

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	8 February 2024
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
Report Author:	Marion Pryor Head of Audit and Risk MarionPryor@anglesey.gov.wales
<p>Nature and Reason for Reporting:</p> <p>The Governance and Audit Committee’s Terms of Reference has an explicit requirement for the Committee to oversee the Council’s internal audit arrangements as part of its legislative duties under the Local Government (Wales) Measure 2011. (3.4.8.10.1)</p> <p>The Committee is required to consider updates on the work of internal audit including key findings, issues of concern, management responses and action in hand as a result of internal audit work. It is required to consider summaries of specific internal audit reports as requested, including the effectiveness of internal controls and will monitor the implementation of agreed actions. (3.4.8.10.10)</p> <p>This report also fulfils the requirements of CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022, specifically, in relation to the authority’s internal audit function and the Public Sector Internal Audit Standards, which require the chief audit executive to report information about progress and the results of audit activities. (Standard 2060)</p>	

1. INTRODUCTION

1.1 This report updates the Committee, as at 31 January 2024, on the audits completed since the last update as at 30 November 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 considers:

- the outcome of Internal Audit’s work,
- the assurance provided and
- our priorities going forward.

Internal Audit Update

February 2024



Marion Pryor BA MA CMIIA CPFA ACFS

Head of Audit & Risk



Contents

Summary of Assurance Work Completed Since Last Update _____	1
Managing Strategic Risk: Safeguarding (YM10) _____	2
Payroll – Starters Process _____	2
Investigation – Waste Removal (Housing Service) _____	3
Risk Management Health Check - Zurich _____	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 assurance reports finalised since the meeting in December 2023, including the overall assurance rating and the number of issues/risks raised.
2. We have finalised **four** pieces of assurance work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Managing Strategic Risk: Safeguarding (YM10)	Reasonable	0	1	5
Payroll – Starters Process	Reasonable	0	0	4
Investigation – Waste Removal (Housing Service)	Not applicable	0	0	1
Risk Management Health Check (Zurich)	Managed	Not applicable	Not applicable	Not applicable

Managing Strategic Risk: Safeguarding (YM10)

Reasonable Assurance	Issues/Risks	
	0	Critical
	1	Major
5	Moderate	

3. Our review sought to answer the following key question:
Does the Council have effective governance and control measures in place to manage the risk relating to safeguarding adults, children and families who are at risk to keep them safe, healthy and as independent as possible?
4. We concluded that the governance and controls measures for managing the strategic risk relating to safeguarding are mostly effective.
5. Safeguarding is an ongoing risk and while the Council has taken a series of mitigating actions, there is always a degree of uncertainty due to the nature of this risk.
6. While we have raised six Issues/Risks, one major and five with a moderate impact that require management attention, the outcome of our review is mostly positive.
7. 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, risk management and control of this area.

Payroll – Starters Process

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
4	Moderate	

8. Our review sought to answer the following key question:
Does the Council have robust systems in place to meet its duty of care and to comply with legislation whilst protecting itself from fraudulent activity in the onboarding of new employees?
9. We concluded that while the Council has effective controls in place to meet its duty of care and to comply with legislation, its controls to protect itself from fraudulent activity in the onboarding of new employees need to be strengthened, including the configuration of key system controls and a reconciliation of the monthly pay file.
10. However, it should be noted that our review found no evidence of error or unauthorised activity, with all new starter pay records reviewed being correct, accurate and processed in line with the required timescales.
11. We raised four Issues/Risks, which require management attention of moderate impact at service level and have agreed an action plan with management. Although there is a low risk of fraudulent activity, and it going undetected, the combination of mitigating controls, including long-serving and experienced staff and safer recruitment standards, means we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

Investigation – Waste Removal (Housing Service)

12. The Leader, Councillor Llinos Medi, received a complaint from a member of the public, regarding the arrangements for purchasing materials and disposing of waste within the Housing Maintenance Unit, and alleging favouritism towards a particular supplier.
13. The Leader referred the complaint to Internal Audit for investigation.
14. The complainant had raised similar concerns in 2021, directly with Internal Audit, which were investigated as part of an audit of Housing Allocations. The audit, concluded in September 2021, was unable to substantiate the allegations.
15. Between June and September 2022, the complainant submitted three Freedom of Information requests for information regarding the Housing Maintenance Unit contract and specifically in relation to the waste disposal service.
16. Subsequently, in February 2023, the complainant raised their concerns with Audit Wales, to which the Council provided a response. Audit Wales concluded that they would not carry out any further investigation into the matter.
17. However, due to the significant increase in expenditure associated with the contract, we considered it appropriate to conduct a further internal review into the matter.
18. Our review sought to answer the following key questions:
 - **Were correct contract procedure rules followed when awarding the contract, in particular the arrangements for waste disposal?**
 - **Are there robust arrangements in place to ensure the Council is achieving value for money in its contract for goods and services within its Housing Maintenance Unit, in particular the provision of waste disposal services?**
19. Our investigation concluded that the Housing Service followed correct contract procurement rules when awarding the contract through the All Wales Materials Framework.
20. Similarly, the arrangements for waste disposal services were compliant with contract procedure rules.
21. We have however identified minor discrepancies and potential overpayment of some service charges made as part of the waste disposal element, which could compromise the Council's ability to achieve value for money in this area.
22. We have agreed an action plan with the service to strengthen controls in this area, reclaim any overpayment and ensure robust contract management and monitoring arrangements going forward.
23. Finally, previous investigations, supported by the findings from this investigation, support the conclusion that there has been no inappropriate favouritism shown by the Housing Service to the waste management provider.

