

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Audit and Governance Committee
Date:	3 December 2019
Subject:	Internal Audit Update
Head of Service:	Marc Jones Director of Resources and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Report Authors:	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
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 10 November 2019 on:

- Internal Audit reports issued since 11 August 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 DECEMBER 2019

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

MarionPryor@YnysMon.gov.uk

01248 752611



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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 **four** reports in the period, summarised below:

Title	Assurance Level	Critical	Major	Moderate	Total
Grant Final Report - Pupil Development Grant - Looked After Children Allocation	Substantial Assurance	0	0	0	0
Grant Final Report - Teachers Pay Award & Cost Pressures	Substantial Assurance	0	0	0	0
Grant Final Report - Pupil Development Grant - Access	Substantial Assurance	0	0	0	0
Grant Final Report - Ethnic Minority & Gypsy Roma Traveller Learners	Substantial Assurance	0	0	0	0
Grant Final Report - Additional Free School Meals Costs due to rollout of Universal Credit	Reasonable Assurance	0	0	0	0

Grant Final Report: Pupil Development Grant – Looked After Children Allocation

	Issues/Risks	
Substantial Assurance	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.

- 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.
- 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.
- We did not identify any risks for management attention.

Grant Final Report: Teachers Pay Award & Cost Pressures

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

- 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.

- 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.
- 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.
- We did not identify any risks for management attention.

Grant Final Report: Pupil Development Grant – Access

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

11. 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.

12. 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.
13. 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.
14. We did not identify any risks for management attention.

Grant Final Report: Ethnic Minority & Gypsy Roma Traveller Learners

Substantial Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

15. 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.

16. 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.

17. 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.
18. We did not identify any risks for management attention.

Grant Final Report: Additional Free School Meals Costs due to rollout of Universal Credit

Reasonable Assurance	Issues/Risks	
	0	Critical
	0	Major
	0	Moderate

19. 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.

20. Our review concluded that we are able to provide reasonable assurance that the council has adequate and proper controls and records in respect of the grant for the period 1 April 2018 - 31 March 2019. In addition, we have verified that the expenditure claimed is eligible in line with the terms and conditions of the grant, and has been fairly stated in the accounts of the council and the claims submitted to the Welsh Government, subject to the amendments agreed with management.
21. We did not identify any risks for management attention.

FOLLOW UP OF INTERNAL AUDIT REPORTS

22. Currently, we follow up all reports with an assurance rating of 'Limited' or below, and others we wish to monitor going forward.
23. We have finalised **one** follow up review in this period, with the following outcome. Further details of the work undertaken follow below:

Title of Audit	Review	Follow Up Concluded	Assurance Level	Critical	Major	Moderate	Total
Sundry Debtors	Second Follow Up	October 2019	Reasonable	0	1	7	8

Sundry Debtors

24. We undertook a review of Sundry Debtors during 2017/18 with the final report issued in November 2017. This resulted in a '**Limited Assurance**' rating, with 19 recommendations.
25. A follow up review in October 2018 concluded that while management had undertaken significant work and made progress in relation to a number of the issues/risks originally raised, 13 issues/risks remained outstanding and we were unable to increase the assurance level of the report from '**Limited Assurance**'.
26. Our follow up concluded that management have undertaken much work to address the issues/risks outstanding after the first follow up. We can confirm that segregation of duties are now in place in Adult Services' Client Finance team and there are specific recovery and write off procedures for Home Care debts. The Revenue and Benefits Service Manager issued a specific sundry debtor procedural policy to Heads of Service in July 2019. The amended policy resolves some of the issues/risks that the initial audit identified, and the Revenues and Benefits Service Manager has made changes to reflect current practice.
27. The Income Section has now filled the post it was advertising during the first follow up review and the section has made progress with offering various methods of payment, with the intention of reducing the amount of debtor invoices that it raises. This process is ongoing and in time will release staff to work on other areas, such as debtors. However, the Section continues to remain significantly reliant on one member of staff, which will continue until they further streamline and automate processes, and knowledge transfer and delegation improves.
28. Responsibility for the full debtor reconciliations has now been determined and work has progressed in this area. Although not carried out on a monthly basis, the Income Team Leader has assured us this is achievable. The time taken to raise and authorise debtor accounts has improved and is now in line with policy guidance. However, we found some instances that fall outside the targets in the guidance. Recovery times have significantly improved since our last follow up and are now in accordance with the policy guidance.
29. Of the 13 issues/risks outstanding after the first follow up in October 2018, five have now been addressed, leaving eight in progress of being addressed, of which one has had its completion date extended and is not yet due. 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**'. However, in light of the number of issues/risks that remain

