

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	5 December 2017
Subject:	Internal Audit Update
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Nature and Reason for Reporting: This reports provides information on work carried out by Internal Audit since the last Committee meeting It also updates the Committee on progress made on specific items that the Committee has requested. It allows the Committee to monitor Internal Audit's performance and progress as well as providing summaries of Internal Audit reports so that the Committee can receive assurance on other Council services and corporate areas.	

1. Introduction

1.1. The report provides an update as at 17 November 2017 on:-

- Internal Audit reports issued since 7 September 2017;
- Follow up of previous internal audit reports;
- Implementation of management actions;
- Progress in delivering the Internal Audit Annual Plan 2017/18;
- Specific updates requested by the Audit and Governance Committee;
- A review of the Committee's terms of reference.

2. Recommendation

2.1. That the Audit and Governance Committee notes Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement and decides whether it needs any further assurance on audit reports.

2.2. That the Audit and Governance Committee approves the postponement of the review of its terms of reference until the Chartered Institute of Public Finance and Accountancy (CIPFA) issues its new guidance document.

3. Internal Audit reports recently issued

3.1. This section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Issues / Risks raised in the report's action plan.

3.2. We have finalised three reports in the period, summarised below:-

Title	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Licensing Services	Substantial	0	0	2	1	3
Council Tax and Non Domestic Rates	Reasonable	0	0	2	1	3
Sundry Debtors	Limited	0	7	9	3	19

Licensing Services

Substantial Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	2	Moderate
1	Minor	

3.3. The Council is responsible for the issue and regulation of a number of different types of licence. The Licensing Team is part of the Trading Standards Service, which administers and enforces the licensing of various activities.

3.4. Our review confirmed that the Licensing Team complies with the Council's policies and procedures covering the issue of licences. Its inspections and monitoring arrangements in relation to compliance with licensing criteria and renewal of licences are also effective.

3.5. All income and expenditure is dealt with in accordance with Financial Procedure Rules and budget monitoring and performance management arrangements are effective.

3.6. Procedures employed to ensure safeguarding issues are incorporated into all relevant licensing activity.

- 3.7. The Service has a plan to drive improvement and it has considered the risks to achieving its objectives. The Workplan 2017/18 has defined outline performance requirements and specific targets are set to ensure objectives are met and to drive continuous improvement. Consideration has also been given to long-term planning, community resilience and sustainability in the context of the Well-being of Future Generations Act.
- 3.8. Consequently, taking all these factors into consideration and the minor nature of the risks raised, we are able to provide ‘Substantial Assurance’ on the governance and management of risk and control for Licensing Services.

Council Tax and Non Domestic Rates

Reasonable Assurance	Risks / Issues	
	0	Catastrophic
	0	Major
	2	Moderate
	1	Minor

- 3.9. For 2016/17, the Isle of Anglesey County Council collected 97.4% of council tax billed, which equates to the overall collection rate for the whole of Wales according to statistics published by the Welsh Government. The highest collection rate for a Welsh Authority was 98.1% and the lowest was 93.8%.
- 3.10. The Council’s figure for Non Domestic Rates was 97.1% compared to the whole of Wales figure of 97.8%. The highest collection rate in Wales was 99.4% and the lowest 95%.
- 3.11. Our review did not cover system access controls and backups, or the implementation of the ‘Council Tax Premium on Long-Term Empty Homes and Second Homes in Wales’¹, which will be reviewed separately.
- 3.12. Our review confirmed that tax liability and billing are undertaken in accordance with established policies, procedures, laws and regulations and deductions, exemptions and reliefs are granted appropriately.
- 3.13. We identified a couple of moderate risks. Problems were found in the reconciliation of the April 2017 revaluation of non-domestic properties; officers were unable to reconcile the figures until the end of August 2017 and there are currently no reviews of suppressed accounts, which can lead to accounts being

¹ From 1 April 2017, local authorities were able to charge a premium of up to 100% of the standard rate of council tax on long-term empty homes and second homes in their areas. The Housing (Wales) Act 2014 made the legislative changes and the powers given to local authorities are discretionary. Whether to charge a premium on long-term empty homes or second homes (or both) is a decision for each local authority to make.

suppressed for longer than appropriate. Consequently, effective recovery action may not be taken.

