

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	11 February 2025
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 January 2025, on the audits completed since the last update as at 28 November 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

February 2025



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

Title	Assurance Level	Critical	Major	Moderate
Housing Development (YM9)	Reasonable	0	3	3
Recruitment and Retention (YM2)	Reasonable	0	0	3
Investigation – Property Services	Not Applicable	0	0	4

Housing Development (YM15)

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

3. Our review sought to answer the following key question:
Does the Council have effective arrangements in place to increase its social housing stock, and therefore mitigate the risk of a lack of suitable, affordable housing for Anglesey residents?
4. Our review concluded that the Council has effective arrangements to increase its social housing stock, but areas for improvement exist, particularly in the management of 'buy-back' properties purchased under the former 'Right to Buy' scheme.
5. The Council's housing stock growth targets are on track; the Housing Strategy 2022-27 aims to add 45 properties per year (30 new builds and 15 buy-backs). Since 2022-23, 72 new developments have been added, and 54 are under construction. If completed by April 2026, the Council will meet its target of 30 new units annually.
6. Although the 'buy-back' goal is on track, with 51 properties purchased since 2022-23, challenges including procurement and renovation delays have resulted in properties taking over 18 months to be let. A lack of formal financial viability assessment hinders demonstration of value for money. The 2024-25 capital budget underestimates costs for buy-backs, which risks overspending, or resource being reallocated from new developments. A formal buy-back acquisitions policy would strengthen governance arrangements.
7. Despite identifying six areas requiring management attention, the review provides **reasonable assurance** that the Council is managing this strategic risk effectively. An action plan has been agreed with management.

Recruitment and Retention (YM2)

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

8. Our review sought to answer the following key question:
Does the Council have adequate arrangements in place to be able to recruit, develop and retain staff with appropriate skills to deliver efficient and effective services?
9. Our review concludes that the Council has adequate arrangements in place, but would benefit from improvements in performance monitoring, learning from training programmes, and updating the strategic risk register to reflect current challenges.
10. Strong commitment to training and development is demonstrated through leadership programmes, partnerships with colleges, and funding for professional training. The revised 'Denu Talent' scheme focuses on addressing care workforce recruitment challenges. However, lessons learned from training programmes should be formalised and outcomes reported to the Leadership Team.
11. An upgraded HR system has streamlined job advertisement and authorisation processes and workforce discussions and trend reporting occur tri-annually, but additional data on hard-to-recruit roles would enhance management insights. New KPIs focus on first-time advertisements but miss re-advertised roles, risking an incomplete picture of recruitment challenges.
12. Vacancies have decreased over the past two years, with recruitment challenges now less widespread but certain service areas still face difficulties.
13. Our review provides **reasonable assurance** with three areas for improvement identified. An action plan has been agreed with the service to support ongoing enhancements.

Investigation – Property Services

Not Applicable	Issues/ Risks / Opportunities	
	0	Critical
	0	Major
	4	Moderate

14. Our investigation was conducted in response to allegations made in respect of the Council's expenditure on electrical contractors, where a complainant accused Council officers of favouring a contractor when procuring electrical work.
15. Our review therefore sought to answer the following key lines of enquiry:
 - **The Council's procurement arrangements in relation to electrical works and whether the electrical contracts / works were awarded in accordance with regulations and followed a fair, transparent, non-discriminatory and competitive procurement process.**
 - **Whether Conflicts of Interest existed between officers and the contractor and how these were managed.**
16. We also undertook a review of the effectiveness of the existing internal controls to mitigate associated fraud risks within this area.
17. Our investigation concluded that the Council had awarded electrical works and contracts to the contractor in accordance with contract procedure rules and regulations, following a fair, transparent, and non-discriminatory process, ensuring value for money due to a competitive procurement procedure.
18. Allegations that the contractor had been favoured and allocated electrical work at the expense of other contractors on the 2019 Property Repairs and Maintenance Framework could not be substantiated.
19. The contractor's low ranking on the Electrical Planned and Electrical Day Work Lot lists resulted in them not being considered for electrical

works on schools and corporate buildings. The work of significant value that the contractor had carried out at a school was following a separate tender process via [Sell2Wales](#)¹.

