

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	14 May 2026
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 of 28 April 2026, on the audits completed since the last update as of 21 January 2026, 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 2026



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Head of Audit & Risk



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Summary of Assurance Work Completed Since Last Update

This section provides an overview of assurance reports finalised since the meeting in February 2026, including the overall assurance rating and the number of ‘issues/risks/opportunities’ raised.

We have finalised **five** pieces of work in the period, summarised below and discussed in more detail later in the report:

Title	Assurance Level	Critical	Major	Moderate
Financial Systems – Treasury Management	Substantial	0	0	1
Financial Systems – Payroll	Reasonable	0	0	5
Managing Strategic Risk - Safeguarding (YM10) - First Follow Up	Reasonable	0	0	4
Disabled Facilities Grants – Second Follow Up	Limited	0	0	3
Financial Management	Reasonable	0	0	3

Financial Systems – Treasury Management

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

Our review sought to answer the following key question:

Does the council have effective Treasury Management arrangements in place to ensure that its borrowing levels are prudent and affordable, cash flows are readily accessible to meet day-to-day expenditure, and surplus cash investments are secure, while providing optimum financial returns, in line with legislative and regulatory codes and requirements?

The audit concluded that the Treasury Management function operates within a strong control framework and complies with the CIPFA Treasury Management and Prudential Codes. Governance arrangements are sound and the council’s cautious risk appetite is clearly reflected in the prioritisation of security and liquidity over income generation.

Investment and borrowing activity remain low risk, supported by advice from the council’s treasury adviser; of which, a review of the advisory contract is underway. Capital financing follows prudent principles, with funding from grants, revenue and PWLB borrowing. Treasury information is held across several systems, and planned migration to spreadsheets is appropriate but must retain clear approval evidence.

Segregation of duties is effective despite the small team, with independent reconciliations and clear role separation. A single-point dependency in the Capital Accountant role will be mitigated through planned restructuring and improved procedure notes.

Overall, the review is positive, with one moderate action and two low-priority improvements that do not affect the ‘**Substantial**’ assurance opinion.

Financial Systems – Payroll

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

Our review sought to answer the following key question:

Does the council have effective Payroll arrangements in place to ensure that staff are paid the correct amount at the right time, financial records of salaries, wages and deductions are accurate, and processes operate in line with relevant legislative requirements?

The payroll function is operating effectively, with staff paid accurately and on time. However, resilience is limited due to heavy reliance on the Payroll Manager and one senior officer. Strengthening capacity, clarifying responsibilities, and modernising processes would enhance long-term stability and reduce operational risk.

Input data quality is largely outside the Payroll Team’s control, and schools’ continued use of paper timesheets increases error risk and workload. Transition to electronic submissions is planned for April 2026 but is currently being delivered by the Payroll Manager alone.

Process documentation is outdated and no formal procedures for third-party payments. Updating documentation would support consistency and reduce the likelihood of errors.

Overpayment recovery processes exist, but the Overpayments Policy remains unpublished due to lack of agreement with teaching unions. Formalising the policy should be prioritised to mitigate legal and practical risks.

Although five moderate-impact issues have been identified, overall findings are positive. With assurance from recent and ongoing financial systems audit work, we were able to provide a ‘**Reasonable**’ assurance opinion.

Managing Strategic Risk -Safeguarding (YM10) – First Follow Up

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

Our review sought to answer the following key question:

Has management addressed the ‘Issues / Risks’ raised in our report on ‘Managing Strategic Risk – Safeguarding YM10’, issued in January 2024, which provided Reasonable Assurance on the governance, risk management and internal control of the area?

The service has made clear progress in strengthening safeguarding arrangements by improving the effectiveness of Independent Safeguarding Reviewing Officers (ISROs). Key improvements include raising concerns with the North Wales Safeguarding Board about its audit arrangements, appointing a new Service Manager and Practice Lead, implementing a rota for ISROs to chair both Child Protection Conferences and Looked After Children Reviews, and updating strategic safeguarding risks to reflect workforce pressures.

Work continues on the remaining issues. Regular supervision and team meetings are now in place, though recent sickness has affected the small team’s capacity to meet statutory timescales, and ISRO performance is no longer formally reported to the Corporate Parenting Panel. A review of the supervision policy and dispute resolution process is underway to ensure consistency across Adults and Children’s Services.

Overall, the review is positive. Two issues from the initial audit have been fully addressed, and progress is being made on the remaining four. The service has demonstrated meaningful efforts to strengthen ISRO effectiveness—an important control for safeguarding risk YM10—and the assurance level remains ‘Reasonable’. Ongoing internal monitoring will track completion of the outstanding actions.