- 3.14. Plans are in place to address these risks by January 2018. In addition, the Section is currently undergoing a restructuring process. As part of this, there are plans to improve business continuity and a plan to implement an electronic working environment. E-Billing is also planned for the future to reduce posting costs, although this is not expected to be implemented in time for the 2018 annual bills.
- 3.15. Consequently, taking all these factors into consideration and the moderate nature of the risks raised, we are able to provide 'Reasonable Assurance' on the governance and management of risk and control for Housing Benefits and Council Tax Reduction.

Sundry Debtors

Limited Assurance	Risks / Issues	
	0	Catastrophic
	7	Major
	9	Moderate
	3	Minor

- 3.16. In accordance with the Audit and Governance Committee's resolution with regards 'Limited Assurance' reports, I have provided a copy of the full report to the Members separately.
- 3.17. Sundry Debtors concerns the billing of Council goods and services and the collection and recovery of such debts. The audit highlighted a number of concerns that, collectively, were of such a significance that the audit could only provide a Limited Assurance rating.
- 3.18. Areas of concern include a lack of segregation of duties and inconsistency within the process for administering Home Care debts. Home Care debts are not included in the draft corporate debt recovery policy. Due to the nature of its clients, Home Care debts are difficult to recover as withdrawal of the service due to non-payment is not an option. It is therefore vital that recovery procedures for Home Care debtors are established.
- 3.19. Other risks include a delay in the authorisation of debtor accounts in the system and in the raising and authorisation of debtor invoices, recovery action on outstanding invoices is suppressed without a formal policy in place and there is a lack of monitoring of suppressed accounts.
- 3.20. There are delays in clearing payments from the system suspense code and the ledger holding account into the corresponding systems or against the correct invoice, and also delays in processing cancellations/credit notes and system reconciliations to the general ledger.

3.21. The inefficiencies identified are causing the Income Section to provide a poor level of service to other services and debtors. However, most of the issues raised within the report are due to a lack of resources. Therefore, as the Income Section has recently created a new management post to address these issues and is strengthening both the Income Team and the Recovery Team, the service is confident that the situation will improve over the next six months. The Revenues Manager has provided assurance that processes are in place to improve the current position and these have been highlighted within an action plan.

3.22. A follow up audit will take and a report will be made to this Committee to provide Members assurance that the risks identified by the audit are being addressed.

4. Follow up of previous Internal Audit reports

4.1. Currently, we follow up all reports with an assurance rating of ‘Limited’ or below. Five ‘Limited Assurance’ reports are currently being followed up:-

- Child Care Court Orders under the Public Law Outline;
- Extra Care Housing – Commissioning Arrangements;
- System Controls – Logical Access and Segregation of Duties;
- Payment Card Industry Data Security Standards;
- Corporate Procurement Framework.

4.2. Access to staff and delays in responses to requests for information have delayed the finalisation of the reports in time for this report. However, a verbal report will be given where appropriate.

4.3. We have finalised one review in the period. Although this report had a ‘Reasonable Assurance’ rating and would not normally be the subject of a formally reported follow up, no progress had been made in implementing the management actions at our first follow up visit.

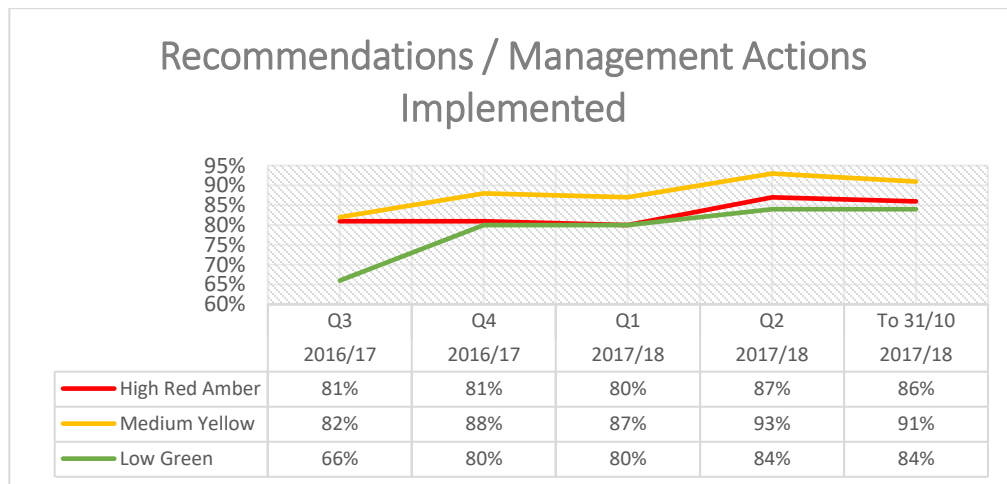
Building Regulations Fees – Inspection & Enforcement Regimes – Second Follow Up