20. We identified a potential conflict of interest with an employee who left the Council in 2021. However, there is no evidence that the officer had any role or undue influence in the procurement process for the 2018 Periodic Inspection, Testing & Maintenance of Electrical Installations in Smallholdings Stock contract, which led to the significant increase in work awarded to the contractor.
21. If the contractor was principally being allocated work because of this relationship, it would be expected that the work allocated to the contractor would reduce following the resignation. However, the contractor received the most work from the Council in terms of value in 2022 and 2023. Where quotes were sought from other suppliers, the contractor was fairly evaluated to offer best value in terms of price / quality.
22. The Property team has recently issued a tender via Sell2Wales for the Smallholdings Electrical Installation Condition Report (EICR) Testing & Maintenance work (Dwellings & Outbuildings) contract(s). In light of the allegations made, and in anticipation of potential further allegations if the contractor is awarded the contract(s), it will be important that a suitably qualified evaluation panel again scores the bids, ensuring fairness, transparency and equal treatment of suppliers.
23. Despite the allegations not being substantiated, our investigation did however highlight opportunities to strengthen fraud risk controls, such as arrangements for declaring personal and financial interests and the management of any conflicts of interest within the service.
24. We also identified some procedural discrepancies relating to invoices received from the contractor, not relating to these allegations, which we referred to the Property team and the Resources Service. We have agreed an action plan with the service to address these issues / risks / opportunities.

¹ Sell2Wales is a procurement portal set up by Welsh Government to help businesses win contracts with the public sector across Wales and public sector buyers to advertise and manage tender opportunities

Work in Progress

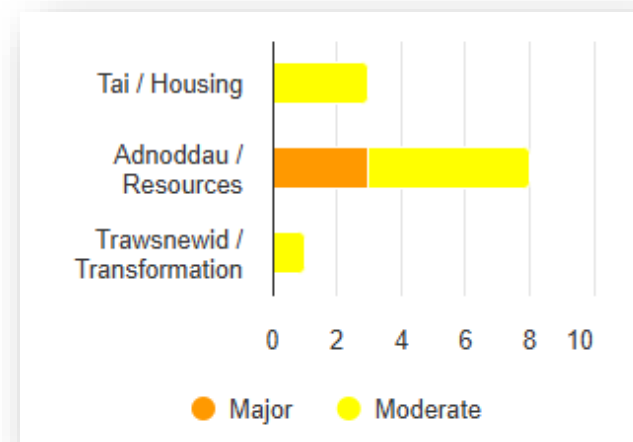
25. The following pieces of work are currently in progress:

Area	Reason for Audit	Stage
National Fraud Initiative	Counter Fraud, Bribery and Corruption Strategy 2022-2025	Match reports received end of December 2024. Currently reviewing high-risk matches.
Investigation – Housing Services	Complaint	Discontinued. Employee contract terminated following disciplinary process regarding an unrelated issue.
Childcare and Welsh Medium Education Provision	Requested by Chief Executive	Draft Report
Management of the Council's Assets	Strategic Risk Register (YM14)	Fieldwork
IT Audit: Purchase Card Industry Data Security Standards (PCI DSS)	Strategic Risk Register (YM3)	Draft Report
Recovery of Council Tax, Non-Domestic Rates and Sundry Debts	Second Follow Up	Fieldwork
Disabled Facilities Grants	First Follow Up	Fieldwork
Destination – Maritime Income Processes	First Follow Up	Fieldwork
IT Audit: Service Desk Management	Strategic Risk Register (YM3)	Fieldwork
Performance Management	Internal Audit Strategy 2024-25	Scoping
Council Tax Base	Requested by the Director of Function (Resources) / Section 151 Officer	Scoping
IT Audit: Cyber Security in Schools	Strategic Risk Register (YM3)	Scoping

