

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Audit and Governance Committee
<b>Date:</b>	24 April 2018
<b>Subject:</b>	Internal Audit Update
<b>Head of Service:</b>	Marc Jones, Head of Function (Resources) / S151 Officer 01248 752601 <a href="mailto:MarcJones@ynysmon.gov.uk">MarcJones@ynysmon.gov.uk</a>
<b>Report Author:</b>	Marion Pryor, Head of Audit and Risk 01248 752611 <a href="mailto:MarionPryor@ynysmon.gov.uk">MarionPryor@ynysmon.gov.uk</a>
<b>Nature and Reason for Reporting:</b> This report provides information on work carried out by Internal Audit since the last Committee meeting. 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 Council services and corporate areas.	

## 1. Introduction

1.1. The report provides an update as at 16 April 2018 on:

- Internal Audit reports issued since 26 January 2018
- 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 and conditions until the Chartered Institute of Public Finance and Accountancy (CIPFA) issues its new guidance document.



CYNGOR SIR  
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ISLE OF ANGLESEY  
COUNTY COUNCIL

# Internal Audit Update

April 2018

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**Marion Pryor BA MA CMIIA CPFA**  
**Head of Audit & Risk**

## Internal Audit reports recently issued

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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.
2. We have finalised one report in the period, summarised below:

Title	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Project and Programme Management Arrangements	<b>Reasonable</b>	0	0	2	0	2

## Project and Programme Management Arrangements

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

3. We undertook an audit of Programme and Project Management arrangements as part of the approved internal audit plan for 2017/18. This was a high-level review looking at the governance of programme and project management.
4. The Council has established two corporate Programme Boards to provide appropriate leadership and governance arrangements for the delivery of the Council's programmes and projects. The Boards scrutinise progress on current projects or programmes and close projects when they are deemed as finished.
5. An appropriately authorised officer chairs each of the Boards and they have appropriate membership. This ensures projects and programmes are governed at a corporate level and that the level of understanding increases among Members and senior officers.
6. Most projects also have their own governance arrangements with their own project board. Where not practical or efficient, another group may be given the responsibility to govern the project, as is the case with the Energy Efficiency project, which is governed by the 'Tir ac Asedau' group.
7. Project management documentation is readily available on the intranet and updated when necessary. Project management training has also been provided to staff with the next training taking place in May 2018. The corporate project managers within the Corporate Transformation service also provide assistance and guidance if required for officers who have taken the project manager role as part of their usual service-led role.
8. However, it appears that little significance is given to impact assessments and risk registers with no mention provided in minutes of meetings; no issues were raised in the minutes for the lack of providing impact assessments and it was questioned whether decisions were made with full awareness of the content of the assessments. The impact assessments should be used to ensure decisions are made with full awareness of how it may affect different sections of the community.
9. Much work has been undertaken to ensure the Council's projects or programmes are governed appropriately with the establishment of the Corporate Programme Boards, the assistance provided by the corporate project managers and the project management methodology used and promoted corporately. We are therefore able to provide '**Reasonable Assurance**' for the monitoring arrangement of programmes and projects and just two 'Moderate' risks were raised for management attention.

## Follow up of previous Internal Audit reports

10. Currently, we follow up all reports with an assurance rating of 'Limited' or below.

11. We have finalised one follow up review in the period:

Title	Follow Up	Progress	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
School Transport	1	Good	Reasonable	0	0	3	2	5

### School Transport

Good Progress	Original Issues / Risks		Outstanding Issues / Risks	
	Report Date	September 2017	April 2018	
	Assurance	Limited	Reasonable	
	Catastrophic	0	0	
	Major	7	0	
	Moderate	7	3	
	Minor	2	2	

12. Our review confirms that significant progress has been made towards improving School Transport arrangements and addressing the Issues/Risks raised in our report.

13. Eleven of the risks identified from our audit report have been fully addressed. Three risks are partially implemented or are in the progress of being addressed; these are subject to the issuing of identification badges to all school bus drivers in September 2018, the Capita ONE system to be in operation and the review of the school taxis' eligibility criteria together with the review of the school taxis' budget.

