

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	19 September 2018
Subject:	Internal Audit Update
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Nature and Reason for Reporting: 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 31 August 2018 on:

- Internal Audit reports [issued](#) since 16 July 2018
- [Follow up](#) of previous internal audit reports
- Implementation of [management actions](#)
- Progress in delivering the [Internal Audit Operational Plan 2018/19](#)
- Reviewing 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.



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ISLE OF ANGLESEY
COUNTY COUNCIL

Internal Audit Update

September 2018

Marion Pryor BA MA CMIIA CPFA
Head of Audit & Risk

Internal Audit reports recently issued

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 **four** reports in the period, summarised below:

Title	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Education Improvement Grant 2017/18	Substantial	0	0	0	0	0
Pupil Development Grant 2017/18	Substantial	0	0	0	0	0
School Uniform Grant 2017/18	Reasonable	0	0	0	3	3
Highways Maintenance Contract Monitoring	Substantial	0	0	1	0	1

Education Improvement Grant 2017/18 – Audit Certification

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

3. From the review of the grant records, we concluded that the Finance Service monitors expenditure incurred in relation to the grant and consequently, all expenditure recorded in relation to this grant was eligible in accordance with grant terms and conditions.
4. All income received in relation to this grant was accounted for in the financial ledger. The Finance Service accurately extracted expenditure figures recorded for this grant from the financial ledger, which was fairly stated in the accounts of the Authority.
5. We did not identify any risks for management attention.
6. We were therefore able to provide '**Substantial Assurance**' that the Finance Service maintains adequate and proper controls and records in relation to the Education Improvement Grant for the period 1 April 2017 – 31 March 2018.

Pupil Development Grant 2017/18 – Audit Certification

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

7. From our review of the grant controls and records, we concluded that the expenditure claimed was eligible in line with the terms and conditions of the grant and was fairly stated in the accounts of the Authority and the claims submitted to the Welsh Government.
8. We did not identify any risks for management attention.
9. We were therefore able to provide '**Substantial Assurance**' that the Finance Service maintains adequate and proper controls and records in relation to the Pupil Development Grant for the period 1 April 2017 – 31 March 2018.

School Uniform Grant 2017/18 – Audit Certification

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

10. From our review of the grant controls and records, we concluded that the controls in place were not adequate to ensure that the expenditure claimed is eligible, accurate and in line with the terms and conditions provided. However, the issues identified did not result in any material errors and are therefore a low risk to the Council as determined by the Council's risk management matrix.
11. We raised three risks for management attention. However, management should easily implement the action required to address these risks.
12. We are therefore able to provide '**Reasonable Assurance**' due to the materiality of the errors found.

Highways Maintenance Contract Monitoring

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

13. The Highways Section has a strong contract monitoring process in place; the contracts monitoring officer holds frequent meetings with the contractor, expenditure and performance are closely monitored, work is prioritised in accordance with the Highways Asset Management Plan and the following year's budget is taken into account when planning the work programme. The contracts monitoring officer agrees variances to work with the contractor, although there are opportunities to improve access to this information.
14. Currently, the service does not maintain a contracts register. A register is useful to monitor upcoming tendering dates and procurement compliance, along with providing information that must be relayed to the Corporate Procurement Section to be included in the corporate contracts register. Consequently, the information currently included in the corporate contracts register is out of date and inaccurate. A register can also help to provide assurance that all contracts are compliant with certain measures such as GDPR and safeguarding, where relevant.
15. However, we have concluded that, overall, there are effective controls in place to monitor highway maintenance contracts and we can therefore provide '**Substantial Assurance**' that the arrangements for governance, risk management and internal control are good.

Follow up of previous Internal Audit reports

16. We have **six** reports with a 'Limited Assurance' rating scheduled for a follow up review. The details of the Issues/Risks are included in the separate 'Outstanding Internal Audit Issues/Risks' report submitted separately to this meeting. **Four** follow-up reviews are currently underway:

Title of Audit	Reason for Review	Date of Follow Up	Assurance Level	Catastrophic	Major	Moderate	Minor	Total
Sundry Debtors	First Follow Up	Jul-18	Limited	0	7	9	3	19
Child Care Court Orders Under the Public Law Outline	Second Follow Up	Jul-18	Limited	1	3	3	1	8
Corporate Procurement Framework	Second Follow Up	Jul-18	Limited	1	1	9	1	12
Council's Preparation for GDPR	First Follow Up	Aug-18	Limited	0	6	1	1	8
Payment Card Industry Data Security Standard Compliance	Second Follow Up	Oct-18	Limited	0	6	4	1	11
System Controls - Logical Access and Segregation of Duties	Third Follow Up	Dec-18	Limited	0	3	2	0	5

Implementation of Management Actions

17. A detailed report of all outstanding recommendations and Issues/Risks has been made separately to this meeting.

Progress in delivering the Internal Audit Operational Plan 2018/19

18. The current Plan is attached at [Appendix A](#). Progress has been slow due to carrying two vacancies and a long-term sickness absence. However, two new Senior Internal Auditors have recently commenced in post and are currently undertaking their induction training. For the first time since August 2017, we are now fully staffed.
19. As well as undertaking follow up work, work is currently ongoing in **two** areas:
- Primary Schools Thematic Review – Income Collection
 - Gypsies and Travellers (Requirements of the Housing (Wales) Act 2014)
20. We are also involved in two ongoing investigations and the migration of the risk registers into the new Risk Management software as well as working with services to quality assure their risks.

