

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	8 May 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 fulfils the requirements of the new Global Internal Audit Standards (UK public sector), which are mandated from 1 April 2025 consisting of the Global Internal Audit Standards (GIAS) of the IIA, the Application Note: Global Internal Audit Standards in the UK public sector and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.</p> <p>It is also consistent with the recommended practices for the oversight of internal audit as determined in CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022.</p>	

1. Introduction

- 1.1 Standard 11.3 of the Global Internal Audit Standards (GIAS) requires the chief audit executive to communicate the results of internal audit services to the board¹ and senior management periodically and for each engagement.

¹ The GIAS recognises that in the public sector, governance structures or other laws or regulations may impact on how the standards can be applied, particularly when referring to the 'board'. This is the case in UK local government, where there is not a straightforward replacement for the 'board' as described in GIAS. Therefore the Code has been developed to provide for the governance of internal audit in a way that is appropriate for UK local government bodies. It includes roles and responsibilities of the audit committee, senior management and those charged with governance towards internal audit.

1.2 In addition, Standard 15.1 requires the chief audit executive to disseminate the final communication to parties who can ensure that the results are given due consideration.

1.3 This report updates the Committee, as at 31 March 2025, on the audits completed since the last update as at 31 January 2025, 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 engagements,
- the assurance provided and
- our priorities going forward.

Internal Audit Update

May 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 February 2025, including the overall assurance rating and the number of issues/risks/opportunities raised.
2. We have finalised **six** pieces of work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Destination – Maritime Team: Income Processes (First Follow Up)	Reasonable	0	1	1
Payment Card Industry Data Security Standards	Reasonable	0	2	3
Early Education and Childcare Grant Programmes	Reasonable	0	2	5
Management of the Council’s Physical Assets (YM14)	Reasonable	0	3	1
Disabled Facilities Grants (First Follow Up)	Limited	0	1	3
Recovery of Council Tax, Non-Domestic Rates and Sundry Debts (Second Follow Up)	Limited	0	2	4

Destination – Maritime Team: Income Processes (First Follow Up)

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

3. Our review sought to answer the following key question:
Has management addressed the 'Issues / Risks / Opportunities' raised in our report from June 2024?
4. Our follow-up review concluded that the Destination Function's Maritime Team has made significant progress in strengthening its income processes, effectively reducing the risk of fraud and error.
5. Key improvements include:
 - Reduced reliance on cash through the introduction of payments through the Customer Relationship Management system and the introduction of handheld card readers at beach and harbour locations.
 - A full review of maritime fees and charges to align with industry standards.
 - Centralised records and itemised invoices for filming events.
 - Improved systems for tracking watercraft registrations and annual stock reconciliations.
 - Enhanced oversight and independent checks of official receipts.
6. Five of seven identified issues have been resolved, and the remaining two are on track to be completed by the end of April 2025. The assurance rating remains **'reasonable'**, and no further formal review will be conducted, though internal monitoring will continue.

Payment Card Industry Data Security Standards

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

7. Our review sought to answer the following key question:
Does the Council have appropriate arrangements in place to ensure that payment card transactions are undertaken in a secure way, as reflected in the Payment Card Industry Data Security Standards?
8. Our review concluded that, in the main, the Council has reasonable arrangements in place to ensure ongoing compliance in most areas across its payment methods (e.g. chip and pin devices at Council sites, and online payment facilities on its website). However, payments made by telephone require additional mitigation to ensure compliance and the Council has an ongoing project to replace telephone payments through its call centre with an alternative compliant solution.
9. A similar solution is not currently available for systems operating at the Leisure Centres and the Oriel and continuing to undertake telephone payments via a non-compliant process increases the risk of customer data being compromised, financial penalties imposed on the Council or withdrawal of card payment services.
10. From April 2024, external vulnerability scans of the website facilities are required but arrangements have yet to be made.
11. However, the outcome of our review was mainly positive. The audit, carried out by external IT audit specialists from Salford City Council, outlined seven recommendations designed to improve the Council's existing arrangements for ensuring compliance. We assessed these against the Council's risk management matrix and our own internal audit methodology and have agreed an action plan with management. Within the scope of the review, we were able to provide **'reasonable'** assurance of the governance, risk management and control of this area.

