

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	18 April 2024
Subject:	Internal Audit Update
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<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 March 2024, on the audits completed since the last update as at 31 January 2024, 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

April 2024



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Head of Audit & Risk



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Summary of Assurance Work Completed Since Last Update

1. This section provides an overview of assurance reports finalised since the meeting in February 2024, 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
Galw Gofal (Partnership Governance) – First Follow Up	Reasonable	0	0	1
IT Audit - Corporate Access Management	Reasonable	0	0	5
Recovery of Council Tax, Non-Domestic Rates and Sundry Debts – First Follow Up	Limited	0	3	4
The Administration of Disabled Facilities Grants	Limited	0	2	4

Galw Gofal (Partnership Governance) – 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 issued in January 2023, which provided Limited Assurance on the governance, risk management and internal control of the area?
4. Our review concluded that the management team at Galw Gofal and Housing Services have made good progress in strengthening governance arrangements over the partnership and its data protection provisions, with improvements to the governance structure, the Section 101 Agreement now including a revised section ensuring data protection coverage in line with legal advice, a Privacy Notice now drafted with input from specialist legal advice and made available to the public via the Galw Gofal website, a review and update of the Data Privacy Impact Assessment and a review of the Council's telecare connections, which will reduce by around a quarter following consultation with tenants.
5. Work on the remaining 'Issue/Risk' around a value for money assessment of the Galw Gofal service offer to consider quality and cost of service will be completed by June 2024.
6. We are therefore satisfied that arrangements to manage the risks associated with Galw Gofal's partnership governance have improved since our initial review and 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.

IT Audit - Corporate Access Management

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	5	Moderate

7. Our review sought to answer the following key question:
Does the Council have effective controls in place to minimise key risks associated with Corporate Access Management?
8. Salford Council's IT Audit Team concluded that the Council has implemented robust measures to manage risks related to network access, minimising security incidents, data compromise, and business disruption. An IT Security Policy addresses key risks, and a technical requirements document ensures software procurement aligns with security standards. Network access for maintenance is controlled through limited and authenticated periods for software vendors. Role-based access and domain administrator restrictions are in place, but the latter has Internet access, posing a potential security risk.
9. Password security measures and restrictions on failed access attempts reduce the likelihood of compromises, but the password-reset process lacks a robust method for proving user identity, introducing a potential risk. Diverse access methods for applications and manual setup in MRI Enterprise pose challenges. Although a review found no active users who had left, the absence of a standardised procedure for administrator notifications is a concern.
10. The upcoming web-based recruitment system is expected to reduce risks, but reliance on recruitment managers for employee departure notifications remains a potential risk, mitigated by automatic account deactivation after 30 days of inactivity. While no major concerns exist, we highlighted five issues/risks for management consideration to enhance the Council's access control. Overall, we can provide **reasonable** assurance of the governance, risk management and control arrangements in this area.

Recovery of Council Tax, Non-Domestic Rates and Sundry Debts – First Follow Up

Limited Assurance	Issues/Risks	
	0	Critical
	3	Major
	4	Moderate

11. Our review sought to answer the following key question:
Has management addressed the 'Issues/Risks' raised in our report issued in September 2023, which provided Limited Assurance on the governance, risk management and internal controls in this area?
12. The review highlighted that there has been insufficient progress in addressing the issues and risks raised during our original audit, in particular, work to improve processes for reviewing and recovering aged sundry debts. As a result, a large volume of dormant debts remain unresolved, distorting management information and hindering recovery efforts.
13. While some improvements have been made, such as identifying services for advance billing, transferring responsibilities for certain debt types, and increasing the number of Telecare clients paying via Direct Debit, significant challenges remain.
14. The lack of a clear process for assessing and pursuing debts, coupled with stalled financial system alignment efforts, hinders progress. Additionally, there's concern over the accuracy of debtor system case notes.
15. Encouragingly, statutory recovery processes for unpaid Non-Domestic Rates have resumed and a number of liability orders have been granted at court and debts transferred to enforcement agents.
16. Despite ongoing work, only one out of eight identified issues has been fully addressed, leading to a continued '**Limited**' assurance rating. We will continue to monitor to ensure the outstanding issues and risks are addressed.

