phishing) (April 2021)		(Follow Up) (September 2022)	
								IT Vulnerability Management (September 2022)	Corporate Access Management (Key Risks) (PROPOSED)
								IT Vulnerability Management (January 2023)	
YM5	The risk that the Island's schools are not suitable to meet the future educational challenges and that this affects standards	E / I = 4 T / L = 5 A2 (20)	E / I = 4 T / L = 4 B2 (16)					Rolled forward to 2023-24	The Island's Schools (PROPOSED)
YM7	The risk that a change beyond the Council's control (e.g., Brexit, covid pandemic) affects the Council's ability to provide affordable services	E / I = 4 T / L = 4 B2 (16)	E / I = 3 T / L = 4 B3 (12)		Managing the Risks of Brexit (January 2020) Business Continuity (February 2020)	Review of COVID-19 Emergency Response (April 2020)	COVID-19 Emergency Management Assurance (May 2021)		Organisational Resilience (PROPOSED)
YM9	The risk of a lack of suitable housing that local residents can afford in their communities	E / I = 4 T / L = 5 A2 (20)	E / I = 4 T / L = 5 A2 (20)				New risk created January 2022	The Council's arrangements for the provision of suitable housing (June 2022)	
YM10	The risk that a serious safeguarding error leads or contributes to serious harm to the vulnerable	E / I = 5 T / L = 4 B1 (20)	E / I = 4 T / L = 2 D2 (8)	Deprivation of Liberty Safeguards (June 2018)		Corporate Parenting Panel (January 2021)		Audit commenced March 2023 and rolled	Safeguarding

Risk Ref	Risk	Inherent Risk Priority	Residual Risk Priority	Audit Year 2018/19	Audit Year 2019/20	Audit Year 2020/21	Audit Year 2021/22	Audit Year 2022/23	Proposed for Audit Year 2023/24
	individuals the Council is responsible for							forward to 2023-24	
YM11	The risk that an increase in poverty increases demand on Council services	E / I = 4 T / L = 5 A2 (20)	E / I = 4 T / L = 5 A2 (20)	Welfare Reform (April 2019)				Poverty (March 2023)	
YM13	The risk that the Council cannot adapt to become a carbon neutral Authority by 2030	E / I = 4 T / L = 4 B2 (16)	E / I = 4 T / L = 3 C2 (12)				New risk created January 2022	Climate Change Health Check (ZM) September 2022)	
YM14	The risk that the Island's physical assets (e.g., buildings, roads, IT network) will not be fit for purpose, or meet the needs of residents, businesses and visitors	E / I = 5 T / L = 5 A1 (25)	E / I = 4 T / L = 4 B2 (16)			New risk created February 2021	Investment In Assets (November 2021)		Asset Management (PROPOSED)

Return to Section

GLOSSARY

Term	Explanation
Agile audit	Agile auditing involves using the agile methodology that comes from the software development world. Agile auditing is used by internal audit teams to develop an audit plan that is able to respond to change, whether that is because new risks emerge, or priorities change.
Barnett Formula	The Barnett formula is used by the UK Treasury to calculate the annual block grants for the Scottish government, Welsh government and Northern Ireland executive. It therefore determines the overall funding available for public services such as healthcare and education in the devolved nations.
Gross Domestic Product (GDP)	Gross domestic product or GDP is a measure of the size and health of a country's economy over a period (usually one quarter or one year). It is also used to compare the size of different economies at a different point in time.
Inherent Risk	The level of risk before treatment measures and existing controls have been considered - the worst-case scenario.
Malware	Any software intentionally designed to cause disruption to a computer, server, client, or computer network, leak private information, gain unauthorised access to information or systems, deprive access to information, or which unknowingly interferes with the user's computer security and privacy.
Office for Budgetary Responsibility (OBR)	The Office for Budget Responsibility was created in 2010 to provide independent and authoritative analysis of the UK's public finances.
Public Sector Internal Audit Standards (PSIAS)	The Relevant Internal Audit Standard Setters (CIPFA, Department of Health, Welsh Government, Department of Finance (NI), HM Treasury and the Scottish Government) issue the Public Sector Internal Audit Standards and are mandatory for all local and central government bodies.
Ransomware	A type of malware (malicious software) designed to block access to a computer system until a sum of money is paid.
Residual Risk	The remaining level of risk after any existing risk controls have been considered - the current level of risk.
Risk-based audit	The Chartered Institute of Internal Auditors (CIIA) defines risk based internal auditing (RBIA) as a methodology that links internal auditing to an organisation's overall risk management framework. RBIA allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.
Spring Budget 2023	The Chancellor of the Exchequer presented his Spring Budget to Parliament on Wednesday 15 March 2023. The budget laid out the government's plans for raising and lowering taxes, along with plans for public spending, including on schools, health and defence.
Strategic Risk Register	The Council maintains a register of strategic risks. These are risks that have the potential to impact on the Council's aims and objectives or that could impact on the Council's ability to provide quality services to the residents of Anglesey and those who visit and work on the island.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	18 April 2023
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author:	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: This report meets the requirements of the Local Government (Wales) Measure 2011, which sets out the legislative duties to be performed by a council's audit committee, specifically, to oversee the authority's internal audit arrangements.	

1. INTRODUCTION

1.1 This report updates the Committee, as at 31 March 2023, on the audits completed since the last update as at 31 January 2023, the current workload of internal audit and our priorities for the short to medium term going forward.

2. RECOMMENDATION

2.1 That the Governance and Audit Committee notes Internal Audit's assurance provision and priorities going forward.

INTERNAL AUDIT UPDATE
APRIL 2023

Marion Pryor BA MA CMIIA CPFA ACFS, Head of Audit & Risk

MarionPryor@anglesey.gov.wales

CONTENTS

ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

1. This section provides an overview of internal audit reports finalised since the meeting in February 2023, including the overall assurance rating and the number of issues/risks raised.

2. We have finalised **five** pieces of internal audit assurance work in the period, summarised below:

Title	Strategic Risk Register Ref. / Reason for audit	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
Recovering Council Debts and the Impact of Covid-19	Requested by Director of Function (Resources) / Section 151 Officer Second Follow Up	February 2023	Limited	0	2	3	5
Gas Safety- Regulatory Compliance (Housing)	Requested by the Head of Housing Services	March 2023	Reasonable	0	1	5	6
IT Audit – Cloud Management	YM3	March 2023	Reasonable	0	1	1	2
Payments - supplier maintenance and duplicate payments	Second Follow Up	March 2023	Reasonable	0	0	1	1
The Council's effectiveness in managing its strategic risk 'YM11 – Poverty'	YM11	March 2023	Reasonable	0	0	5	5

Recovering Council Debts and the Impact of Covid-19 (Second Follow Up)

	Issues/Risks	
Limited Assurance	0	Critical
	2	Major
	3	Moderate

3. Our review sought to answer the following key question:

    Has management addressed the outstanding issues/risks originally raised in our 'Limited Assurance' report dated November 2021?

4. In response to the original report, the Director of Function (Resources) and Section 151 Officer commissioned an IT consultancy firm to work with the Service to address the issues and risks raised and improve processes within the Income section.

5. The Service determined that the first area that needed to be improved was income reconciliation. The consultant worked with the Council's Income and IT teams to develop automated income reconciliation routines, which would significantly reduce the manual intervention required by the Income Team. However, due to other priorities within the service leading to the redeployment of the consultant to work on the Capita Revenues system upgrade, only the 'school income' import routine has been successfully implemented to date. As a result, the Service has not yet completed the work to improve efficiency and streamline processes within the Income Section. Despite this, the Service has made some positive progress with addressing the issues/risks raised in our original report. For example:

- The Revenues and Benefits Service Manager now receives and reviews regular performance reports from the two debt collection agencies utilised by the Council

- The Income team leader has reviewed the key duplicate debtor accounts identified during our initial review, and where possible taken action to resolve them

- The Service has completed the planned restructure within the wider revenues recovery team

- The recently appointed Strategy and Business Manager for the Resources Service has re-commenced performance monitoring of the sundry debtors' function. This role also now provides additional capacity to support the service in improving income and recovery processes and addressing the issues/risks raised in our original audit.

6. The Revenues and Benefits Service Manager confirmed that following the completion of the Capita system upgrade, the work to implement the remaining income reconciliation routines will resume. The Service will then consider the most appropriate way to facilitate a business process re-engineering exercise of sundry income and recovery processes to improve efficiency and enable a more proactive approach to recovering sundry debts.

7. However, due to the reasons outlined above in respect of progress with the consultant's project, we are unable to increase our assurance rating from **'Limited'** at this time. We will therefore review progress later in the year to ensure the Service addresses the remaining issues/risks, and the improvements to sundry debtors' processes are effective.

Gas Safety – Regulatory Compliance (Housing)

		Issues/Risks	
Reasonable Assurance	0	Critical	
	1	Major	
	5	Moderate	

8. Our review sought to answer the following key question:

    Does the Council comply with the Gas Safety (Installation and Use) Regulations 1998 (as amended)?

9. Our review concluded that the Council has a framework of adequate internal controls to minimise the risk of non-compliance with gas safety regulations across its housing stock.

10. The Council implements appropriate policies and procedures to manage the installation, maintenance, service and repair of its gas appliances, although both the Responsive Repairs and Maintenance Policy and the Gas Safety and Servicing Policy require review and revision to ensure that they adopt the most recent changes to housing legislation.

11. A robust process ensures only qualified individuals, both internal staff and external contractors, carry out gas safety work on behalf of the Council. In addition, our testing confirms prompt attendance and repair times in respect of the most serious gas related issues, although a lack of performance monitoring and reporting on this could compromise success in this area.

12. The Council also has robust controls in place to ensure new builds and re-acquired properties are promptly added to its asset management system and gas safety check programme.

13. However, some areas within the process would benefit from review and improvement. Recharges had not been raised promptly and effectively, in line with agreed policy. Such delays pose risks of loss of income, increased financial costs and additional tenant complaints.

14. The Gas Servicing and Maintenance Contract ended in March 2022. Failure to subject this contract to effective, fair, and transparent competition poses a risk that the Council is not achieving value for money.

15. In addition, the Service is retrospectively raising purchase orders for gas safety checks carried out by subcontractors, i.e., following the completion of the work and once the Service receives an invoice for payment. Retrospective purchase orders serve no legal purpose and increase the risk of duplicate payments being made.

16. However, the outcome of our review was mostly positive, and we can provide **reasonable assurance** of the governance, risk management, and control of this area. We have agreed an action plan with management, who propose to address the issues and risks by December 2023.

IT Audit – Cloud Management

Reasonable Assurance	Issues/Risks	
	0	Critical
	1	Major
	1	Moderate

17. Our review sought to answer the following key question:

    Does the Council have appropriate controls in place to minimise keys risks associated with software hosted in a cloud environment?

18. Our audit concluded that, in the main, the Council manages its cloud-based services well and uses robust measures to manage its associated risks. Supplier management and monitoring would benefit from improvement; however, this does not detract from the positive outcome of our review.

19. The Council has developed a draft IT Cloud Policy which once agreed will provide a robust framework to ensure that business need, risk and procurement are considered when commissioning new cloud services and software. The policy outlines the IT service's involvement in procuring cloud products to ensure information security and technical requirements are identified and implemented by suppliers.

20. Service users produce business cases and IT project requests for the procurement of cloud services and software, and examples reviewed detail the typical areas for consideration such as product requirements, costings, risks, and benefits. In addition, mechanisms exist to prevent unauthorised staff purchasing cloud applications, including instructions for users, security restrictions for personal equipment usage, device management and business-wide software audits.

21. The IT Cloud Policy and Data Protection Impact Assessment (DPIA) highlight the required legal checks and information security risk assessments and clauses to cover GDPR and Information Security requirements are in place within cloud supplier contracts.

22. All cloud-based software is recorded in the Council's Freshservice IT asset management system, and licence management controls in this area are effective. Access to cloud solutions is managed, and where higher risk data is involved, it is managed using Azure Active Directory (AD) and multi factor authentication. User access permissions are adequately restricted, managed and controlled.

23. The IT team does not routinely monitor cloud suppliers against contractual clauses or service level agreements (SLAs) and this could lead to suppliers not meeting contractual security requirements and obligations which increases the risk of data loss or corruption, service outage and lack of regulatory compliance. Further, the limited level of 'due diligence' checks included in the current technical specification document for IT procurement, increases the risk of potential contractual clarity issues.

24. Overall, however, the outcome of our review was positive, and we can provide **reasonable assurance** of the governance, risk management and control of this area. We have agreed an action plan with management, who propose to address the issues and risks by July 2023.