	Original Issues / Risks		Outstanding Issues / Risks	
	Report Date	April 2016	October 2017	
Good Progress	Assurance	Reasonable	Reasonable	
	Catastrophic	0	0	
	Major	1	0	
	Moderate	2	3	
	Minor	1	1	

- 4.4. Our second follow up review confirmed that from the four risks raised, actions have been partially implemented to address all risks and the priority ratings have been re-assessed to take into account the actions implemented to date.
- 4.5. The Building Control team has demonstrated ‘**good progress**’ in implementing the actions agreed to address the risks identified and the rating remains as ‘Reasonable Assurance’ for the arrangements for governance, risk management and/or internal control.

5. Implementation of Management Actions

- 5.1. As part of the new internal audit approach, we have moved away from making recommendations to raising ‘Issues’ and ‘Risks’.
- 5.2. To encourage management to have ownership for the risks, we place the responsibility on them to develop the action to address the issues / risks we have identified.
- 5.3. To provide the Committee with trend information, the graph below highlights the performance in implementing the recommendations / addressing the risks:-



- 5.4. As can be seen, the Council has steadily improved its performance over the last 12 months, with a slight trailing off of performance over the last month.
- 5.5. A more detailed report of all outstanding recommendations and Issues / Risks is made twice a year.

6. Progress in delivering the Internal Audit Operational Plan 2017/18

- 6.1. The Annual Plan is attached at [Appendix A](#). To date, we have completed 41% of the plan, with a further 31% currently work in progress.

- 6.2. Following the Head of Audit and Risk's commencement in post in April 2017, work has been ongoing to revise and modernise the internal audit approach, including a *Systems Thinking* exercise to identify efficiencies and improve the process and reporting mechanisms. This work continues.
- 6.3. In addition, due to a significant slippage of work from 2016/17, the retirement of the Corporate Fraud Officer and the long-term absence of a Senior Auditor, the resource available to complete the Operational Plan for 2017/18 has been reduced.
- 6.4. Consequently, the Head of Audit and Risk has undertaken a risk assessment with Heads of Service and the Head of Function (Resources) / Section 151 Officer. Audit reviews have been prioritised to ensure resources are targeted to the areas of highest risk.

7. Updates requested by the Audit and Governance Committee

- 7.1. At its meeting of 21 September 2017, the Committee requested the Head of Audit and Risk to update the Forward Work Programme with Mr Gwilym Bury, the Wales Audit Office's Performance Audit Lead's commitment to provide an update on the WAO's Performance Work Programme to the Committee's December meeting.

8. Other Issues

Audit and Governance Committee Terms of Reference

- 8.1. The Committee should periodically review its terms of reference for appropriateness. It last reviewed and approved its terms of reference in February 2015, with approval granted by the Executive in April and the County Council in May 2015.
- 8.2. In accordance with the Committee's Forward Work Programme, the terms of reference were due to be submitted to the Committee's September meeting. However, at this meeting, the Committee approved the postponement of the review of the terms of reference until the Committee's December meeting, following publication of the new CIPFA guidance, anticipated to be November 2017.
- 8.3. However, CIPFA has confirmed it will now publish the new guidance in December 2017. Therefore, it is proposed to postpone the review of the terms of reference until the next Committee meeting, 13 February 2018.
- 8.4. The Committee is asked to approve this postponement.

