

ISLE OF ANGLESEY COUNTY COUNCIL	
<b>Report to:</b>	Audit and Governance Committee
<b>Date:</b>	23 April 2019
<b>Subject:</b>	Internal Audit Update
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<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 31 March 2019 on:

- Internal Audit reports [issued](#) since 12 February 2019
- [Follow up](#) of internal audit reports
- Implementation of [management actions](#)
- Progress in delivering the [Internal Audit Operational Plan 2018/19](#)
- [Revised Assurance Ratings](#)
- [Risk Management Policy Statement](#)

## 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.



CYNGOR SIR  
YNYS MÔN  
ISLE OF ANGLESEY  
COUNTY COUNCIL

# Internal Audit Update

April 2019

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

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## Internal Audit reports recently issued

1. This section provides an overview of Internal Audit reports finalised since the last meeting, including the overall Assurance Rating and the number of Issues/Risks raised in the report's action plan. In accordance with the new audit approach, members of the Committee and the relevant Portfolio Holder have received full copies of the report separately.
2. We have finalised **four** reports in the period, summarised below:

Title	Assurance Level	Critical	Major	Moderate	Total
Direct Payments	Limited	0	0	5	5
Recruitment and Retention	Reasonable	0	0	2	2
Gypsies and Travellers (Requirements of the Housing Act 2014)	Reasonable	0	2	1	3
Leisure Function – Governance and Control	Reasonable	0	2	9	11

### Direct Payments

Limited Assurance	Issues/Risks	
	0	Critical
	0	Major
	5	Moderate

3. Direct payments are cash payments that the Council can make to individuals or their representative so that they can organise their own services to meet assessed social support and care needs as opposed to accessing care and support services provided directly, or commissioned by, the Council. The Council can make direct payments for all, or part, of a person's care and support needs. They offer an alternative to the Council arranging social care services on behalf of individuals and allow greater choice, flexibility and autonomy for the service user.
4. The Council has transformed its direct payments service following the introduction of new regulations, making funding available to employ a dedicated Direct Payments Officer and improving the infrastructure and support available to recipients.

5. There has been a steady increase in the number of service users electing to take up direct payments, increasing from 59 in September 2016 to 150 in November 2018 and consequently Adults Services has made significant financial savings (in 2017/18, direct payments generated a saving of £34,968 and cost avoidance of £180,277).
6. Following our review, we have concluded that the Service's policies and procedures reflect statutory regulations and define responsibilities, the service obtains the service users' signatures on legally binding agreements and effective support and advocacy arrangements exist. The Service makes accurate and prompt payments, which it monitors appropriately, and it regularly monitors its performance.
7. However, our testing identified that care and support plans do not consistently support payments, the service does not consistently review care and support plans and it does not always obtain confirmation of Panel approval. The service does not carry out risk assessments to ensure that the recipient is aware of the risks in relation to direct payments and that the individual is comfortable with the level of risk assessed and support provided. Further, due to a lack of electronic tablets, the service does not consistently obtain evidence of service users' involvement in care and support plan decisions.
8. Although the service plans to review its processes during phase 2 of the WCCIS<sup>1</sup> implementation, we are currently only able to provide '**Limited Assurance**' on the risk management, governance and internal control framework overall and we have raised five Issues/Risks for management to address.

## Recruitment and Retention

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	2	Moderate

9. Our review sought to answer the following key question:

**Does the Council have adequate arrangements in place to be able to recruit, develop and retain staff with appropriate skills to deliver efficient and effective services?**

10. Overall, our review concludes that the Council has a number of effective controls in place to ensure that it effectively recruits, develops and retains appropriately skilled

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<sup>1</sup> The Welsh Community Care Information System (WCCIS) is a new computer system being introduced in Wales intended to help health and social care professionals work together to provide care closer to people's homes. When fully implemented, it will give community nurses, mental health teams, social workers and therapists digital tools to work better together.

staff in order to deliver high quality, efficient and effective services and achieve its objectives.