outstanding and the potential impact these would have in this area, we will formally follow up the action plan again in May 2020.

Follow Ups in Progress

30. We have **two** follow ups of reports with a '**Limited Assurance**' rating currently in progress, with a further follow up of a health check conducted by an external consultant, for which an assurance rating was not provided:

Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
Primary Schools – Income Collection	First Follow Up	Jun-19 ¹	Limited	0	2	1	3
Direct Payments	First Follow Up	Sep-19	Limited	0	0	5	5
Schools Information Governance Health Check	First Follow Up	November 2019	Not applicable	n/a	n/a	n/a	n/a

Follow Ups Scheduled

31. Currently, we have **two** follow ups scheduled for the next six months. These may be added to dependent on the assurance provided for reviews we conduct throughout the year:

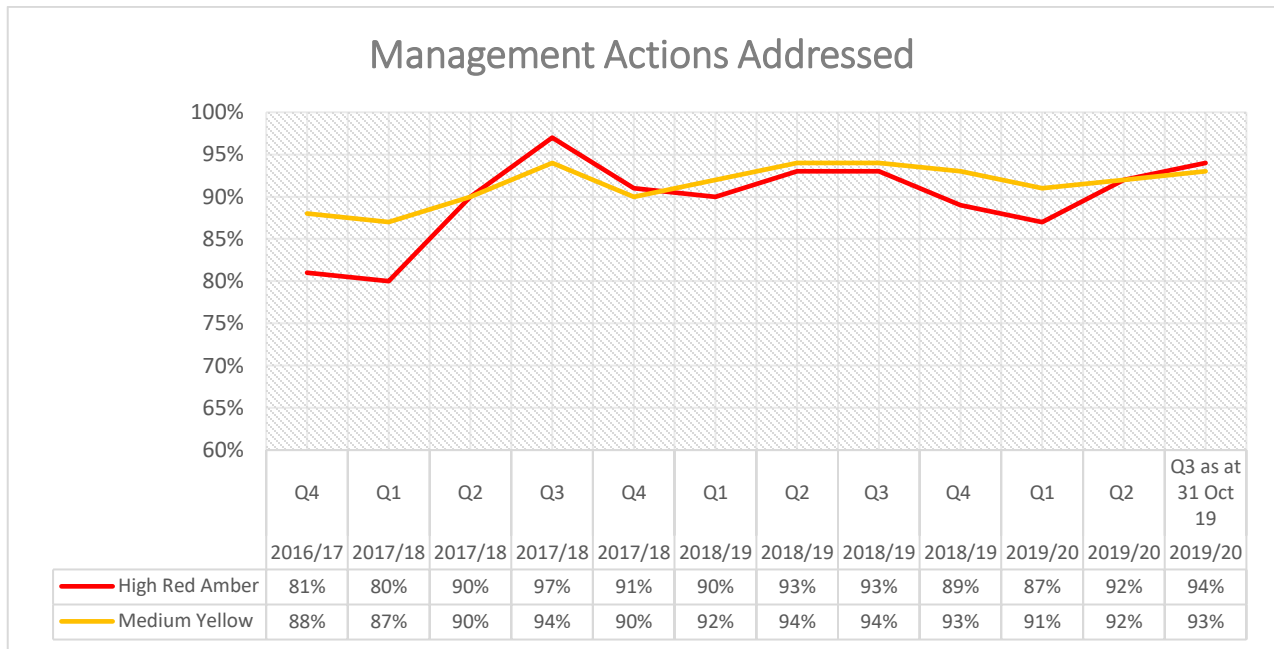
Title of Audit	Review	Date of Follow Up	Assurance Level	Critical	Major	Moderate	Total
System Controls – Logical Access and Segregation of Duties	Fourth Follow Up	Jul-19 April 2020 ²	Limited	0	3	2	5
Sundry Debtors	Third Follow Up	May 2020	Reasonable	0	1	7	8

¹ Follow up delayed due to maternity leave of officer responsible for implementing management actions and recruitment of the new Director of Education, Skills and Young People, Lifelong Learning.