The Administration of Disabled Facilities Grants

Limited Assurance	Issues/Risks	
	0	Critical
	2	Major
	4	Moderate

17. Our review sought to answer the following key question:
Does the Council have effective arrangements in place to administer Disabled Facilities Grants in accordance with relevant legislation and regulations?
18. Our review highlighted weaknesses in management oversight, performance monitoring, and general administration of Disabled Facilities Grants (DFGs) which may compromise the Council's objectives in this area.
19. While controls are in place to ensure eligibility and appropriateness of DFGs, management oversight is lacking, leading to errors in payment processes and performance data reporting.
20. Performance measures do not fully align with government standards and budget underspending has been noted.
21. Suggested improvements include updating the website, streamlining application processes, improving record-keeping and management oversight.
22. Additionally, issues such as failure to recover owed funds and inadequate registration of DFGs on the land charges register pose significant risks.
23. Six issues have been identified, two rated as major risks, leading to a '**Limited**' assurance of governance, risk management, and control of this area. An action plan has been agreed upon with management to address these concerns.

Work in Progress

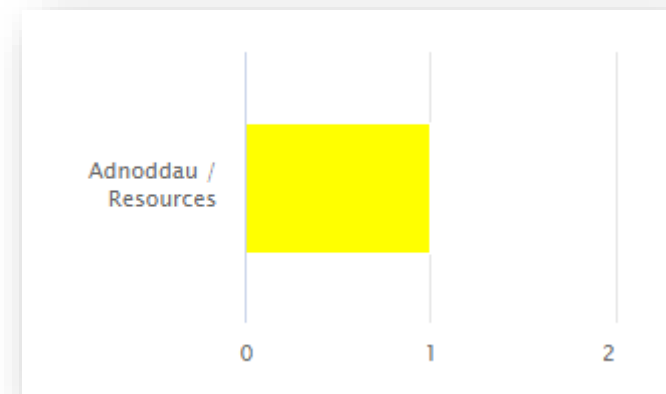
24. The following pieces of work are currently in progress:

Area	Reason for Audit	Stage
National Fraud Initiative	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Ongoing
Declarations of Interest	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Postponed
Direct Debit Management	Internal Audit Strategy 2023-24	Postponed
IT Audit – Supplier Management	Strategic Risk Register (YM3)	Draft Report
Destination Function Income Processes	Requested by Chief Executive	Fieldwork
Management of the Council's Assets	Strategic Risk Register (YM14)	Fieldwork
Partnership Oversight	Internal Audit Strategy 2023-24	Fieldwork
Investigation – Property Services	Complaint	Fieldwork
Investigation – Housing Services	Complaint	Fieldwork
Investigation – Housing Services	Complaint	Fieldwork
Financial Resilience - robustness of estimates and adequacy of reserves assessment (Section 25 of the Local Government Act 2003)	Strategic Risk Register (YM1)	Scoping

Outstanding Actions

25. Work is progressing to support services with addressing all 'Issues/Risks' raised and implementing all outstanding actions.
26. As at 31 March 2024, one moderate-rated issue/risk remains unaddressed beyond its target date, relating to the recovery of duplicate payments.
27. A more detailed report is separately submitted to this Committee meeting, which provides the details and progress being made with addressing all outstanding 'Issues/Risks'.

Overdue Issues / Risks by Service



Priorities

Current Capacity

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

Short/Medium Term Priorities

30. 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.
31. Our short-term priority is to complete all the assurance requirements from our Internal Audit Strategy 2023-24. The work in progress as at the 31 March 2024 has been carried over to the Strategy for 2024-25.

Longer Term Priorities

32. 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.
33. 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.
34. We will keep the Committee members updated on the impact this may have on the work of the Committee.