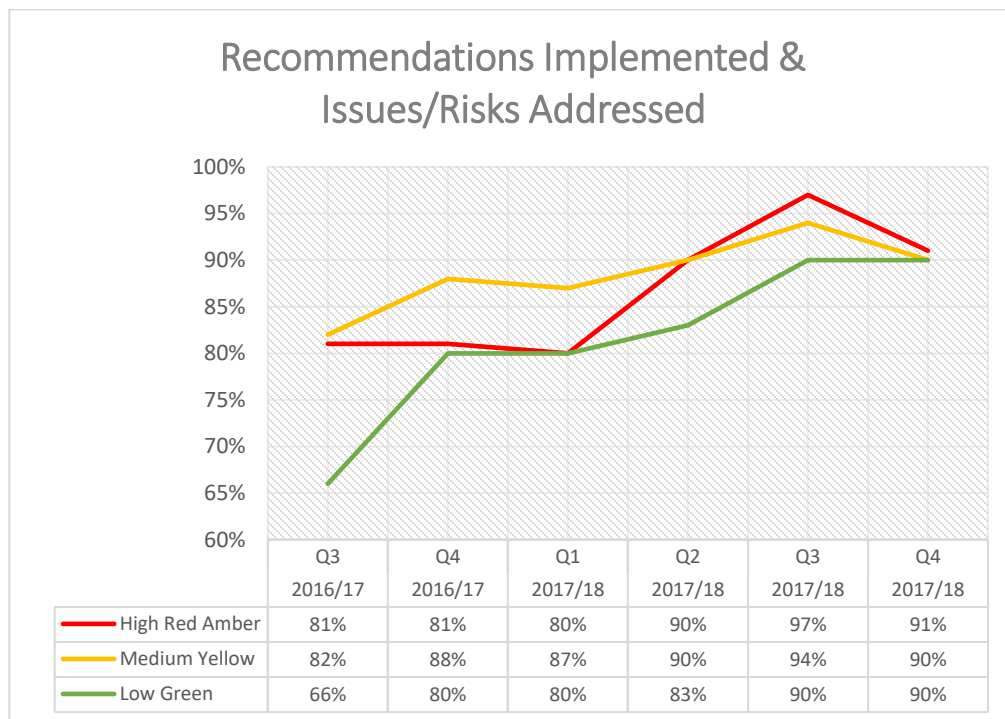
14. Two risks remains outstanding, which are centred around the next procurement process when the Transport Section will be reviewing its current contractors terms and conditions.

15. Out of the outstanding actions (including actions that have been partially implemented), two are still within the target date of implementation. However, all target dates have been revised and extended based on updates reported. Where necessary, priority ratings have been re-assessed to take into account the actions taken to date and new target dates have been agreed for implementation.

16. The Council has demonstrated '**Good Progress**' in addressing the Issues / Risks and as a result the assurance rating has increased to '**Reasonable Assurance**'.

## Implementation of Management Actions

17. As part of the new internal audit approach, we have moved away from making recommendations to raising 'Issues' and 'Risks'. 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.
18. To provide the Committee with trend information, the graph below highlights the performance in implementing the recommendations / addressing the risks:



19. As can be seen, the Council has steadily improved its performance over the last 15 months with a significant year-on-year improvement.
20. Previously, analysis of the outstanding Issues/Risks highlighted that managers assigned with implementing actions could extend the target implementation date without reference to Internal Audit. We withdrew this facility from managers and all requests for the date to be extended now have to be made to Internal Audit, who will consider the circumstances before agreeing to extend.
21. We expected that this would have an impact on the implementation rate and performance would worsen in the short-term and this is what we have seen. However, this is a more robust process for ensuring that risks are addressed and reduces the risk of 'drift'.
22. A more detailed report of all outstanding recommendations and Issues/Risks is made twice a year, with the next being in September 2018.

## **Progress in delivering the Internal Audit Operational Plan 2017/18**

23. Due to a significant slippage of work from 2016/17, the retirement of the Corporate Fraud Officer and the long-term absence and resignation of a Senior Auditor, the resource available to complete the Operational Plan for 2017/18 has reduced.
24. 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.
25. The Revised Annual Plan is attached at [Appendix A](#). We have completed 79% of the revised plan, with a further 21% currently work in progress – a combined total of 100%.
26. Ninety-two percent of audits have been completed in time, against a target of 90%. We have submitted 81% of our reports to the targeted Audit and Governance committee meeting.
27. 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.

## Items requested by the Audit and Governance Committee

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28. The Committee requested that the Head of Audit and Risk follow-up on the officer response in connection with the Corporate Procurement Framework first follow up review. A verbal update will be provided during the meeting.

