

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to:</b>	Audit and Governance Committee
<b>Date:</b>	25 July 2017
<b>Subject:</b>	Internal Audit Update
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<b>Nature and Reason for Reporting:</b> This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement. It also updates the Committee on progress made on specific items that the Committee has requested.	

## 1. Introduction

1.1. The report provides an update as at 11 July 2017 on:

- Internal Audit reports issued since 1 June 2017
- Follow up of previous Internal Audit reports
- Progress in delivering the Internal Audit Annual Plan 2017/18
- Specific updates requested by the Audit and Governance Committee

## 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.

## 3. Background

3.1. This is my second update report as the new Head of Audit and Risk. I am continuing to conduct a review of the internal audit service and its approach, including reporting formats. Therefore, this report format will likely change

following consultation with our stakeholders and, in particular, the Section 151 Officer and the Audit and Governance Committee.

- 3.2. We provide an opinion on the overall level of assurance for each individual internal audit assignment. This takes into account the expectations of senior management and other stakeholders and is supported with sufficient, reliable and relevant information. In reaching a conclusion, we use the following definitions:

### Definition of Assurance Rating

Level of Assurance	Definition	Management Intervention
<b>Substantial Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>good</b>.</p> <p>No significant or material errors were found.</p>	<p>No or only low impact management action is required.</p> <p>Findings, which are easily addressed by line management.</p>
<b>Reasonable Assurance</b>	<p>Arrangements for governance, risk management and/or internal control are <b>reasonable</b>.</p> <p>Some inconsistency in application and opportunities still exist to mitigate against further risks.</p>	<p>Management action of moderate to low impact is required.</p> <p>Findings are containable at service level.</p>
<b>Limited Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>limited</b>.</p> <p>There are gaps in the process that leave the service exposed to risks. Objectives are not being met or met without achieving value for money.</p>	<p>Management action of high to moderate impact is required.</p> <p>Findings that need to be resolved by heads of service and SLT may need to be informed.</p>
<b>Minimal Assurance</b>	<p>Arrangements for governance, risk management and internal control are <b>significantly flawed</b>.</p> <p>Key controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls and errors and omissions have been detected.</p>	<p>High impact management action is required in a number of areas.</p> <p>Weaknesses in control that require the immediate attention of SLT, with possible Executive intervention.</p>

## 4. Internal Audit reports recently issued

- 4.1. This section provides an overview of recent Internal Audit reports, including the overall Assurance Rating and the number of Recommendations raised in the report's action plan.
- 4.2. We have finalised three reports in the period, all grant certification work, with 'Substantial Assurance' ratings.

### Rent Smart Wales Grant 2016/17 – Grant Certification

<b>Substantial Assurance</b>	<b>Risks / Issues</b>	
	<b>0</b>	<b>Catastrophic</b>
	<b>0</b>	<b>Major</b>
	<b>0</b>	<b>Moderate</b>
	<b>0</b>	<b>Minor</b>

- 4.3. The Welsh Government awarded a grant of £12,916 for 2016/17. The purpose of the funding is to enable or support the delivery of activities related to the implementation of Rent Smart Wales.
- 4.4. To comply with the relevant terms and conditions of grant an audit certificate must be signed by the organisation's internal auditor by 30 September 2017. We designed our review to satisfy grant requirements and to provide assurance that clear accounting records are maintained identifying all income and expenditure in relation to the grant.
- 4.5. From our review of the grant controls and records, we could provide assurance that adequate and proper controls and records had been maintained in respect of the grant for 2016/17.
- 4.6. We were also able to confirm that the expenditure claimed was eligible in line with the terms and conditions of the grant and had been fairly stated in the accounts of the Council and in the claim submitted to the Welsh Government.
- 4.7. We made no recommendations.

## Education Improvement Grant 2016/17 – Grant Certification

<b>Substantial Assurance</b>	<b>Risks / Issues</b>	
	<b>0</b>	<b>Catastrophic</b>
	<b>0</b>	<b>Major</b>
	<b>0</b>	<b>Moderate</b>
	<b>0</b>	<b>Minor</b>

