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
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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

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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.

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[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.
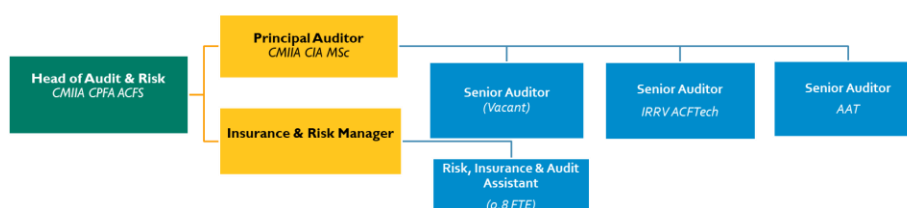
Internal Audit & Risk Management, April 2023

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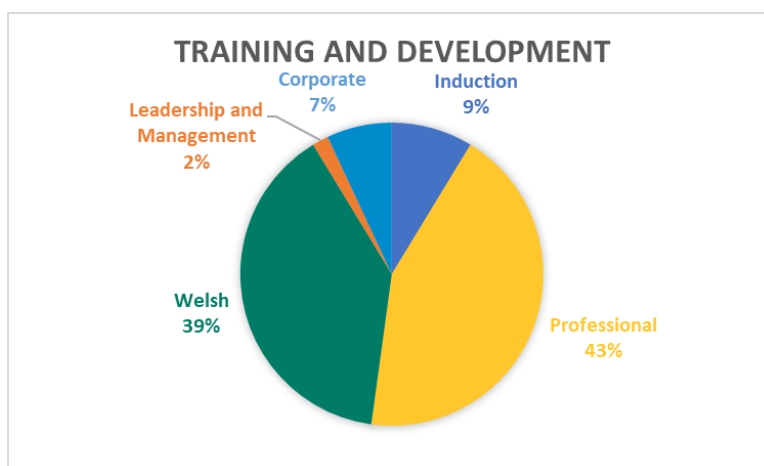
[9] 'Internal audit: untapped potential', Chartered Institute of Public Finance and Accountancy, May 2022

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)	Corporate Access Management (Key Risks) (PROPOSED)
								IT Vulnerability Management (September 2022)	
								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)

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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.