Payments – Supplier Maintenance and Duplicate Payments (Second Follow Up)

	Issues/Risks	
Reasonable Assurance	0	Critical
	0	Major
	1	Moderate

25. Our review sought to answer the following key question:

Has management addressed the outstanding issues/risks originally raised in our two Limited Assurance reports focussed on the Council's creditor payments processes in 2021?

26. The Finance team has undertaken much work to strengthen controls and as a result has addressed most of the issues/risks raised in our original reports. Improved supplier maintenance processes and a greater awareness of duplicate payment errors within the Payments team helps to minimise the associated risks to a more acceptable level. In particular:

- The Civica team has produced a comprehensive suite of guidance documents covering the entire 'purchase to pay' (P2P) process.

- The number of live duplicate supplier accounts has reduced significantly

- The Civica team has developed a series of duplicate invoice reports which analyse and compare previously paid invoices to identify potential duplicates. The Payments Officer now reviews these prior to each pay run.

- There is a marked decrease in the number and value of potential duplicate payments, indicating the effectiveness of this work.

27. Where required, 85% of invoices sampled had corresponding purchase orders, which exceeds the corporate target in this area. However, some potential issues around contract payments and monitoring became apparent during this review, therefore we plan to cover this in a planned audit of Contract Management later this year.

28. There are still problems associated with purchase order quality within services and the subsequent volume of rejected and queried invoices continues to be high, creating additional work for the Payments team. However, the new guidance documents should help to improve staff's understanding of the P2P process going forward. The Finance and Payments teams are also in the process of investigating the remaining potential duplicate payments identified during our previous reviews.

29. Of the 10 issues/risks outstanding after our first follow up review, the service has fully addressed six, and action taken to reduce the likelihood of the risk has resulted in two issues/risks being re-scored as 'minor'. This leaves one moderate-rated issue/risk still in progress, and one which we will review further with services as part of our Contracts Management audit. Arrangements to manage the risks associated with supplier maintenance and duplicate payments have improved since our initial reviews and we can therefore increase the assurance level provided to **'Reasonable'**. We will continue to monitor the remaining action as part of our internal monitoring system to ensure it is successfully implemented, and the associated issue/risk is addressed.

The Council's effectiveness in managing its strategic risk 'YM11 -– Poverty'

	Issues/Risks	
Reasonable Assurance	0	Critical
	0	Major
	5	Moderate

30. Our review sought to answer the following key question:

    Does the Council have effective governance and control measures in place to manage the risk relating to poverty and its impact on council services?

31. Our review concluded that the strategic risk relating to poverty is being managed in a reasonable manner and control measures are operating adequately in the most part. The Council has identified improvements and is in the process of implementing enhancements to its governance and control measures.

32. The Anti-Poverty Strategy (2018-2023) defines the Council's priorities and actions to reduce the impact of poverty with coverage across Council services and its partners. The Prevention and Early Intervention Strategy (2020) also features Tackling Poverty, with governance via the Prevention Board and the Tackling Poverty Group. Given recent major events i.e., Covid-19 and the cost-of-living crisis, both strategies now require a review.

33. The Corporate Transformation Team's review of the governance and the Council's approach to tackling poverty and prevention (report dated December 2022) makes several recommendations to strengthen governance arrangements and improve oversight and monitoring of the Council's activities. A project manager, appointed in January 2023, is making progress with implementing the recommendations by reforming the Board, revising the governance structure and Terms of Reference, and establishing a dashboard to enable monitoring of performance through analysis of relevant datasets e.g., foodbank use. Suitable performance indicators and measures will enable oversight of the implementation of the relevant strategies and action plans. These should also assist future reviews of the strategic risk's control measures' effectiveness and inform decision-making.

34. The pandemic and the cost-of-living crisis required the Council to react quickly and process several additional welfare payments at pace. The Council is aware that some of these (and existing benefits) may not have reached all the households that are eligible. Consideration is being given to:

    • automating Council Tax Reduction Scheme payments where a Universal Credit claim prompts this, and

    • using data to identify individuals who may be eligible to claim additional financial support (subject to compliance with data protection requirements).

35. In alignment with the Welsh Government (WG) 'Child Poverty: Income Maximisation Plan', the Council is looking to adopt the 'No Wrong Door' approach to provide support no matter which service is contacted. The WG's plan also specifies the need for Local Authorities to streamline the benefit claim process, and the Council must continue to review how it can better achieve this to encourage take up of the support that is available.

36. The strategic risk: poverty (YM11) needs to be reviewed and updated to reflect recent changes e.g., removing 'Youth Homelessness Research Project Officer' as it is no longer a control measure, and to ensure that all relevant key control measures are listed. Cross-referencing to other strategic risks' control measures e.g., economy (YM7), young people opportunities (YM8) and homelessness and housing (YM9) would give a more complete record.

37. While we have raised five Issues/Risks, which require management attention of moderate to low impact at service level, the outcome of our review is mainly positive. We have agreed an action plan with management. Therefore, within the scope of our review, we can provide **reasonable assurance** of the governance, risk management and control of this area.

WORK IN PROGRESS

38. The following pieces of work are currently in progress:

Audit Area	Strategic Risk Register Ref	Service	Reason for Audit	Stage
Declarations of Interest	n/a	Corporate	Included within Counter Fraud, Bribery and Corruption Strategy 2023-2025	Fieldwork
National Fraud Initiative	n/a	Corporate	Included within Counter Fraud, Bribery and Corruption Strategy 2023-2025	Fieldwork
Fuel Card System	n/a	Highways, Waste and Property	Vulnerabilities exposed following an incident	Fieldwork
The Council's effectiveness in managing its strategic risk 'YM10 – Safeguarding.	YM10	Social Services	Strategic Risk Register	Scoping
The Council's effectiveness in managing its strategic risk 'YM5 – The Island's Schools'.	YM5	Learning	Strategic Risk Register	Scoping

OUTSTANDING ACTIONS

39. Work is progressing to support services with implementing all outstanding actions.

40. A more detailed report on all outstanding actions is submitted separately to this meeting.

PRIORITIES

Current Capacity

41. A recent successful recruitment exercise means we are now only carrying one vacant post at Senior Auditor level due to long-term secondment. Our new Senior Auditor starts with the team on 1 April 2023.

42. We are continuing to utilise the budget savings to commission additional external support, including technical IT audit from the IT Audit Team at Salford Council.

Short/Medium Term Priorities

43. Our new Annual Internal Audit Strategy for 2023-24 is submitted separately to this meeting of the Governance and Audit Committee and outlines our priorities for the year.

44. Our Annual Internal Audit Report for 2022-23, including the Head of Audit's opinion to inform the Annual Governance Statement, will be submitted to the June meeting of the Governance and Audit Committee.

45. We will work with the Chair of the Governance and Audit Committee to draft the Committee's Annual Report on discharging its responsibilities for 2022-23, which will also be submitted to the June meeting.

Longer Term Priorities

46. We will work with colleagues in the Performance Team to improve assurance mapping across the Council and contribute to the development of the Governance and Performance Review Group.

47. Once it has had time to mature, we will work with members of the Governance and Audit Committee to undertake an assessment of the effectiveness of the Committee using the recently published CIPFA guidance as a benchmark.

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ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Governance and Audit Committee	
Date:	18 April 2023	
Subject:	Outstanding 'Issues/Risks'	
Head of Service:	Marc Jones Director of Resources / Section 151 Officer MarcJones@anglesey.gov.wales	
Report Authors:	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales	Nanette Williams Principal Auditor NanetteWilliams@anglesey.gov.wales
Nature and Reason for Reporting: The Governance and Audit Committee's terms of reference provide a responsibility for it to monitor the implementation of agreed actions. This report provides an update on the status and detail of the outstanding risks that Internal Audit has raised.		

1. INTRODUCTION

1.1. Internal Audit, on behalf of the Council, monitors issues and risks identified during audit work via its action tracking system, 4action.

1.2. A dashboard displays a real-time snapshot of current performance in addressing outstanding actions and allows effective tracking and reporting of this information. The Head of Audit and Risk regularly shares this dashboard with the Governance and Audit Committee as part of her internal audit update reports.

1.3. In addition, the Governance and Audit Committee has requested that it receives a separate, detailed report outlining overall performance in addressing audit actions, twice a year. At its meeting on 21 September 2021, the former Committee considered and determined the level of detail to be included in the report, to meet its assurance needs in this area.

2. RECOMMENDATION

2.1. That the Governance and Audit Committee:

- notes the Council's progress in addressing the outstanding Internal Audit 'Issues/Risks'.

OUTSTANDING ISSUES / RISKS
April 2023

Marion Pryor BA MA CMIIA CPFA ACFS, Head of Audit & Risk

Nanette Williams MSc CMIIA CIA, Principal Auditor

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INTRODUCTION

1.   The Governance and Audit Committee's terms of reference provide a responsibility for it to monitor the implementation of agreed actions as a result of the work of Internal Audit. To discharge this duty, the Committee requested that it receives a detailed report showing the Council's performance in addressing outstanding actions twice a year, at its meetings in April and September.

2.   As previously reported, Internal Audit has moved away from making recommendations to reporting 'Issues' and 'Risks'. To encourage management to have ownership for these risks, it is their responsibility to develop an action plan to address the issues / risks identified, and we monitor how these risks have been addressed.

3.   Reports which have received 'Limited' or 'No' Assurance are subject to a formal follow up review by Internal Audit, with an audit report produced and assurance rating given. We monitor all other issues / risks using the Council's corporate action tracking system (4action).

4.   Following a wholescale system upgrade of 4action in 2020, the system continues to prove very successful in improving our internal audit follow up and action tracking processes.

5.   We have developed and refined a user dashboard on 4action, which displays a real-time snapshot of current performance in addressing outstanding actions and enables effective tracking and reporting of this information. We continuously monitor 'overdue' actions and so we can promptly obtain updates from management as to progress with addressing them.

6.   We have also developed a bespoke service dashboard to assist Heads of Service and their management teams in monitoring and providing updates on their actions. We have recently rolled this out for the Corporate Transformation service, and it is proving very successful, with the service monitoring and providing updates on its outstanding actions effectively.

CURRENT PERFORMANCE

7. The following five graphs show the outstanding actions across the Council as at 31 March 2023. A detailed status update of the 12 outstanding 'major' rated issues/risks is also shown at Appendix 1.

8. It should be noted that no 'Red' issues/risks were raised during the year and there are no Red 'issues/risks' currently outstanding.

1

Total Outstanding Actions

Major	12
Moderate	37

0 4 8 12 16 20 24 28 32 36

2

Overdue Actions

Major	1

0 1 2
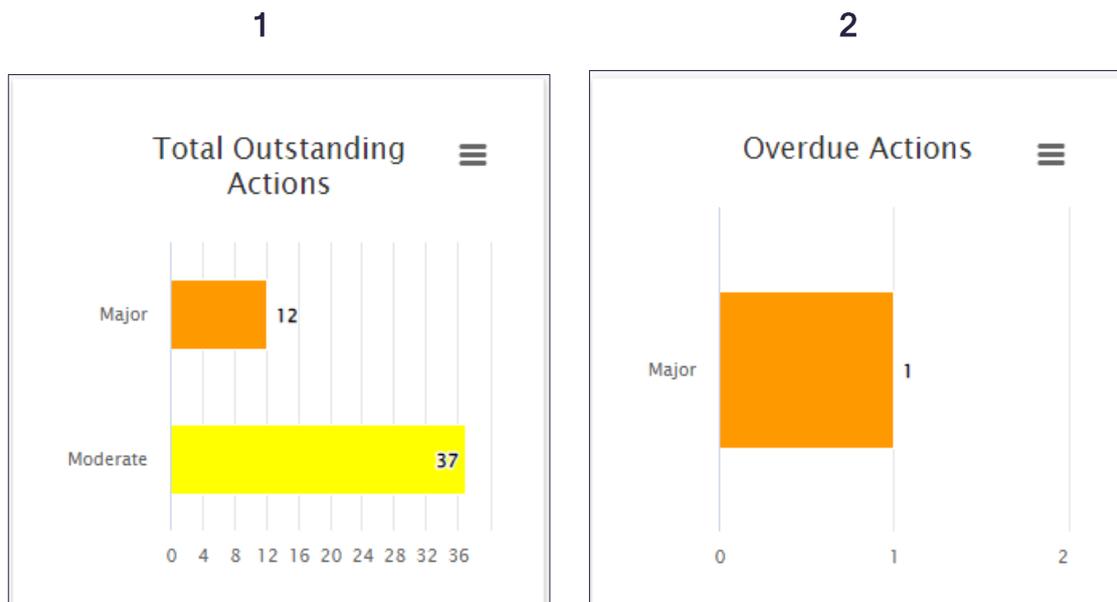
9. As at 31 March 2023, we are tracking 49 outstanding actions in 4action. Of these 12 are rated 'major' (amber) and 37 'moderate' (yellow) in risk priority, as shown in graph 1.