- 4.8. The Welsh Government provides the Education Improvement to support its strategic aims including seeking to ensure that all learners benefit from excellent teaching and learning. The grant aims particularly to improve educational outcomes for all learners and to reduce the impact of deprivation on learning outcomes.
- 4.9. The Welsh Government allocates the grant on a regional basis; the Council is part of GwE – the Regional School Effectiveness and Improvement Service for north Wales, which was awarded Education Improvement Grant funding for 2016/17. Gwynedd County Council, the lead authority, distributes the grant within the partnership and is responsible for submitting the grant claims on behalf of the partner local authorities. The Council was allocated a grant of £3.1m for 2016/17.
- 4.10. As part of the grant terms and conditions, an audit expenditure certification is required. The certificate must confirm that the Council allocated the funding for the purposes of the grant, in line with the grantors' terms and conditions of funding and in line with the Council's existing compliance and audit requirements.
- 4.11. From the review of the grant controls and records, we can provide assurance that the Council maintains adequate and proper controls and records for the Education Improvement Grant for the period 2016/17.
- 4.12. We were also able to provide assurance that the expenditure recorded in relation to the grant was eligible in accordance with grant terms and conditions and was fairly stated in the accounts. The Finance Service has established monitoring processes to adequately and accurately monitor expenditure incurred in relation to the grant and all income received in relation to this grant has been accounted for in the financial ledger.
- 4.13. We did not raise any recommendations.

## Pupil Deprivation Grant 2016/17 – Grant Certification

<b>Substantial Assurance</b>	<b>Risks / Issues</b>	
	<b>0</b>	<b>Catastrophic</b>
	<b>0</b>	<b>Major</b>
	<b>0</b>	<b>Moderate</b>
<b>0</b>	<b>Minor</b>	

- 4.14. The Welsh Government allocated a grant of £1.6m for 2016/17 to the Council.
- 4.15. From our review of the grant controls and records, we can provide assurance that the Council maintains adequate and proper controls and records in respect of the grant for 2016/17.
- 4.16. We are also able to 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 Council and the claim submitted to the Welsh Government.
- 4.17. We did not raise any recommendations.

### 5. Follow up of previous Internal Audit reports

- 5.1. Currently, we follow up all reports with an assurance rating of 'Limited' or below.
- 5.2. We are currently compiling a report of the performance in implementing all outstanding recommendations, which we will present to the next Audit and Governance Committee in September 2017.
- 5.3. We have finalised one follow up review in this period.

## Corporate Safeguarding – First Follow Up (July 2017)

Reasonable Progress		Original Recommendations <sup>1</sup>	Outstanding Recommendations <sup>2</sup>
	Catastrophic		
	Major	7 (High)	
	Moderate	25 (Medium)	6
	Minor		2

- 5.4. We undertook a review of the Council's Corporate Safeguarding Arrangements in September 2016, which resulted in a 'Limited Assurance' rating.
- 5.5. We have assessed five High priority recommendations and 18 Medium priority recommendations as implemented for the purposes of this review.
- 5.6. One High priority recommendation relating to ethical procurement has been addressed in subsequent Internal Audit reviews and monitoring of its implementation will be undertaken during the follow up of these reviews.
- 5.7. The agreed date for implementing four Medium priority recommendations has not yet been reached. Management is in the process of implementing all remaining recommendations.
- 5.8. We will undertake a further follow up review during October 2017 to monitor the progress of implementing the management actions.

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

- 6.1. The audit team is busy and work is currently ongoing in 12 areas:

Area of Review	Current Stage	Current Status
Ethical Culture (2016/17 slippage)	Draft report issued 24/05/17	Waiting for a response from services
Housing Benefits (2016/17 slippage)	Fieldwork	Waiting for information from the service

<sup>1</sup> Categorized as High, Medium and Low

<sup>2</sup> Re-assessed according to the Council's risk management framework

Area of Review	Current Stage	Current Status
Corporate Procurement (2016/17 slippage)	Draft report	Discussing the actions to implement the recommendations with management
Data Protection and Information Governance – Readiness for the new General Data Protection Regulations	Meeting Head of Function to agree scope on 18/07/17	On track
Trading Standards – Civil Registrations	Scope agreed and issued – fieldwork commenced 30/06/17	On track
Council Tax and NNDR	Scope agreed and issued – fieldwork commenced 10/07/17	On track
Sundry Debtors	Scope agreed and issued – fieldwork commenced 10/07/17	On track
School Transport	Discussing draft report and recommendations with service	On track
Creditors	Working papers being prepared	On track
Licensing Services	Scope agreed and issued – fieldwork commenced 30/06/17	On track
Supporting People Programme	Scope and working papers being prepared	On track
Programme / Project Management	Scope and working papers being prepared	On track

- 6.2. The Head of Audit and Risk will review and amend the Annual Plan during the year to ensure the coverage remains relevant and risk-based. Changes will be reported to the Audit and Governance Committee at each meeting.

## **7. Updates requested by the Audit and Governance Committee**

- 7.1. At its meeting of 28 June 2017, the Committee requested a progress update on the Housing Service issues discussed during the meeting. Due to the time between meetings, a verbal update will be provided.