

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	3 September 2019
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 11 August 2019 on:

- Internal Audit reports issued since 1 July 2019
- Follow up of internal audit reports
- Addressing 'Issues/Risks'
- Progress in delivering the Internal Audit Operational Plan 2019/20

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.



INTERNAL AUDIT UPDATE SEPTEMBER 2019

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INTERNAL AUDIT REPORTS 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 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 **three** reports in the period, summarised below:

Title	Assurance Level	Critical	Major	Moderate	Total
Rent Smart Wales - Grant Certification	Substantial	0	0	0	0
Pupil Development Grant - Grant Certification	Substantial	0	0	0	0
Corporate Safeguarding	Reasonable	0	3	0	3

Rent Smart Wales – Grant Certification

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

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

Does the Council comply with the relevant terms and conditions of grant, and can we provide assurance that, in respect of the claim for payment:

- entries were fairly stated
- expenditure has been properly incurred in accordance with the offer of grant

Our review also sought to provide assurance that the Council maintains clear accounting records, which identify all income and expenditure in relation to the grant.

4. Overall, from our review of the grant controls and records, we can provide assurance that the Council has maintained adequate and proper controls and records in respect of the grant for the period 1 April 2018 - 31 March 2019.
5. We can also confirm that our testing provides assurance that the expenditure claimed was eligible in line with the terms and conditions of the grant, which the Council has fairly stated in its accounts and the claim submitted to the Welsh Government.

6. Although we found no significant or material Issues/Risks, we noted that the claim amount only equated to 11% of the grant funding available. The responsible officer explained that the low percentage of the available grant utilisation is due to lack of resources to prioritise the enforcement work of Rent Smart Wales, as well as restrictions from Rent Smart Wales on certain activities. The Chief Public Protection Officer intends to assess what capacity the team has moving forward, with the objective of claiming much more available grant for 2019/20.

Pupil Development Grant – Grant Certification

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

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

Does the Council comply with the relevant terms and conditions of grant, and can we provide assurance that, in respect of the claim for payment:

- entries were fairly stated
- expenditure has been properly incurred in accordance with the offer of grant

Our review also sought to provide assurance that the Council maintains clear accounting records, which identify all income and expenditure in relation to the grant.

8. Overall, from our review of the grant controls and records, we can provide assurance that adequate and proper controls and records have been maintained in respect of the grant for the period 1 April 2018 - 31 March 2019.
9. We can also confirm that our testing provides assurance that the expenditure claimed was eligible in line with the terms and conditions of the grant, and has been fairly stated in the accounts of the Authority and the claims submitted to the Welsh Government.
10. We did not identify any risks for management attention.

Corporate Safeguarding

	Issues/Risks	
Reasonable Assurance	0	Critical
	4	Major
	0	Moderate

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

Does the Council have a robust framework of controls in place in order to adequately mitigate against the risk of a serious safeguarding error causing or contributing to harm to children, young people and adults at risk?

12. Overall, our review concluded that the Council has implemented a number of effective controls to manage the risk of a serious safeguarding error causing or contributing to harm to those who it has a responsibility to protect.
13. We raised four Issues/Risks that require management attention, which due to the potential impact of the risk in this area, are classed as 'Major'. However, the outcome of our review is mainly positive and therefore we are able to provide **Reasonable** assurance of the governance, risk management and control of this area. We have agreed an action plan with management, which we have detailed in a separate document.

