

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	16 July 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 30 June 2026, on the audits completed since the last update as of 28 April 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

July 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 May 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
School Fund Certificates	Reasonable	0	0	4
Early Education and Childcare Grant Programmes (First Follow Up)	Reasonable	0	1	5
Secondary Schools ICT Security (First Follow Up)	Reasonable	0	1	6
Managing the Strategic Risk: Safeguarding (Supply Teachers)	Limited	0	5	1
Financial Systems: Creditors	Limited	0	5	1

School Fund Certificates

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

Our review sought to answer the following key question:

Does the council have effective arrangements in place to obtain adequate assurance that ‘unofficial’ school funds are effectively managed?

The review provides reasonable assurance that the council has effective arrangements to obtain adequate assurance over the management of ‘unofficial’ school funds. The overall outcome is positive, with an established control framework in place and evidence that most school funds are subject to annual audit and that certificates are generally financially accurate.

The council has guidance, certificate templates, auditor checklists and regular training for headteachers and governors. Recent centralised SharePoint storage has also improved resilience, accessibility and continuity. However, the review identified low-level non-compliance in some schools, including incomplete certificate records, use of outdated formats, missing signatures, inconsistent auditor checklist use and recurring inappropriate expenditure.

While individual issues are not significant in isolation, their cumulative impact reduces assurance and increases the risk of poor financial practice, misuse of funds or fraud. These issues are linked to unclear roles and responsibilities within the Learning Service, significant staffing changes and the absence of formal process notes for business continuity.

Four moderate Issues/Risks/Opportunities have been raised and agreed with management.

Early Education and Childcare Grant Programmes (First Follow Up)

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

Our review sought to answer the following key question:

Has management addressed the ‘Issues / Risks / Opportunities’ raised in our report on Early Education and Childcare Grant Programmes, issued in March 2025, which provided Reasonable Assurance on the governance, risk management and internal control of the area?

The follow-up review concludes that the council has made reasonable progress in addressing the issues identified in the March 2025 audit of the Early Education and Childcare Grant Programmes. The assurance rating remains Reasonable, reflecting improvements in governance and control arrangements, including updated tendering documentation, a communications plan, progress with expansion plans, and strengthened staffing capacity.

One major and five moderate issues remain open. The most significant outstanding matter is the need to widen access to the Early Years Education element of the grant so that all eligible CIW-registered non-maintained childcare providers can participate, in line with Welsh Government requirements. Work is underway to review and standardise this process. Further progress is also required on IT arrangements and the completion of impact assessments following Welsh Government consultation.

Overall, arrangements for managing the risks associated with the programme have improved since the initial review. However, continued monitoring is required to ensure the remaining actions are completed, risks are addressed, and the programme continues to meet Welsh Government expectations.

Secondary Schools ICT Security (First Follow Up)

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

Our review sought to answer the following key question:

Has management addressed the 'Issues / Risks / Opportunities' raised in our report, issued in November 2025, which provided Limited Assurance on the governance, risk management and internal control of the area?

This first follow-up review of Secondary Schools ICT Security confirms that management has made positive progress in addressing the issues, risks and opportunities identified in the November 2025 audit, which originally provided Limited Assurance. The follow-up work found that governance, infrastructure and security controls have strengthened, enabling the assurance rating to be increased to **Reasonable Assurance**.

Four previously identified issues have been addressed, and action taken has reduced three major risks to moderate. Improvements include progress with enhanced web filtering and safeguarding reporting, software licensing checks, cyber incident response and business continuity planning, patch management arrangements, and strengthened controls over server rooms and ICT equipment disposal.

One major and six moderate issues remain in progress. Key outstanding actions include completing cyber incident response training, finalising the Service Level Agreement, continuing the Microsoft Intune migration, implementing administrator access restrictions, implementing the password policy changes and reviewing UPS arrangements. These actions will continue to be monitored through the internal audit monitoring process.

Managing the Strategic Risk: Safeguarding (Supply Teachers)

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

Our review sought to answer the following key question:

Are the council's arrangements effective in ensuring that relief teachers are recruited safely and comply with safeguarding legislation?

While key safeguarding practices were evident across the sample schools, including signposting to Designated Safeguarding Leads, school sign-in arrangements and appropriate responses to identified incidents, the review found that the overall control environment is not operating consistently enough to provide robust assurance.

Limited Assurance has therefore been provided. The main areas requiring improvement relate to inconsistent safer-recruitment renewal checks, limited evidence of supply-teacher induction and safeguarding briefings, and the need for clearer ownership and escalation arrangements where concerns involve supply staff working across multiple settings. Sample testing identified two cases where DBS and EWC renewals had not been completed, reinforcing the need for reliable central tracking, particularly as the 'Teacher Booker' pilot is due to end in July 2026.

