ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	21 September 2023
Subject:	Internal Audit Update
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Nature and Reason for Reporting:
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.

It also fulfils the requirements of CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, to consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities, specifically, in relation to the authority's internal audit function to oversee its independence, objectivity, performance and conformance to professional standards; support effective arrangements for internal audit and to promote the effective use of internal audit within the assurance framework.

1. INTRODUCTION

1.1 This report updates the Committee, as at 13 September 2023, on the audits completed since the last update as at 31 March 2023, 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

September 2023

Marion Pryor BA MA CMIIA CPFA ACFS

Head of Audit & Risk

Contents

Summary of Assurance Work Completed Since Last Update

1. This section provides an overview of internal audit reports finalised since the meeting in April 2023, including the overall assurance rating and the number of issues/risks raised.

2. We have finalised **seven** pieces of internal audit assurance work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
IT Service Continuity (Phishing) (Follow Up)	**Reasonable**	0	0	0
IT Software Licence Management (Follow Up)	**Reasonable**	0	0	1
Fuel Cards	**Reasonable**	0	0	6
Modernising Learning Communities Programme (Strategic Risk YM5)	**Reasonable**	0	0	5
Managing the Risk of Housing Tenancy Fraud	**Reasonable**	0	1	4
Recovery of Council Tax, NNDR and Sundry Debts	**Limited**	0	3	5
North Anglesey Regeneration Grant Investigation	**Not Applicable**	Not Applicable	Not Applicable	Not Applicable

IT Service Continuity (Phishing) (Second Follow Up)

	Issues/Risks	
Reasonable Assurance	0	Critical
	0	Major
	0	Moderate

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

   Has management addressed the remaining outstanding issues/risks originally raised in our Limited Assurance report on IT Service Continuity (Phishing) in May 2021?

4. Our follow-up review concluded that the Council has made good progress to strengthen its controls in this area since our original review.

5. The IT Team has made several technical and procedural improvements, which help to mitigate the risk of a successful phishing attack and made provision for an ongoing programme of phishing tests to ensure staff awareness of phishing and cyber risks is maintained.

6. To conclude, the results of our review continue to be positive, and our 'reasonable' assurance rating remains. The Council has addressed all of the risks outstanding after our last follow up, and therefore the action plan is now complete.

7. As previously reported however it is critical that the Council continues to promote cyber safe practices and ensure staff are well equipped to recognise phishing attempts. Several well-publicised cases of councils in England being significantly impacted by a successful attack highlights the severity of the risk posed in this area.

IT Software Licence Management (First Follow Up)

	Issues/Risks	
Reasonable Assurance	0	Critical
	0	Major
	1	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 Software Licence Management in January 2022?

9. Our follow-up review concluded that the IT Team has made good progress in strengthening controls in this area and has addressed the majority of the issues/risks identified during our original review and in conclusion, the results of our review are positive.

10. The IT Team has addressed all but one of the ten risks identified during our original review and work to address the remaining one is underway.

11. We are satisfied that arrangements to manage the risks associated with software licensing have now improved and we were therefore able to increase the assurance level provided to 'Reasonable'.

12. We will continue to monitor the one remaining agreed action as part of our internal monitoring system to ensure it is successfully implemented and the associated risks mitigated.

Fuel Cards

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	6	Moderate

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

Does the Council have effective arrangements in place to manage its fuel cards, safeguard against the risk of fraud and theft and achieve value for money in this area?

14. We undertook the review following an incident in January 2023 where the fuel card of a recently written off Council vehicle was used fraudulently.

15. Overall, our review concluded that the Council manages its fuel cards effectively in the main, however there are some opportunities to strengthen controls and improve processes.

16. We raised six 'Issues/Risks', which include the development of a fuel and fuel card policy outlining vehicle user responsibilities, evidence of employee acknowledging, understanding and accepting their responsibility regarding fuel and fuel card usage, a fuel efficiency reconciliation, expired contracts and a lack of market testing.

17. We have agreed an action plan with management for these issues to be addressed by December 2023 and therefore, within the scope of our review, we were able to provide reasonable assurance of the governance, risk management and control of this area.

Modernising Learning Communities Programme (Strategic Risk YM5)

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	5	Moderate

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

Does the Council have effective governance and control measures in place to manage the strategic risk relating to the delivery of the modernising learning communities' strategy?

19. As the development of the Council's Modernising Learning Communities Programme is at an early stage, there is a limitation to the extent of the assurance that we can provide.

20. However, our review concluded that reasonable progress is being made with establishing the necessary governance and control measures. This is to enhance previous arrangements which were in place for the 21st Century School Programme (Band A and B). Our review highlighted some areas for improvement and officers were responsive to our input and advice.

21. We were therefore able to provide reasonable assurance over the strategy's development and approval, and the governance framework around the programme which are two key controls to manage the strategic risk. We raised five 'Issues/Risks' in respect of programme and project management training, methodology and practices and we are assured that management plans to address all the 'Issues / Risks' raised by April 2024.

Managing the Risk of Housing Tenancy Fraud

Reasonable Assurance	Issues/Risks	
	0	Critical
	1	Major
	4	Moderate

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

   Does the Council have suitable arrangements in place to manage the risk of housing tenancy fraud?