Disabled Facilities Grants – Second Follow Up

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

Our review sought to answer the following key question:

Has management addressed the ‘Issues / Risks / Opportunities’ raised in our report on the ‘Administration of Disabled Facilities Grants’, issued in April 2024, which provided Limited Assurance on the governance, risk management and internal control of the area?

The council has made some progress in improving Disabled Facilities Grants (DFG) arrangements. However, progress on the remaining issues from the original audit has been slow, and key weaknesses continue to present risks.

Performance reporting has improved, and first-point-of-contact data will be included in the 2026 scorecard. Independent verification of KPI data is still not in place. Payment controls have strengthened through wider use of the P2P system, with no new duplicate payments identified, though recovery of a historic duplicate payment remains incomplete and did not follow standard procedures.

Administrative weaknesses persist. The central DFG database is incomplete, not reconciled to financial data, and has already led to errors in information provided to Legal Services, creating risks of incorrect or unenforceable land charges.

Of the four outstanding issues, one has been fully addressed and three moderate-risk items remain in progress. Due to slow progress and delays in obtaining information, the assurance rating remains ‘Limited’. A further follow-up review is planned for September 2026 to confirm that improvements are fully implemented and effective.

Financial Management

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

Our review sought to answer the following key question:

Does the council have effective budget management, financial forecasting and performance monitoring arrangements in place to help manage the implications of real term funding reductions to ensure that it continues to achieve its priorities and deliver quality services?

The council's arrangements are operating effectively, supported by clear governance and regular reporting. Quarterly budget monitoring reports to the Executive and Leadership Team provide transparent analysis of variances, and independent scrutiny by the Resources Scrutiny Panel helps ensure accountability. The council has consistently delivered overall revenue underspends, though demand-led budgets such as social care remain high-risk areas.

Roles and responsibilities for budget delegation are clearly defined, and financial performance is embedded within the wider performance management framework. At service level, the accountancy team provides regular monitoring, advice and support, with closer oversight of higher-risk budgets. Survey feedback from budget holders indicates strong collaboration between services and finance.

Areas for improvement include introducing targeted budget-management training for officers with delegated responsibility, strengthening action-tracking for the Resources Scrutiny Panel, and exploring options to enhance financial monitoring information, such as more accessible dashboards, to support non-finance staff.

Overall, the review was positive, and we were able to provide 'Reasonable' assurance opinion.

Work in Progress

The following pieces of work are currently in progress:

Area	Reason for Audit	Stage
Regulation and Economic	Investigation	Fieldwork
IT Audit: IT Asset Management	Strategic Risk Register (YM3)	Postponed until 2026-27 at the request of the Chief Digital Officer
Adult Social Care Finance: Financial Assessments – Residential and Nursing Care	First Follow Up	Fieldwork
Managing the Safeguarding Risk: Supply Teachers	Strategic Risk Register (STR0003)	Draft report
Early Education and Childcare Grant Programmes	First Follow Up	Fieldwork
Financial Systems – Creditors	IA Strategic Priority 2025-26	Draft report
School Fund Certificates	IA Strategic Priority 2025-26	Draft report
Financial Management in Schools	IA Strategic Priority 2025-26	Scoping
ICT Security in Secondary Schools	Strategic Risk Register (YM)	Draft report

Outstanding Actions

Work is progressing to support services with addressing all 'Issues / Risks / Opportunities' raised and implementing all outstanding actions.

A comprehensive report on all outstanding 'Issues / Risks / Opportunities' is separately submitted to this meeting in accordance with the Governance and Audit Committee's request.

Priorities

Short/Medium Term Priorities

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 being finalised. Enough work has been completed to enable the Head of Audit annual audit opinion to be provided and will be reported to the committee at its meeting in June 2026.

Work continues consulting on the 2026-27 Internal Audit Strategy, which will also be brought to the meeting in June 2026.

Work continues with the Counter Fraud, Bribery and Corruption Strategy 2025-2028 and the Annual Counter Fraud, Bribery and Corruption Report 2025-26 will be brought to the committee on progress with this strategy to the meeting in July 2026.

Longer Term Priorities

Implementation of the requirements of the new Global Internal Audit Standards in the UK Public Sector continues.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched its Conformance Assessment Toolkit, which embeds the Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government alongside the Global Internal Audit Standards (GIAS).

Although we undertook a gap analysis when the Standards commenced, which we reported to the committee in July 2025, during 2026-27 we will complete the conformance-assessment so that the council can be confident that we are conforming with GIAS in the UK Public Sector.