

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	19 September 2024
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Function (Resources) and Section 151 Officer MarcJones@anglesey.gov.wales
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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 August 2024, on the audits completed since the last update as at 30 June 2024, the current workload of internal audit and our priorities for the short to medium term going forward.

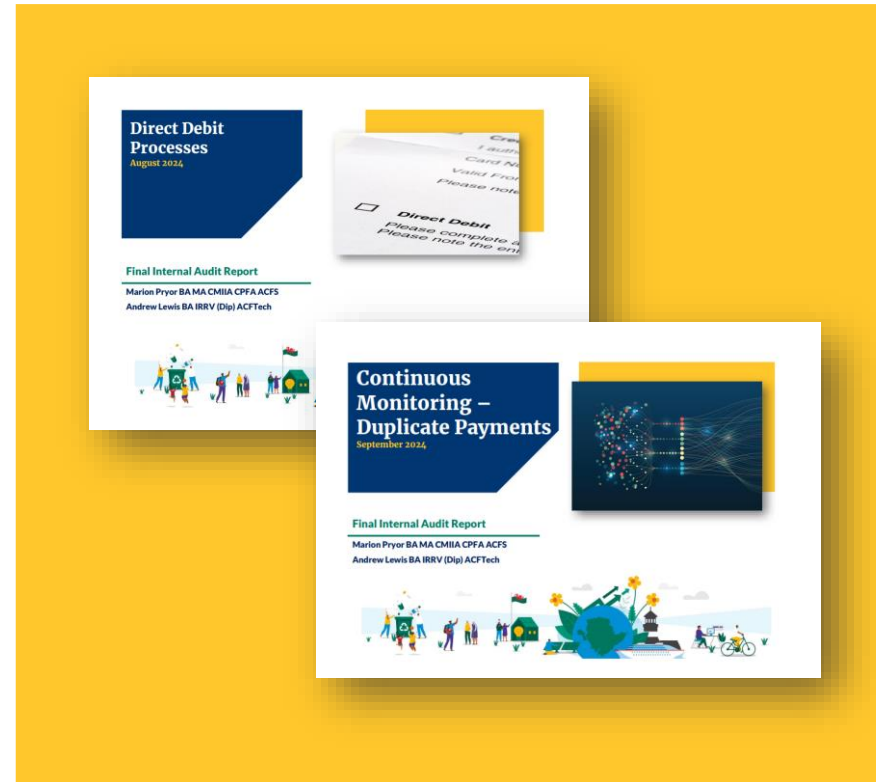
2. Recommendation

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

September 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 July 2024, including the overall assurance rating and the number of issues/risks/opportunities raised.
2. We have finalised **two** pieces of assurance work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Direct Debit Management	Reasonable	0	0	3
Continuous Monitoring - Duplicate Payments	Reasonable	0	0	0

Direct Debit Management

Reasonable Assurance	Issues/ Risks / Opportunities	
	0	Critical
	0	Major
	3	Moderate

3. Our review sought to answer the following key question:
Does the Council have effective processes in place to ensure direct debits are processed correctly, in full, at the right time, on the right day and only once?
4. Our review of the Council's direct debit payment processes across Income, Housing Rents, Social Services, and Leisure services found that internal controls are generally robust. A combination of system automated and manual quality checks ensures the integrity of direct debit data and payments, and we found no evidence of error. However, some moderate operational risks and inefficiencies were identified:
 - Paperless Direct Debit: Only Housing Rents offers a paperless direct debit option, which reduces errors and costs. Expanding this across all services could improve efficiency and prompt income collection.
 - Homecare Direct Debits: Inefficiencies exist in the homecare direct debit process, leading to overcharges and increased administrative work. Improvements are being explored.
 - Segregation of Duties: There is a lack of segregation in the direct debit process, particularly in Income and Housing Rents, increasing the risk of errors and fraud. Compensatory controls are recommended.
5. Despite these issues, the review provided **reasonable assurance** of effective governance, risk management, and control, with an agreed action plan for improvement.

Continuous Monitoring – Duplicate Payments

Reasonable Assurance	Issues / Risks / Opportunities	
	0	Critical
	0	Major
	0	Moderate

6. Our review sought to answer the following key question:
Has the Council paid any invoices where a payment has previously already been made?¹
7. Our review found that the Payments Team has improved its internal controls, effectively reducing duplicate invoice payments. Although a small number of duplicates were still detected, these were due to persistent issues such as duplicate creditor accounts, invoice scanning errors, and insufficient scrutiny by authorising officers in services. While progress in recovering previously identified duplicate payments has been slow, the team has now established clear roles and procedures, and contact with relevant suppliers is expected to begin soon.
8. Twelve likely duplicate payments totalling £42,424 were identified, with £37,720 already recovered. The Payments Team will investigate the remaining £4,704. The low number of duplicates supports management's claim that internal controls have become more robust. Key improvements include better invoice validation, increased scrutiny, and more thorough analysis of duplicate payment reports.
9. Future system upgrades and new business intelligence software will further strengthen these controls by enabling more precise identification of potential duplicates. However, while the review's outcome is positive, absolute assurance cannot be provided that no other duplicates occurred during the test period. Another review is planned in 12 months to continue monitoring improvement efforts.