## Other Issues

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### Audit and Governance Committee Terms of Reference

29. 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.
30. 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.
31. Members of the Committee will recall from the December meeting that CIPFA had postponed publication until December 2017 and the Committee approved the postponement of the review of its Terms of Reference.
32. However, CIPFA has again postponed publication. Although the document is complete, CIPFA has to wait for the Home Office, which is bringing out a new Financial Management Code of Practice that impacts on police audit committees. It has confirmed it will now publish the new guidance during April 2018.
33. Therefore, it is proposed to postpone the review of this Committee's terms of reference until the following Audit and Governance Committee meeting.
34. The Committee is asked to approve this postponement.



## Appendix A – 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
<b>AUTHORITY WIDE REVIEWS (CORPORATE)</b>										
1	Corporate	Capital Expenditure	Cyclical IA	Final	December 2017 (T) February 2018 (A)	Substantial	15	15	15	
2	Corporate	Corporate Procurement Framework	IA Assessed Risk	Final	September 2017	Limited	10	6	6	
3	Corporate	Data Protection & Information Governance - General Data Protection Regulations - Readiness (Interim)	Corporate Risk YM13 ICO Report	Final	February 2018	Reasonable	15	10	10	Two-part audit - interim and full
55	Corporate	Data Protection & Information Governance - General Data Protection Regulations - Readiness (Full)	Corporate Risk YM13 ICO Report	Draft	June 2018		5	5	2.5	Full audit
4	Corporate	ICT Disaster Recovery	Corporate Risk YM10	Final	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.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
										Review in 2018/19
6	Corporate	Corporate Safeguarding	Corporate Risk YM12	Final	July 2017	Reasonable	20	20	20	
7	Corporate	Transformation Programme - Smarter Working	Section 151 Officer Request	Postponed	n/a	n/a	15	1	0.5	Post-implementation review currently underway. Review outcome and consider whether further review is necessary.
8	Corporate	Ethical Culture	PSIAS Requirement	Final	September 2017	Reasonable	20	16	16	
9	Corporate	Social Services and Well-being Act - Part 9 requirements	New legislation	Postponed	n/a	n/a	20	1	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	Final	February 2018 (T) April 2018 (A)	Reasonable	15	15	13	
11	Corporate	Corporate Health & Safety	Audit Concern	Fieldwork	February 2018		15	13	17.75	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
<b>HEAD OF FUNCTION - RESOURCES &amp; SECTION 151 OFFICER</b>										
12	Resources	Council Tax & NDR	Key Financial System	Final	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	Deleted	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.
15	Resources	Housing Benefit & Council Tax Relief Scheme	Key Financial System	Final	September 2017	Reasonable	15	23	23	Excess days transferred from contingency
16	Resources	Main Accounting System	Key Financial System	Final	June 2017	Reasonable	10	7	7	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
17	Resources	Income - Payment Card Industry Data Security Standard	Key Financial System	Final	February 2018	Limited	15	15	9.75	
18	Resources	Petty Cash/Imprest Accounts	Key Financial System	Postponed	n/a	n/a	10	10	0.25	Work still ongoing - policy currently out for consultation. Postpone until Q2 2018/19
19	Resources	Sundry Debtors	Key Financial System	Final	December 2017	Limited	10	27	26.5	Days transferred from Key Financial Systems and contingency due to issues identified.
<b>HEAD OF FUNCTION - COUNCIL BUSINESS &amp; MONITORING OFFICER</b>										
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

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
										to GDPR readiness audit.
<b>HEAD OF FUNCTION - TRANSFORMATION</b>										
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	Postponed	n/a	n/a	15	5	4.25	Postponed until 2018/19 - ICT not ready.
<b>HEAD OF REGULATION &amp; ECONOMIC DEVELOPMENT</b>										
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 - Governance & Control	Head of Service request	Postponed	n/a	n/a	15	2	1.75	Delayed until Q2 2018/19 due to restructuring within the service

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
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.
28	Trading Standards	Civil Registration	Service not audited for significant time	Final	September 2017	Substantial	10	10	10	
29	Regulation	Licensing Services	Service not audited for significant time	Final	December 2017	Substantial	10	17	17	Excess days transferred from contingency. Not audited before and significant amount of legislation to consider.
<b>HEAD OF HIGHWAYS, WASTE &amp; PROPERTY SERVICES</b>										
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

