

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Adroddiad i: Report to:</b>	Governance and Audit Committee
<b>Dyddiad: Date:</b>	09 December 2021
<b>Pwnc: Subject:</b>	Internal Audit Update
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<p><b>Natur a Rheswm dros Adrodd / Nature and Reason for Reporting:</b>            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.</p>	

## 1. INTRODUCTION

1.1 This report updates the Committee, as at 1 December 2021, on the audits completed since the last update as at 1 September 2021, 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.



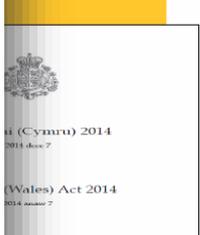
### Investment in Assets

November 2021

Final Internal Audit Report  
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# INTERNAL AUDIT UPDATE DECEMBER 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. We have finalised **four** reports in the period, summarised below:

Title	Corporate Risk Register Ref.	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
Investment in Assets	YM49	November 2021	Reasonable Assurance	0	0	0	0
Recovering Council Sundry Debts and the impact of Covid-19	n/a	November 2021	Limited Assurance	0	3	5	8
Gypsies and Travellers Accommodation	YM29	November 2021	Reasonable Assurance	0	0	0	0
Investigation - Property Services	n/a	November 2021	n/a	n/a	n/a	n/a	n/a

## Investment in Assets

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
0	Moderate	

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

**Does the Council have adequate arrangements in place to mitigate against the risk to the sustainability and effectiveness of its physical assets through under investment and lack of development?**

4. Overall, our review concluded that the Council is in the process of strengthening its framework of controls to manage the risk that physical assets of the Island (e.g. buildings, roads, IT network) are not fit for purpose, or do not meet with the needs of the public and businesses, if the Council cannot invest sufficiently to maintain and develop them. Despite this, it is clear that the Council faces difficult decisions due to the scale of the Council's capital asset maintenance requirements within its current asset portfolio, and the challenges it faces when considered in the context of the capital funding available.

5. Due to factors outlined in our full report, it is too early to make a full assessment on the effectiveness of the controls in place to manage the risk to the sustainability and effectiveness of the Council's physical assets. We did not raise any formal 'Issues/Risks' that required management attention, as work is clearly still in progress. However, we are **reasonably assured** by the Council's recognition of the need for further work in this area, and progress to date demonstrates it is committed to strengthening its framework of controls in this area. However, we will continue to monitor this risk going forward.

## Recovering Council Sundry Debts and the impact of Covid-19

Limited Assurance	Issues/Risks	
	0	Critical
	3	Major
5	Moderate	

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

**Does the Council have robust arrangements in place to effectively recover its sundry debts and has it managed the impact of Covid-19?**

7. Overall, our review concluded that although the Council has some arrangements in place to recover its sundry debts, debt recovery is not proactive or robust; delays in escalating debts for recovery action and a failure to maintain accurate debtor accounts impacts the Council's ability to recover its debts. Redeployment of the Recovery Team to assist other front line services and a suspension of all debt recovery action during the pandemic has also hampered the Council's recovery of its sundry debts.
8. We raised eight Issues/Risks, which require management action of high to moderate impact and Heads of Service involvement to resolve. Therefore, we are only able to provide **limited assurance** of the governance, risk management and control of this area.
9. We have agreed an action plan with management and we are assured that management is planning to address all the Issues/Risks by 30 June 2022. The Director of Function (Resources) / Section 151 Officer has commissioned a consultant to address the issues and risks raised in the Action Plan. A project with milestones has been developed and agreed with the consultant.

## Gypsies and Travellers Accommodation (Requirements of the Housing (Wales) Act 2014)

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
0	Moderate	

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

**Does the Council have effective arrangements in place to assess the accommodation needs of the Gypsy and Traveller community under the requirements of the Housing (Wales) Act 2014 and has management addressed the outstanding 'issues/risks' originally raised in our 'Reasonable Assurance' report from March 2019?**

11. Our review concluded that all of the 'issues/risks' raised in our initial review have been addressed and the action plan is complete. Progress against implementing the recommendations of the last Gypsy and Traveller Accommodation Assessment (GTAA) in 2016 has been delayed. However, we are satisfied that due to likely changes in the accommodation needs of Gypsy and Traveller groups on the Island, the Council has taken the decision to wait for the results of the current GTAA before committing to any further expenditure. Therefore, we are able to continue to provide a '**Reasonable**' level of assurance in this area.