Six Issues / Risks have been raised, comprising five major and one moderate issue. Management has agreed an action plan, with most actions expected to be addressed by September 2026 and the remaining action by November 2026. Given the cross-service implications for schools, the Learning Service, HR and Social Services, progress will be monitored by senior leadership and a follow up review reported to the Governance and Audit Committee in February 2027.

Financial Systems: Creditors

Our review sought to answer the following key question:

Does the council have effective arrangements in place to ensure that the payments it makes for goods and services to its suppliers are legitimate, accurate, timely and supported by appropriate documentation?

The whole council has a role in ensuring that payments for goods and services supplied to the council are legitimate, accurate, timely and supported by appropriate documentation. It is the responsibility of **services** to perform due diligence to ensure the council is transacting with a fit and proper organisation/individual, complete the supplier set up request and create a purchase order as specified in the Procurement Handbook, the forefront of a strong creditors process. The **Section 151 Officer** must ensure the framework, systems, and oversight are strong enough to guarantee the integrity of all payments. The **Payroll and Payments team** are a transactional team processing supplier setup, invoices, credit notes and creditor payments.

Due to the significant variance in assurance for each area these have been separated:

Services – Compliance

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

Section 151 Officer – Policy

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

Payroll and Payments Team – Processing

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

Overall, the audit identified weaknesses in the creditors process that expose the council to risks of payment error, fraud, and inefficiency.

The most significant concerns relate to non-compliance by services with supplier set-up, approval of spend and the correct route to payment, alongside insufficient and outdated guidance for non-financial users. These weaknesses have resulted in five major issues across service compliance and policy.

The Payroll and Payments team's core processing controls are operating more effectively, with good segregation of duties and generally timely payments, although aged creditor reporting and unresolved credit notes require improvement.

Six Issues / Risks / Opportunities have been raised in total, requiring management action and whole-council engagement. Management has agreed an action plan to address the findings by June 2027. A follow-up review is proposed for December 2026 to assess progress against the agreed actions, which will be reported to the Governance and Audit Committee in February 2027.

Work in Progress

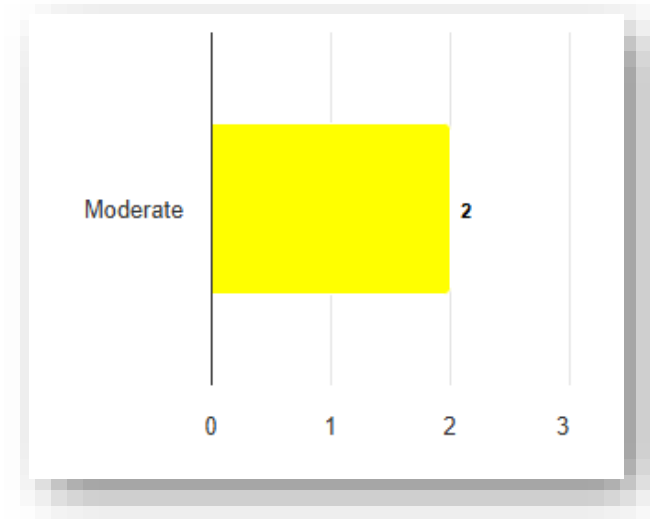
The following pieces of work are currently in progress:

Area	Reason for Audit	Stage
IT Audit: Strategic IT Asset Management	Strategic Risk Register (YM3)	Scoping
Regulation and Economic	Investigation – requested by Director of Function (Resources) / Section 151 Officer	Fieldwork
Primary School Fund Irregularities	Investigation - requested by Head Teacher	Draft report
Adult Social Care Finance: Financial Assessments – Residential and Nursing Care	First Follow Up	Draft report
Financial Management in Schools	IA Strategic Priority 2025-26	Fieldwork
Construction Industry Tax Scheme	IA Strategic Priority 2026-27	Fieldwork
Council-owned tree management strategy	IA Strategic Priority 2026-27	Fieldwork
Safeguarding in School Transportation	Requested by Service Manager (Safeguarding and Practice Quality)	Scoping
Homelessness and the use of temporary accommodation	IA Strategic Priority 2026-27	Scoping

Outstanding Actions

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

As at 30/06/26, there are currently two 'moderate' actions that have reached their target date for completion which have become 'overdue'.



These actions relate to two separate audits:

- **Direct Debit Processes** - Income, Leisure and Social Services do not offer a 'Paperless Direct Debit' set-up process. No progress has been made in Income and Social Services, but Leisure is due to go live at the end of June 2026.
- **Counter Fraud controls within Revenues refunds** –there is an increased risk of fraud as a refund payment can be processed even if the payee name on the refund system does not match the refund recipient's bank account payee name. This risk is exacerbated by the number of outstanding dormant credit balances. Work is progressing to address with our supplier, Bottomline.

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 2026-27 is progressing well.

Work continues with the Counter Fraud, Bribery and Corruption Strategy 2025-2028.

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.