23. The outcome of our review was mainly positive and concluded that the Housing Service has adequate arrangements in place to manage the risk of housing tenancy fraud, with fundamental controls in place to deter and mitigate the risk of fraud provided for within its policies and contracts. However, there are some moderate governance and internal controls that could be improved.

24. We raised five 'Issues/Risks', which include conducting tenancy audits, awareness raising with the public and tenants about the financial and social impacts of tenancy fraud, fraud related training and guidance to inform and direct the Housing Service officers, a tenancy fraud policy and the inclusion of a unique identifier within the housing system to improve the quality of the National Fraud Initiative matching exercise.

25. We have agreed an action plan with management and therefore, within the scope of our review, we can provide reasonable assurance of the governance, risk management and control of this area.

Recovery of Council Tax, National Non-Domestic Rates and Sundry Debts

Limited Assurance	Issues/Risks	
	0	Critical
	3	Major
	5	Moderate

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

   Does the Council have robust procedures in place to effectively recover unpaid council tax, non-domestic rates, and its sundry debts?

27. The Revenues Service has some well-embedded statutory recovery procedures in relation to the recovery of Council Tax. The Revenues Service pursues Council Tax arrears through the formal court process and its available sanctions, although there are limited options available to the Recovery Team and therefore there is little prospect of recovering these debts, resulting in dormant balances. In addition, the Council has not initiated legal recovery proceedings of unpaid Non-Domestic Rates since December 2021, resulting in a significant increase in arrears. With regards sundry debts, there is a lack of effective arrangements to review, recover, enforce and write-off more complex, aging debts.

28. We were only able to provide limited assurance and raised eight 'Issues/Risks'. We have agreed an action plan with management and are assured that there are plans to address all the 'Issues/Risks' by January 2024.

29. *In accordance with our protocol regarding limited assurance audits, members of the Committee have received a copy of the full report and action plan separately.*

North Anglesey Regeneration Grant Investigation

30.   Following a referral from a member of the public, the Director of Function (Resources) and Section 151 Officer asked Internal Audit to investigate a claim that a grant recipient was not entitled to the award of a North Anglesey Regeneration grant.

31.   Therefore, our investigation sought to answer the following key question:

   Have the qualifying criteria and eligibility requirements been met when awarding a North Anglesey Regeneration Grant of £7,500?

32.   The North Anglesey Regeneration Grant forms part of the Isle of Anglesey County Council's successful proposal to the Nuclear Decommissioning Authority (NDA) for funding to regenerate the North of Anglesey. The criteria were set by the Council and the final decision on who the grants were awarded to was also made by the Council, but the grant was funded by the NDA.

33.   Our investigation confirmed that the applicant had correctly followed the procedure to apply for the grant and had submitted the documentation required by the Council. All documentation and proof of purchase of the asset met the requirements of the grant. All were submitted and carried out in the correct order and within the specific timelines.

34.   A panel of officers within the Council met to discuss the applications and to decide whether the key objectives of the grant scheme were met. The panel concluded that the prime objective of the scheme was met, and the application was processed in accordance with this conclusion.

Work in Progress

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

Area	Reason for Audit	Stage
Declarations of Interest	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Fieldwork
National Fraud Initiative	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Fieldwork
Safeguarding (YM10)	Strategic Risk Register assurance	Fieldwork
Organisational Resilience (YM7)	Strategic Risk Register assurance	Fieldwork
Teachers' Pensions	First Follow Up	Fieldwork (waiting for information)
Payroll ('Starters' Processes)	Internal Audit Strategy 2023-24	Fieldwork
The Administration of Local Government Pensions	Internal Audit Strategy 2023-24	Fieldwork
Direct Debit Management	Internal Audit Strategy 2023-24	Fieldwork
Grass Cutting	Requested by Director of Function (Resources) / Section 151 Officer	Fieldwork
Investigation	Complaint to Cllr Llinos Medi	Fieldwork
Investigation	Allegation of internal fraud	Fieldwork
Visitor Economy and Coastal Areas Income Processes	Requested by Chief Executive	Scoping

Outstanding Actions

36.   Work is progressing to support services with implementing all outstanding actions.

37.   A more detailed report on all outstanding actions is submitted separately to this meeting.

Priorities

Current Capacity

38.   A recent successful recruitment exercise means we are now only carrying one vacant post at Senior Auditor level due to long-term secondment. Our new Senior Auditor started with the team on 1 April 2023 and is settling in well.

39.   We are continuing to utilise the budget savings to commission additional external support.

Short/Medium Term Priorities

40.   We are making good progress with our Annual Internal Audit Strategy for 2023-24 and Counter Fraud, Bribery and Corruption Strategy 2022-2025.

41.   We are currently working with CIPFA and members of the Governance and Audit Committee to undertake an assessment of the effectiveness of the Committee using the recently published CIPFA guidance as a benchmark. A report will be submitted to the Committee meeting in December 2023.

42.   We are also working with Zurich Risk Engineering UK to undertake an independent assessment of the Council's Risk Management framework, which will highlight areas of strength and identify recommendations for further development. A report will be submitted to the Committee meeting in February 2024.

Longer Term Priorities

43.   We will continue to 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.