

ISLE OF ANGLESEY COUNTY COUNCIL		
Report to:	Governance and Audit Committee	
Date:	18 April 2024	
Subject:	Outstanding 'Issues/Risks'	
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<p>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.</p> <p>The Governance and Audit Committee's terms of reference provide a responsibility for it to monitor the implementation of agreed actions (3.4.8.10.10). This report provides an update on the status of the outstanding risks that Internal Audit has raised.</p> <p>This report also fulfils the requirements of the Public Sector Internal Audit Standards, which require the chief audit executive to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. (Standard 2500)</p>		

1. Introduction

- 1.1. Internal Audit, on behalf of the Council, monitors issues and risks identified during audit work via its action tracking system, 4action.
- 1.2. A dashboard displays a real-time snapshot of current performance in addressing outstanding actions and allows effective tracking and reporting of this information. The Head of Audit and Risk regularly shares this dashboard with the Governance and Audit Committee as part of her internal audit update reports.
- 1.3. In addition, the Governance and Audit Committee has requested that it receives a separate, detailed report outlining overall performance in addressing audit actions, twice a year. At its meeting on 21 September 2021, the former Committee considered and determined the level of detail to be included in the report, to meet its assurance needs in this area.

2. Recommendation

- 2.1. That the Governance and Audit Committee:
 - considers the Council's progress in addressing the outstanding Internal Audit 'Issues/Risks' and determines whether this is satisfactory.

Outstanding Issues / Risks

April 2024



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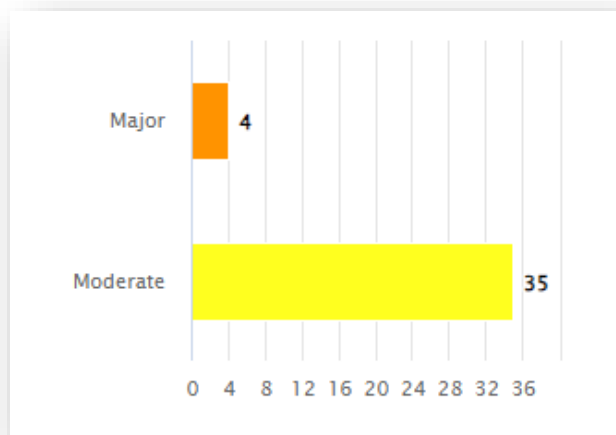
Introduction

1. The Governance and Audit Committee’s terms of reference provide a responsibility for it to monitor the implementation of actions taken by management to address issues and risks raised by Internal Audit during the course of our work.
2. To discharge this duty, the Committee requested that it receives a detailed report showing the Council’s performance in addressing outstanding actions twice a year, at its meetings in April and September.
3. As previously reported, Internal Audit has moved away from making recommendations to reporting ‘Issues’ and ‘Risks’. To encourage management to have ownership for these risks, it is their responsibility to develop an action plan to address the issues and risks identified, and we monitor how these have been addressed.
4. Reports which have received ‘Limited’ or ‘No’ Assurance are subject to a formal follow up review by Internal Audit, with an audit report produced and an assurance rating given. We monitor all other issues and risks using the Council’s corporate action tracking system (4action).
5. We have developed and refined a user dashboard on 4action, which displays a real-time snapshot of current performance in addressing outstanding actions and enables effective tracking and reporting of this information.
6. We continuously monitor ‘overdue’ actions to enable us to promptly obtain progress updates from management.

Current Performance

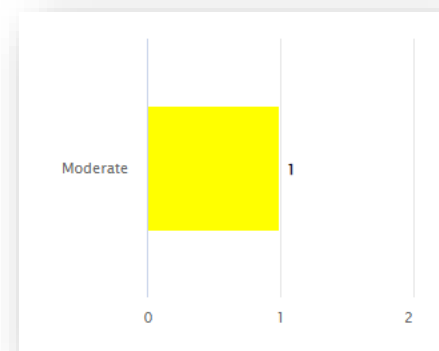
- The following five graphs show the outstanding actions across the Council as at 31 March 2024. A detailed status update of the five outstanding 'major' rated issues / risks is also shown at [Appendix 1](#).
- It should be noted that no 'Red' or 'Critical' issues / risks were raised during the year and there are no Red or 'Critical' 'issues / risks' currently outstanding.
- As at 31 March 2024, we are tracking 39 outstanding actions. Of these, four are assessed as 'major' (amber) and 35 'moderate' (yellow) risks, as shown in graph 1.

Graph 1 – Total Outstanding Actions



- We actively monitor all actions and pursue them with management when they become due to ensure they are addressed. There is currently one action that has reached the date management were due to finish implementing them, and are now 'overdue', as shown in the graph below.