11. While we have raised two 'Issues/Risks', which require management attention, the outcome of our review is mainly positive. We have agreed an action plan with the Head of Profession HR and Transformation, which we have detailed in a separate document. Therefore, within the scope of our review, we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

## Gypsies and Travellers (Requirements of the Housing Act 2014)

Reasonable Assurance	Issues/Risks	
	0	Critical
	2	Major
	1	Moderate

12. Our review sought to answer the following key question:

**Does the Council have adequate arrangements in place to successfully discharge its statutory responsibilities outlined in the Housing (Wales) Act 2014 with regard to Gypsy and Travellers?**

13. Overall, our review concludes that the Council has a number of effective controls in place to ensure that it effectively discharges its statutory responsibilities in respect of Gypsy and Traveller accommodation outlined in the Housing (Wales) Act 2014.
14. While we have raised three Issues/Risks that require management attention, the outcome of our review is mainly positive. We have agreed an action plan with management, which we have detailed in a separate document. Therefore, within the scope of our review, we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

## Leisure Function – Governance and Control

Reasonable Assurance	Issues/Risks	
	0	Critical
	2	Major
	9	Moderate

15. Our review sought to answer the following key question:

**Are the processes and protocols established by the Service for managing the leisure function adequately robust and effectively operated to provide assurance to the Council of strong governance and accountability?**

16. Our review concludes that the Service has implemented positive changes by improving the governance structure, clarifying roles and responsibilities, improving local accountability and digitising processes. It is in the process of introducing further changes to the way it manages leisure centres with a focus on modernising leisure provision and changing the culture of its functions to become more customer focused and embedding a commercial approach. However, we identified areas of weakness in the current control framework, which should be addressed when implementing the further changes.
17. While we have raised 11 Issues/Risks, which require management attention of moderate to low impact at service level, the outcome of our review is mainly positive and the Service is in a good position to improve. We have agreed an action plan with management, which we have detailed in a separate document. Therefore, within the scope of our review, we are able to provide **reasonable assurance** of the governance, risk management and control of this area.

## Follow up of Internal Audit reports

18. Currently, we follow up all reports with an assurance rating of 'Limited' or below. We have finalised **one** follow up review in this period, with the following outcome:

Title of Audit	Review	Date Concluded	Assurance Level	Critical	Major	Moderate	Total
Child Care Court Orders Under the Public Law Outline	Second Follow Up	Feb-19	Reasonable	0	1	1	2

### Follow Ups In Progress

19. We have **one** follow up of a report with a 'Limited Assurance' rating currently in progress:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Payment Card Industry Data Security Standard Compliance	Second Follow Up	<del>Oct-18</del> Mar-19 <sup>2</sup>	Limited	0	6	4	10

### Follow Ups Scheduled

20. We have **four** follow ups scheduled for the first half of the year:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Primary Schools – Income Collection	First Follow Up	Jun-19	Limited	0	2	1	3
Sundry Debtors	Second Follow Up	Jul-19	Limited	0	4	7	11
System Controls – Logical Access and Segregation of Duties	Fourth Follow Up	Jul-19	Limited	0	3	2	5
Direct Payments	First Follow Up	Sep-19	Limited	0	0	5	5

