

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	27 JULY 2015
TITLE OF REPORT:	PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL TO 30 JUNE 2015
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	INTERIM AUDIT MANAGER
ACTION:	N/A

1. INTRODUCTION

1.1. This committee's terms of reference, approved in May 2015, requires them to "review progress in delivering the Internal Audit Plan and Internal Audit Strategy through the receipt and consideration of quarterly progress reports from the Chief Audit Executive" (in this context the Interim Audit Manager).

1.2. I have prepared this report in response to that requirement.

2. PROGRESS MADE IN DELIVERING THE AGREED PLAN

2.1. The Operational Audit Plan for 2015-16 was presented to and accepted by the Audit Committee at its meeting held on 23 February 2015.

2.2. The table below shows the progress we have made in delivering that work.

Area for review	Status
ICT disaster recovery	Draft report issued
Business continuity	Draft report issued
Information governance	Work in progress
Risk management framework	Fieldwork complete
Partnerships – governance and performance	Work in progress
Market administration and rents income	Fieldwork complete
Fleet management	Work in progress

2.3. Progress has been hampered to a degree by a higher than expected level of sickness within the audit team and the fact that the team is carrying 2 vacancies. The audit resource issue looking forward is addressed elsewhere on your agenda under the strategic audit plan item.

3. FINAL REPORTS ISSUED SINCE 1 APRIL 2015

3.1. The table below records the final reports which we have issued since 1 April 2015.

Area reviewed	Audit plan year	Date report issued	RAG assurance rating
Cash receipting system	2014 - 15	01/04/15	Green
Sundry debtors	2014 - 15	01/04/15	Red/amber
Council Tax	2014 - 15	01/04/15	Green/amber
NNDR	2014 - 15	01/04/15	Green/amber
Housing benefit	2014 - 15	01/04/15	Green/amber
Housing rents	2014 - 15	07/04/15	Green
Bryn Trewan	2014 - 15	06/05/15	None – work was advisory
ESF Grant Certification	2015 - 16	12/05/15	None - certification work only
Treasury management	2014 - 15	18/05/15	Green
Payroll	2014 - 15	21/05/15	Green/amber
Main accounting system	2014 - 15	16/06/15	Green/amber

3.2. RAG assurance ratings used during 2014-15 are defined as:

Rating	Definition
Green	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.
Green Amber	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
Red Amber	Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.
Red	Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

3.3. For your information we have introduced new assurance level definitions for 2015/16 that are clearer and more precise and bring into play the priority of recommendations made. They are:

ASSURANCE LEVEL	DEFINITION
SUBSTANTIAL ASSURANCE	<p>Arrangements for governance, risk management and internal control are good.</p> <p>No or only low impact management action is required.</p> <p>No high and a maximum of 2 medium priority recommendations are made.</p>
REASONABLE ASSURANCE	<p>Arrangements for governance, risk management and/or internal control are reasonable.</p> <p>Management action of moderate to low impact is required</p> <p>No high priority recommendations are made.</p>
LIMITED ASSURANCE	<p>Arrangements for governance, risk management and internal control are limited.</p> <p>Management action of high to moderate impact is required.</p> <p>A number of high and/or medium priority recommendations are made.</p>
MINIMAL ASSURANCE	<p>Arrangements for governance, risk management and internal control are significantly flawed.</p> <p>High impact management action is required in a number of areas.</p> <p>A significant number of high priority recommendations are made.</p>

3.4. At the same time we have introduced, for the first time, definitions of the priorities used for recommendations made. They will assist in improving consistency within the audit team and help the level of understanding by the report recipient. They are:

RECOMMENDATION PRIORITY	DEFINITION
HIGH	<p>Significant action required relating to the absence of or non-compliance with fundamental control processes creating the potential for significant governance issues, malpractice, risk or error to go undetected.</p>
MEDIUM	<p>Important action required to bring the internal control system up to an acceptable standard or eliminate an unacceptable level of non-compliance with an existing control process.</p>
LOW	<p>Action which would improve the internal control in general but which is not vital to the overall control system.</p>

3.5. I am required to report to this committee the outcomes of any audit review resulting in a red assurance rating (which will now become a minimal assurance rating). I can confirm that for the period under review no red/minimal assurances were issued.

3.6. I can provide, in confidence, any individual final report to members of this committee on request.

4. IMPLEMENTATION OF AGREED AUDIT RECOMMENDATIONS

4.1. It has been past practice to include in this report data regarding the implementation status of high and medium priority recommendations and it had been my intention to continue that practice.

4.2. However, having explored the basis upon which that information has been compiled, I am not confident that I can produce data which is a true reflection of the state of play.

4.3. I am of the opinion that work needs to be done to improve the process for collecting the data concerning agreed recommendations raised and how progress in implementation is monitored, in order to be able to report accurately to the Senior Leadership Team and this committee in the future.

4.4. However, I want to emphasise the fact that the implementation of agreed audit recommendations is the responsibility of management not internal audit. Our responsibility is just to report the status position.

5. SIGNIFICANT CHANGES TO THE APPROVED PLAN

5.1. A report elsewhere on your agenda seeks approval to a strategic audit plan for the next 3 years. This will bring significant changes to the existing Operational Audit Plan for 2015 – 16 and beyond. The reasons for this changed approach are explained in that report.

**RICHARD SADLER
INTERIM AUDIT MANAGER
14 JULY 2015**