

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 December 2023
<b>Subject:</b>	Internal Audit Update
<b>Head of Service:</b>	Marc Jones Director of Function (Resources) and Section 151 Officer <a href="mailto:MarcJones@anglesey.gov.wales">MarcJones@anglesey.gov.wales</a>
<b>Report Author:</b>	Marion Pryor Head of Audit and Risk <a href="mailto:MarionPryor@anglesey.gov.wales">MarionPryor@anglesey.gov.wales</a>
<p><b>Nature and Reason for Reporting:</b>  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> <p>It also fulfils the requirements of <a href="#">CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022</a>, 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.</p>	

## 1. INTRODUCTION

1.1 This report updates the Committee, as at 30 November 2023, on the audits completed since the last update as at 13 September 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

December 2023



Marion Pryor BA MA CMIIA CPFA ACFS

Head of Audit & Risk



# Contents

Summary of Assurance Work Completed Since Last Update	1
The Administration of Teachers' Pensions (First Follow Up)	2
Organisational Resilience (Strategic Risk YM7)	2
Local Government Pension Scheme	3
Investigation –Contract Overpayment	3
Investigation – Internal Fraud	4
Work in Progress	4
Outstanding Actions	5
Priorities	5
Current Capacity	5
Short/Medium Term Priorities	5
Longer Term Priorities	5

## Summary of Assurance Work Completed Since Last Update

1. This section provides an overview of internal audit reports finalised since the meeting in September 2023, including the overall assurance rating and the number of issues/risks raised.
2. We have finalised **five** pieces of internal audit work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
The Administration of Teachers' Pensions (First Follow Up)	Reasonable	0	0	1
Organisational Resilience (Strategic Risk YM7)	Reasonable	0	1	3
Local Government Pension Scheme	Reasonable	0	0	2
Investigation –Contract Overpayment	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Investigation – Internal Fraud	Not Applicable	Not Applicable	Not Applicable	Not Applicable

## The Administration of Teachers' Pensions (First Follow Up)

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	1	Moderate

3. Our review sought to answer the following key question:  
**Has management addressed the 'Issues/Risks' raised in our report on the Administration of Teachers' Pensions, issued in June 2022, which provided Limited Assurance on the governance, risk management and internal control of the area.**
4. The Payroll and Pensions Team has made good progress in strengthening the Council's arrangements for administering the Teachers' Pension Scheme and the results of our review are positive.
5. The Payroll and Pensions Team has successfully addressed two of the issues/risks identified during our initial review and action taken to reduce the likelihood of the risk has resulted in one issue/risk being re-scored as 'minor' in risk severity. This leaves one moderate-rated issue/risk still in progress. Work continues on the implementation of a new report (MCR), but this is dependent on Teachers' Pensions and Zellis resolving ongoing issues.
6. We are satisfied that arrangements to manage the risks have improved since our initial review and we can therefore increase the assurance level provided to 'reasonable'. We will continue to monitor the one remaining action as part of our internal monitoring system to ensure it is successfully implemented, and the associated issue/risk is addressed.

## Organisational Resilience (Strategic Risk YM7)

Reasonable Assurance	Issues/Risks	
	0	Critical
	1	Major
	3	Moderate

7. Our review sought to answer the following key question:  
**Does the Council have adequate arrangements in place to manage and respond to a change beyond its control to ensure that it continues to achieve its priorities and deliver quality services?**
8. The Council has an effective framework to manage and respond to a change beyond its control.
9. This includes effective maintenance of networking relationships with key contacts, established performance monitoring processes and robust financial management. Despite this, it is clear that the significant financial challenges facing the Council over the medium term due to the current economic climate will potentially impact on its overall resilience. There are also opportunities to improve the Council's overall business continuity framework.
10. While we have raised four Issues/Risks, which require management attention and identified some amendments that would improve the strategic risk register entry in this area, the outcome of our review is mainly positive.
11. We have agreed an action plan with management and, therefore, within the scope of our review, we are able to provide **reasonable** assurance of the governance, management and control of this risk.