FOLLOW UP OF INTERNAL AUDIT REPORTS

Follow Ups in Progress

14. We have **two** follow ups of reports with a 'Limited Assurance' rating currently in progress:

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

Follow Ups Scheduled

15. Currently, we have **three** follow ups scheduled for the remainder of the year. These may be added to dependent on the assurance provided for reviews we conduct throughout the year:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Direct Payments	First Follow Up	Sep-19	Limited	0	0	5	5
System Controls – Logical Access and Segregation of Duties	Fourth Follow Up	Jul-19 October 2019 ¹	Limited	0	3	2	5
Schools Information Governance	First Review	November 2019	Not applicable	n/a	n/a	n/a	n/a

¹ The management actions to address the 'Issues/Risks' raised in the System Controls - Logical Access and Segregation of Duties review are dependent on the restructure of the Payroll/Payments function which is currently in progress, with an expectation that it will be complete by September 2019. Therefore, we have postponed the follow up review until it is complete.

ADDRESSING 'ISSUES/RISKS'

16. A separate report provides detail of all the outstanding red and amber 'Issues/Risks' we have raised and highlights management's performance in addressing and implementing actions to which they have previously agreed.

PROGRESS IN DELIVERING THE INTERNAL AUDIT OPERATIONAL PLAN 2019/20

17. The Operational Plan for 2019/20 is at [Appendix A](#).
18. With only six weeks since the last Committee update, there is little change since the last report. Our progress has been hampered by the holiday season although a number of draft reports have been issued and are awaiting a management response:
 - Sundry Debtors Follow Up
 - Schools Income Collection Follow Up
19. Work also continues on the following audits, along with a consultation piece of work around staff car loans:
 - Business Continuity
 - Welfare Reform - Homelessness
 - Local Authority Education Grant (incorporating School Uniform Grant; Minority Ethnic and Gypsy Roma and Traveller Learners Support; Teachers Pay Award and Pressures; and additional Free School Meals costs due to the roll out of Universal Credit)
 - Sixth Form and Adult Continuing Learning
 - IT Resilience

APPENDIX A – INTERNAL AUDIT OPERATIONAL PLAN 2019/20

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
CORPORATE								
Corporate	Business Continuity (YM9)	Corporate Risk Register	C2	C2	10	2.5	Work in progress	December 2019 (Target)
Corporate	Corporate Safeguarding (YM11)	Corporate Risk Register	C2	D2	18	17.25	Reasonable Assurance	December 2018 (2018/19)
	CONTEST (Countering Terrorism and Preventing Radicalisation) ² (YM11)	Corporate Risk Register					Reasonable Assurance	September 2019 (2019/20)
Corporate	Corporate Planning (YM13)	Corporate Risk Register	D2	D3	10	0		
Corporate	Financial Resilience (YM41)	Corporate Risk Register	A1	B2	12	0	Scoping in progress	December 2019 (Target)

² Previously a 'stand-alone' risk - YM27

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Corporate	Information Governance (YM3)	Corporate Risk Register	B3	C3	0	0	Reasonable Assurance	December 2018 ³ (2018/19)
Corporate	Payment Card Industry Data Security Standards (PCIDSS) (YM34)	Corporate Risk Register	D1	D1	7	7	Reasonable Assurance	June 2019 (2019/20)
Corporate	Brexit	Corporate Risk Register	A2		5	0		
Corporate	Leavers' Process	Concerns raised			10	0		
Corporate	Risk Management	PSIAS requirement			5	0	Managed	February 2019 (ZRE) (2018/19)
Corporate	Managing the Risk of Fraud	PSIAS requirement			20	0		
Corporate	Culture – Protecting Reputation and the Use of Social Media	Horizon Scanning			10	0		
RESOURCES								
Resources	Recovery and Write-offs	Key Financial System - S151 concerns			10	0		
Resources	Corporate Procurement (YM22)	Corporate Risk Register	B2	D2	10	0	Reasonable Assurance	December 2018 (2018/19)