Outstanding Actions

26. Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.
27. As at 31 January 2025, 12 issue / risk / opportunities remain unaddressed beyond their target date, as can be seen below.
28. Six of these actions relate to an audit of the Recovery of Council Tax, Non-Domestic Rates and Sundry Debts, for which a follow up review is currently in progress. These include the three 'Major' rated actions relating to the pursuit of aged council tax and sundry debts.
29. Three of the overdue actions relate to an audit of Disabled Facilities Grants, for which a follow up review is also currently in progress.
30. The Resources Service continues to pursue the recovery of duplicate invoices paid and the remaining overdue action relates to IT access management and a misalignment between a back-office system and the application standard used for authentication. The IT team is currently in dialogue with the supplier regarding whether changes can be made to the software.

Overdue Issues / Risks / Opportunities by Service



Priorities

Short/Medium Term Priorities

31. 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 and work continues consulting on the 2025-26 Internal Audit Strategy.
32. The Head of Audit and Risk has been heavily involved in a CIPFA working group to respond to the issuing of the Global Internal Audit Standards and more latterly, a CIPFA Reference Group to oversee a review of the guidance on the Annual Governance Statement (AGS) in UK local government bodies (detailed in [Other Developments](#) below).

Longer Term Priorities

33. Although 1 April 2025 is the effective date for the new standards, internal audit teams will not be expected to demonstrate full conformance on this date. CIPFA acknowledges teams will build up their conformance and time will be needed to make the transition and build familiarity. It is a significant change that will mean internal audit teams will need to review their working practices to make sure they comply with the standards and have an action plan to achieve compliance.
34. Following the publication of the Code of Practice, a self-assessment gap analysis and action plan for compliance will be submitted to the May meeting of the Governance and Audit Committee.

Tender for the provision of Internal Audit services

35. Local government internal audit teams across the UK are struggling with resourcing issues, due to unfilled vacancies, lack of specialist skills and budget cuts.
36. We are continuing to work with Wrexham County Borough Council to improve the outcome of a tender exercise undertaken on behalf of the north and mid-Wales region for the provision of internal audit services to resolve this issue. This includes the provision of specialist roles, including IT audit.

Other Developments

Changes to Internal Audit Standards

37. As reported to the last meeting, new Global Internal Audit Standards (GIAS) have been issued and the UK public sector are responding.
38. The final version of the Application note: Global Internal Audit Standards in the UK Public Sector is now [live](#). Taken together, the GIAS and the Application Note will form the basis of UK public sector internal audit, effective from 1 April 2025.
39. CIPFA issued a briefing for audit committee members on the new internal audit standards - Audit Committee Update Issue 40, which was forwarded to the Committee on 24/12/24.

Code of Practice for the Governance of Internal Audit in UK Local Government

40. In addition, CIPFA has developed a new Code of Practice to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.
41. Details were provided in the update to the last meeting of the Committee in December 2024.
42. The Code was subject to [consultation](#) with responses invited from those with an interest in internal audit in the UK local government sector, with a closing date for responses of 28 November 2024.
43. CIPFA plans to publish the Code on 3 February 2025 and will issue a further briefing for audit committee members then.

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

44. UK local government bodies are required by the statutory regulations of their national government to undertake an annual review of the effectiveness of its system of internal control. The outcome is published in an annual governance statement (AGS).
45. Guidance on the completion of the review and AGS is in Delivering Good Governance in Local Government: Framework (Governance Framework) (CIPFA and Solace, 2016). CIPFA and Solace propose to update that guidance with an Addendum.

46. The aims of the Addendum are to support good governance in the sector, reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities.
47. This is the first update of the guidance since 2016 and replaces Chapter 7 of the Framework publication. The 2016 publication and the seven principles of good governance remain unchanged.
48. The Addendum is currently out for [consultation](#) with a deadline of 10 March 2025 to respond.
49. Authorities will be required to ensure that the AGS for 2025-26 onwards complies with the guidance and are encouraged to consider it for 2024-25.