

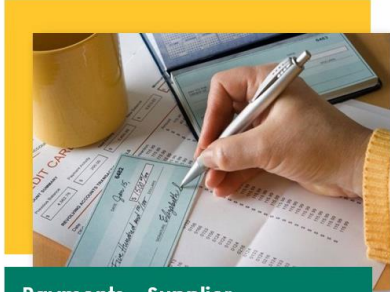
ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: Report to:	Governance and Audit Committee
Dyddiad: Date:	19 April 2022
Pwnc: Subject:	Internal Audit Update
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Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: In accordance with the Council's '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 April 2022, on the audits completed since the last update as at 1 February 2022, 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.



Payments – Supplier Maintenance and Duplicate Payments

First Follow Up - March 2022

Internal Audit Report & Action Plan

Marion Pryor BA MA CMIIA CPFA
Nanette Williams BA (Hons) MSc CMIIA CIA
Andrew Lewis BA (Hons) IRRV ACFTech



Recovering Council Sundry Debts and the impact of Covid-19

March 2022

Progress Update

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INTERNAL AUDIT UPDATE APRIL 2022

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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 **three** pieces of work, and issued **one** report in the period, summarised below:

Title	Strategic Risk Register Ref.	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
First follow up of 'Payments - Supplier Maintenance' and 'Identification of duplicate invoices and recovery of duplicate payments'	n/a	March 2022	Limited Assurance	0	2	8	10

First follow up of 'Payments – Supplier Maintenance' and 'Identification of duplicate invoices and recovery of duplicate payments'

Limited Assurance	Issues/Risks	
	0	Critical
	2	Major
8	Moderate	

3. *In accordance with our protocol, we have separately issued members of the Committee and the Portfolio Holder for Finance with a copy of the full report and action plan.*
4. We undertook two reviews during 2020/21, which focussed on the Council's processes for paying invoices.
5. The first review, of 'Payments - Supplier Maintenance and Payments' in January 2021 led us to undertake further work in this area and we issued a report on 'Duplicate Invoices and Recovery of Duplicate Payments' in May 2021.
6. Both reports resulted in Limited Assurance ratings, with separate action plans agreed to address the risks identified. As several of the risks and subsequent agreed actions are linked, we undertook a combined follow up review between January and March 2022.
7. Our follow-up review concludes that while the Finance and Payments teams have carried out some work to address the risks raised during our original audits, the majority of agreed actions remain outstanding. We acknowledge the teams' clear desire to

make improvements; however, on-going staffing and recruitment issues within the Payments team, as well as extra work created by Services failing to follow correct purchasing processes, is impairing its ability to address all the risks identified.

8. Of the 13 issues/risks identified during our two original audits, the service has addressed three, leaving 10 outstanding. Due to recent revisions of the strategic risk management matrix, we have adjusted the ratings of the issue/risks to reflect the current strategic risk appetite. In addition, where the action to date has reduced the likelihood of the risk materialising, we have reflected this in the risk rating. However, due to the number of issues/risks remaining and the lack of progress in key areas, we are unable to increase our assurance rating from Limited at this time.
9. We will therefore conduct a further follow up review in November 2022, to determine whether work has progressed to address the remaining risks, and improvements to the payments process are embedded across the Council.