10. We actively monitor all actions and pursue them with management when they become due to ensure they are addressed. There is currently one action that has reached the date management were due to finish implementing it, and it is now 'overdue', as shown in graph 2.

11. It is a 'major' rated issue/risk and relates to an audit of Housing Allocations and more specifically to developing and improving the Housing application process. We provide further information on this later in this report.

3	4

Total issues/risks by status

Not Started · In Progress · Closed · Verified

Total issues/risks by status (where due)

In Progress · Closed · Verified
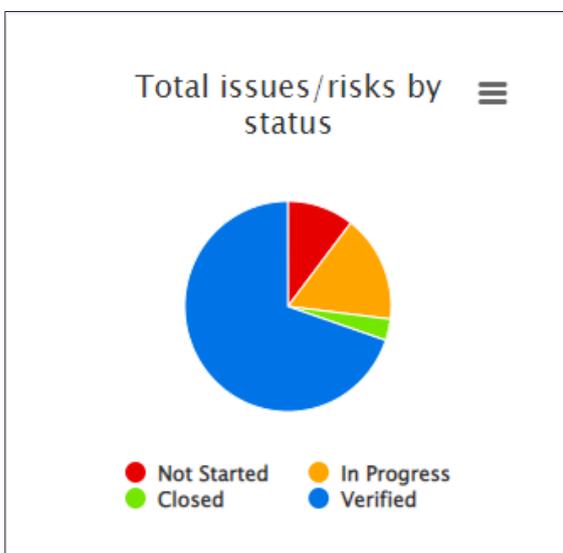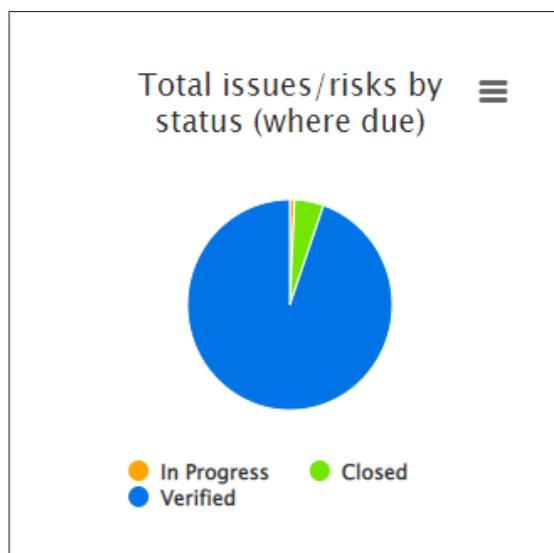
12. The graphs above show the status of all actions, i.e., whether they are 'in progress'; 'not started' or 'closed' if the action has been addressed. Internal audit verifies all 'closed' actions to ensure we are satisfied that the action taken by management has addressed the risk originally identified.

13. Graph 3 shows the status of all outstanding actions (irrespective of the date management agreed to address them by). It shows that management have now addressed 73% and Internal Audit has verified 70%. The remaining 3% relate to an audit of 'Software Licence Management', which we will be formally following up in April 2023. We will verify that management has successfully implemented these actions during this piece of work.

14. The majority of actions showing as 'not started' relate to several audits recently finalised namely, 'Managing the risk of Fraud and Corruption in Procurement', 'Direct Payments', 'Financial Resilience' and 'Cash Handling – Cyswllt Mon'. The actions identified during these audits have not yet reached their anticipated completion dates. When these dates approach, we will actively pursue updates from management to determine progress.

15. In contrast, Graph 4 shows the status of all actions that have reached their target date. It shows that where due, 99% have been addressed. Of these, Internal Audit have verified virtually all, however as detailed above, those that have yet to be verified relate to an audit of Software Licence Management which will shortly be followed up.

16. We will occasionally extend completion dates for some actions, but only if the service can demonstrate a legitimate reason for the extension, e.g. it becomes clear that the original date is unachievable, as significantly more work is needed to address the issue/risk.

5
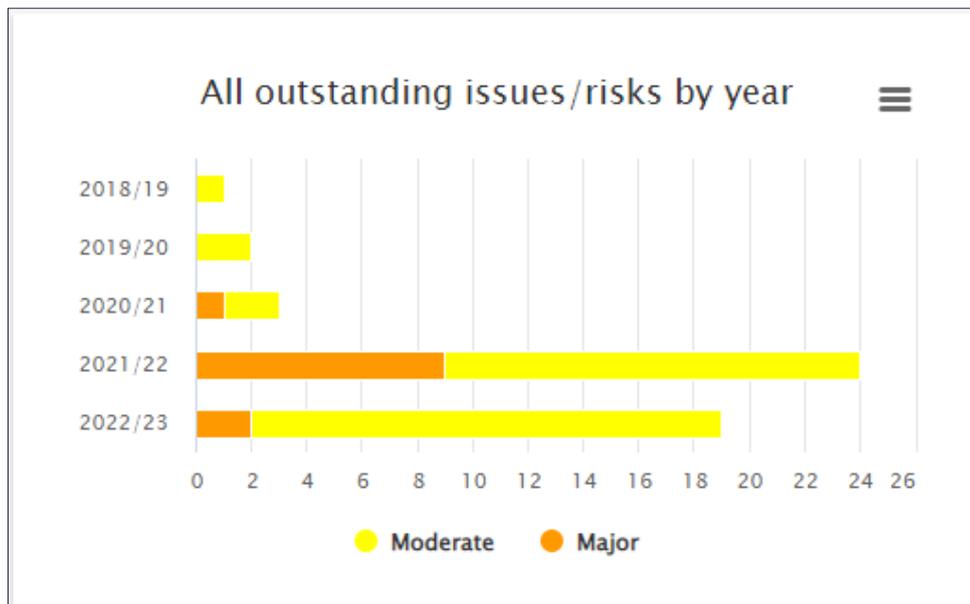
17. As detailed above, 49 outstanding actions have yet to be fully completed.

18. These are spread between 2018/19 and 2022/23. While graph 5 indicates the majority relate to the last two financial years, there is one issue/risk dating back to 2018/19 that management has yet to fully address. This relates to improving the password complexity settings for the Council's externally facing Leisure booking system.

19. It is rated as 'moderate' or 'yellow' in risk priority, and work to address it forms part of the implementation and launch of the new Leisure Hub system. At the time of writing, there were delays with agreeing a go-live date with the software supplier due to technical issues. The IT team are currently liaising with the software provider to resolve this.

20. It should be noted that there are no 'major' rated issues/risks dating back further than 2020/21, as shown above. This demonstrates that management are prioritising addressing risks of higher priority.

21. In addition, to ensure that services are successfully addressing their issues/risks promptly, where a 'major' rated issue/risk is still not resolved 12 months after the original completion date has passed, action owners are asked to attend Governance and Audit Committee to update the Committee on the reasons for the delay in addressing the issue/risk.

22. There is currently one 'major' or rated issue/risk that this applies to relating to an audit of Housing Allocations and improvements to the Housing applications process. More detail is provided at Appendix 1 below and the Service Manager – Community Housing will attend the meeting of the Committee on 18 April 2023 to provide a further update.

23. A detailed status update of all 12 outstanding 'major' rated issues/risks currently being tracked in 4action follows at Appendix 1.

24. We will endeavour to pursue all outstanding actions to ensure completion.

APPENDIX 1: OUTSTANDING 'MAJOR' RATED ISSUES/RISKS DETAILED STATUS

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
ICT Service Continuity (Phishing)	2020/21	May 2021	01/07/23	Reasonable	Results of the recent phishing test commissioned by ICT showed that too many users would fall for a phishing email, despite having completed the cyber awareness training.	Action 50% complete. Much of the work to address this issue/risk was completed as part of the Cyber Security and ICO recommendations working group action plan, which we reviewed during our recent follow up review. The remaining element relates to ensuring the Council conducts regular phishing tests for staff. The IT team Manager is currently considering the options for procuring phishing software for this purpose.
Housing Allocations	2021/22	September 2021	01/02/23	Reasonable	The housing application process is inefficient and contributing to delays in the voids process.

Following an enquiry, paper application forms are sent to prospective applicants. On return, these are scanned to the Council's Electronic Document Management (EDM) system, and then manually input by the Housing Options team to the Orchard Housing Management System. The process is time consuming, inefficient and diverts resources away from other housing allocation tasks. | Action 50% complete. The Housing service originally planned to develop an electronic application process using the Digital Tenants' Portal. However, it was concluded that the Council's newly launched CRM system would work better for this purpose. The service is currently working with the IT team to progress this.

The original target date for this action was March 2022. As it is now 12 months beyond that date, the Service Manager – Community Housing will attend the Governance and Audit Committee meeting to provide a further update. |
| Recovering Council Sundry Debts | 2021/22 | November 2021 | 01/06/23 | Limited | Despite the debtor system showing a reduction in the number and total value of invoices in 'recovery-suppressed' status since our last review, our testing found that the Income Team is circumventing the normal process. The Income Team is delaying recovery action via manual intervention rather than applying the system 'suspend' function that would automatically restart the recovery process after 30 days. | Action 50% complete. We recently carried out a formal follow up review of Recovering Council Debts.

We provide the Committee with a more detailed update in our final follow up report, included as part of the Head of Audit and Risk's update report. |

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Recovering Council Sundry Debts	2021/22	November 2021	01/06/23	Limited	The combination of a failure to take a proactive approach to recovering Council debts and escalating debt recovery where appropriate, along with the redeployment of Recovery Officers and the suspension of all debt recovery for six months during the pandemic, has all contributed to the level of outstanding debt increasing significantly from March 2020.	As above.
Information Governance	2021/22	January 2022	30/09/23	Reasonable	Staff are able to access the Council's Microsoft Office 365 applications, including Teams and SharePoint and therefore potential personal and sensitive data held by the Council, using unencrypted personal mobile devices.	Action 50% complete. Addressing this issue/risk is dependent on the roll out of the Microsoft Intune device management application. Progress with this work has developed significantly recently, with completion of the full rollout expected by September 2023.
Software Licence Management	2021/22	January 2022	01/04/23	Limited	The Council has not yet produced a business systems roadmap or strategy, which underpins how the Council will deliver its digital services. Such a roadmap should include items such as details of approved software vendors and suppliers, vendor selection criteria as well as hosting and support requirements (in-house versus cloud services etc.)	The draft strategy was paused due to changes in senior leadership and the Council elections. In its absence a Cloud Policy has been developed which outlines the strategic direction for cloud software procurement. The IT team will engage with the Leadership Team to prepare a revised strategy in line with the business direction. We plan to carry out a formal follow up review in April 2023 to determine progress with addressing the issues/risks raised in our original report.
Recruitment and Retention	2021/22	June 2022	01/07/23	Reasonable	The Council's Workforce Planning Strategy was originally developed by the Human Resources Unit in 2012 but has not been updated since 2019. As workforce development planning is now more established across the Council, the Workforce Development Strategy would benefit from revision to ensure it is up to date and in line with the Council's current and future strategic approach in this area.	Action 75% complete. The draft Workforce Planning Strategy 2022-25 is complete, however cannot be finalised until the objectives of the new Council Plan are agreed. Once finalised, these will be included in the document.

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Recruitment and Retention	2021/22	June 2022	01/04/23	Reasonable	There is little formal, routine reporting to the Senior Leadership Team (SLT) of recruitment data analysis to ensure the SLT is well sighted on recruitment pressures and trends currently facing the Council. This is particularly important at present in light of national issues with staff recruitment affecting all sectors.	Action 50% complete. The Council is in the process of procuring a new recruitment system, which needs to be compatible with its HR solution, Zellis. The IT team is currently leading on this. The new system will include better data analysis and reporting functionality which can be presented to Leadership Team.
Teachers Pensions	2021/22	June 2022	01/05/23	Limited	Testing highlighted that the reports extracted from the payroll system did not extract data consistently and some records are missed. In addition, the reports are not reconciled before submission to the TPS. We therefore cannot provide assurance that the information extracted and uploaded to the TP service is complete or accurate.	Action not yet due for completion. We will carry out a formal follow up review in May 2023 to determine progress with addressing the issues/risks raised in our original report.
Teachers Pensions	2021/22	June 2022	01/05/23	Limited	The Payroll and Payments Manager did not provide evidence of error reports being investigated or actioned.	As above.
IT Vulnerability Management	2022/23	August 2022	30/09/23	Reasonable	There is currently no assurance available regarding patching when devices connect remotely via Citrix as opposed to connection directly via Microsoft Endpoint/Azure, and on site.	Action 50% complete. Addressing this issue/risk is dependent on the roll out of the Microsoft Intune device management application. Progress with this work has developed significantly recently, with completion of the full rollout expected by September 2023.
Galw Gofal	2022/23	January 2023	01/05/23	Limited	Data protection arrangements are not sufficiently robust for the Isle of Anglesey County Council to meet its obligations as one of the data controllers for Galw Gofal.	Action not yet due for completion.