## Investigation – Property Services

12. We have concluded our investigation into an allegation involving procurement activity within the Highways, Waste and Property Service.
13. Our investigations concluded that the Property Service allocates a large volume of work to the supplier identified in the allegation, which consequently can lead to the perception of favouritism. However, we have not been able to find any evidence that any member of staff is improperly favouring this supplier when allocating work and officers are working within the rules set by the Council and within the Property Service itself. Despite this, we have identified two issues pertinent to this investigation:
  - The need to set up a contract or framework specifically for drainage works, taking into consideration the advice provided by the Contracts, Procurement and Corporate Governance Solicitor
  - Undertaking further work to review the risk of fraud and corruption in procurement more widely across the Council.
14. We are reasonably assured by officers' explanations that work classed as 'emergency' in nature, was such. However, where there is an element of judgement and discretion, it is important that officers retain all documentation to support proper process is being followed on all occasions, as there is a risk that the Council could face claims for compensation if proven it unfavourably treated a company.
15. It would be advisable for regular oversight and scrutiny by an independent senior manager to ensure the Service maintains the highest standards of regularity (the right powers and authority to spend the money) and propriety (acting in accordance with the Council's values). This means acting honestly, fairly and with integrity, avoiding waste or extravagance and avoiding any personal profit or gain, including the appearance of it.

## WORK IN PROGRESS

16. The following audits are currently in progress:

Audit Area	Corporate Risk Register Ref	Service	Reason for Audit	Stage
Software Licence Management	YM38	Transformation	Corporate Risk Register	Draft Report
Managing the risk of fraud and corruption in procurement	YM46	Resources	Corporate Risk Register, Counter Fraud, bribery and Corruption Strategy 2021-24 and raised during investigation	Fieldwork
Information Governance	YM3	Corporate / Council Business	Corporate Risk Register	Fieldwork

### National Fraud Initiative

17. Work continues on investigating the first tranche of the NFI 2020/21 matches 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.
18. Currently, we are working on investigating the following matches:
- Payroll to Payroll
  - Payroll to Companies House
  - Payroll to Creditors
  - Payroll to Pensions
  - Council Tax Reduction Scheme to Payroll
  - Council Tax Reduction Scheme to Pensions
19. We will report the outcome of these investigations in our Annual Counter Fraud, Bribery and Corruption report.
20. The Cabinet Office requires the Council to complete the annual data upload for matching the recipients of Council Tax Single Person Discount against the Electoral Roll before the end of January 2022. We will work with colleagues in these departments to provide the data in accordance with the specification.

## OUTSTANDING ACTIONS

21. 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 December 2021.
22. There are currently 14 overdue actions (6 Major; 8 Moderate), which fall within the Resources, Learning and Council Business services. They are related to 'Issues/Risks' raised in six audits:
  - Payments - Supplier Maintenance
  - Identification of duplicate invoices and recovery of duplicate payments
  - Sundry Debtors
  - Leavers' Process
  - Business Continuity
  - Schools Information Governance
23. We are working with the services to provide support with implementing the actions.

# PRIORITIES FOR 2021-22

## Current Capacity

24. We have successfully recruited into the vacant Senior Auditor post and welcome our new member of the team on 13 December 2021. This means that the team is almost up to full strength, with only half a full time equivalent post remaining vacant, due to flexible working. However, one member of the team continues to be absent on long-term sickness.

## Short/Medium Term Priorities

25. The Corporate Risk Register is in the process of significant review.
26. Our immediate priority is to review the 'red' and 'amber' residual risks we have not yet reviewed, or not reviewed in the last two years.
27. We will also continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.
28. The newly recruited Senior Auditor does not have an internal audit background, so we will provide additional support to develop their technical audit skills.

## Longer Term Priorities

- The delivery of the Counter Fraud, Bribery and Corruption Strategy 2021-24, including continuing to address the Audit Wales recommendations included in its report 'Raising Our Game - Tackling Fraud in Wales'.
- Work with colleagues in the Performance Team to improve assurance mapping across the Council and contribute to the development of the Performance Review Group.
- Prepare for the External Quality Assessment (EQA) due in June 2022.

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