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
										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 - Schools Repair & Maintenance	Service not audited for significant time	Postponed	n/a	n/a	15	1	0.25	Postponed until 2018/19 - new process not yet implemented
33	Highways	Highways & Civil Engineering - Highways Contract Monitoring Arrangements	Service not audited for significant time	Postponed	n/a	n/a	15	3	2.5	Delayed until Q1 2018/19 due to busy period at the end of the financial year and poor weather
<b>HEAD OF HOUSING</b>										
34	Housing	Housing Rents - Readiness for Welfare Reform (Universal Credit)	Key Financial System	Final	February 2018	Reasonable	15	23	23	Excess days transferred from Affordable Housing 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
35	Housing	Affordable Housing, Housing into Homes & Bridging Loan Scheme	Corporate Business Plan	Final	February 2018	Reasonable	15	5	5	Excess days transferred to Housing Rents audit
36	Housing	Supporting People Programme	Service not audited for significant time	Complete	February 2018	Substantial	15	15	14.75	
<b>HEAD OF ADULT SERVICES</b>										
37	Adults	Deprivation of Liberty (DOLs)	Risk of Litigation in relation to Outstanding DOLs Assessments	Fieldwork	<i>September 2018</i>		15	15	8	
45	Adults	Direct Payments	Head of Service request	Scoping	<i>September 2018</i>		0	15	0.25	Head of service concerns around the governance and controls around expenditure. Priority area. Days transferred from Joint Service Delivery and Management 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
38	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.
39	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
<b>HEAD OF CHILDREN'S SERVICES</b>										
40	Children's	Foster Carer Recruitment	Head of Service request	Draft	April 2018		15	20	17.75	Invest to Save bid has ended since 2016 and the recruitment and retention of foster carers, including the recruitment officer is funded directly from the department's existing budget. However, the service would benefit from a review to ensure

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
										that controls are in place going forward since 2016 and to give management an overview of the current position in comparison to the last 3 years and the changes, with the view of highlighting risks/issues as a result of these changes.
<b>HEAD OF LEARNING</b>										
41	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
42	Learning	Primary Schools - Thematic Reviews - Schools Income Collection	Head of Service request	Fieldwork	September 2018		20	20	0.75	
43	Learning	School Sickness Absence	Head of Service request	Deleted	n/a	n/a	20	0	0	Significant work undertaken.
44	Learning	School Transport	Head of Service request	Final	September 2017	Limited	20	26	26	Excess days transferred from contingency.

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
										Significant issues identified.
<b>CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)</b>										
		Follow Up Work					35	70	84.25	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 and enquiries					155	90	90	Days reduced due to deletion of Corporate Counter Fraud Officer post
		<b>Referrals:</b>								
46	Referral	CSSIW Report - Governance around Action Plan	Request from Audit & Governance Committee	Complete	June 2017	n/a	0	2	2	
47	Referral	Payroll Overpayment	Request from Accountancy Services Manager	Complete	February 2018	n/a	0	7	7	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
48	Referral	Registration of Financial Charges	Request from Section 151	Fieldwork	February 2018		0	25	30	
49	Referral	After School Club - Fund Irregularities	Request from Learning Services	Complete	n/a	n/a	0	14	13.75	
		Closure of Previous Year's Work					20	20	20	
		<b>Grant Certification:</b>					35	0	0	Grant certification work complete
50	Grant	School Uniform Grant	Request from Accountancy	Complete	December 2017	Substantial	0	2.5	2.5	
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	
54	Grant	Sixth Form & Adult Continuing Learning 2016-17	Request from Accountancy	Complete	February 2018	Substantial	0	0.5	0.5	
		Corporate consultancy					55	60	59.5	
		Audit & Governance Committee, including training for members					23	45	45.25	

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
		Management Review					0	45	43.5	Days transferred from Management
		Contingency					120	1	0	
		<b>TOTAL</b>					<b>1062</b>	<b>768</b>	<b>741.5</b>	
<b>NON CHARGEABLE DAYS (NON-PRODUCTIVE)</b>										
		Risk & Insurance					50	20	11.25	
		General Administration					70	65	63.75	
		Personal Development & Review, 121 & Team Meetings					8	32	31.75	Insufficient allocation. Days transferred from contingency.
		Management, including liaison with External Audit and audit plan preparation					75	45	42	Days transferred to Management Review
		Annual Leave (164), including statutory leave (41) and special leave (90)					245	280	308.75	Days amended due to retirement of Corporate Counter Fraud Officer and special leave and resignation of Senior Auditor.
		Sick Leave					45	20	19	Good sickness record in the team - days transferred to training

Ref	Service	Title	Source	Current Status	Target to report to Audit & Governance Committee	Assurance Level	Planned Days	Revised Days	Actual Days	Reason for Amendment
		Training and Development for staff, including induction and Welsh lessons					10	85	87.5	Insufficient allocation - days transferred from sickness allocation and contingency
		<b>TOTAL</b>					<b>503</b>	<b>547</b>	<b>564</b>	