

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	30 September 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 Global Internal Audit Standards (UK public sector) 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 board and senior management periodically and for each engagement. 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.
- 1.2 This report updates the Committee, as at 30 September 2025, on the audits completed since the last update as at 30 June 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

September 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 July 2025, 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
Managing the Poverty Risk (YM11)	Reasonable	0	0	6
Continuous Monitoring – Payroll	Reasonable	0	0	0
Continuous Monitoring – Creditors	Reasonable	0	0	0

Managing the Poverty Risk (YM11)

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

3. Our review sought to answer the following key question:
Does the Council have effective arrangements in place to manage the risk relating to poverty and its impact on Council services?
4. The Council has made good progress in developing a strategic response to poverty, primarily through collaboration with community and voluntary sectors, and by enhancing access to information, advice, and support. The Tackling Poverty Strategic Plan (2024–2029) sets out six priorities backed by an action plan, now overseen by the Leadership Team to encourage senior-level ownership. However, clarity around roles, integration with service plans, and staff engagement remains limited.
5. Key improvements are needed in risk ownership, performance monitoring, data integration, and embedding socio-economic considerations. Public engagement is active via a dedicated website, events, and partnerships with organisations such as Citizens Advice Bureau and Medrwn Môn. The Council's commitment to benefit accessibility is reflected in its adoption of the Welsh Benefits Charter, aiming for streamlined claims by 2026.
6. Monitoring mechanisms exist, but many actions lack SMART criteria, and data access challenges hinder targeted interventions. The Socio-economic Duty is acknowledged in broader plans but should be explicitly embedded in the poverty strategy, with greater attention to compliance and intersectionality. The Council continues to mitigate poverty's impact through lobbying and resilience-building efforts. We provided **reasonable assurance**, raised six moderate risks and agreed resolutions with management.

Continuous Monitoring – Payroll

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

7. Our review sought to answer the following key question:
Does the Council have effective payroll data controls in place to mitigate the risk of fraud and error?
8. Our data-driven review of the Council's payroll system confirmed that payroll controls are generally effective, with most anomalies attributed to legitimate circumstances such as backpay, holiday pay, or revised termination dates. Three overpayments were identified, all known to the payroll team and under recovery.
9. Prompted by national scrutiny of overtime practices ([Powys council worker paid £28k in overtime over 15 months - BBC News](#)), we examined the Council's overtime trends. In 2024-25, overtime payments represented less than 1% of total salary expenditure (excluding education staff) with the highest recipients working in leisure and care services. Payments were verified as legitimate and necessary due to staffing shortages, and no evidence of unauthorised or inflated payments was found in the review of discrepancies between basic and gross pay.
10. This exercise marked the first in a continuous monitoring programme, to be repeated annually. While absolute assurance cannot be provided, the review offers **reasonable assurance** over the governance, risk management, and control of payroll operations. We did not identify any issues / risks or opportunities for improvement.

Continuous Monitoring – Creditors

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

11. Our review sought to answer the following key question:
Has the Council paid any invoices where a payment has previously already been made, whether by fraud or error?
12. Our data-driven review of the Council's payments data confirmed that internal controls are generally effective in preventing duplicate payments caused by fraud or error.
13. It is clear, and evidenced by the outcome of our work, that the Senior Payments and Payroll Officer has undertaken much work to improve processes to reduce the risk of duplicate payments and to recover past losses.
14. Data analysis of 34,000 invoices totalling £214 million (June 2024–June 2025) identified only one duplicate payment of £635, which was promptly recovered prior to testing. Although system notes had not been updated to reflect this recovery, the issue was resolved.
15. Four targeted data tests were used to identify potential duplicates. While some invoices shared similar characteristics—such as identical creditor numbers, dates, and amounts—further scrutiny confirmed these were not actual duplicates. The low incidence of error reflects the strength of key controls, including:
 - Invoice validation checks at and after scanning
 - Detailed scrutiny of invoices by senior officers
 - Consistent review of the Duplicate Payment and Fuzzy Match reports before each payment run

16. Since the last review in September 2024, approximately £60,000 in previously identified duplicate payments have been recovered, with around £65,000 still outstanding. The Payments Team continues to pursue these recoveries as resources allow.
17. Although absolute assurance cannot be provided—particularly where duplicate payments may be concealed by altered invoice numbers—our review offers **reasonable assurance** over governance, risk management, and control in this area.
18. We undertake this annual exercise in collaboration with the Payments Team. This follows a leading software supplier, working with neighbouring councils, quoting circa £53k for a three-year contract for their product to undertake a similar exercise.

Work in Progress

19. 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. High-risk matches continue to be reviewed. Progress report to committee 30/09/25.
IT Audit: Cyber Security in Schools	Strategic Risk Register (YM3)	Draft Report
Performance Management	Internal Audit Strategy 2025-26	Fieldwork
Regulation and Economic	Investigation	Fieldwork
IT Audit: IT Asset Management	Strategic Risk Register (YM3)	Fieldwork
Adult Social Care Finance – Financial Assessments	First Follow Up	Fieldwork
Managing the Safeguarding Risk	Strategic Risk Register (YM10/YM12)	Scoping
Financial Management	Strategic Risk Register (YM1)	Scoping

Outstanding Actions

20. Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.
21. A detailed report on progress with implementation is submitted separately to this meeting, in accordance with the committee's request.

Priorities

Short/Medium Term Priorities

- 22. Our current workload can be seen in [Work in Progress](#) detailed earlier in this report. Delivery of the Internal Audit Strategy for 2025-26 is progressing well.

Lay member recruitment

- 23. A process to recruit two new lay members has been undertaken over the summer, with interviews held earlier in September.
- 24. The new recruits will be supported with an appropriate induction, following their appointment.

Longer Term Priorities

- 25. Implementation of the requirements of the new Global Internal Audit Standards in the UK Public Sector will continue over the next 18 months.