

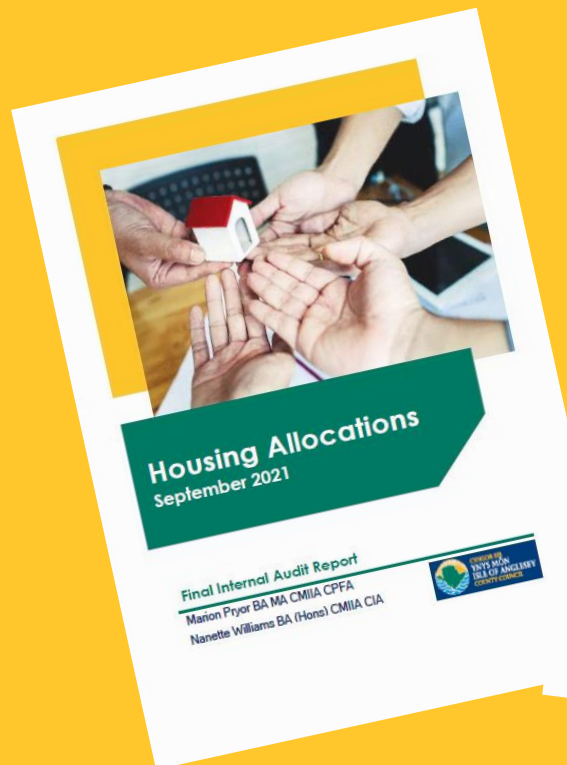
ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: Report to:	Governance and Audit Committee
Dyddiad: Date:	21 September 2021
Pwnc: Subject:	Internal Audit Update
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Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: In accordance with the Council's 'Strategy for Committee Meetings', 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 1 September July 2021, on the audits completed since the last update as at 20 July 2021, the current workload of internal audit and our priorities for the short to medium term going forward.

2. RECOMMENDATION

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



INTERNAL AUDIT UPDATE SEPTEMBER 2021

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ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

1. This section provides an overview of internal audit reports finalised since the last meeting, including the overall assurance rating and the number of issues/risks raised.
2. Members of the committee and the relevant portfolio holder have received copies of the reports separately.
3. We have finalised **two** reports in the period, summarised below:

Title	Corporate Risk Register Ref.	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
Housing - Allocations	n/a	September 2021	Reasonable Assurance	0	3	3	6
Leavers' Process - First Follow Up	n/a	September 2021	Reasonable Assurance	0	0	3	3

Housing Allocations

Reasonable Assurance	Issues/Risks	
	0	Critical
	3	Major
	3	Moderate

4. Following poor performance reported to the Executive regarding the time taken to re-let void properties, the Executive asked Internal Audit to review this performance measure.
5. Our review therefore sought to answer the following key question:

Does the Council have adequate arrangements in place to ensure that processes for managing empty (void) properties and re-letting them to new tenants are both economic and efficient to maximise rental income, and effective to ensure properties are let to the right tenant and meet the required quality standards?
6. Overall, our review concluded that the Council has adequate arrangements in place for managing and re-letting empty (void) properties. However, we identified some areas within the housing allocations and voids process, which would benefit from review and improvement.

7. Specifically, with regards to the appropriateness of the performance measure, we concluded that, in recent years, the Council has revised its approach to how it allocates its housing stock; initiatives such as the introduction of a sensitive lettings policy as well as community and parish connection requirements, are intended to support an overall ambition to improve community cohesion, increase sustainability of tenancies and consequently reduce the overall number of void properties. Despite this change of policy and approach however, the measure of performance in this area continues to focus solely on speed of turnaround, rather than also considering these additional factors. We concluded that the lack of alignment between current housing allocation policy and this indicator of performance, has in part contributed to the reported poor performance in this area.
8. We also highlighted the absence of a performance measure to highlight the Council's ambitious target for purchasing, renovating, and letting former council properties, with a view to increasing its housing stock and the provision of social housing options on the Isle of Anglesey.
9. We raised six issue/risks, which require management attention. While they pose a risk to the service's ability to meet its performance targets in this area, we are satisfied that they are containable at service level and do not pose significant risks to the Council's overall achievement of objectives. As a result, we are able to provide a **reasonable assurance** rating. We have agreed an action plan with management, which we have detailed in a separate document.