¹ Between August 2022 and July 2024

Work in Progress

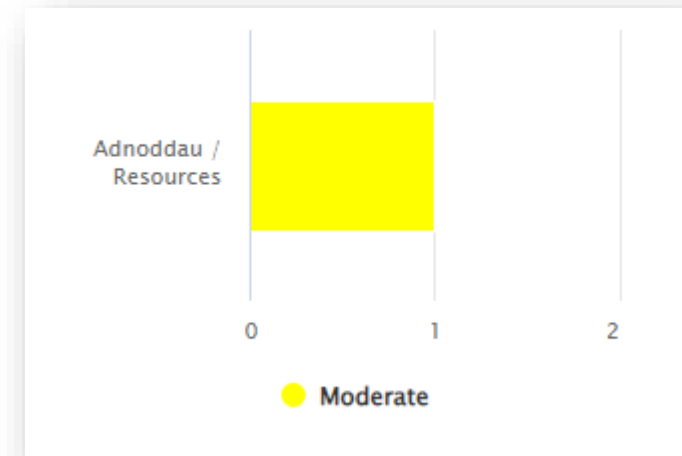
10. The following pieces of work are currently in progress:

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
Partnership Oversight	Internal Audit Strategy 2023-24	Draft Report 17/06/24 v1 26/07/24 v2 LT
Childcare and Welsh Medium Education Provision	Requested by the Chief Executive Officer	Fieldwork
Counter fraud controls within Revenues refunds	Counter Fraud, Bribery and Corruption Strategy 2022-2025 (emerging risk)	Fieldwork
Management of the Council's Assets	Strategic Risk Register (YM14)	Fieldwork
Investigation – Property Services	Complaint	Fieldwork
Investigation – Housing Services	Complaint	Fieldwork
IT Audit: Cybersecurity Assessment Framework (CAF) Gap Analysis	Strategic Risk Register (YM3)	Fieldwork
IT Audit: Purchase Card Industry Data Security Standards (PCI DSS)	Strategic Risk Register (YM3)	Fieldwork
Recruitment and Retention	Strategic Risk Register (YM2)	Fieldwork
The Council's Housing Strategy	Strategic Risk Register (YM9)	Fieldwork

Outstanding Actions

11. Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.
12. As at 31 August 2024, one moderate-rated issue / risk / opportunity remains unaddressed beyond its target date, as can be seen below.
13. 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 duplicate creditor payments identified during the original audit and discussed earlier in this report.
14. A more detailed report is submitted separately to this meeting of all actions outstanding.

Overdue Issues / Risks / Opportunities by Service



Priorities

Short/Medium Term Priorities

15. Our current workload can be seen in [Work in Progress](#) detailed earlier in this report. We are making steady progress with our Annual Internal Audit Strategy for 2024-25 and Counter Fraud, Bribery and Corruption Strategy 2022-2025.
16. As part of our counter fraud work, we have been developing the Council's fraud reporting tool in collaboration with the IT Team. We have also commissioned and are adapting a counter fraud eLearning package on behalf of the Training and Development Team. We are also assisting the Housing Service with its Tenancy Fraud policy.

Longer Term Priorities

Review of the Public Sector Internal Audit Standards

17. The International Internal Auditing Standards Board (IIASB) issued new [Global Internal Audit Standards](#) (GIAS) on 9 January 2024, with a one-year transition period before they take effect. The Relevant Internal Audit Standard Setters (RIASS) have agreed to adopt these standards for the UK Public Sector and have tasked the UK Public Sector Internal Auditing Standards Advisory Board ([IASAB](#)) with reviewing and adapting them for sector-specific use. The new standards, as interpreted by IASAB, will take effect on 1 April 2025, to align with the UK's financial year and governance requirements.
18. The Head of Audit and Risk is part of a CIPFA working group to consider and advise on their applicability to the UK local government sector. The Committee will be kept informed of any impacts on its work.

Update of CIPFA and Solace Guidance on the Annual Review and Annual Governance Statements

19. The Head of Audit and Risk is also part of a CIPFA Reference Group to oversee the update of the 2016 guidance on the annual review and Annual Governance Statement in UK local government bodies and to make recommendations to CIPFA and Solace.