

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	07 February 2023
<b>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 31 January 2023, on the audits completed since the last update as at 30 November 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.



# INTERNAL AUDIT UPDATE FEBRUARY 2023

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## ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

1. This section provides an overview of internal audit reports finalised since the meeting in December 2022, including the overall assurance rating and the number of issues/risks raised.
2. We have finalised **four** 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
UK Community Renewal Fund (Grant Audit)	Grant requirement	January 2023	Reasonable	0	0	0	0
IT Vulnerability Management (First Follow Up)	YM4	January 2023	Reasonable	0	2	0	2
Council Tax Direct Debit Error	Requested by Director of Function (Resources) / Section 151 Officer	January 2023	n/a	0	0	1	1
Galw Gofal (Partnership Governance Arrangements)	Requested by Chief Executive	January 2023	Limited	0	1	4	5

### UK Community Renewal Fund (Grant Audit)

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 controls and records in respect of the Community Renewal Fund (CRF) Grant to ensure that the funding has been delivered appropriately, in line with the relevant grant terms?

4. Our review concluded that the Council has adequate internal controls and records in place to ensure that the UK Community Renewal Fund (CRF) funding has been delivered appropriately, in line with the relevant grant terms.
5. In particular, as Adfywio Môn & Môn Ymlaen are two projects delivered by the Council, in addition to being the lead authority, our review confirmed that suitable controls, such as appropriate delegation of responsibilities and internal reporting mechanisms are in place to ensure the robust separation of the delivery and administration functions exist.
6. The Council's Employee Code of Conduct makes provision for managing and monitoring any actual or perceived bias or conflicts of interests in respect of the CRF grant. In addition, the Council sought assurance that project deliverer organisations had similar provisions in place. However, there is currently no corporate requirement for the Council to obtain 'nil declaration of interest' statements.<sup>1</sup>
7. Overall, the results of our review were mainly positive; therefore, we can provide **reasonable assurance** in relation to the Council's governance, risk management and internal controls in administering the UK CRF grant.

## IT Vulnerability Management (First Follow Up)

Reasonable Assurance	Issues/Risks	
	0	Critical
	2	Major
	0	Moderate

8. Our review sought to answer the following key question:  
**Has management addressed the outstanding issues/risks originally raised in our Limited Assurance report of IT Vulnerability Management in August 2022?**
9. We commissioned an external IT audit specialist to undertake a review of the Council's arrangements for mitigating the key risks associated with IT vulnerabilities and patch management, and issued a final report in August 2022. The review raised five issue/risks for management action. Due to the nature and potential impact of the risks identified, we were only able to provide 'Limited Assurance' of the Council's arrangements at this time. We undertook a follow up review in January 2023 to determine progress with addressing the risks identified.
10. Our review concluded that the IT Team has made excellent progress in strengthening controls in this area and has made procedural and technical improvements, which help to mitigate the risk of an IT vulnerability being exploited leading to a successful cyber-attack.
11. The IT Team has successfully addressed three of the issues/risks identified during our initial review and work to address the two remaining is well underway, with only one target date slipping, and only by a month.

<sup>1</sup> We are currently undertaking a separate Council-wide audit of 'Declarations of Interest', which will include grant award, delivery and administration.

12. We are therefore satisfied that arrangements to manage the risks associated with IT vulnerabilities and patching have improved since our initial review, and can therefore increase the assurance level provided to 'Reasonable'. We will continue to monitor the two remaining actions as part of our internal monitoring system to ensure they are successfully implemented and the associated issues/risks addressed.

## Council Tax Direct Debit Error

Not Applicable	Issues/Risks	
	0	Critical
	0	Major
	1	Moderate

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

**Does the Council have effective arrangements for ensuring that the Council Tax and National Non-Domestic Rates (NNDR) direct debit is processed correctly, in full, at the right time, on the right day and only once?**

14. Following an error in the processing of the council tax and NNDR direct debit, the Director of Function (Resources) and Section 151 Officer requested Internal Audit undertake a review of the current process for Council Tax and NNDR direct debit collection, the process for refunding those affected, and the proposed improvements by the service to address the risk of similar errors reoccurring in the future.
15. Our review confirmed that the incident 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.
16. 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. To strengthen this process and ensure the controls continue to operate effectively, we advise that the authorisation process be documented, outlining all individual checks and signed as complete by the relevant officer. See action plan below.
17. The Council refunded all Council Tax payments taken in error within 24 hours of being alerted to the incident, and all NNDR direct debit payments taken in error were refunded by the 5 January 2023. The Council's swift action to refund the Council Tax payments has resulted in an overpayment, which the Council is in the process of recovering.
18. To conclude, the incident highlights the need for more robust controls around the processing of Council Tax and NNDR direct debit payments, however we are satisfied that the service is working to implement these changes.
19. Due to the risk of similar errors occurring in other Council areas that process direct debit payments, we plan to carry out a further review to ensure arrangements in this area across the Council are effective and the associated risks minimised.