Leavers' Process – First Follow Up

Original Report (September 2020)			Current Report (September 2021)		
Limited Assurance	Issues/Risks		Reasonable Assurance	Issues/Risks	
	0	Critical		0	Critical
	1	Major		0	Major
	3	Moderate		3	Moderate

10. Currently, we follow up all reports with an assurance rating of 'Limited' or below, and others we wish to monitor going forward.
11. We undertook a review of the Council's arrangements for dealing with leavers and issued a final report in September 2020. We raised four issues/risks for management action, with one classed as 'major' due to the potential impact of the risk. At the time, due to the number of payroll errors and inconsistencies of process identified during our review, we were only able to provide '**Limited Assurance**' for the Council's arrangements.
12. We undertook a follow up review in May 2021 to determine progress with addressing the risks identified.
13. We concluded that management has addressed the risk we classified as 'major' and is making progress to address the remaining risks. We have therefore been able to increase the assurance provided to '**Reasonable**'.

WORK IN PROGRESS

14. The following audits are currently in progress:

Audit Area	Corporate Risk Register Ref	Service	Reason for Audit	Stage
Recovering Council Debts and the impact of Covid-19	n/a	Resources	Director of Function (Resources) and Section 151 Officer request	Draft Report issued
Investment in Assets	YM49	Resources	Corporate Risk Register	Fieldwork
Gypsies and Traveller Accommodation	YM29 YM30	Housing	Corporate Risk Register	Fieldwork
Rent Smart Wales Grant	n/a	Public Protection	Grant Certification	Fieldwork
Software Licence Management	YM38	Transformation	Corporate Risk Register	Fieldwork

Investigations

15. The team is also currently involved in three complex investigations.

National Fraud Initiative

16. The first tranche of the NFI 2020/21 matches were released in January 2021. Matches highlight potential fraud and error in the Council's systems. In order to protect the public purse against fraud and error, we are in the process of reviewing the matches to stop potential overpayments from increasing.
17. Many investigations take a long time, and some matches may not be an issue as there is a valid reason for the match. We have identified some data quality issues, and are working with the Cabinet Office to resolve so we can improve the quality of matches in future to ensure our valuable investigative resources are used efficiently.
18. Currently, we are working on investigating the following matches:
 - Payroll to Payroll
 - Payroll to Companies House
 - Payroll to Creditors
 - Deceased Persons to Blue Badges
 - Housing Tenants Waiting Lists

OUTSTANDING ACTIONS

19. Work is progressing to support services with implementing all outstanding actions. The 4action dashboard at [Appendix 1](#) provides an overview of the status of actions as at 1 September 2021.
20. It is notable that there are currently no overdue actions.
21. A separate detailed report is submitted to this meeting.

PRIORITIES FOR 2021-22

Current Capacity

22. Despite staff returning from redeployment and the additional responsibilities due to the pandemic reducing somewhat, the team is still not at full capacity.
23. The Senior Leadership Team approved the recent recruitment proposal to fill the Senior Auditor vacancy and it is currently being advertised, with a closing date of 20 September 2021. Interviews will be held the following week and it is hoped a successful candidate will commence in post as soon as possible afterwards.
24. Filling this post will mean that the team will almost be up to full strength, with only half a full time equivalent post remaining vacant, due to flexible working. However, a further member of the team's secondment to Accountancy has recently been extended until 31 March 2022, so essentially we will remain at a reduced capacity until at least the end of the year.
25. However, the savings from these posts are being used to fund the IT Audit programme and some contracts for specific pieces of work.

Short/Medium Term Priorities

26. Additional risks with a red or amber residual rating have been added to the Corporate Risk Register, and the residual risk rating has increased to red or amber in some risks. It is also over two years since we have reviewed some of the corporate risks assessed as having a red or amber residual rating.
27. Our immediate priority is to review the new red and amber residual risks (six risks), followed by the risks we have not reviewed in over two years (six risks).
28. We will also continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.

Longer Term Priorities

29. A review of the management of fraud risk identified a number of actions, which will be addressed before the end of the year:
 - the development of a counter fraud and corruption strategy to support the Council's 'Policy for the Prevention of Fraud and Corruption'
 - an assessment of the level and capability of the resource invested in counter fraud and corruption, proportionate to the level of risk identified.
 - the development of a programme to improve the counter fraud culture within the Council, including an eLearning package and a counter fraud working group.

APPENDIX 1 – OUTSTANDING ACTIONS (4ACTION DASHBOARD) AS AT 1 SEPTEMBER 2021