Risk Management Health Check - Zurich

24. We commissioned Zurich Resilience Solutions to provide assurance about the Council's risk management arrangements.
25. The outcome of Zurich's work is reported separately to this Committee. However, in summary, Zurich provided assurance based on a maturity model containing five levels.
26. Zurich assessed the Council to sit in a transitional phase between levels two and three, shown below, with some areas of the organisation showing well developed maturity, particularly in relation to culture and governance.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
-----------------------	------------------------------	--------------------	-----------------------	-----------------------------

Work in Progress

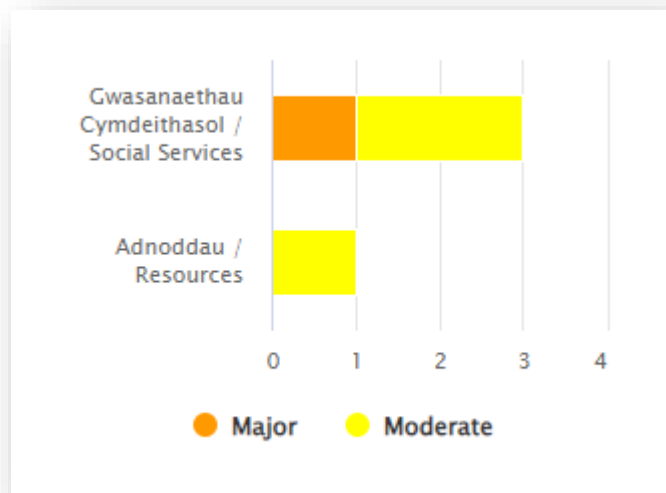
27. The following pieces of work are currently in progress:

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	Ongoing
The Administration of Disabled Facilities Grants	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Draft Report
Direct Debit Management	Internal Audit Strategy 2023-24	Fieldwork
Destination Function Income Processes	Requested by Chief Executive	Fieldwork
IT Audit – Corporate Access Management	Strategic Risk Register (YM3)	Fieldwork
IT Audit – Supplier Management	Strategic Risk Register (YM3)	Fieldwork
Robustness of estimates and adequacy of reserves assessment (Section 25 of the Financial Management Code)	Strategic Risk Register (YM1)	Scoping
Galw Gofal – First Follow Up	Limited Assurance Report	Fieldwork
Asset Management	Strategic Risk Register (YM14)	Scoping

Outstanding Actions

28. Work is progressing to support services with addressing all 'Issues/Risks' raised and implementing all outstanding actions.
29. As at 31 January 2024, one major and three moderate-rated issues/risks remain unaddressed beyond their target dates.
30. However, one major and two moderate-rated issues/risks are the subject of a current follow up audit, which is yet to be finalised; Galw Gofal (Partnership Risks) was the subject of a Limited Assurance report issued in January 2023.
31. The remaining moderate issue/risk relates to the recovery of duplicate payments, for which work is ongoing.

Overdue Issues / Risks by Service



Priorities

Current Capacity

32. We are carrying two vacant posts at Senior Auditor level, due to a resignation and the continuance of a long-term secondment.
33. We are utilising the budget savings from the vacancies to commission additional external support.

Short/Medium Term Priorities

34. Despite the vacancies, we have made good progress with our Annual Internal Audit Strategy for 2023-24 and Counter Fraud, Bribery and Corruption Strategy 2022-2025.
35. Our short-term priority is to complete all the assurance requirements from our Internal Audit Strategy 2023-24. Any work incomplete at the 31 March 2024 will be carried over to the Strategy for 2024-25.

Longer Term Priorities

36. The International Internal Auditing Standards Board (IIASB) issued the new [Global Internal Audit Standards](#) on 9 January 2024 which will become effective following a one-year transition period. The Standards guide the worldwide professional practice of internal auditing.
37. The Internal Audit Standards Advisory Board (IASAB), which sets the standards for the UK public sector, has begun its review of the impact on the Public Sector Internal Audit Standards and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements.
38. We will keep the Committee members updated on the impact this may have on the work of the Committee.