Audit and Governance Committee Terms of Reference

21. The terms of reference have been fully revised following the publication of the new CIPFA guidance¹ on audit committees and are submitted separately for approval to this meeting.

¹ 'Audit Committees, Practical Guidance for Local Authorities and Police', 2018 Edition, Chartered Institute of Public Finance and Accountancy

Appendix A – Internal Audit Operational Plan 2018/19²

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
CORPORATE-WIDE							
Corporate	Business Continuity	Corporate Risk Register	C2 YM10	10			
Corporate	Welfare Reform	Corporate Risk Register	C2 YM11	10			
Corporate	Corporate Safeguarding	Corporate Risk Register	C1 YM12	10			December 2018
Corporate	CONTEST (Countering Terrorism and Preventing Radicalisation)	Corporate Risk Register	E1 YM34	10			
Corporate	Payment Card Industry Data Security Standards (PCIDSS)	Corporate Risk Register	D1 YM41	10			February 2019
Corporate	Risk Management	New process implemented October 2017. New 4Risk software rolled out September 2018. Will be the subject of an independent Health Check by our insurers.	n/a	n/a	n/a		February 2019
Corporate	Well-being of Future Generations Act	High-profile legislation that has a significant impact on the way the Council works. It is subject to specific review by WAO.	n/a	5			

² Corporate Risk Register approved by SLT 12/02/18

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
Corporate	Social Services and Well-being Act - Part 9 requirements	High-profile legislation that has a significant impact on the way the Council works. Extension from WG to implement pooled budgets	n/a	5			
Corporate	Managing the Risk of Fraud	PSIAS requirement	n/a	10			
RESOURCES							
Resources	Recovery and Write-offs	Key Financial System - S151 concerns	n/a	15			
Resources	Income	Key Financial System - external audit assurance	n/a	15			
Resources	Payroll	Key Financial System - external audit assurance	n/a	15			
TRANSFORMATION							
ICT	IT Audit - Cyber Security	Corporate Risk Register	C1 YM35	15			
ICT	IT Audit - IT Infrastructure	Service Risk Register	D2 T2	10			
HR	Recruitment & Retention	Corporate Risk Register	C2 YM5	15			
REGULATION & ECONOMIC DEVELOPMENT							
Regulation & Economic Development	Energy Island Programme (including major schemes such as Wylfa Newydd)	Corporate Risk Register	C2/D2 YM15 YM19/20	10			
Regulation & Economic Development	Leisure Services	Corporate Risk Register	B3 YM39	10			
Regulation & Economic Development	Leisure Services - Governance and Control	Head of Service Request - major structural changes	n/a	15		Carried forward from 2017/18	September 2018

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
HIGHWAYS, WASTE & PROPERTY SERVICES							
Highways	Car Park Services – Enforcement	New pilot in place from 2017/18 with external organisation for car parking enforcement	n/a	15			
Highways	Highways Contract Monitoring Arrangements	Head of Service request	n/a	15 10	10	Substantial Assurance	September 2018
HOUSING							
Housing / Regulation & Economic Development	Council House Development	Corporate Risk Register	C1 YM 42	15			
Housing	Gypsies and Travellers (Requirements of the Housing Act 2014)	Corporate Risk Register	C2/A4 YM36/37	10	0.25		
ADULT SERVICES							
Adults	Deprivation of Liberty Safeguards	Corporate Risk Register	C2 YM32	15 9	9	Reasonable	July 2018
Adults	Direct Payments	Head of Service request	n/a	10	0.5	Carried forward from 2017/18	September 2018
CHILDREN'S SERVICES							
Children's	Integrated Service Delivery Board	Corporate Risk Register	C2 YM43	10			
LEARNING							
Learning	General Data Protection Regulations (GDPR) - Implementation within Schools	Corporate Risk Register. Will be the subject of an independent Health Check by our insurers.	C2 YM38	n/a	n/a		
Learning	Primary Schools Thematic Reviews - Schools Income Collection	Head of Service request	n/a	20	16	Carried forward from 2017/18	September 2018

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
GRANT CERTIFICATION							
	Rent Smart Wales Grant	Grant requirement	n/a	10	10	Substantial Assurance	July 2018
	School Uniform Grant					Reasonable Assurance	September 2018
	Education Improvement Grant					Substantial Assurance	September 2018
	Pupil Development Grant					Substantial Assurance	September 2018
	TOTAL AUDIT DAYS			299	46		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)							
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4Action		50	29.25		
	General Counter Fraud Work, National Fraud Initiative, enquiries and referrals			60	22.75		
	Closure of Previous Year's Work			18.5	18.5		
	Corporate consultancy			60	21		
	Audit & Governance Committee, including training for members			40	20.75		
	Management Review			40	5		
	Contingency			0	0		
	TOTAL			269	117		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)							
	Risk & Insurance			20	6		
	General Administration			40	15		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/08/18	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
	Personal Development & Review, 121 & Team Meetings			30	4.25		
	Management, including liaison with External Audit and audit plan preparation			40	21		
	Leave, including annual, statutory, special and sick leave			357	123.75		
	Training and Development for staff, including induction and Welsh lessons			119	25		
	TOTAL			606	195		
	TOTAL RESOURCE REQUIREMENT			1174			
	RESOURCE AVAILABLE			1096			
	RESOURCE SHORTFALL			-77			
	PRODUCTIVITY			49%			