*Current assurance rating - either as at time of original audit or following follow up review.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	18 April 2023
Subject:	Review of the Risk Management Framework
Head of Service:	Marc Jones, Head of Function (Resources) / Section 151 Officer MarcJones@anglesey.gov.wales
Report Authors:	Julie Jones Risk and Insurance Manager JulieJones@anglesey.gov.wales
Nature and Reason for Reporting: Audit committees are a key component of corporate governance and are an important source of assurance about an organisation's arrangements for managing risk. Further, the Committee's terms of reference require the Committee to oversee the Council's risk management policy and its implementation in practice.	

1. INTRODUCTION

1.1. The Council's risk management policy identifies the Governance and Audit Committee as having responsibility for reviewing the appropriateness of the risk management and assurance processes that are in place.

1.2. The Committee's terms of reference also provide it with responsibilities to seek assurance over risk management arrangements. In particular, it has a responsibility to oversee the Council's risk management policy and strategy, and their implementation in practice.

2. RISK MANAGEMENT POLICY & STRATEGY

2.1. The Council's Risk Management Policy Statement was approved in May 2019, and it was considered prudent to review and refresh the policy to ensure that it remained appropriate and relevant.

2.2. This report presents the Council's proposed new Risk Management Policy & Strategy, together with the accompanying Risk Management Guidance to the Committee. These documents are included in Appendix A and B respectively.

2.3. The main aspects of the Risk Management Policy are the recognition that risks:
- can impact on aims, objectives and service delivery
- can pose a threat and provide opportunities
- need to be managed within the risk appetite

- need to be identified to allow fully informed decisions to be taken

2.4. The Risk Management Strategy explains how the policy will be delivered. It includes the risk appetite statement which is the level of risk that the Leadership Team feel that the Council aims to operate within. The Executive have been consulted on the risk appetite and agree with Leadership Team's view.

2.5. The Risk Management Guidance provides details of the process to be followed and explains the different considerations needed depending on whether the risk is strategic, service, project or programme, or partnership related.

2.6. The guidance includes a new section on the positive or opportunities aspect of risk.

2.7. Training will be offered to Members and relevant officers once the Policy has been approved. This should coincide with the roll out of the new version of the risk management software. Moving to this new platform will result in changing from the alpha numeric method of scoring risks that has been used for a number of years to the traditional numeric way of scoring risks. For example, a risk currently scored as A1 (A- Almost Certain to happen and an impact of 1 – Catastrophic) will be scored as 25 (5 – Almost Certain to happen and an impact of 5 – Catastrophic). Reporting the risk score alone could lead to uncertainty of what the impact and likelihood is for each risk, reports will therefore also include the impact and likelihood score.

2.8. The draft Risk Management Policy and Strategy, together with the accompanying Risk Management Guidance, have also been shared for information and comment with Audit Wales, Care Inspectorate Wales and Estyn.

3. RECOMMENDATION

3.1. That the Governance and Audit Committee considers and provides comments on the Risk Management Policy and Strategy, and the Risk Management Guidance.

Risk Management Policy & Strategy

Version FINAL DRAFT (April 2023)

About this policy

This document, together with the associated guidance, provide the Council's framework for risk management. The framework is relevant to all Council staff and Members.

Revision History

Version	Date	Summary of Changes
1.0	April 2023	

Date of next review	
This policy will be reviewed on:	April 2026
The review will be undertaken by:	Risk & Insurance Manager

Contact Details: **Julie Jones (juliejones@anglesey.gov.wales)**

We are happy to provide this policy in alternative formats on request. Please use the above contact details.

Mae'r ddogfen yma ar gael yn y Gymraeg.   This document is available in Welsh.

Foreword

There are risks involved in all aspects of life and business. As a diverse organisation, the risks that the Isle of Anglesey County Council faces are widespread and varied. We believe the Council should not shy away from risk but instead seek to proactively manage it. This will allow us to not only meet the needs of today, but also be prepared to meet the future challenges of tomorrow.

We recognise that risks pose a threat but that they also presents opportunities to innovate. A good understanding and awareness of the risks that we face is therefore needed if we are to successfully achieve the aims and objectives set out in our Council Plan, service delivery plans and project plans, and take fully informed decisions.

Risk management is a fundamental of good governance and internal control and is an essential component in delivering our aims and objectives. This document and the accompanying guidance sets out the good risk management behaviours and practice that we expect throughout the Council and will help us develop a risk aware culture.

The Executive and Leadership Team have a clear picture of the risks which threaten the ability to achieve our objectives and the level of risk exposure that we want to accept. Managing these risks effectively and ensuring that they are considered when decisions are taken, will put the Council in a stronger position to deliver quality services, achieve our objectives, provide value for money, and respond to a changing risk profile.

Councillor Llinos Medi

Council Leader

Dylan Williams

Chief Executive

Contents

1   Introduction

The risk management policy, strategy and accompanying guidance set out the principles and approach of the Isle of Anglesey County Council to managing risk.

The aim is to provide a consistent process that underpins the management of risk throughout the Council, which reflects the size and the nature of our various operations, and use our skills and capabilities to the full.

These documents apply to all Council employees and Members. Any partner organisations should be encouraged to embrace the principles contained in the documents.

1.1   Risk Management Policy and Strategy Objectives

The objectives of this document are:

- To develop a risk aware culture that runs throughout the Council's activities.
- That it leads to a more consistent and informed decision making process at all levels, thus improving accountability and transparency.
- For the Council to be able to anticipate and respond to change and manage the risks and opportunities that may impact its objectives.
- To ensure employees and elected Members have the knowledge, skills and tools to understand the need and benefits of risk management and take responsibility for managing risk within their area.
- For the Council to become a more risk mature organisation.

1.2   Definition of Risk & Risk Management

Risk is defined as "the effect of uncertainty on objectives."[1] In other words, the possibility that an event may or may not occur and it affects the achievement of an objective. The effect can be negative or positive.

Risk should not be confused or interchanged with an issue which is an event or situation that already exists.

Risk Management is defined as "co-ordinated activities to direct and control an organisation with regards to risk"[2]. In other words, it is the process of methodically addressing the risks attached to activities with the goal of achieving sustained benefit within each activity and across all activities.

1.3   Reasons for Managing Risk

There are many reasons for managing risks including:

- It increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the organisation's overall objectives.
- Improves decision-making, planning and prioritisation by providing a framework that enables future activity to take place in a consistent and controlled manner.
- It can help managers demonstrate good governance, and leads to a better understanding of the risk profile and risk mitigation.
- It can drive the effective delivery of objectives and efficient use / allocation of resources by focusing senior managers and elected members on the possible risks and opportunities to aid success.
- Regulators and partners are increasingly asking for evidence of good risk management practice, and this is also a requirement of many contractual agreements.
- Externally it can help to enhance political and community support and protect and enhance reputation. However, failure to identify, assess and manage risks may result in considerable unbudgeted expenditure and reputational damage.

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[1] ISO 31000 2018
[2] ISO 31000 2018

2   Risk Management Policy

The Council is a diverse organisation committed to achieving its aims and objectives as set out in the Council Plan, Service Delivery plans and project plans. Risk is an unavoidable part of delivering these plans, and there are other risks that fall outside such plans that could impact on the Council's ability to provide quality services to the residents of Anglesey and those who visit and work on the island. The Council acknowledges that risk can pose a threat and provide opportunities.

It is the Council's policy to adopt a proactive and consistent approach to managing its risks within a recognised risk appetite.   This proactive and consistent approach of identifying, assessing, managing and monitoring key risks is an integral part of our management processes at both strategic and operational levels, and ensures a culture of knowledgeable risk taking. Embedding risk management throughout all processes, projects and strategic decisions will put the Council in a stronger position to deliver quality services, achieve objectives, provide value for money, and respond to a changing risk profile.

3 Risk Management Strategy

This strategy sets out how we aim to deliver the risk management policy, and where the responsibilities for managing risks lie. This will be achieved by:

3.1   Agreeing the Council's risk appetite and risk maturity

Risk appetite is the amount and type of risk that the Council aims to accept. By agreeing its risk appetite, the Council is setting itself boundaries in terms of how much risk is acceptable and which risks it aims to manage if it is to realise its objectives.

Risk maturity is the level, understanding and effectiveness of the Council's management of risk. Assurance of the Council's risk maturity and an opinion of whether the risk management processes are fit for purpose will be sought from an independent party periodically, and identifies areas where further improvement is required

The Executive and Leadership Team have agreed the Council's risk appetite and this is set out and explained in greater detail in Section 4 of the document.

The risk appetite and risk maturity will be reviewed at least once every administration.

3.2   Develop a risk aware culture

Risk culture refers to the values, attitudes and understanding of the Council's staff and Members in relation to the risks faced by the Council. Where an organisation operates and makes decisions in the full knowledge of the risks involved, the risk culture is described as being **risk aware**.

To develop a risk aware culture staff and Members will need to better understand the risks that are relevant to their area of work and how to evaluate risks. Integration, training, and communication all have a positive influence on risk culture.

Everyone manages risk and exploits opportunities to some degree in their day-to-day role. By integrating risk management into our processes and activities, we aim that staff and Members will understand, value and perform risk management, resulting in the Council becoming a risk aware organisation.

Appropriate training will be delivered to Members, managers at all levels, and those with specific risk management roles. Our cohorts of trainees are potentially the managers and senior leaders of the future. It is therefore important to develop their understanding of risk management by providing them with appropriate training and awareness sessions.

By communicating the risk management policy, strategy and accompanying guidance to staff and Members the importance of effective risk management principles in our everyday activities will be highlighted. The documents will therefore be available on the Council's intranet (MonITor) and

included as a policy that certain staff with management responsibilities and Members are required to accept via Porth Polisi.

3.3 Clearly defining roles, responsibilities and governance arrangements

Roles and responsibilities are set out in Section 5 of this document.

Risk co-ordinator is a new role and each Service is asked to designate an appropriate officer and deputy to undertake the role of their Risk Co-ordinator as part of their duties. This should ensure the importance of risk management is understood and embedded across the Service.

We aim to improve the governance arrangements around risk management by encouraging a reference to risks in all reports which require a decision to be taken, and ensure that risk registers are routinely considered at the appropriate level. For example, this chart shows the relationship between strategic and service risk registers and explains who owns and who needs assurance of the risks.
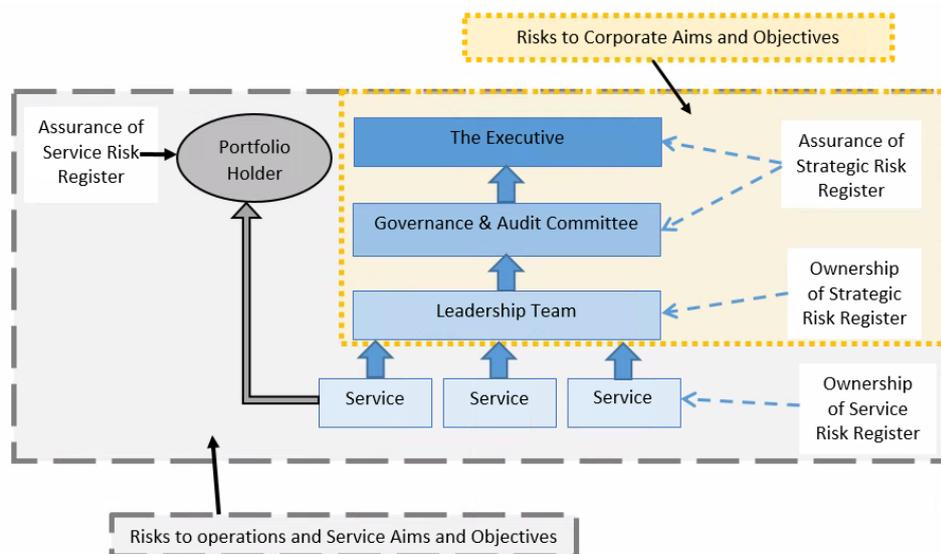
The Strategic Risk Register is reported to the Informal Executive and the Governance and Audit Committee twice a year.

Risks are regularly reviewed and discussed at Corporate / Strategic level, with key risks escalated from Services.

3.4 Providing a risk management process

A generic risk management process provides a consistent approach to managing risk throughout the organisation. The risk management guidance accompanying this document sets out the detailed risk management process and is summarised in the following diagram.