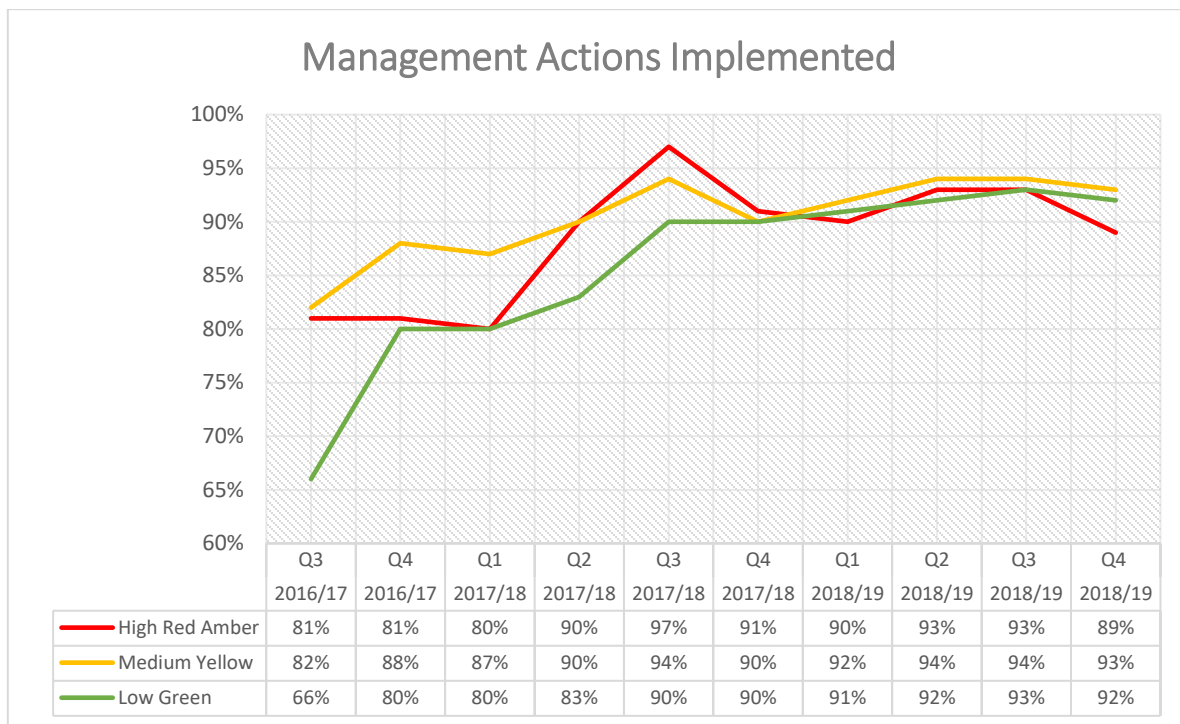
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<sup>2</sup> Follow up postponed until March 2019 at the request of the Head of Resources due to changing project milestones.



## Implementation of Management Actions

21. The graph below highlights management performance in addressing 'Issues/Risks' and implementing actions. As can be seen, performance has plateaued over the last year, with a recent slight decline in implementing actions to address High, Red and Amber 'Issues/Risks'.



22. We have had notice from our software providers that the new and upgraded version of the action tracking system will shortly be available, which provides extra functionality and reduces the burden of administering the system. Therefore, we will undertake an exercise to cleanse the historical data and review the system configuration.
23. We will also take the opportunity to review our reporting framework to ensure that the information provided to senior management and the Audit and Governance Committee is in line with the new audit approach and is concise, relevant and timely.

## **Progress in delivering the Internal Audit Operational Plan 2018/19**

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24. The Plan for 2018/19 is at [Appendix A](#). Since the appointment of the two new Senior Auditors, work has progressed well. Work is close to completion in **four** areas which are included as amber residual risks in the corporate risk register:

- CONTEST – Counter Terrorism and the ‘Prevent’ Duty
- Schools Information Governance Health Check – conducted by Zurich Municipal. Draft report received 4 April 2019.
- Welfare Reform
- Payment Card Industry Data Security Standards (PCIDSS)

25. We have also concluded our work on **two** investigations:

- In response to a complaint, we have made recommendations to a Governing Body for improvement.
- In response to the discovery of a potential section 55 Data Protection Act (DPA) 1998 offence by persons unknown, the Council's Data Protection Officer conducted a DPA Data Security Investigation. The Service referred the matter to North Wales Police and to the Information Commissioner's Office (ICO). Due to a lack of evidence, the Police decided that there was no realistic prospect of conviction and confirmed that it would take no further action. The ICO responded that it has decided that regulatory action is not appropriate in this case. This decision is due to the particular facts of the case and it has confirmed that it considers the matter now closed. We will include a review of the issues identified in our Corporate Information Governance Health Check planned for early 2019/20.

## **Internal Audit Strategy 2019/20**

26. Work has started on the 2019/20 Audit Strategy and **four** audits are currently in progress. We plan to finalise and report the outcome to the Committee at its meeting in July 2019.