Recovering Council Sundry Debts and the impact of Covid-19 – Progress Update

10. We submitted a report on a review of the above to the 9 December 2021 meeting of the Governance and Audit Committee. We issued a ‘Limited Assurance’ rating, with eight risks identified and a number of actions agreed to address them. The Committee requested Internal Audit bring an update on the progress of addressing the risks to its meeting on 19 April 2022.
11. In response to the original report, the Director of Function (Resources) / Section 151 Officer commissioned consultancy firm, CIWB, to work with the service to address the Issues/Risks raised.
12. As part of the progress update, we met with the Revenues and Benefits Service Manager and reviewed key documents relating to the consultancy project. The main points to note on current progress are as follows:
 - The Director of Function (Resources) / Section 151 Officer and the Revenues and Benefits Service Manager have agreed that CIWB will approach the project incrementally, with the preferred method for delivering efficiency improvements based on developing existing systems and processes, rather than wholesale changes to current processes.
 - The Revenues and Benefits Service Manager has provided CIWB with a task list, which defines those activities that are in most urgent need of review, namely:
 - improving school income reconciliations, and
 - improving the efficiency of Leisure Centre / Môn Active income reconciliations and processes.
 - Although not yet scheduled, the Project Delivery Plan recognises further tasks concerning car parking income and documenting revised sundry debtor processes / procedure notes.

13. The project tasks primarily concern improving the income reconciliation process, which is key to ensuring greater integrity and improved accuracy of the debtors system. This will lead to the suspension of fewer accounts and greater focus on pursuing debts.
14. In addition, the Director of Function (Resources) / Section 151 Officer confirms that the Service will shortly be recruiting a Business Manager. This role will provide additional resource to support and facilitate performance improvement across the entire Resources Service, including the Income section.
15. Further, the appointment of a Recovery Manager as part of the planned restructure within the Revenues and Benefits section should alleviate some of the workload pressures and improve efficiency within the Income Team.
16. These appointments along with the outcome of the consultancy project should help to address the issues/risks identified during our initial review. As a result, we are assured that the Council will be in a stronger position to maximise debt recovery whilst continuing to treat people and businesses fairly.
17. While allowing time for the team to embed the improved processes, our formal follow-up testing, in October 2022, will determine whether the Council has fully mitigated all the Issues/Risks raised.

WORK IN PROGRESS

18. The following audits are currently in progress:

Audit Area	Strategic Risk Register Ref	Service	Reason for Audit	Stage
Teachers' Pensions - Part I	n/a	Resources	Director of Function (Resources) / Section 151 Officer request	Fieldwork
Managing the risk of fraud and corruption in procurement	YM46 ¹	Resources	Corporate Risk Register, Counter Fraud, bribery and Corruption Strategy 2021-24 and raised during investigation	Fieldwork (postponed while undertaking Teachers' Pensions audit)
Recruitment and Retention	YM2	Corporate	Strategic Risk Register	Fieldwork
Climate Change and Sustainability	YM13	Corporate	Strategic Risk Register	Fieldwork
The Council's arrangements for the provision of suitable local housing	YM9	Housing Services	Strategic Risk Register	Fieldwork
Vulnerability and Patch Management (IT Audit)	YM4	Corporate Transformation	Strategic Risk Register	Fieldwork
First Follow Up of ICT Service Continuity (Phishing)	YM4	Corporate Transformation	Strategic Risk Register / First Follow Up	Fieldwork

¹ Former corporate risk register reference

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 April 2022.
20. There are currently three overdue actions (0 Major; 3 Moderate), which all fall within the Resources service. They are related to 'Issues/Risks' raised in one audit:
 - Leavers' Process
21. We are working with the service to provide support with implementing the actions.
22. A more detailed report on all outstanding actions is also submitted to this meeting.

PRIORITIES FOR 2022-23 AND BEYOND

Current Capacity

23. Our new Senior Auditor, who commenced in post on 13 December 2021 has made great strides and is developing quickly. 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 long-term.

Short/Medium Term Priorities

24. In January 2022, the SLT significantly reviewed the now 'Strategic' Risk Register. 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, whilst remaining agile to respond to requests for assistance and assurance from services, and reacting to investigations.
25. The Head of Audit and Risk is currently developing the Annual Internal Audit Strategy for 2022-23 in conjunction with SLT and heads of services and will submit it to the Governance and Audit Committee at its meeting in June 2022 for consideration by the new committee.
26. We will continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.
27. We will provide input to the induction programme for the new elected and lay members, following the elections in May 2022.

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 APRIL 2022