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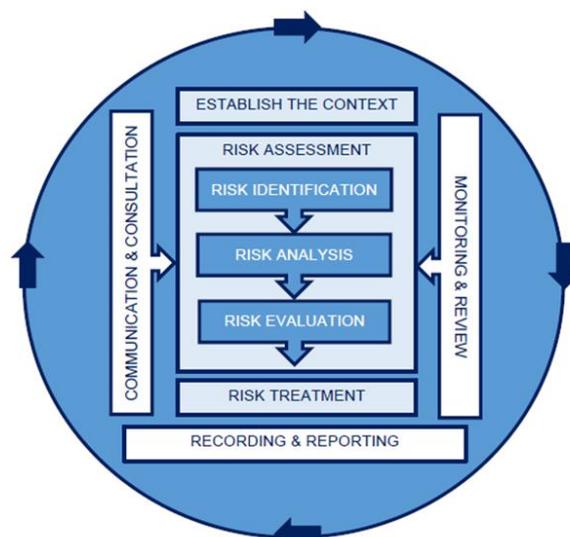
The findings of each step of the risk management process are recorded in the risk register. The Council maintains a Strategic Risk Register, Service Risk Registers, project and programme risk registers, and other activity specific risk registers as required.

Assessing the likelihood and impact of each risk and plotting them on a risk matrix provides a risk score for each risk and allows risks to be compared and prioritised. Each risk is assessed on an inherent (worst-case), residual (current position), and target (desired position) basis. Separate risk matrices have been developed for Strategic, Service, and Project risks, and for Opportunities, and these are included in the accompanying guidance.

3.5 Monitoring risk management performance

The Council has developed a series of key performance indicators (KPIs) to monitor the progress and achievements of the risk management strategy. The KPIs include:-

- risks and risk registers reviewed at strategic and service levels
- assurance provided relating to the effectiveness of controls
- staff and Members who have received training
- staff and Members who have accepted the policy on Porth Polisi

Responsibility for calculating these KPIs rests with the Internal Audit and Risk Management Team and these will be included in the annual Risk report reported to the Leadership Team, the Governance and Audit Committee and the Executive.

Key risk indicators (KRIs) provide an early signal of a change in the risk exposure, and key control indicators (KCIs) an early signal of ineffective or less effective controls, providing an early opportunity to review the risks and where necessary introduce additional controls. Therefore, where appropriate and relevant, KRIs and KCIs will be developed in conjunction with the risk co-ordinators and performance team.

4 Risk Appetite & Maturity

4.1 Risk Appetite

4.1.1 Definition

Risk appetite is defined as "Amount and type of risk that an organization is prepared to pursue, retain or take"[3] or the level of risk that the Council **aims** to operate within.

This should not be confused with or interchanged with risk tolerance, which is the absolute level of risk within which the Council will operate.

Levels of risk appetite are defined below:

Risk Appetite	Description	High risk appetite
Eager	Eager to be innovative and to choose options offering potentially higher rewards despite greater risk	
Open	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward, value for money, and moderate / high risk.	
Cautious	Preference for safe delivery options that have a low degree of risk and may only have limited potential for reward.	
Minimal	Preference for very safe business delivery options that have a low degree of risk and only have a potential for limited reward.	
Averse	Avoidance of risk and uncertainty is a key organisational objective	Low risk appetite
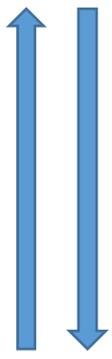
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[3] ISO 31000 2018

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A lower appetite for risk should be reflected by a higher risk management focus.

4.1.2   Risk Appetite Statement

The following table expresses the Council's risk appetite for each category of risk, as agreed by the Leadership Team.

Risk Category	Risk Appetite
Objectives	Eager
Service Delivery	Open
Financial	Cautious
Reputation	Open
People (H&S / safeguarding)	Minimal
Regulation	Cautious
Environmental	Open

4.1.3   Why is Risk Appetite Important?

By defining its risk appetite, the Council is setting itself boundaries in terms of how much risk is acceptable and which risks it aims to manage if it is to realise its objectives.

The benefits of adopting a risk appetite include:
- Leads to informed decision-making
- Reduces uncertainty
- Improves consistency across governance mechanisms and decision-making
- Supports performance improvement
- Focuses on priority areas
- Informs spending review and resource prioritisation processes

4.2   Risk Maturity

Risk maturity is the level, understanding and effectiveness of an organisation's management of risk.

Establishing a Risk Maturity Model is a key aspect of monitoring and reporting progress, provides assurance that risk management processes are fit for purpose, and identifies areas where further improvement is required. The level of maturity aspired to be is a balance of the resources available and the risk appetite.

The Council's risk maturity model is:

		Level of Maturity				
		Immature	Performed	Managed	Predictable	Mature
Parameters of Implementation	Use of Standards, tools and techniques	Not using	Aware but no formalised use	Using	Regular use, outcomes consistent	Sound understanding, good use of tools
	Knowledge of the risk management discipline	Little knowledge	Aware but not clear of benefits	Understanding across some parts of the organisation	Sound knowledge of discipline and value	High degree of awareness and knowledge
	Risk management activities undertaken	None	Some ad-hoc, insufficient resources	Have framework and active when time permits	Formal program	Embedded in decision making
	Awareness of benefits and value of risk management	Unsure of benefits	Aware but not clear of benefits	Aware of some benefits	Aware of benefits and deployed across the organisation	Incorporated into business planning and strategic thinking

The Council's Level of Risk Maturity was last independently assessed in November 2018 by Zurich Risk Engineering, and determined as Level 3 'Managed', using a similar Risk Maturity Model, also containing five levels of maturity. The Council has arranged for Zurich Risk Engineering to carry out another independent review during 2023.

5 Roles and Responsibilities

	Role	Responsibilities
Members	The Executive	• Ensure risk is considered when agreeing the Council's direction of travel. • Agree the delivery of the Risk Management Policy and Strategy. • Review the Strategic Risk register regularly. • Work with the Leadership Team to identify new or emerging risks. • Consider risk as an integral part of strategic planning and decision making. • Each Executive Member to oversee risks relating to their portfolio.
	Governance and Audit Committee	• Oversee the delivery of the Risk Management Policy and Strategy. • Review the appropriateness of the risk management and assurance processes and advice on any action necessary to ensure compliance. • Understand the role and activities of the Leadership Team in relation to managing risk.
	Scrutiny Committees	• Scrutinise major critical risks. • Challenge decisions made by Executive Members where risks have not been considered properly.
	Elected Members	• Consider risk as an integral part of strategic planning and decision making.
Management	Chief Executive	• Overall leadership for the effective delivery of risk management including the Strategic risk register, Risk Management Policy and Strategy. • Report progress and change in relation to risk management to Members.
	Leadership Team	• Set the tone from the top and promote the benefits of risk management. • Ensure all risks are aligned to corporate objectives • Regularly discuss and review the Strategic risk register and associated reports ensuring that the Strategic risk register is accurate. • Work with the Corporate Management Team to identify new or emerging strategic risks. • Ensure full compliance with all corporate governance requirements, including the production of the Annual Governance Statement.
	Corporate Directors & Heads of Service	• Ensure there are effective risk management arrangements in their Service in line with the risk management policy, strategy and accompanying guidance • Take ownership for risks within their Service and ensure risk registers, including project and partnership registers, are regularly discussed, reviewed, updated and key Service risks are escalated as appropriate. • Identify cross cutting risks which impact on the achievement of Service objectives. • Ensure Service risk registers and actions are regularly reported to the Leadership Team and relevant Executive Member. • Ensure key decision reports contain balanced and considered risk. • Ensure that the risk implications of all new business change proposals are satisfactorily taken into account.

	Role	Responsibilities
Risk Function		• Where key services are to be provided through a partnership arrangement clear lines of risk ownership and accountability are established.
	Service Management Teams	• Ensure the risk management within their area of responsibility is implemented in line with Risk Management policy, strategy and accompanying guidance • Take ownership for the risks within their areas of responsibility, ensuring the risk register is regularly discussed, reviewed and updated and identifying analysing, prioritising and managing risks with the Service as part of the business planning process. • Escalate risks up to the Director / Head of Service when required • Ensure mitigating actions are completed and the effectiveness of controls are regularly reviewed
	Internal Audit and Risk Management Team	• Ensure a periodic independent review of the corporate approach to risk management and compliance with it. • Contribute to the accuracy and integrity of risk registers with particular regard to the effectiveness of mitigating actions. • Develop the Risk Management policy, strategy and accompanying guidance and review periodically. • Act as corporate advisor of risk and co-ordinate strategic risk initiatives, ensuring that risk management is integrated within all corporate strategies and procedures. • Provide corporate and service-based advice and support to ensure appropriate risk management is included in all decision making and other Member reports. • Promote a positive culture of risk awareness, demonstrating the ability to improve outcomes. • Ensure that risk management supports the delivery of innovative and challenging projects. • Encourage the Council's external partners to adopt an effective and transparent approach to proactively manage risk. • Support the Leadership Team in maintaining the Strategic Risk Register and identify new and emerging risks. • Ensure the design and systematic implementation of policies, procedures and practises for risk identification, assessment, treatment, monitoring and reporting. • Plan audit work to take into account key risks, and how effectively they are managed providing assurances for the Annual Governance Statement, the Strategic Risk Register and the Governance and Audit Committee
	Risk Owners	• Manage all aspects of risks assigned to them • Obtaining additional resources or support as required to manage and monitor risks assigned to them • Ensure that risks assigned to them are regularly updated in risk registers • Determine any actions required to mitigate risks, ensure that these are implemented fully and effectively, and ensure that risk score reflects the impacts of these actions.
	Risk Co-ordinators	• Ensure that the risk management policy, strategy and accompanying guidance is championed and adhered to consistently across the Service

	Role	Responsibilities
		• Ensure that risk registers are developed, maintained and regularly reviewed for the overall Service, and individual sections / teams as required • Report the Service risk register to the Service Management Team on a regular basis, and no less frequently than once a quarter • Ensure that the Service Risk Register is regularly reported to the Leadership team and forms part of the Service Challenge • Arrangements are in place for risk management training, information, guidance to be communicated to all relevant staff
Everyone	All staff	• Develop an understanding and familiarise themselves with the Risk Management policy, strategy and accompanying guidance and attend risk management training as required. • Maintain awareness of risks and take steps to manage risk as part of their role. • Report risks and any ineffective controls to managers. This includes reporting accidents and near misses.

Risk Management Guidance

Version FINAL DRAFT (April 2023)

About this policy

This document, together with the associated guidance, provide the Council's framework for risk management. The framework is relevant to all Council staff and Members.

Revision History

Version	Date	Summary of Changes
1.0	April 2023	

Date of next review	
This policy will be reviewed on:	April 2026
The review will be undertaken by:	Risk & Insurance Manager

Contact Details: **Julie Jones (juliejones@anglesey.gov.wales)**

We are happy to provide this policy in alternative formats on request. Please use the above contact details.

Mae'r ddogfen yma ar gael yn y Gymraeg.   This document is available in Welsh.

Contents

1 Introduction

This document provides details of the risk management process used throughout the Isle of Anglesey County Council, whether these be strategic, service, project, or other risks.

The aim is for a consistent and proactive culture and approach in terms of the process for managing risks, while acknowledging differences between strategic, service, project or other risks and a collective responsibility for managing risks facing the Council as a whole.

Few risks and risk action plans remain static; risks change, priorities change, actions are completed, risk controls that were once effective may become irrelevant. Regular monitoring and reporting of risks is therefore essential.

2 Risk Management Process

The risk management process is continuous. It involves identifying, prioritising and treating risks. It is recommended that risk is a standing agenda item on management team meetings, working groups / forums, project and programme boards.

It is more effective to involve a number of individuals in the risk process to avoid the subjectivity of individual risk perceptions that can lead to a misjudgement of risk due to the effect of heuristics and bias. People are often driven by biases such as:

- Overconfidence – a tendency to overestimate the likelihood that outcomes will be positive
- Groupthink – a tendency to conform to group beliefs
- Anchoring – a tendency to rely on one piece of information rather than search for another
- Confirmation – a tendency to search for information that supports existing belief.

