ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	11 February 2020
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 19 January 2020 on:

- Internal Audit reports issued since 10 November 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.

Managing the risks of Brexit
January 2020

Business Continuity
January 2020

Direct Payments
First Follow Up
December 2019

Schools Information Governance Health Check
First Follow Up
October 2019

Final Internal Audit Report & Action Plan
Marion Pryor BA MA CMIIA CPFA
Bethan Edwards BSc (Hons) FCCA

Primary Schools Themed Audit – Income Collection
First Follow Up
December 2019

Final Internal Audit Report & Action Plan
Marion Pryor BA MA CMIIA CPFA
Jemma Robinson BSc (Hons) CIPFA (Affil)

Governance Review at Ysgol Kingsland
First Follow Up
January 2020

Final Internal Audit Report & Action Plan
Marion Pryor BA MA CMIIA CPFA
Siân Alaw Jones BSc Econ ACCA

INTERNAL AUDIT UPDATE
FEBRUARY 2020

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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.

2. Members of the committee and the relevant portfolio holder have received full copies of the reports separately.

3. We have finalised **two** reports in the period, summarised below:

Title	Assurance Level	Critical	Major	Moderate	Total
Managing the Risks of Brexit	Reasonable Assurance	0	0	0	0
Business Continuity Planning	Reasonable Assurance	0	3	1	4

Managing the Risks of Brexit

	Issues/Risks	
Reasonable Assurance	0	Critical
	0	Major
	0	Moderate

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

    Does the council have robust systems in place to respond to the UK's withdrawal from the EU (Brexit) so that the Council can mitigate any negative impact?

5. Overall, our review concludes that the council has effective governance arrangements in place to recognise, assess and manage the potential risks associated with the UK's withdrawal from the EU.

6. We are therefore able to provide **'Reasonable'** assurance of the governance, risk management, and control of this area. We did not raise any 'Issues/Risks' for management attention.

Business Continuity Planning

Reasonable Assurance	Issues/Risks	
	0	Critical
	3	Major
	1	Moderate

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

    Does the council have robust systems in place to respond to emergencies and/or disruptions so that it can continue to deliver essential services?

8. While we have identified some areas for improvement in the council's overall business continuity framework, our review concludes in the main that it is managing the risk in this area well, and has a number of effective controls in place to ensure the continuity of critical services following a major event or emergency.

9. We have raised four issues/risks that require management attention, three of 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 will monitor through our action tracking system.

FOLLOW UP OF INTERNAL AUDIT REPORTS

10. Currently, we follow up all reports with an assurance rating of 'Limited' or below, and others we wish to monitor going forward.

11. We have finalised **four** follow up reviews in this period, with the following outcomes. Further details of the work undertaken follow below:

Title of Audit	Review	Follow Up Concluded	Assurance Level	Critical	Major	Moderate	Total
Direct Payments	First Follow Up	December 2019	Reasonable	0	0	3	3
Schools Information Governance Health Check	First Follow Up	January 2020	Reasonable	0	0	10	10
Governance Review at Ysgol Kingsland	First Follow Up	January 2020	Substantial	0	0	1	1
Primary Schools – Income Collection	First Follow Up	January 2020	Limited	0	2	0	2

Direct Payments – First Follow Up

Original Report			Current Report		
	Issues/Risks			Issues/Risks	
Limited Assurance	0	Critical	Reasonable Assurance	0	Critical
	0	Major		0	Major
	5	Moderate		3	Moderate

12. We undertook a review of Direct Payments, issuing the final report in February 2019. We raised five 'Issues/Risks' which resulted in a 'Limited Assurance' rating.

13. Our follow up review in November 2019 concluded that the service has addressed two of the 'issues/risks' raised in the original report.

14. Three 'issues/risks' remain outstanding but are in progress of being addressed; up to date care and support plans, timely review of direct payment care and support packages, and evidence of agreement to care and support plan arrangements. However, we can confirm that the service has shown improvement in the level of compliance and / or undertaken work to address these issues/risks.