Early Education and Childcare Grant Programmes

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

12. Our review sought to answer the following key question:
Does the Council have effective arrangements in place to apply and implement the Welsh Government Childcare and Early Years Capital Programme and Welsh Medium Capital Grant Programme for developing childcare and Welsh Medium education and childcare in a fair and robust way?
13. The Council's arrangements for delivering these programmes are generally reasonable but need improvements to fully comply with Welsh Government guidelines and ensure fairness and robustness.
14. Currently, the Council does not enable all non-maintained childcare settings to access Early Education (10 hours), or Flying Start funding, the only council in Wales with this limitation and contrary to WG guidance. This policy requires urgent review.
15. Business cases for capital funding are based on research and consultation, but need better data and more thorough impact assessments, especially regarding local childcare settings. Future bids should align more closely with best practice and WG guidance.
16. Procurement processes have generally been fair, with support provided for tendering. However, a challenge to one contract award highlights the need for continued transparency and fairness to maintain stakeholder trust.
17. Flying Start funding is not consistently available across all eligible settings, but the Council is planning an expansion to align with WG's Phase 3 rollout, aiming for full implementation by 2028.
18. The Council is actively addressing these issues. Enhanced quality monitoring and regular progress reporting to senior management will improve governance and ensure compliance with requirements. While improvements are underway, we can provide **'reasonable'** assurance and will continue to closely monitor the implementation of actions.

Management of the Council's Assets (YM14)

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

19. Our review sought to answer the following key question:
Does the Council have effective arrangements in place to manage its strategic risk that the Council's physical assets may not be suitable or meet the future needs of residents, business and visitors?
20. The Council has established a strategic framework to manage the risk that its physical assets may not meet future needs, particularly through its new five-year Asset Management Strategic Plan (AMSP). However, further work is needed to strengthen governance, monitoring, and accountability to ensure the successful delivery of intended outcomes. Key developments include:
 - Approval of the AMSP in March 2024, aiming for a sustainable and effective asset portfolio.
 - Initial steps taken to improve asset data quality, including a new property management system and condition surveys.
 - Adoption of the Highways Asset Management Strategy (HAMS) in 2023 and a clear Capital Strategy aligning investment with corporate priorities.
21. However, several gaps remain:
 - Governance structures like the Land and Assets Group have not yet overseen AMSP implementation, and oversight of HAMS actions, particularly on decarbonisation, is limited.
 - Financial forecasting for the Capital Strategy needs refining through better cost assessments of corporate strategies.
 - A robust process for benefits realisation and lessons learned in capital projects.
22. Despite these issues, progress since the last review provides **reasonable** assurance of the commitment to managing this risk.

Disabled Facilities Grants (First Follow Up)

Limited Assurance	Issues/ Risks / Opportunities	
	0	Critical
	1	Major
	3	Moderate

23. Our review sought to answer the following key question:
Has management addressed the 'Issues / Risks / Opportunities' raised in our report from April 2024?
24. Our follow-up review found that the Housing service has made some progress in improving its Disabled Facilities Grants (DFG) processes, particularly in enhancing payment controls, which helps reduce risks of fraud, error, and duplicate payments.
25. Key improvements include transitioning to a more secure 'Procure to Pay' (P2P) system, adding administrative support to strengthen oversight, recovering a previous £4k duplicate payment, and updating the Council's website with current DFG policy.
26. However, several key weaknesses remain:
- A duplicate payment of £5k remains unrecovered.
 - Performance reporting lacks a full end-to-end view of the DFG process and is not independently verified, risking inaccurate data.
 - Legal safeguards are missing, as grants to owner-occupiers have not been recorded on the local land charges register or as a restriction on the Land Registry, risking potential financial losses.
 - Administrative gaps persist, with incomplete records on approvals, ongoing, and completed works, raising the chance of errors.
27. Despite positive steps, these ongoing issues continue to pose risks to the Council, and further improvements are needed to ensure a robust and accountable Disabled Facilities Grant process.
28. We will carry out a further formal follow up review in October 2025 to ensure the remaining issues are addressed and that the improvements are effective.