³ Assurance provided for General Data Protection Regulations previously 'stand-alone' Amber Risk (YM31)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Resources	Corporate Procurement Cards	Concerns raised			20	0		
Resources	Payroll	Key Financial System - restructure and new system; external audit assurance			20	0		
TRANSFORMATION								
ICT	IT Audit - Cyber Security (YM28)	Corporate Risk Register	B1	C1	15	0	Reasonable Assurance	February 2019 (2018/19)
ICT	IT Audit - IT Resilience (YM38)	Corporate Risk Register	C1	D2	15	2	Work in progress	December 2019 (Target)
Human Resources	Sickness Absence (YM23)	Corporate Risk Register	A2	D3	10	0		
Human Resources	Recruitment & Retention (YM5)	Corporate Risk Register	B2	C2	10	0	Reasonable Assurance	April 2019 (2018/19)
Human Resources	Workplace Culture – Discrimination and Staff Inequality	Horizon Scanning			10	0		
REGULATION & ECONOMIC DEVELOPMENT								
Regulation & Economic Development	Infrastructure projects (YM17)	Corporate Risk Register	B2	D2	20	0.25		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
Regulation & Economic Development	Leisure Services - Investment in Facilities (YM32)	Corporate Risk Register	B2	B3	10	0		
Regulation & Economic Development	Leisure Services - Governance and Control	Head of Service Request - major structural changes (carried forward from 2018/19)			2	2	Reasonable Assurance	April 2019 (2018/19)
HIGHWAYS, WASTE & PROPERTY SERVICES								
Property	Asset Management	Horizon scanning			10	0		
HOUSING								
Housing	Gypsies and Travellers (Requirements of the Housing Act 2014) (YM29)	Corporate Risk Register	B2	C2	0	0	Reasonable Assurance	April 2019 (2018/19)
Housing	Welfare Reform – Universal Credit and Housing Rent Income (YM 10)	Corporate Risk Register	B2	C2	0	7.75	Reasonable Assurance	April 2019 (2018/19)
	Welfare Reform – Homelessness (YM10)				10	1.25	Work in progress	December 2019 (Target)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
ADULT SERVICES								
Adults	Continuous Healthcare	Horizon scanning	n/a	n/a	10	0		
LEARNING								
Learning	Schools Modernisation (YM15)	Corporate Risk Register	C2	C2	20	0		
	TOTAL AUDIT DAYS				314⁴	40		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)								
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4Action			60	27.75		
	General Counter Fraud Work, National Fraud Initiative (NFI)				30	2		
	Referrals				40	0.5		
	Closure of Previous Year's Work				13	13		

⁴ Previously 420 days

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
	Grant Certification:							
	Local Authority Education Grant (incorporating School Uniform Grant; Minority Ethnic and Gypsy Roma and Traveller Learners Support; Teachers Pay Award and Pressures; and Additional Free School Meals)	Grant Requirement			20	0		December 2019 (Target)
	Rent Smart Wales Grant					1.75	Substantial Assurance	September 2019 (2019/20)
	Education Improvement Grant					0	Not required	n/a
	Pupil Development Grant					3.25	Substantial Assurance	September 2019 (2019/20)
	Sixth Form & Adult Continuing Learning					0		December 2019 (Target)
	Corporate consultancy						50	28.5
	Audit & Governance Committee, including training for members and self-assessment				60	19.25		
	Management Review				50	9		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 11/08/19	Notes / Assurance Rating	Date of Reporting to Committee
	Contingency				0	0		
	TOTAL				323⁵	105		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)								
	Risk & Insurance				24	10		
	General Administration				40	16		
	Personal Development & Review, 121 & Team Meetings				25	3		
	Management, including liaison with External Audit and audit plan preparation				48	15.5		
	Leave, including annual, statutory, special and sick leave				426 ⁶	246.75		
	Training and Development for staff				100	38.5		
	TOTAL				663⁷	330		
	TOTAL RESOURCE REQUIREMENT				1300	475		
	RESOURCE AVAILABLE				1300	475		
	RESOURCE SHORTFALL				0	0		
	PRODUCTIVITY				50%⁸	31%		

⁵ Previously 440 days

⁶ Previously 182 days

⁷ Previously 440 days

⁸ Previously 67%