15. There has been a concerted focus within the service to ensure consistent and accurate record keeping and increased use of alerts and notifications on the system. The service reported that further work is required to fully embed and expand the system to improve case and workflow management and further improve efficiency and effectiveness, to aid decision-making and drive service improvement.

16. Where work is in progress and this has reduced the likelihood of the risk, we have reflected this in the risk rating. We have therefore been able to increase the assurance provided to **'Reasonable'**.

Schools Information Governance Health Check – First Follow Up

Original Report			Current Report		
Not Applicable	Issues/Risks		Reasonable Assurance	Issues/Risks	
	n/a	Critical		0	Critical
	n/a	Major		0	Major
	n/a	Moderate		10	Moderate

17. In June 2019, we commissioned the Strategic Risk Practice of Zurich Risk Engineering to conduct a health check of information governance and the embedding of the new General Data Protection Regulations (GDPR) requirements embedding across all the schools located on the island.

18. The Zurich Municipal review identified 11 action areas, with two of them rated 'High', eight 'Medium' and one 'Low'. These did not correlate with our ratings and therefore a comparison was not possible.

19. The Learning Service appointed a School Data Protection Officer (DPO) in August 2019 who is actively in the process of addressing the remaining 10 action areas, which we have rated as 'moderate' risks. With the appointment of the Schools DPO and the work that is currently in progress, we are able to provide **'Reasonable'** assurance for the risk management, governance and control of GDPR within schools.

Governance Review at Ysgol Kingsland – First Follow Up

Original Report			Current Report		
Not Applicable	Issues/Risks		Substantial Assurance	Issues/Risks	
	n/a	Critical		0	Critical
	n/a	Major		0	Major
	n/a	Moderate		1	Moderate

20. We undertook a governance review during 2018/19 following the receipt of a complaint regarding the relationship between Ysgol Kingsland and Caban Kingsland Ltd. The review discovered no declarations of conflicts of interests, poor record keeping and weak governance arrangements in the running of the school and the School Fund.

21. Of the eight recommendations made, the School has implemented four and partially implemented three recommendations. We did not review one recommendation as it falls under the responsibility of the Learning Service and we will review it as part of the Management of School Unofficial Funds audit. It is therefore our opinion that there is good progress in implementing the recommendations. We are therefore able to provide **'Substantial'** assurance of the governance in this area.

Primary Schools – Income Collection – First Follow Up

Original Report				Current Report		
Limited Assurance	0	Critical		Limited Assurance	0	Critical
	2	Major			2	Major
	1	Moderate			0	Moderate

22. We undertook a review of Primary School Income Collection in 2018/19 and issued a final report in October 2018. This resulted in a 'Limited Assurance' rating, with three issues/risks raised and a number of actions agreed to address them.

23. Our follow up review has found that although much work has been undertaken and progress has been made in addressing the issues/risks originally raised, in many cases, it has been insufficient to fully address the issue/risk. Timescales originally proposed for some of the management actions were unrealistic, considering the number of departments and work involved. This, coupled with staffing issues across a number of departments, has meant a number of these actions are still outstanding. In addition, the new Primary Senior Manager post will need to approve the new process, and the Learning Service is yet to appoint to this post.

24. In the process of our follow up review, we concluded that some of the management actions originally proposed, even if fully implemented, would not wholly address the issue/risk raised. We have therefore discussed with management and agreed further actions to address the issue/risk raised in full.

25. Consequently, the assurance rating has remained as 'Limited'. We will therefore revisit the action plan in September 2020.

26. In accordance with our protocol of issuing full 'Limited Assurance' reports to members of the Committee, the details of the 'Issues/Risks' and the actions proposed to address them, are included in a separate report.

Follow Ups in Progress

27. We have no follow ups of reports with a 'Limited Assurance' rating currently in progress.

Follow Ups Scheduled

28. Currently, we have **three** follow ups scheduled for the next financial 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
System Controls – Logical Access and Segregation of Duties	Fourth Follow Up	~~Jul 19~~ April 2020[1]	**Limited**	0	3	2	5
Sundry Debtors	Third Follow Up	May 2020	**Reasonable**	0	1	7	8
Primary Schools – Income Collection	Second Follow Up	September 2020	**Limited**	0	2	0	2

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[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 currently in progress, with an expectation that it will be complete by March 2020.