Annual Internal Audit Plan 2017/18

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
AUTHORITY WIDE REVIEWS (CORPORATE)										
1	Corporate	Capital Expenditure	Cyclical IA	Draft	December 2017		15	15	14	
2	Corporate	Corporate Procurement Framework	IA Assessed Risk	Complete	September 2017	Limited	10	6	6	
3	Corporate	Data Protection & Information Governance - General Data Protection Regulations - Readiness	Corporate Risk YM13 ICO Report	Draft	February 2018		15	15	6	
4	Corporate	ICT Disaster Recovery	Corporate Risk YM10	Complete	September 2017	Substantial	10	6	6	
5	Corporate	Risk Management	Cyclical IA	Deleted	n/a	n/a	10	0	0	Overview conducted in 2017 with Insurance & Risk Manager, SLT and Penaethiaid. Review in 2018/19.
6	Corporate	Corporate Safeguarding	Corporate Risk YM12	Complete	July 2017	Reasonable	20	20	20	
7	Corporate	Transformation Programme - Smarter Working	Section 151 Officer Request				15	15	0	
8	Corporate	Ethical Culture	PSIAS Requirement	Complete	September 2017	Reasonable	20	16	16	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
9	Corporate	Social Services and Well-being Act - Part 9 requirements	New legislation	Scoping	n/a		20	3	0.75	Extension from WG to implement pooled budgets. Therefore watching brief only with view to undertake audit in 2018/19.
10	Corporate	Programme/Project Management	CEO Request - SLT Objective	Fieldwork	February 2018		15	15	1.75	
11	Corporate	Corporate Health & Safety	Audit Concern	Scoping	February 2018		15	15	1	
HEAD OF FUNCTION - RESOURCES & SECTION 151 OFFICER										
12	Resources	Council Tax & NDR	Key Financial System	Complete	December 2017	Reasonable	20	20	19	
13	Resources	Fixed Asset Register & Capital Accounting	Key Financial System	Deleted	n/a	n/a	10	0	0	Work undertaken by external audit. Some overlap with Capital Expenditure audit. Audit deleted.
14	Resources	High Level Controls for Key Financial Systems	Key Financial System	n/a		n/a	10	0	0	Days transferred to Sundry Debtors due to issues identified. Key financial systems have been covered individually except for Treasury Management, which has been green for a number of years.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
15	Resources	Housing Benefit & Council Tax Reduction Scheme	Key Financial System	Complete	September 2017	Reasonable	15	23	23	Excess days transferred from contingency
16	Resources	Main Accounting System	Key Financial System	Complete	June 2017	Reasonable	10	7	7	
17	Resources	Income - Payment Card Industry Data Security Standard	Key Financial System	Fieldwork	February 2018		15	15	7	
18	Resources	Petty Cash/Imprest Accounts	Key Financial System				10	10	0	
19	Resources	Sundry Debtors	Key Financial System	Complete	December 2017	Limited	10	27	26.5	Days transferred from Key Financial Systems and contingency due to issues identified.
HEAD OF FUNCTION - COUNCIL BUSINESS & MONITORING OFFICER										
20	Business	Democratic & Member Services - Members' Allowances	Service not audited for significant time	Deleted	n/a	n/a	8	0	0	Discussed with Monitoring Officer - not a risk. Days transferred to GDPR Readiness audit.
21	Business	Legal Services	Service not audited for significant time	Deleted	n/a	n/a	6	0	0	Discussed Risk Register with Monitoring Officer - all actions on track. Days transferred to GDPR readiness audit.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
HEAD OF FUNCTION - TRANSFORMATION										
22	Transformation	Data Centres	Fundamental to Council's Operations	Deleted	n/a	n/a	10	0	0	Postponed until 2018/19. Contingency planning covered under ICT Disaster Recovery audit.
23	Transformation	Active Directory	Fundamental to Council's Operations	Deleted	n/a	n/a	15	0	0	Postponed until 2018/19. Not a priority.
24	Transformation	Network Security Audit (Cyber Security)	Fundamental to Council's Operations				15	15	0	
HEAD OF REGULATION & ECONOMIC DEVELOPMENT										
25	Economic Development	Economic Development Function	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Audit deleted.
26	Leisure	Leisure Function & Performance	Annual Delivery Document 2016/17 - Head of Service request				15	15	0	
27	Planning	Strategy & Support Team	Head of Service request	Deleted	n/a	n/a	10	0	0	Not a high priority for Head of Service and not in risk register. Audit deleted.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
28	Trading Standards	Civil Registration	Service not audited for significant time	Complete	September 2017	Substantial	10	10	10	
29	Regulation	Licensing Services	Service not audited for significant time	Complete	December 2017	Substantial	10	17	17	Excess days transferred from contingency. Not audited before and significant amount of legislation to consider.
HEAD OF HIGHWAYS, WASTE & PROPERTY SERVICES										
30	Highways	Car Park Services & Enforcement	Service not audited for significant time	Deleted	n/a	n/a	15	0	0	New pilot in place with external organisation for car parking enforcement. Delay audit until 2018/19 to have time for pilot to produce results. Other enforcement (dog fouling and littering) separate contract. Also move into 2018/19.