Recovery of Council Tax, Non-Domestic Rates and Sundry Debts (Second Follow Up)

Limited Assurance	Issues/ Risks / Opportunities	
	0	Critical
	2	Major
	4	Moderate

29. Our review sought to answer the following key question:
Has management addressed the 'Issues / Risks / Opportunities' raised in our report from September 2023?
30. The Service has made further progress since the original September 2023 review, notably in establishing advance payments, simplifying customer payment processes on the Council's website, and aligning the sundry debt financial system with billing and recovery processes.
31. Management oversight has increased allowing an opportunity to discuss complex cases, and around £500k in older sundry debts raised before 2023 have been reduced, mainly through cancellation and write-off, but also with some significant payments received and the establishment of payment plans.
32. Regular assessment of Council Tax and Non-Domestic Rates debts has resulted in write-offs totalling nearly £650k. In addition, a new system has been introduced to automate parts of Council Tax recovery, which will provide staff with the opportunity to invest more time analysing more complex Council Tax debts which require specialist intervention.
33. Despite these advancements, substantial older debts remain unresolved due to limited resources and legal action to recover sundry debts has not been fully pursued. The ability to focus on older arrears is hindered by prioritisation on the recovery of current balances.
34. Without additional resource, resolving this situation will be challenging.
35. A full review of the revised recovery process will be included in the Internal Audit Strategy and Plan for 2025/26. This ongoing focus will provide the Committee with assurance that measures have been taken to strengthen the recovery processes moving forward.

Work in Progress

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

Area	Reason for Audit	Stage
National Fraud Initiative	Counter Fraud, Bribery and Corruption Strategy 2025-2028	Match reports received end of December 2024. Currently reviewing high-risk matches.
Adult Residential Care Finance – Financial Assessments	Requested by the Director of Function (Resources) / Section 151 Officer	Draft Report Issued
Council Tax Base	Requested by the Director of Function (Resources) / Section 151 Officer	Fieldwork
IT Audit: Service Desk Management	Strategic Risk Register (YM3)	Fieldwork
IT Audit: Cyber Security in Schools	Strategic Risk Register (YM3)	Fieldwork
Strategic Risk: Poverty	Strategic Risk Register (YM11)	Fieldwork
Performance Management	Internal Audit Strategy 2025-26	Scoping
IT Audit: IT Supplier Management	First Follow Up	Scoping

Outstanding Actions

37. Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.
38. As at 31 March 2025, there are currently no actions that have reached their target date for completion which have become 'overdue'.
39. A more detailed report is submitted separately to this meeting of all actions outstanding.

Priorities

Short/Medium Term Priorities

- 40. Our current workload can be seen in [Work in Progress](#) detailed earlier in this report. We are in the process of finalising the remaining audits from our Annual Internal Audit Strategy for 2024-25 and work continues consulting on the 2025-26 Internal Audit Strategy.
- 41. Work continues on the Counter Fraud, Bribery and Corruption Strategy 2025-2028 and a report will be brought to the Committee on progress with this strategy to its meeting in September 2025.
- 42. 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.

Longer Term Priorities

Changes to Internal Audit Standards

- 43. With effect from 1 April 2025, the Global Internal Audit Standards (GIAS) UK Public Sector replaces the Public Sector Internal Audit Standards (PSIAS).
- 44. Although 1 April 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.
- 45. CIPFA issued a briefing for audit committee members on the new internal audit standards - Audit Committee Update Issue 42, which was forwarded to the Committee on 17/04/25.
- 46. A self-assessment gap analysis and action plan for compliance will be submitted to the July meeting of the Governance and Audit Committee.