ADDRESSING 'ISSUES/RISKS'

29. The Committee can take assurance that there are no High or Red 'issues/risks' currently outstanding. In addition, we have reported at each meeting over the last couple of years a continued improvement in the performance of the council in addressing outstanding 'issues/risks', with the overall implementation percentage for High/Red/Amber 'issues / risks' at 94% as at December 2019.

30. Progress with implementing the new and upgraded version of the action tracking system is now moving on at pace, following the resolution of an IT compatibility issue. We have now completed the data cleanse of circa 200+ historic records and the software provider is currently in the process of migrating the remaining data to the new upgraded system.

31. We have also recently met with the software provider to reconfigure the new system to take advantage of the extra functionality it provides, and to write a suite of performance reports that will assist us, and managers, to monitor outstanding 'issues / risks'. A dashboard will include the functionality to provide widgets for managers to display a snapshot of the information they find most useful. We will work with managers to set up these widgets for them.

32. We anticipate that we will be in a position to issue the first report from the new system to the Committee at its next meeting, in April 2020. However, going forward, we hope to make the report interactive, to increase the value of the information we provide to the members of this Committee.

PROGRESS IN DELIVERING THE INTERNAL AUDIT OPERATIONAL PLAN 2019/20

33. The Operational Plan for 2019/20 is at Appendix A.

34. Work is in progress on the following audits:

- Financial Resilience

- Welfare Reform – Homelessness

- Leavers' Process

- Managing the Risk of Fraud

- Recovering Council Debts

35. We have delayed the audit of the Management of School Unofficial Funds at the request of the Director of Education, Skills and Young People until we can meet with head teachers at their Primary and Secondary School cluster meetings, in January and February 2020, respectively.

36. We have concluded the audit of IT Resilience, but we are working with the Senior Leadership Team to develop an Action Plan to address the 'Issues / Risks' identified.

37. Progress with concluding audits has been hampered by the loss of two members of the team, effectively reducing the resource by 118 days. The plan has been amended accordingly and a recruitment process is currently underway.

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 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
CORPORATE								
Corporate	Business Continuity (YM9)	Corporate Risk Register	C2	C2	15	15	**Reasonable Assurance**	**February 2020 (2019/20)**
Corporate	Corporate Safeguarding (YM11)	Corporate Risk Register	C2	D2	18	18	**Reasonable Assurance**	**December 2018 (2018/19)**
							Reasonable Assurance	**September 2019 (2019/20)**
	CONTEST (Countering Terrorism and Preventing Radicalisation)[2] (YM11)	Corporate Risk Register			0	0	**Reasonable Assurance**	**April 2019 (2018/19)**
Corporate	Corporate Planning (YM13)	Corporate Risk Register	D2	D3	0	0	Deleted	
Corporate	Financial Resilience (YM41)	Corporate Risk Register	A1	B2	17	3.25	Work in progress	April 2020 (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 19/01/20	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		10	10	**Reasonable Assurance**	**February 2020 (2019/20)**
Corporate	Leavers' Process	Concerns raised			30	21.5	Work in progress	April 2020 (Target)
Corporate	Risk Management	PSIAS requirement			0	0	**Managed**	**February 2019 (ZRE) (2018/19)**
Corporate	Managing the Risk of Fraud	PSIAS requirement			20	4	Work in progress	April 2020 (Target)
Corporate	Culture – Protecting Reputation and the Use of Social Media	Horizon Scanning			0	0	Deleted	
RESOURCES								
Resources	Recovering Council Debts	Key Financial System – S.151 concerns			20	2.5	Work in progress	April 2020 (Target)