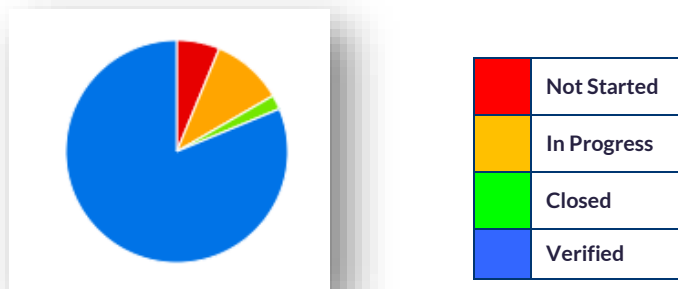
Graph 2 – Overdue Actions



- This action relates to an issue assessed as 'moderate' which was raised during an audit of 'Supplier Maintenance and Duplicate Payments' regarding the recovery of a small number of duplicate creditor payments identified during the original audit.
- We are advised that the Trainee Accountant is working through the duplicate payments and has identified some, where repayment has already been recovered via subsequent invoices for suppliers used regularly by the Council. Progress is being made with the remaining duplicates, however staffing issues within the Payments team and the prioritisation of essential services and end-of-year priorities

has caused delays to this work. We will continue to monitor progress with the service to ensure this work is completed as soon as possible.

Graph 3 – Total Issues / Risks by status



13. Graph 3 shows the status of all outstanding actions (irrespective of the date by when management agreed to address them). It shows that management have now addressed 83% of their agreed actions and Internal Audit has verified 81%¹.

14. The remaining 2% relate to an audit of 'Recovery of Council Tax, Non-Domestic Rates and Sundry Debts', which we are in the process of formally following up. We will verify that management has successfully implemented these actions during this piece of work.

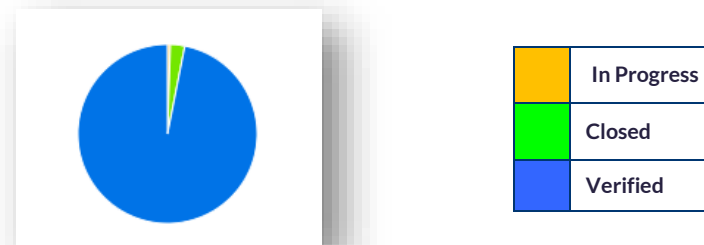
¹ Internal Audit verifies all 'closed' actions to ensure we are satisfied that the action taken by management has addressed the risk originally identified.

15. The actions showing as 'not started' relate to several audits where the actions identified have not yet reached their anticipated completion dates. These include:

- Poverty (YM11)
- Modernising Learning Communities (YM5)
- Managing the risk of Housing Tenancy Fraud
- Organisational Resilience
- Local Government Pension Scheme
- Payroll Starters' Process.

16. When these dates approach, we will actively pursue updates from management to determine progress.

Graph 4 – Total Issues / Risks by status (where due)

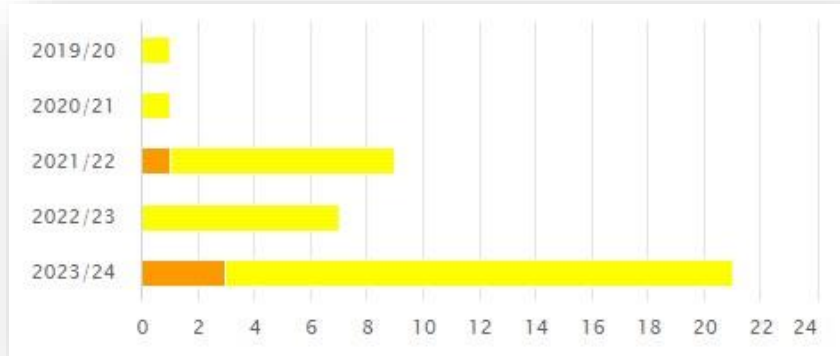


17. In contrast, Graph 4 shows the status of all actions that have reached their target date. It shows that where due, 97% have been addressed.

18. Of these, Internal Audit have verified virtually all, however as detailed above, those that have yet to be verified relate to an audit of 'Recovery of Council Tax, Non-Domestic Rates and Sundry Debts' which we are in the process of formally following up. The action showing here as 'in progress' is the one that is now overdue, as detailed in paragraph 11 above.

19. We will occasionally extend completion dates for some actions, but only if the service can demonstrate a legitimate reason for the extension, e.g., it becomes clear that the original date is unachievable, as significantly more work is needed to address the issue/risk.

Graph 5 – All outstanding Issues / Risks by year



	Critical
	Major
	Moderate

20. As detailed above, 39 outstanding actions have yet to be fully completed.

21. These are spread between financial years 2019/20 and 2023/24. While graph 5 indicates the majority relate to the current and last two financial years, there are two issue/risks dating back to 2019/20 and 2020/21 that management has yet to fully address.