- Business Continuity Arrangements
- Corporate Safeguarding
- IT Resilience
- Corporate Information Governance Health Check

## Revised Assurance Rating Definitions

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27. Standard 2410 of the Public Sector Internal Audit Standards requires the 'final communication of engagement results' (audit reports) to include applicable conclusions. Where appropriate, internal auditors should provide an opinion, which may be ratings, conclusions or other descriptions of the results. The formulation of the opinion requires consideration of the results and their significance.
28. In line with the above and as part of the continuous improvement of our audit approach, we have reviewed the definitions of our Assurance Ratings, which are detailed at [Appendix B](#).
29. The new definitions better reflect the judgements made by auditors at the conclusion of each audit.

## **Risk Management Policy Statement**

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30. We have revised the Risk Management Policy Statement in line with the recommendations from the Risk Management Health Check, recently conducted by our insurers, Zurich Municipal.
31. In accordance with the Council's Constitution, the Executive must approve the policy statement. The Senior Leadership Team will first consider the statement on 29 April before submitting to the next available meeting of the Executive.
32. We will submit the statement to the Audit and Governance Committee for review in July 2019.

## Appendix A – Internal Audit Operational Plan 2018/19<sup>3</sup>

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
<b>CORPORATE-WIDE</b>							
Corporate	Business Continuity	Corporate Risk Register	C2 - YM9 C1 - YM38	10	0	Rolled forward to 2019/20	July 2019
Corporate	Welfare Reform	Corporate Risk Register	C2 YM10	10	10		July 2019
Corporate	Corporate Safeguarding	Corporate Risk Register	D2 <sup>4</sup> YM11	7	7	Reasonable Assurance	December 2018
Corporate	CONTEST (Countering Terrorism and Preventing Radicalisation)	Corporate Risk Register	E1 YM27	10	8		July 2019
Corporate	Payment Card Industry Data Security Standards (PCIDSS)	Corporate Risk Register	D1 YM34	15	10		July 2019
Corporate	General Data Protection Regulations (GDPR)	Corporate Risk Register	C2 YM31	8	8	Reasonable Assurance	December 2018
Corporate	Corporate Procurement	Corporate Risk Register	D2 - YM20 D2 - YM22	18	18	Reasonable Assurance	December 2018

<sup>3</sup> Corporate Risk Register approved by SLT 10/09/18

<sup>4</sup> Residual Risk reduced from C1 (Red) to D2 (Amber)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
Corporate	Risk Management	New process implemented October 2017. New 4Risk software rolled out September 2018.	n/a	n/a	n/a	<b>Level 3 'Managed'</b> <sup>5</sup>	<b>February 2019</b>
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	0	0	Rolled forward to 2019/20	
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	0	0	Subject to consultation – rolled forward to 2019/20	
Corporate	Managing the Risk of Fraud	PSIAS requirement	n/a	0	0	Rolled forward to 2019/20	
<b>RESOURCES</b>							
Resources	Income – Sundry Debtors Follow Up	Key Financial System - external audit assurance	n/a	18	18	<b>Limited Assurance</b>	<b>December 2018</b>

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<sup>5</sup> Conclusion of an independent Health Check, conducted by Zurich Municipal based on their maturity model, which incorporates five levels of maturity

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
Resources	Payroll	Key Financial System - external audit assurance	n/a	0	0	Subject to ongoing changes – rolled forward to 2019/20	
<b>TRANSFORMATION</b>							
ICT	IT Audit - Cyber Security	Corporate Risk Register	C1 YM28	20	20	Reasonable Assurance	February 2019
HR	Recruitment & Retention	Corporate Risk Register	C2 YM5	15	15	Reasonable Assurance	April 2019
<b>REGULATION &amp; ECONOMIC DEVELOPMENT</b>							
Regulation & Economic Development	Energy Island Programme	Corporate Risk Register	C2 - YM13 C2 - YM16 D2 - YM17	0	0	Rolled forward to 2019/20	
Regulation & Economic Development	Leisure Services – financial investment	Corporate Risk Register	B3 YM32	0	0	Rolled forward to 2019/20	
Regulation & Economic Development	Leisure Services - Governance and Control	Head of Service Request - major structural changes. Carried forward from 2017/18	n/a	15	24	Reasonable Assurance	April 2019
<b>HIGHWAYS, WASTE &amp; PROPERTY SERVICES</b>							
Highways	Car Park Services – Enforcement	New pilot in place from 2017/18 with external organisation for car parking enforcement	n/a	0	0	Deleted – low priority	
Highways	Highways Contract Monitoring Arrangements	Head of Service request	n/a	10	10	Substantial Assurance	September 2018