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[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 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
Resources	Corporate Procurement (YM22)	Corporate Risk Register	B2	D2	0	0	**Reasonable Assurance**	**December 2018 (2018/19)**
Resources	Corporate Procurement Cards	Concerns raised			15	0		
Resources	Payroll	Key Financial System - restructure and new system; external audit assurance			0	0	Postponed until 2020/21	
TRANSFORMATION								
ICT	IT Audit - Cyber Security (YM28)	Corporate Risk Register	B1	C1	0	0	**Reasonable Assurance**	**February 2019 (2018/19)**
ICT	IT Audit - IT Resilience (YM38)	Corporate Risk Register	C1	D2	15	12.75	Work in progress	April 2020 (Revised Target)
Human Resources	Sickness Absence (YM23)	Corporate Risk Register	A2	D3	0	0	Deleted	
Human Resources	Recruitment & Retention (YM5)	Corporate Risk Register	B2	C2	0	0	**Reasonable Assurance**	**April 2019 (2018/19)**
Human Resources	Workplace Culture – Discrimination and Staff Inequality	Horizon Scanning			0	0	Deleted	

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
REGULATION & ECONOMIC DEVELOPMENT								
Regulation & Economic Development	Infrastructure projects (YM17)	Corporate Risk Register	B2	D2	12	0		
Regulation & Economic Development	Leisure Services - Investment in Facilities (YM32)	Corporate Risk Register	B2	B3	15	0		April 2020 (Target)
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			0	0	Deleted	
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	8	8	**Reasonable Assurance**	**April 2019 (2018/19)**

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
	Welfare Reform – Homelessness (YM10)		🟥	🟧	15	4.5	Work in progress	April 2020 (Revised Target)
ADULT SERVICES								
Adults	Continuous Healthcare	Horizon scanning	n/a	n/a	0	0	Postponed until 2020/21	
LEARNING								
Learning	Schools Modernisation (YM15)	Corporate Risk Register	C2	C2	0	0	Postponed until 2020/21	
	TOTAL PROGRAMMED AUDIT DAYS				**219[4]**	**113.75**		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)								
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4action			100	93.75		
	General Counter Fraud Work, National Fraud Initiative (NFI)				10	8.75		

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[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 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
	Management of School Unofficial Funds	Proactive Counter Fraud			25	10	Work in progress	April 2020 (Target)
	Referrals				10	4.5		
	Closure of Previous Year's Work				13	13		
	Grant Certification:							
	Rent Smart Wales Grant	Grant Requirement			20	20	**Substantial Assurance**	**September 2019 (2019/20)**
	Pupil Development Grant						**Substantial Assurance**	**September 2019 (2019/20)**
	Pupil Development Grant – Looked After Children Allocation						**Substantial Assurance**	**December 2019 (2019/20)**
	Teachers Pay Award & Cost Pressures						**Substantial Assurance**	**December 2019 (2019/20)**
	Pupil Development Grant – Access						**Substantial Assurance**	**December 2019 (2019/20)**
	Ethnic Minority & Gypsy Roma Traveller Learners						**Substantial Assurance**	**December 2019 (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 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
	Additional Free School Meals Costs due to rollout of Universal Credit						**Reasonable Assurance**	**December 2019 (2019/20)**
	Corporate consultancy				70	66.25		
	Audit & Governance Committee, including training for members and self-assessment				50	38		
	Management Review				40	26.5		
	Contingency				0	0		
	TOTAL NON-PROGRAMMED AUDIT DAYS				**338**[5]	**280.75**		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)								
	Risk & Insurance				28	26.5		
	General Administration				48	42		
	Personal Development & Review, 121 & Team Meetings				18	11		
	Management, including liaison with External Audit and audit plan preparation				38	30.25		

[5] Previously 440 days

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 19/01/20	Notes / Assurance Rating	Date of Reporting to Committee
	Leave, including annual, statutory, special and sick leave				500[6]	497.75		
	Training and Development for staff				113	106.5		
	TOTAL				**745[7]**	**714**		
	TOTAL RESOURCE REQUIREMENT				**1302**	**1108**		
	RESOURCE AVAILABLE				**1302[8]**	**1108**		
	RESOURCE SHORTFALL				**0**	**0**		
	PRODUCTIVITY				**44%[9]**	**36%**		

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[6] Previously 182 days

[7] Previously 440 days

[8] Previously 1,300 days, increased to 1,420 due to secondment in October 2019, reduced in January 2020 due to vacancies

[9] Previously 67%