22. These relate to finalising the Council's assurance mapping arrangements and the recovery of a small number of duplicate creditor payments.

23. They are both rated as 'moderate' or 'yellow' in risk priority, and we are assured by management that:

- The Council has completed the upgrade of its Risk Management system, 4Risk. As a result, work to populate the assurance map has restarted. While Internal Audit has completed its population of the third line assurances, the Risk and Insurance Manager is working with Service Business Managers and the Performance Team to populate the first- and second-line assurances.
- As detailed at paragraph 11, work to recover the duplicate payments identified during the original audit is ongoing. However, this has been delayed by staffing issues within the Payments team and the need to prioritise essential services and end-of year priorities.

24. It should be noted that there are no 'major' rated issues/risks dating back further than 2021/22, with the majority relating

to the current financial year as shown above. This demonstrates that management are prioritising addressing risks of higher priority.

25. In addition, to ensure that services are successfully addressing their issues/risks promptly, where a 'major' rated issue/risk is still not resolved 12 months after the original completion date has passed, action owners are asked to provide an update to the Committee on the reasons for the delay in addressing the issue/risk.
26. There is currently one 'major' or amber rated issue/risk which is still not resolved 12 months after the original completion date has passed. This relates to an audit of Recruitment and Retention and the implementation of a new recruitment system, which will allow improved reporting to Leadership Team on recruitment data. More detail is provided at [Appendix 1](#) below.
27. Due to the imminent implementation of the new recruitment system, we have agreed to review progress with the Transformation service in May 2024. If the issue/risk is not resolved, the Head of Service will be asked to attend the Governance and Audit Committee and provide a further update when the Committee next receives this report in September 2024.
28. A detailed status update of all four outstanding 'major' rated issues/risks currently being tracked in 4action follows at [Appendix 1](#).
29. We will endeavour to pursue all outstanding actions to ensure completion.

Appendix 1: Outstanding 'Major' Rated Issues/Risks Detailed Status

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Recruitment and Retention	2021/22	June 2022	31/05/24	Reasonable	There is little formal, routine reporting to the Leadership Team (LT) of recruitment data analysis to ensure the LT is well sighted on recruitment pressures and trends currently facing the Council. This is particularly important at present in light of national issues with staff recruitment affecting all sectors.	<p>Action 80% complete. Completion of this action is dependent on the roll out of the Council's new recruitment system. A new system has been procured which includes better data analysis and reporting functionality which can be presented to Leadership Team.</p> <p>Work to implement the new system is progressing well, however some technical issues with the provider and Welsh language options have caused slight delays in implementation. The current 'go live' date for the new system is the end of May 2024.</p> <p>The original target date for this action was January 2023. It is now 12 months beyond that date, however owing to the imminent implementation of the new system, we have agreed to review progress with the service in May 2024.</p>
Recovery of Council Tax, Non-Domestic Rates and Sundry Debts	2023/24	Sept 2023	30/04/24	Limited	<p>Many aged sundry debts have not been actively pursued for several years.</p> <p>There is a risk that by not implementing a regular, systematic process to review aged debts, outstanding amounts will both become and remain dormant, resulting in financial loss for the Council.</p>	<p>We recently carried out a formal follow up review of Recovery of Council Tax, Non-Domestic Rates and Sundry Debts.</p> <p>We provide the Committee with a more detailed update in our final follow up report, included as part of the Head of Audit and Risk's update report.</p>

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Recovery of Council Tax, Non-Domestic Rates and Sundry Debts	2023/24	Sept 2023	30/04/24	Limited	<p>Many aged Council Tax debts have not been actively pursued for several years.</p> <p>There is a risk that by not implementing a regular, systematic process to review aged council tax debts, outstanding amounts will both become and remain dormant, resulting in financial loss for the Council.</p>	As above.
Managing the risk of housing tenancy fraud	2023/24	Sept 2023	31/07/24	Reasonable	<p>The Housing Service does not undertake periodic/risk-based tenancy audits. From a counter-fraud perspective, tenancy audits are an effective tool to mitigate the risk of the Council's housing stock being unlawfully occupied/sub-let/abandoned/misused.</p>	<p>Action 50% complete.</p> <p>Following a series of successful tenancy fraud training sessions with key staff, the Housing Service is in the process of developing its tenancy fraud policy and procedures. This will help determine the approach for investigating suspected tenancy fraud cases. The service is also in the process of developing a tenancy fraud pro-forma document to accompany stock inspections (approx. 10% per annum) that will be undertaken by Housing Maintenance Officers (Estates).</p>

*Current assurance rating - either as at time of original audit or following follow up review.