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
<b>HOUSING</b>							
Housing	Gypsies and Travellers (Requirements of the Housing Act 2014)	Corporate Risk Register	C2 YM29	10	14	Reasonable Assurance	April 2019
<b>ADULT SERVICES</b>							
Adults	Deprivation of Liberty Safeguards	Corporate Risk Register	C2 YM25	9	9	Reasonable Assurance	July 2018
Adults	Direct Payments	Head of Service request (carried forward from 2017/18)	n/a	20	20	Limited Assurance	<del>September 2018</del> April 2019
<b>CHILDREN'S SERVICES</b>							
Children's	Integrated Service Delivery Board	Corporate Risk Register	C2 YM36	0	0	Rolled Forward to 2019/20	
<b>LEARNING</b>							
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	0	9	Undertaken by Zurich Municipal	<del>April 2019</del> July 2019
Learning	Primary Schools Thematic Reviews - Schools Income Collection	Head of Service request	n/a	20	20	Limited Assurance	<del>September 2018</del> December 2018
<b>GRANT CERTIFICATION</b>							
	Rent Smart Wales Grant	Grant requirement	n/a	10	10	Substantial Assurance	July 2018
	School Uniform Grant					Reasonable Assurance	September 2018



Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
	Education Improvement Grant					Substantial Assurance	September 2018
	Pupil Development Grant					Substantial Assurance	September 2018
	<b>TOTAL AUDIT DAYS</b>			<b>225</b>	<b>230</b>		
<b>CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)</b>							
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4Action		70	75		
	National Fraud Initiative			10	13		
	General Counter Fraud Work, enquiries and referrals			50	46		
	Closure of Previous Year's Work			19	19		
	Corporate consultancy			65	74		
	Audit & Governance Committee, including training for members			40	33		
	Management Review			25	23		
	<b>TOTAL</b>			<b>279</b>	<b>283</b>		
<b>NON CHARGEABLE DAYS (NON-PRODUCTIVE)</b>							
	Risk & Insurance			20	19		
	General Administration			40	40		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Residual)	Revised Plan 2018/19	Actual Days as at 31/03/19	Notes / Assurance Rating	Target / Actual Date of Reporting to Committee
	Personal Development & Review, 121 & Team Meetings			20	11		
	Management, including liaison with External Audit and audit plan preparation			39	39		
	Leave, including annual, statutory, special and sick leave			362	360		
	Training and Development for staff, including induction and Welsh lessons			111	114		
	<b>TOTAL</b>			<b>592</b>	<b>583</b>		
	<b>TOTAL RESOURCE REQUIREMENT</b>			<b>1096</b>	<b>1096</b>		
	<b>RESOURCE AVAILABLE</b>			<b>1096</b>	<b>1096</b>		
	<b>RESOURCE SHORTFALL</b>			<b>0</b>	<b>0</b>		

## Appendix B – Definition of Assurance Ratings

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Level of Assurance	Definition
<b>Substantial Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>good</b>.</p> <p><b>We found no significant or material Issues/Risks.</b></p>
<b>Reasonable Assurance</b>	<p>Arrangements for governance, risk management and/or internal control are <b>reasonable</b>.</p> <p><b>There are minor weaknesses in the management of risks and/or controls but there are no risks to the achievement of objectives. Management and Heads of Service can address.</b></p>
<b>Limited Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>limited</b>.</p> <p><b>There are significant weaknesses in the management of risks and/or controls that put the achievement of objectives at risk. Heads of Service need to resolve and SLT may need to be informed.</b></p>
<b>No Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>significantly flawed</b>.</p> <p><b>There are fundamental weaknesses in the management of risks and/or controls that will lead to a failure to achieve objectives. The immediate attention of SLT is required, with possible Executive intervention.</b></p>