## Local Government Pension Scheme

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
2	Moderate	

12. Our review sought to answer the following key question:  
**Does the Council have effective processes in place to ensure that all eligible employees are offered, enrolled and correctly managed throughout the Local Government Pension Scheme process, whilst ensuring that correct contributions are deducted and credited to the pension scheme administrators?**
13. The Council has effective controls to ensure that all eligible employees are offered, enrolled and are correctly managed throughout the Local Government Pension Scheme process while ensuring that correct contributions are deducted and credited to the pension scheme administrators.
14. We highlighted two areas for improvement which would strengthen current arrangements, relating to regular reconciliation of data sent to the pension administrator and additional checks of new starters.
15. While we raised these two Issues/Risks, which require management attention of moderate to low impact at service level, the outcome of our review was mainly positive. 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.

## Investigation – Contract Overpayment

16. The Director of Function (Resources) and Section 151 Officer asked Internal Audit to undertake an investigation following the discovery of a contract overpayment.
17. We have confirmed that improved processes have now been implemented to prevent any such issue occurring in the future.
18. While our investigation has concluded, we are unable to share any further detail as it may be prejudicial to the Council's best interests. We will update the Committee as soon as we are able to do so.

## Investigation – Internal Fraud

19. In accordance with the Policy for the Prevention of Fraud and Corruption, a Head of Service referred a potential internal fraud to the Head of Audit and Risk, who conducted an internal investigation into the matter. The employee was suspended from duty while the investigation was conducted.
20. At the conclusion of the investigation, the Head of Audit and Risk submitted a report to the Chief Executive, who asked for the matter to be reported to North Wales Police. This was endorsed by the Director of Function (Council Business) / Monitoring Officer and the Director of Function (Resources) / Section 151 Officer in accordance with the Constitution.
21. At the request of North Wales Police, the employee was asked to make arrangements with them to be interviewed.
22. Following this, the employee decided to resign, and the Council accepted the employee’s resignation.
23. Following an interview under caution, where the former employee admitted an offence under Section 2 of the Fraud Act 2006, North Wales Police issued the former employee with a Conditional Caution.

## Work in Progress

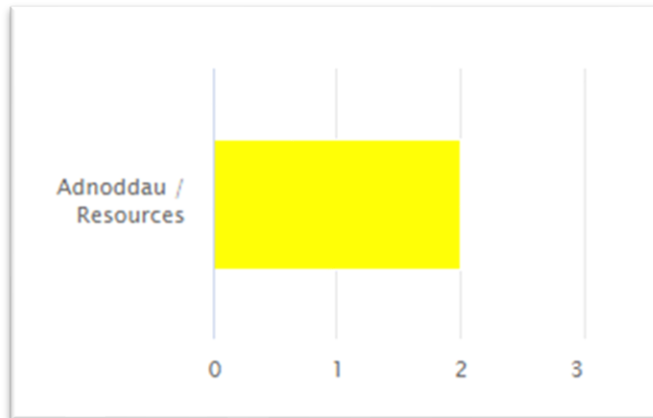
24. The following pieces of work are currently in progress:

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
Payroll (‘Starters’ Processes)	Internal Audit Strategy 2023-24	Draft Report
Safeguarding Children & Vulnerable Adults (YM10)	Strategic Risk Register assurance	Fieldwork
The Administration of Disabled Facilities Grants	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Fieldwork
Direct Debit Management	Internal Audit Strategy 2023-24	Fieldwork
Investigation – Waste Removal (Housing Service)	Complaint to Cllr Llinos Medi	Fieldwork
Visitor Economy and Coastal Areas Income Processes	Requested by Chief Executive	Scoping

## Outstanding Actions

25. Work is progressing to support services with addressing all 'Issues/Risks' raised and implementing all outstanding actions.
26. As at 30 November 2023, two moderate-rated issues/risks are overdue, with both being in the Resources Service.

### Overdue Issues / Risks by Service



## Priorities

### Current Capacity

27. Unfortunately, despite the successful recruitment exercise earlier this year, our new Senior Auditor has left to take up another post within Resources. This means we are now carrying two vacant posts at Senior Auditor level, due to this resignation and the continuance of a long-term secondment.
28. We are utilising the budget savings from the vacancies to commission additional external support.

### Short/Medium Term Priorities

29. We are making good progress with our Annual Internal Audit Strategy for 2023-24 and Counter Fraud, Bribery and Corruption Strategy 2022-2025.
30. We are currently 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.
31. We are also currently working with the Council's Training and Development Team to provide counter fraud awareness training across the Council, to members and staff, and a week-long series of training sessions are being provided in December 2023.

### Longer Term Priorities

32. 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.