The following diagram depicts the risk management process:
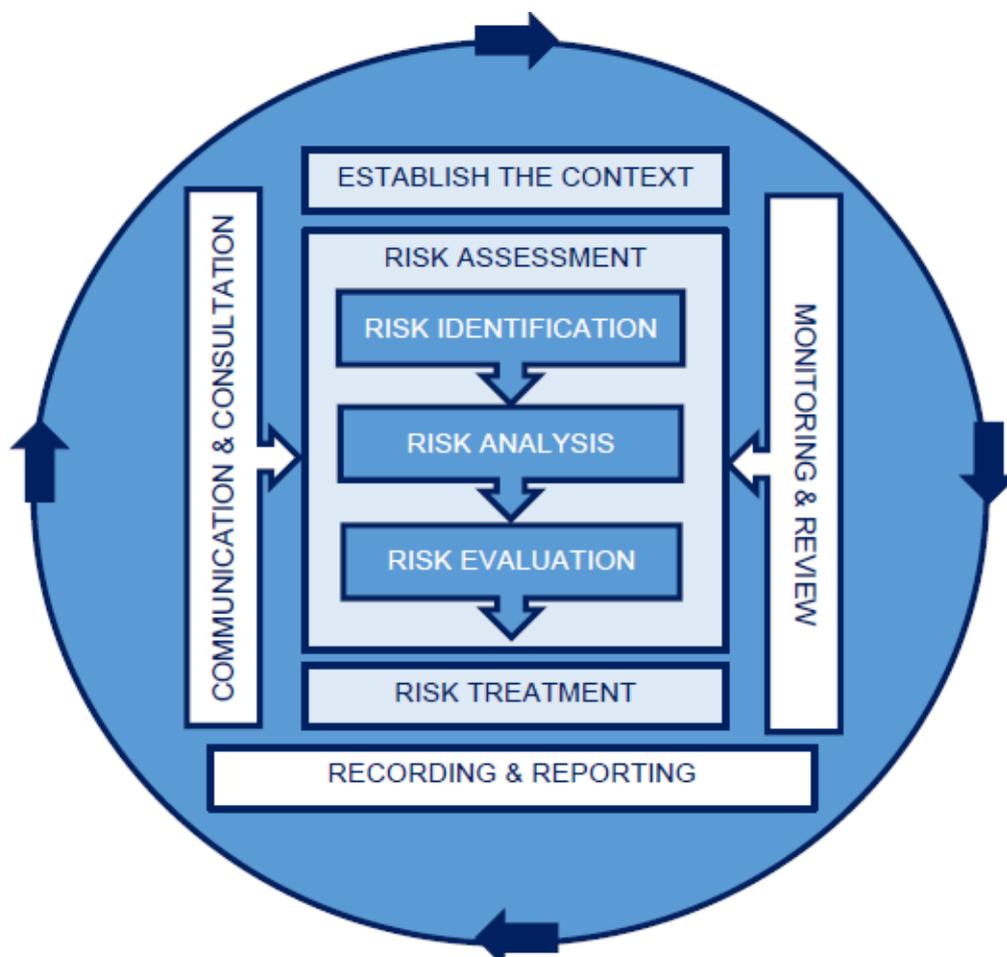
2.1 Establishing the Context

The first step is to establish the context of the risk. This frames the risk in terms of scope, objectives / business plans, risk appetite, and any assumptions made.

Strategic

- The context for strategic risks is the Council Plan

Service

- The context for service risks is their service delivery plan, and the aims, objectives and purpose of the service or business unit.

Project & Programme

- The context for project and programme risks is their project plan.

Partnership

- Partnership and collaboration is integral to the way the Council seeks to achieve its ambitions. It is an important means of building capacity and is fundamental to the Council's approach to achieving shared priorities.
- There are risks associated with any partnership that need management from the outset.   All partnerships need a culture supporting well thought through risk taking and innovation by integrating risk management within the governance arrangements and consistently applying risk and management processes throughout all the partnerships activities.
- The context for partnerships is the business plan, terms and governance arrangements of the partnership

2.2 Risk Assessment

Having established the context, the risk needs to be assessed. A risk assessment involves three steps – identifying, analysing, and evaluating risk.

2.2.1 Risk Identification

Risk identification is the process of determining what risks might prevent the achievement of aims and objectives. This is an ongoing activity, as internal and external factors are rarely static and therefore the impact and/or likelihood of risks materialising change regularly.

Risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined. This requires an intimate knowledge of the area / activities being assessed and the wider legal, social, political and cultural environment in which it exists. Undertaking SWOT or bow tie analysis, holding workshops or brainstorming sessions are particularly useful when identifying risks for a new area or activity. Regular horizon scanning is recommended to identify new and emerging risks.

Service

- Should focus on the aims and objectives of the service as set out in their service delivery plan and risks to the day to day operation of the service.
- There are risks when engaging contractors. These include the ability to provide a service if the contractor fails to do so or fails to provide the goods required for the Council to provide a service. Such risks should be notes in the relevant Service risk register.
- A list of risks that should be considered are included in Appendix 4.2.

Project & Programme

- Should focus on the risks that may impact the achievement of the project / programme objectives, the time frame which the project / programme is to be delivered, and resources required to deliver the project / programme.

Partnership

- Should focus on the risks that may impact the achievement of the project / programme objectives, the time frame which the project / programme is to be delivered, and resources required to deliver the project / programme.
- A twin track approach to risk management is required for partnerships, namely:
- **Outside Looking In -** the risks to the Council in getting involved in or being part of the partnership.
  - *These risks should be included in the relevant service risk register*.Examples:
    - Cost to the Council of being part of the partnership is greater than delivering the service directly.
    - The partnership does not deliver the needs of the Council or its residents.
    - The resources in terms of staff time required by the partnership outweigh the benefits.
- **Inside out -** the risks to the partnership achieving its objectives.
  - Each significant partnership should develop their own risk register relevant to the partnership's objectives and plan. This should be developed in conjunction with all of the partners. Examples:
    - Fundamental differences in political agendas or partners operating under different governance arrangements.
    - Misalignment of strategy and objectives across the partnership
    - A lack of relevant skills across the partnership to fulfil the objectives
    - Poor communication or non-acceptance of the roles and responsibilities of each partner.

Risk Description

Once a risk has been identified, it must be described so that it is clearly understood. There are three essential components to the description:

Cause + **Risk Event** + **Impact** = **Risk**
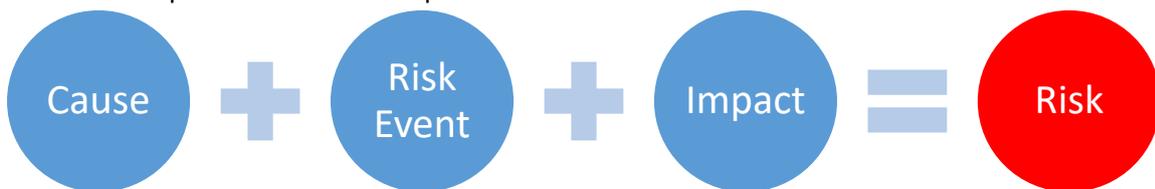
To keep the description as brief as possible, it is useful to note the causes and impacts separately. This approach is also useful in limiting the number of risks where there are several causes and impacts linked to one risk. It is however important not to be too vague as ambiguity will make analysing and evaluating the risk difficult.

Example: Defining a risk as "Staffing" could be construed as several different risks, whereas "The risk that key employees cannot be retained" is clearer.

Cause & Impact

Identifying what could cause the risk event to happen and the impact of the risk event assists in identifying possible risk treatments.   Proactive or preventative treatments eliminate or reduce the cause and therefore reduce the likelihood of the risk event occurring. Reactive treatments influence the effect and therefore reduce the impact of the risk event if it were to happen. Where there are several possible causes or impacts, they should all be listed. Example:

- Risk: failure to retain key employees.
- Cause: uncompetitive pay, working conditions, high levels of absence or vacancies.
- Impact: disruption to services, increase in temporary staffing costs, increased pressures on recruitment team.

Risk Owner

Each risk must have an owner who is responsible for the risk area and is senior enough to insist actions are completed.

Strategic
- a member of the Leadership Team

Service
- Corporate Director, Head of Service or a member of the Service Management Team.

Project & Programme
- project sponsor or Senior Responsible Officer

2.2.2   Risk Analysis

The next step is to analyse the risk by considering the **likelihood** of the risk occurring and the **impact** on the organisation if that risk was to occur.

Likelihood ✕ Impact = Risk Score

Risk analysis can be quantitative, semi-quantitative or qualitative in terms of the likelihood of occurrence and the possible impact. Providing descriptors assists with the analysis and increases consistency.

Plotting the **risk score** for each risk on a **risk matrix** allows risks to be compared and prioritised.

Separate risk matrices have been developed for strategic, service, project risks, and for opportunities, and these are included in Appendix 4.3. Each partnership should develop and agree a risk assessment criteria based on the parameters of the partnership. For example, the likelihood scale should reflect the partnership timeframe.

Please note that if a risk is significant enough to be considered at a different level, the risk needs to be re-evaluated against the relevant risk matrix. For example, if a service risk is to be considered as a strategic risk it must be re-evaluated using the strategic risk matrix.

For all matrices, likelihood and impact are measured numerically with 1 being the least likely and the least impact.   For example, a strategic risk considered to have a Catastrophic impact if it does occur and is Almost Certain of occurring will have a risk score of 25.

The colour associated with the risk score depicts the **risk level**, the broad responses to each risk level is set out in the following table.

Risk Level	Response
Critical	Priority risks; Escalate and actively monitored; Allocate resources to mitigate
Major	Escalate and regularly monitored; Likely to require action to mitigate
Moderate	Monitor the risk at least twice a year; Mitigation if obvious and cost effective
Minor	Accept but continue to monitor at least annually; Mitigate if obvious and cost effective

Inherent Risk

Each risk is initially analysed on an inherent basis. This is the level of risk before treatment measures and existing controls have been considered, or in other words, **the worst-case scenario**.

Risk Controls

These are the treatments already in place to reduce the likelihood of the risk occurring, or minimise the impact of the risk should it occur. It is rare that a single risk control will influence both the impact and likelihood. Treatments can be in the form of procedures, contingency plans, training etc.

Residual Risk

Each risk must also be analysed on a residual risk basis. This is the remaining level of risk after any existing risk controls have been considered or in other words, **the current level of risk**. This analysis must be undertaken using the same risk matrix used for analysing the inherent risk.

Risk Control Effectiveness and Lines of Assurance

The residual risk assumes that all identified controls are effective. However, if a control fails or is ineffective it will increase the likelihood of the risk occurring or the impact should the risk occur, and impact the decision whether additional treatment is required. The effectiveness of each control therefore needs to be assessed.

Lines of assurance provide evidence of how effective a risk control is, or how effectively the entire risk is managed.   The Council uses a 'Three lines of assurance' model.

Line of Assurance	Provided by
1st	Risk or control owner.
2nd	Central support function, e.g. finance, HR, performance and legal.
3rd	Independent sources e.g. internal or external audit, external regulators.

The frequency and volume of assurance reduces down from the first line of assurance, through the second line of assurance, and culminating in the third level independent assurance. All three levels are important and should be presented and recorded.

Officers responsible for providing the assurance are responsible for adding the assurance to the risk register, with the Performance Team inputting external sources of assurance.

2.3   Risk Evaluation

When the risk analysis process is complete, it is necessary to evaluate or compare the residual risk against the risk appetite. Risk evaluation helps decide how significant a risk is, whether it should be accepted or treated, and prioritises risks for treatment.

Risk appetite is the amount and type of risk that the Council aims to accept. This should not be confused with or interchanged with risk tolerance, which is the absolute level of risk within which the Council will operate. The Council's risk appetite is set out in the Risk Management Policy and Strategy Document and sets the boundaries in terms of how much risk the Council finds acceptable and which risks it aims to manage if it is to realise its objectives.

2.4   Risk Treatment

There are four primary risk treatment options.

Terminate	Treat
Avoid or stopping a certain process or activity completely. Alternatively, the activity could be carried out in a different way	Implement mitigating actions or controls measures to reduce the likelihood or the impact of the risk. It is rare for a single control measure to reduce the likelihood and impact. Controls should be monitored on a regular basis to ensure that they are effective. The vast majority of risk treatment options fall within this category.
Example: if a particular project is very high risk and the risk cannot be mitigated it might be decided to cancel the project.	Example: Checking electrical installations can reduced the likelihood of a fire and installing a sprinkler system can reduce the impact of the fire.
Transfer	**Tolerate**
Transferring the cost of the risk to another party who bears all or shares part of the risk. Please note that where the Council has a statutory duty to act (e.g. refuse collection) the liability for failing to act remains with the Council and cannot be transferred to the contractor undertaking the duty on the Council's behalf.	Accept the risk and do nothing to mitigate it. It may not always may be necessary or appropriate to take action to treat risks. If the risk is shown as 'green' after mitigating actions then it can probably be tolerated. Risks that are accepted still need to be monitored and reviewed.
Example: Outsourcing an area of work to a contractor or buying insurance cover.	Example: the cost of treating the risk outweighs the potential benefits.