31	Highways	Engineering & Design Services	Service not audited for significant time	Deleted	n/a	n/a	15	0	0	Scaling back of service and not a high priority area for Head of Service. Not in risk register.
32	Property	Estate & Property Management	Service not audited for significant time				15	15	0	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
33	Highways	Highways & Civil Engineering	Service not audited for significant time				15	15	0	
HEAD OF HOUSING										
34	Housing	Housing Rents - Readiness for Welfare Reform (Universal Credit)	Key Financial System	Scoping	February 2018		15	17	11.25	
35	Housing	Affordable Housing, Housing into Homes & Bridging Loan Scheme	Corporate Business Plan	Scoping	February 2018		15	15	4	
36	Housing	Supporting People Programme	Service not audited for significant time	Scoping	February 2018		15	15	3.25	
HEAD OF ADULT SERVICES										
37	Adults	Deprivation of Liberty (DOLs)	Risk of Litigation in relation to Outstanding DOLs Assessments	Scoping			15	15	0.25	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
38	Adults	Direct Payments	Head of Service request				0	15	0	Head of Service concerns around the governance and controls around expenditure. Priority area. Days transferred from Joint Service Delivery and Management audit.
39	Adults	Joint Service Delivery & Management in relation to older people services with Health Board	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Days transferred to Direct Payments audit.
40	Adults	Services for the Elderly - Home Care Contracts	Annual Delivery Document 2016/17	Deleted	n/a	n/a	15	0	0	Not a high priority for Head of Service and not in risk register. Days transferred to contingency.
HEAD OF CHILDREN'S SERVICES										
41	Children's	Corporate Parenting Strategy - Plant Mewn Gofal Invest to Save – Maethu	External Assurance				15	10	0	
HEAD OF LEARNING										
42	Learning	Secondary Schools - 6th Form Funding - Ysgol Syr Thomas Jones	Cyclical Review	Deleted	n/a	n/a	10	0	0	Not a high risk area. Audit deleted.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
43	Learning	Primary Schools - Thematic Reviews - Schools Income Collection	Head of Service request				20	20	0	
44	Learning	School Sickness Absence	Head of Service request				20	0	0	
45	Learning	School Transport	Head of Service request	Complete	September 2017	Limited	20	26	26	Excess days transferred from contingency. Significant issues identified.
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)										
		Follow Up Work					35	70	56.75	Several limited assurance reports. Significant amount of work being undertaken to clear old outstanding recommendations, particularly in schools.
		General Counter Fraud Work, National Fraud Initiative, referrals and enquiries					155	80	77	Days reduced due to deletion of Corporate Counter Fraud Officer post.
		Referrals:								
46	Referral	CSSIW Report - Governance around Action Plan	Request from Audit & Governance Committee	Complete	June 2017	n/a	0	2	2	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
47	Referral	Payroll Overpayment	Request from Accountancy Services Manager	Fieldwork	February 2018		0	5	4	
48	Referral	Registration of Financial Charges	Request from Section 151 Officer	Fieldwork	February 2018		0	10	4.5	
49	Referral	After School Club - Fund Irregularities	Request from Learning Services	Draft	February 2018		0	15	13	
		Closure of Previous Year's Work					20	20	20	
		Grant Certification:					35	0	0	
50	Grant	School Uniform Grant	Request from Accountancy	Complete	December 2017	Substantial	0	3	3	
51	Grant	Rent Smart Wales Grant	Request from Accountancy	Complete	July 2017	Substantial	0	10	10	
52	Grant	Education Improvement Grant	Request from Accountancy	Complete	July 2017	Substantial	0	3	3	
53	Grant	Pupil Development Grant	Request from Accountancy	Complete	July 2017	Substantial	0	6	6	
		Corporate consultancy					55	35	28	
		Audit & Governance Committee, including training for members					23	40	35.75	
		Management Review					0	40	29.5	Days transferred from Management
		Contingency					120	3	0	
		TOTAL				70%	1057	790	518.25	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
NON CHARGEABLE DAYS (NON-PRODUCTIVE)										
		Risk & Insurance					50	50	7.5	
		General Administration					70	60	51.75	
		Personal Development & Review, 1:1 & Team Meetings					8	25	17	Insufficient allocation.
		Management, including liaison with External Audit and audit plan preparation					75	35	29.25	Days transferred to Management Review.
		Annual Leave (164), including statutory leave (41) and special leave (90)					245	295	224.75	Days amended due to retirement of Corporate Counter Fraud Officer and special leave and resignation of Senior Auditor.
		Sick Leave					45	10	9	Good sickness record in the team - days transferred to training.
		Training and Development for staff, including induction and Welsh lessons					10	65	60.25	Insufficient allocation - days transferred from sickness allocation and contingency.
		TOTAL					503	540	399.5	
							1560	1330	917.75	