## Galw Gofal (Partnership Governance Arrangements)

Limited Assurance	Issues/Risks	
	0	Critical
	1	Major
	4	Moderate

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

**Is Galw Gofal's partnership governance fit for purpose to ensure governance, performance and financial stability are adequate?**

21. Overall, our review concludes that although the Isle of Anglesey County Council performs its share of the role in governing the Galw Gofal partnership adequately on the most part, with a number of governance control weaknesses identified, notably around its obligations concerning data protection, we are only able to provide limited assurance that it is managing all its governance risks adequately.
22. Due to the commercial sensitivity of the partnership, members have received a copy of the full report and action plan separately, and any discussions will be conducted in a private session of the meeting, in accordance with Paragraph 14, Schedule 12A of the Local Government Act 1972.

## WORK IN PROGRESS

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

Audit Area	Strategic Risk Register Ref	Service	Reason for Audit	Stage
Local Government Pension Scheme	n/a	Resources	Concerns raised during Teachers' Pensions audit	Postponed
IT Audit - Cloud Computing	YM3	Corporate Transformation	Strategic Risk Register	Fieldwork
Recovering Council Sundry Debts	n/a	Resources	First follow up of Limited Assurance report from November 2021	Fieldwork
Payments - Supplier Maintenance / Identification of duplicate invoices and recovery of duplicate payments	n/a	Resources	Second follow up of Limited Assurance follow up report from April 2022	Fieldwork
Gas Safety	n/a	Housing	Requested by Head of Housing	Fieldwork
The Council's effectiveness in managing its strategic risk 'YM11 – Poverty'	YM11	Corporate	Strategic Risk Register	Fieldwork
Declarations of Interest	n/a	Corporate	Identified by Fraud Risk Assessment	Fieldwork



## OUTSTANDING ACTIONS

24. 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 31 January 2023.
25. There are currently 9 overdue actions (2 Major; 7 Moderate), which relate to 'Issues/Risks' raised in the following audits:
  - Leavers' Process
  - Payments - Supplier Maintenance / Identification of duplicate invoices and recovery of duplicate payments - follow up currently underway
  - Council Tax and NNDR Refunds
26. We are working with the services to provide support with implementing the actions.

# PRIORITIES FOR 2022-23 AND BEYOND

## Current Capacity

27. We are currently carrying two vacant posts at Senior Auditor level - one due to long-term secondment and one due to resignation. We have been unable to attract enough suitable applicants despite three attempts to recruit.
28. We are utilising the budget savings to commission additional external support, including technical IT audit from the IT Audit Team at Salford Council.

## Short/Medium Term Priorities

29. We are continuing to deliver the Annual Internal Audit Strategy for 2022-23 approved by the Governance and Audit Committee in June 2022. Our 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.

### Red and Amber Strategic Risks

30. There are three strategic risks remaining to be reviewed before the end of the year:
  - YM5 Schools (red/red) - planned for March 2023
  - YM11 Increase in poverty increasing demand on Council services (red/red) - in progress
  - YM10 Corporate Safeguarding (red/amber) - planned for February 2023

### National Fraud Initiative (NFI)

31. The NFI is a UK-wide data matching exercise that helps to detect and prevent fraud. It is conducted in Wales by the Auditor General under his statutory data matching powers set out in Part 3A of the Public Audit (Wales) Act 2004 (the 2004 Act).
32. The NFI is designed to help public bodies build their fraud detection capability through data matching at a national level. The Auditor General collaborates with the UK Cabinet Office, Audit Scotland and the Northern Ireland Audit Office to run NFI as a UK-wide exercise.
33. The main data matching exercise is carried out biennially and we worked with services to extract data from systems to upload for this year's exercise. We successfully met all NFI deadlines. Before uploading, data sets were quality assured to ensure they met the data specification. Privacy notices were also be checked to ensure compliance.
34. The outcome of the matching exercise will be available at the end of January 2023, when we will commence work to review matches on a risk-basis, and where possible, distribute to services for them to review. The outcome of our review must be recorded on the secure NFI portal.

### **Other Work**

35. We will continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.
36. We are currently undertaking a self-assessment with members of the Committee to determine training and development needs for the new elected and lay members.
37. We are currently subject to an External Quality Assessment of compliance with the Public Sector Internal Audit Standards, which is being undertaken by Flintshire County Council.

### **Longer Term Priorities**

- The delivery of the new Counter Fraud, Bribery and Corruption Strategy 2022-25, 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 Governance and Performance Review Group.
- 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 newly published CIPFA guidance as a benchmark.

# APPENDIX 1 – OUTSTANDING ACTIONS AS AT 31 JANUARY 2023 (4ACTION DASHBOARD)