Any risk above the risk appetite will require additional treatment.

When evaluating what treatment options to employ, consider:
- Existing best practices to treat the risk.
- Critical controls that will reduce the risk required as part of the risk treatment or mitigation plan.
- Costs associated with different treatment options against associated benefits.
- How other organisations mitigate the same risk.

Time and resource should therefore be focused on risks where the residual risk are above the risk appetite or at a critical level (red).

2.4.1   Action Plan

Where the risk owner believes additional treatment is required, they should record what action is required, by whom, and by when in the risk register and communicate this to the action owner. Where such a decision falls outside the risk owner's authority they must escalate the decision to someone who has authority.

Actions identified should be SMART (Specific, Measurable, Achievable, Realistic, Time-limited.)

Action owners are responsible for updating the risk register in respect of actions assigned to them, especially if completion of an action is delayed or unlikely to happen, and must confirm when an action is complete.

Once an action is complete, the risk owner should consider the impact on the residual risk score or if there is a new control.

2.4.2   Target Risk

Where additional actions are to be implemented, an analysis of what the expected risk score will be once the actions are completed should be undertaken. This is the **target risk** and is calculated using the same risk matrix as was used for analysing the inherent and residual risk levels.

2.5   Risk Recording, Monitoring & Reporting

2.5.1   Risk Register

The findings of each step of the risk management process are recorded in the risk register. 4risk is the Council's preferred method for capturing risk registers.

Strategic
- The Risk & Insurance Manager will facilitate the maintenance and update of the strategic risk register on behalf of the Leadership Team.

Service
- Each Service will maintain and update their own service risk register.
- Larger services or those with distinct business units may decide to also have risk registers for each or some teams within the service. Responsibility for maintiaing such risk registers will be decided within the service.

Project & Programme
- Project and programme managers will maintain and update project and programme risk registers.

2.5.2   Monitoring

Regular monitoring of every stage of the risk management process is essential.

Regular monitoring of individual risks ensures that the likelihood and impact remain representative, the controls remain relevant, and whether actions are on track. The frequency of review depends on the risk level; the higher the risk level the more often the review. Risks should also be reviewed after release of new legislation or government guidance and after an audit.

Regular monitoring of risk registers in their entirety ensures that they provide a fair overall representation of the risk to the organisation and that the level of the risks remain relative to one another.

Risks should feature as a standard agenda item at management teams (at all levels within the organisation), corporate forums/working groups where appropriate, project and programme boards, and partnership meetings, so that risks can be identified and captured. Discussions on risk should include:

- are any risks missing from the risk register
- review of existing risks
- the effectiveness of the current controls
- are actions on track
- new or emerging issues and risks

Strategic

- The Leadership Team will review the Strategic risk register as a whole at least twice a year.
- The Leadership Team will review a small number of strategic risks each month.

Service

- Services are responsible for monitoring and updating their risk registers. Services are encouraged to review their risk registers at least once a quarter.

Project & Programme

- Risks should be monitored at the beginning of each stage of the project / programme to ensure key project / programme milestones are not compromised.

Partnership

- The partnership should agree the ongoing monitoring of the risk profile and progress of the action plan, and the frequency and content of risk reports.

Risk Control Effectiveness

Monitoring the effectiveness of controls regularly ensures the residual risk score is a true reflection of the risk. There are various methods of monitoring the effectiveness of controls including:

- periodic reviews where a judgement is made
- lines of assurance
- formal methods of testing the controls
- establishing key control indicators (KCIs)

Key Indicators

These can assist the monitoring process.

Key Performance Indicators	Key Risk Indictaors	Key Control Indicators
• monitor the progress and achievements of the risk management strategy.	• early warning indicators to monitor the risk cause, making risk monitoring proactive rather than reactive. • an indicator of change in the likelihood or impact of a risk, provide an early signal of increasing risk exposure and assist in the decision-making process for risk mitigation	• early warning indicators for key risk controls • Where controls are ineffective or less effective, the residual risk level should be reviewed.

2.5.3 Risk Reporting

Risk Escalation

This ensures significant risks are escalated and brought to the attention of the appropriate person or group and is necessary to ensure that the appropriate decisions are taken and actions are implemented to mitigate the risk.

The timely availability of risk information to the right people is vital to the risk escalation process. There is no restriction on what may be escalated for action; the key criteria is that some form of intervention is required from management that is more senior.

Individual risk owners are responsible for escalating risks through the normal management hierarchy. Although it may be appropriate to include a risk in a different risk register, the responsibility for addressing the risk may remain with the originator. The Leadership Team should be informed of any risk that are above the appetite level; however, responsibility for managing those risks will usually remain with the risk owner but with increased scrutiny from the Leadership Team.

Risk Reporting

Risk reporting provides many benefits including allowing organisations to demonstrate an understanding of the risks they face and how best to deal with them. This provides greater confidence in the organisation's ability to mitigate risk and assurance that the Council's risks are being well-managed and mitigated. It also shows effective leadership and integration of risk management into the wider governance arrangements.

Risk reporting should be within the normal reporting lines of the Council to support better decision-making and ensure that planning and control is embedded and transparent. The communication of risk horizontally and vertically within the Council is critical to this process as risks cannot be considered in isolation and the management of one risk can impact on another.

There is no prescribed format for risk reporting, however concise and focused reports based on good quality information are key to ensure reports are user-friendly, actionable and can be used easily in decision-making. Data collated for analysis should be meaningful to support decision-making and presented in a succinct and accessible way that focuses on key points.

Where a decision is required, any risks and opportunities associated with the decision should be clearly articulated in a succinct and accessible way to those with the authority to make that decision. This includes the risks and opportunities of proceeding with or ceasing an activity, and not proceeding with or ceasing an activity.

Strategic
- Reports to the informal Executive and Governance & Audit Committees on the strategic risk register highlighting any changes to the strategic risks, any new risks identified and any risks that have been closed is presented to these committees twice a year.

Service
- Service risks will be scrutinised during the Service Challenge
- Service risk registers should be presented to the Portfolio Member at least annually

Project & Programme
- Risk reporting should be integrated with established reporting lines. This is usually Project Manager > Senior Responsible Officer > Project Board > Leadership Team.

Partnership
- All partners should receive copies of the risk register and any risk reports at least once a year with concerns escalated within the normal management process.

3 Opportunity Risk Management

If only threat risks are managed, the best outcome expected is to meet the promised objectives but never to improve on them.   Identifying and managing opportunities is therefore encouraged within the Council's risk appetite. The process for opportunity risk management remains similar to that outlined in with the following considerations:

3.1.1 Risk Assessment

It is important to identify real opportunities and not simply log the flip side of threats. A SWOT analysis is a useful tool to identify opportunities.

Risk Matrix

LIKELIHOOD				Minor	Moderate	Significant
	Favourable outcome likely to be achieved in less than 12 months	Likely	3			
	Reasonable chance of a favourable outcome in the next 2 years	Possible	2			
	Some chance of a favourable outcome in the next 5 years	Unlikely	1			
				1	2	3
				Minor	Moderate	Significant
		Objectives		Little or no positive impact	Some positive impact	Notable positive impact
		Service Delivery		Little impact on either quality or provision	Improvement in quality or provision	Notable improvement in quality and provision
		Financial Benefit		<£250k	£250k - £1m	>£1m
		Reputation		Little or no impact	Local recognition	National recognition
				IMPACT		

3.1.2 Opportunities Treatment

The risk appetite will have a bearing on how opportunities are treated.

There are four primary responses to opportunities.

Exploit	Share
Exploit is where you do not take any action but if the risk does happen, you would take advantage of it and use it.	Work with another organisation to share the cost, resources and knowledge in order to realise the opportunity.
Example: Selling shares if the price rises to an unprecedented level.	Example: Establishing a new company jointly owned with another organisation.
Enhance	**Reject**
Take actions to increase the likelihood of event occurring and / or impact should the opportunity occur. This is not the same as Exploit, but doing certain things will give a greater chance for the opportunity to happen.	Identify an opportunity but decide not to take any action.
Example: Adding more resources to reduce time or provide training to improve quality	Example: The additional cost / resources required are greater than the potential return.

3.1.3 Monitoring & Reporting

Opportunity monitoring and reporting should be integrated with established risk reporting lines. Also, opportunities should be clearly highlighted in reports alongside any risks.

4 Appendices

4.1 Terminology

Word/term	Definition
Action / Action Plan	Additional treatments identified to mitigate the risk further. The action plan identifies what is required, by whom and by when.
Action Owner	The individual or group of people tasked with completing an action.
Assurance (Lines of)	Evidence of how effective a risk is managed.
Cause	The circumstance that could lead to a risk event happening
Control	The treatments already in place to reduce the likelihood of the risk occurring, or minimise the impact of the risk should it occur.
Control Owner	The individual or group of people tasked with implementing a control.
Impact	The outcome if a risk event happens.
Inherent Risk	The level of risk before treatment measures and existing controls have been considered - the worst-case scenario.
Issue	An event or situation that already exists.
Likelihood	The probability that the risk will happen.
Opportunity	A positive outcome or impact of a risk.
Partnership	A joint working arrangement where the partners are otherwise independent bodies, agree to co-operate to achieve a common goal of community cohesion and to achieve it, create an organisational structure or process and agreed programme.
Programme	A temporary flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities.
Project	A temporary structure that is created for the purpose of delivering one or more business products according to an agreed business case.
Residual Risk	The remaining level of risk after any existing risk controls have been considered - the current level of risk.
Risk	The effect of uncertainty on objectives.
Risk Assessment	The process of identifying, analysing and evaluating a risk.
Risk Appetite	The amount and type of risk that an organisation aims to retain / take.
Risk Co-ordinator	The officer that leads on promoting and embedding risk management within their Service.
Risk Culture	The values, attitudes and understanding of an organisation in relation to the risks it faces.
Risk Event	Occurrence of a particular set of circumstances.
Risk Level	The significance of the risk in terms of likelihood and impact displayed as red, amber, yellow or green.
Risk Management (Process)	The process of methodically identifying, assessing, and addressing the risks attached to activities.
Risk Matrix	A visual display of the relationship between the likelihood and impact of a risk.
Risk Maturity	The level, understanding and effectiveness of an organisation's management of risk.
Risk Owner	The individual or group of people tasked with managing, monitoring and reporting on a risk.
Risk Register	The document that records the outcome of the risk assessment and associated action plans.
Risk Score	The combination of the likelihood and impact.
Risk Treatment	The process of selecting and implementing measures to modify the risk.
Target Risk	The expected level of risk once the action plan is completed.

4.2 Service Risks

The table below includes some of the risks that may be relevant to services.

Category	Examples
Partnerships	• the risk to the Service of being part of a partnership in terms of value for money, efficiencies, reputational damage etc
Data	• losing or wrongly disclosing • access denial • retention and destruction • knowing what data is held and where • quality of the data held • accessibility of the data in the future
Health & safety	• staff • service users • contractors • members of the public
Business continuity	• loss of IT or telephony • availability of staff • loss of buildings / accommodation • access to records
Welsh language policy	• breach of the standards
Contracts	• procurement of goods and services • contract management • supply chain risks
Staffing	• Illness • absence • vacant posts • training & skills • management
Fraud	• by staff • by external parties
Environmental	• extreme weather impact • pollution • carbon footprint
Financial	• reduced real terms budget
Legislation	• changes in legislation • new legislation

4.3 Risk Matrices

4.3.1 Strategic

LIKELIHOOD	Within the next 3 months	Almost Certain	5	🟨	🟨	🟧	🟥	🟥
	Within the next 12 months	Likely	4	🟨	🟨	🟧	🟥	🟥
	Within the next 2 years	Possible	3	🟩	🟨	🟧	🟧	🟥
	Within the next 5 years	Unlikely	2	🟩	🟩	🟨	🟧	🟧
	Not within the next in 25 years	Rare	1	🟩	🟩	🟨	🟨	🟧

MINOR	MODERATE		1	2	3	4	5
MAJOR	CRITICAL		Insignificant	Minor	Moderate	Major	Catastrophic
Objectives			Minor delay in achieving objectives	Reduction in scope or quality of a secondary objective	Reduction in scope or quality of a primary objective or achievement of a secondary objective is significantly delayed	Achievement of a primary objective is significantly delayed or a secondary objective can't be met	A primary objective can't be met
Reputation			Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional and national condemnation
Financial Cost			<£100k	£100k - £500k	£500k - £2m	£2m - £5m	>£5m
Health & Safety			Near miss or minor injury not requiring any professional medical treatment	Minor injury requiring professional medical treatment	Serious injury	Life changing injury	Fatality
Safeguarding			No safeguarding impact	Isolated non-compliance with procedures	Continued non-compliance with procedures	Isolated safeguarding incident	Multiple and related safeguarding incidents
Regulation			No regulatory impact	Reportable incident to regulator, follow up not required	Report of a breach to regulator that requires immediate correction	Prosecution by regulator leading to fines or intervention that requires a project to rectify the situation	Prosecution by regulators that results in significant fines and/or large-scale intervention
Environmental			Minor short term effect	Short term effect that requires little resources to resolve	Short term effect that requires significant resources to resolve	Serious short term effect or some long term effect	Serious and long term effect

IMPACT

4.3.2 Service

LIKELIHOOD			Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Within the next 3 months	Almost Certain	5	Yellow	Yellow	Orange	Red	Red
Within the next 12 months	Likely	4	Yellow	Yellow	Orange	Red	Red
Within the next 2 years	Possible	3	Green	Yellow	Yellow	Orange	Red
Within the next 5 years	Unlikely	2	Green	Green	Yellow	Yellow	Orange
Not within the next in 25 years	Rare	1	Green	Green	Green	Yellow	Orange

Legend: MINOR | MODERATE | MAJOR | CRITICAL

	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Service	No impact on service quality; minor delays in providing non-critical services	Minor impact on service quality, very short delay in providing a single critical service, or a significant delay to other operations	Significant fall in service quality, short term disruption to critical services, or prolonged disruption to other operations	Prolonged disruption to single critical service	Prolonged disruption to multiple critical services
Reputation	Public concern restricted to local complaints	Minor adverse local / public / media attention and complaints	Serious adverse local or minor adverse regional or national media attention	Serious negative regional or national criticism	Prolonged regional and national condemnation
Financial Cost (% of net Service budget)	<1%	1% - 10%	10% - 25%	25% - 50%	>50%
Health & Safety	Near miss or minor injury not requiring any professional medical treatment	Minor injury requiring professional medical treatment	Serious injury	Life changing injury	Fatality
Safeguarding		Isolated non-compliance with procedures	Continued non-compliance with procedures	Isolated safeguarding incident	Multiple and related safeguarding incidents
Regulation		Reportable incident to regulator, follow up not required	Reportable breach that requires immediate correction	Prosecution leading to fines or intervention that requires a project to rectify the situation	Prosecution that results in significant fines and/or large-scale intervention
Environmental	Minor short term effect	Short term effect that requires little resources to resolve	Short term effect that requires significant resources to resolve	Serious short term effect or some long term effect	Serious and long term effect

IMPACT

4.3.3 Project

Likelihood			Insignificant (1)	Minor (2)	Moderate (3)	Major (4)
Almost Certain		5	Yellow	Orange	Red	Red
Likely		4	Yellow	Orange	Red	Red
Possible		3	Yellow	Yellow	Orange	Red
Unlikely		2	Light Green	Yellow	Orange	Orange
Rare		1	Light Green	Yellow	Yellow	Orange

	1 Insignificant	2 Minor	3 Moderate	4 Major
Scope / Objectives	minor	require SRO approval	require Board approval	fails to meets objectives or scope
Cost	<5% increase	5%-10% increase	10%-20% increase	>20% increase
Timescale	minor slippage	5%-10% increase	significant slippage	>20% increase

Impact

4.4   4risk Guide

A separate user guide is available for 4risk.

4.5   Methods of Identifying Risks

4.5.1   SWOT Analysis

A SWOT analysis is a planning tool which seeks to identify the Strengths, Weaknesses, Opportunities and Threats involved in a project or organisation. It is a framework for matching an organisation's goals, programmes and capacities to the environment in which it operates.

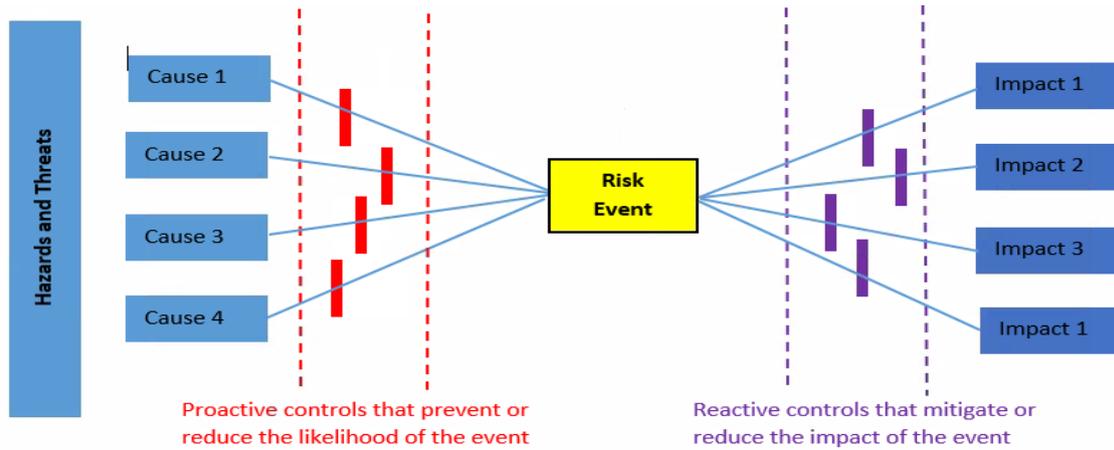The 'SWOT' itself is only a data capture exercise - the analysis follows later.

- **Strengths**
  Positive tangible and intangible attributes, internal to an organisation and within the organisation's control

- **Weaknesses**
  Internal factors within an organisation's control that detract from the organisation's ability to attain the desired goal. Which areas might the organisation improve?

- **Opportunities**
  External attractive factors that represent the reason for an organisation to exist and develop. What opportunities exist in the environment, which will propel the organisation? Identify them by their 'time frames'.

- **Threats**
  External factors beyond the organisation's control which could place the organisation mission or operation at risk. The organisation may benefit by having contingency plans to address them if they should occur. Classify them by their severity and probability of occurrence.

INTERNAL FACTORS	
Strengths	Weaknesses

EXTERNAL FACTORS	
Opportunities	Threats

4.5.2   Bow Tie Analysis

A bow tie is a graphical depiction of the pathways from the causes of an event or risk to its consequences.

Identifying what the various causes which could lead to the risk occurring can help identify controls to prevent or reduce the likelihood of the risk from happening. Similarly, identifying the various impacts should the risk materialise can help identify mitigating actions that can be put in place to reduce those impacts.

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to	Governance and Audit Committee
Date	18 April 2023
Subject	Review of Forward Work Programme for 2023-24
Head of Service	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
Nature and Reason for Reporting To provide a Forward Work Programme for 2023-24 to the members of the Governance and Audit Committee.	

1.0   INTRODUCTION

1.1   A Forward Work Programme is attached at Appendix A, along with a training programme at Appendix B.

1.2   The programme has been developed considering the Committee's terms of reference and its responsibilities under the Local Government and Elections (Wales) Act 2021.

2.0   RECOMMENDATION

2.1   That the Governance and Audit Committee:

- considers whether the Forward Work Programme proposed for 2023-24 meets the Committee's responsibilities in accordance with its terms of reference.

Appendix A – Forward Work Programme 2023-24

Core Function	29 June 2023	27 July 2023	21 September 2023	November 2023[1]	07 December 2023	08 February 2024	18 April 2024
Accountability arrangements (3.4.8.3)	Review of Forward Work Programme 2023-24 (3.4.8.3.2) Annual Chair's Report 2022-23 (3.4.8.3.1)		Review of Forward Work Programme 2023-24 (3.4.8.3.2) Committee Self-assessment (3.4.8.3.2)		Review of Forward Work Programme 2023-24 (3.4.8.3.2)	Review of Forward Work Programme 2023-24 (3.4.8.3.2) Annual Review of Committee's Terms of Reference (3.4.8.3.2)	Review of Forward Work Programme 2024-25 (3.4.8.3.2)
Governance (3.4.8.4)		Draft Annual Governance Statement (3.4.8.4.1/2/3)		Final Annual Governance Statement (3.4.8.4.1/2/3)	Local Code of Governance (3.4.8.4.1/3) Annual Report of the Partnerships and Regeneration Scrutiny Committee 2022-23 (3.4.8.4.4)		
Treasury Management (3.4.8.5)			Annual Report 2022-23 (3.4.8.5.1/2/3/4)		Mid-year Report (3.4.8.5.3)	Strategy and Prudential Indicators 2024-25 (3.4.8.5.3/4)	
Assurance Framework (3.4.8.7)	Annual Insurance Report		Annual Information Governance		Annual Information Governance in		

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[1] Final date to be confirmed

Core Function	29 June 2023	27 July 2023	21 September 2023	November 2023[1]	07 December 2023	08 February 2024	18 April 2024
	2022-23 (3.4.8.7.1) Climate Change Update (3.4.8.7.1)		Report 2022-23 (3.4.8.7.1) Annual ICT Security Report 2022-23 (3.4.8.7.1) Annual Health & Safety Report 2022-23 (3.4.8.7.1)		Schools Report 2022-23 (3.4.8.7.1)		
Risk Management (3.4.8.8)			Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)			Strategic Risk Register Update (3.4.8.7.1/2) (3.4.8.8.1)	Annual Review of Risk Management Framework (3.4.8.7.1/2) (3.4.8.8.1)
Countering Fraud and Corruption (3.4.8.9)			Annual Counter Fraud, Bribery and Corruption Report 2021-22 (3.4.8.9.4) Annual Concerns, Complaints & Whistleblowing Report 2022-23(3.4.8.9.1)		Annual Review of Counter Fraud, Bribery and Corruption Strategy 2023-26 (3.4.8.9.2/3)		
Internal Audit (3.4.8.10)	Annual Internal Audit Report 2022-23 (3.4.8.10.6/7/8/9/12/14/15) (3.4.8.6)		Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6)		Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6)	Internal Audit Update Report (3.4.8.10.10/ 11) (3.4.8.6)	Internal Audit Update Report (3.4.8.10.10 / 11) (3.4.8.6)

3

Core Function	29 June 2023	27 July 2023	21 September 2023	November 2023[1]	07 December 2023	08 February 2024	18 April 2024
			Outstanding Issues/Risks (3.4.8.10.11)		Review of Internal Audit Charter (3.4.8.10.3/13)		Outstanding Issues/Risks (3.4.8.10.11) Annual Internal Audit Strategy 2024-25 (3.4.8.10.1/2/5/6)
External Audit (3.4.8.11)	Annual Audit Summary 2022 (3.4.8.11.3) Outline Annual Audit Plan 2023 (3.4.8.11.1/3)			Audit of Accounts Report (3.4.8.11.2) (3.4.8.12.3)	Annual Audit Summary 2023 (3.4.8.11.3)		
Financial Reporting (3.4.8.12)		Draft Statement of Accounts 2022-23 (3.4.8.12.1/2)		Final Statement of Accounts 2022-23 (3.4.8.12.1/2)			
Other regulators and inspectors (3.4.8.13)							
Complaints Handling (3.4.8.14)			Annual Concerns, Complaints & Whistleblowing Report 2022-23 (3.4.8.14.1/2) Annual Letter of the Public Services Ombudsman for Wales 2022-23 (3.4.8.14.1/2)				

4

Core Function	29 June 2023	27 July 2023	21 September 2023	November 2023[1]	07 December 2023	08 February 2024	18 April 2024
Self-assessment (3.4.8.15)		Review of the Draft Annual Corporate Self-assessment report (3.4.8.15.1/2/3)					
Performance Panel Assessment (3.4.8.16)[2]							

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[2] At least once during an electoral cycle a panel performance assessment will take place in the period between ordinary elections of councillors to the council. The council may choose to commission more than one panel assessment in an electoral cycle, but it is not a requirement of the legislation. (The Local Government and Elections (Wales) Act 2021). The council must make a draft of its response to the panel performance assessment available to its Governance and Audit committee, which must then review the draft response and may make recommendations for changes to the response to the panel assessment.

Appendix B – Training Programme

Committee-specific training

Area	Medium	Provider	Date Provided / Scheduled	Attendance
Risk Management	Hybrid	Julie Jones, Risk and Insurance Manager		

Mandatory training

Area	Medium	Provider	Date Provided / Scheduled	Completed
General Data Protection Regulations (GDPR)	eLearning	Internal	Available any time	
Cyber Ninjas for Councillors	eLearning	Internal	Available any time	
Basic Safeguarding Awareness (Group A)	eLearning	Internal	Available any time	
Violence Against Women, Domestic Abuse and Sexual Violence (optional for lay members)	eLearning	Internal	Available any time	
Prevent (optional for lay members)	eLearning	Internal	Available any time	
Modern Slavery (optional for lay members)	eLearning	Internal	Available any time	