² 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'

32. The graph and table below highlights management performance in addressing 'issues/risks' and implementing actions.



33. There are no High or Red 'issues/risks' currently outstanding, and performance in addressing Amber rated 'issues/risks' has improved since our last update to the Committee on 3 September, with the overall implementation percentage for High/Red/Amber 'issues/risks' at 94%. This is in part a consequence of the Sundry Debtors follow up, as detailed earlier in the report, where three amber-rated 'issues/risks' were either fully implemented or we re-scored at a lower risk rating following work to address the risk.
34. There has also been an improvement in performance in addressing outstanding Medium/Yellow risks. This has resulted in an overall reduction of outstanding actions by six, spread across services. Three of which were long-standing 'Medium' rated 'issues/risks', which now only leaves three of this old rating outstanding, relating to schools.
35. Progress with implementing the new and upgraded version of the action tracking system has been hampered by an IT compatibility issue, which has only recently been resolved. We are now working with the software provider to reconfigure the new system to take advantage of the extra functionality it provides, and to cleanse the historical data before going live with the new system.

PROGRESS IN DELIVERING THE INTERNAL AUDIT OPERATIONAL PLAN 2019/20

36. The Operational Plan for 2019/20 is at [Appendix A](#).

37. Work is in progress on the following audits:

- IT Resilience
- Business Continuity
- Welfare Reform - Homelessness
- Management of School Unofficial Funds
- Brexit
- Leavers' Process
- Managing the Risk of Fraud

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 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
CORPORATE								
Corporate	Business Continuity (YM9)	Corporate Risk Register	C2	C2	10	8.75	Work in progress	February 2020 (Revised Target)
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) ³ (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	12	0	Scoping in progress	April 2020 (Target)

³ 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 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
Corporate	Information Governance (YM3)	Corporate Risk Register	B3	C3	0	0	Reasonable Assurance	December 2018 ⁴ (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	1.5	Scoping in progress	February 2020 (Target)
Corporate	Leavers' Process	Concerns raised			25	0.5	Scoping in progress	April 2020 (Target)
Corporate	Risk Management	PSIAS requirement			5	0	Managed	February 2019 (ZRE) (2018/19)
Corporate	Managing the Risk of Fraud	PSIAS requirement			20	0	Work in progress	April 2020 (Target)
Corporate	Culture – Protecting Reputation and the Use of Social Media	Horizon Scanning			10	0		
RESOURCES								
Resources	Recovery and Write-offs	Key Financial System – S.151 concerns			10	0		

⁴ 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 10/11/19	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			20	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	9.5	Work in progress	February 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			10	0		

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
REGULATION & ECONOMIC DEVELOPMENT								
Regulation & Economic Development	Infrastructure projects (YM17)	Corporate Risk Register	B2	D2	20	0.25		
Regulation & Economic Development	Leisure Services - Investment in Facilities (YM32)	Corporate Risk Register	B2	B3	15	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)

Service / Section	Title	Reason for Inclusion	Corporate Risk Rating (Inherent)	Corporate Risk Rating (Residual)	Revised Indicative Days 2019-20	Actual Days as at 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
	Welfare Reform – Homelessness (YM10)				10		Work in progress	February 2020 (Revised Target)
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				254⁵	56.5		
CHARGEABLE NON PROGRAMMED DAYS (PRODUCTIVE)								
	Follow Up Work	Several limited assurance reports requiring follow up, includes reporting and administering 4action			60	51.25		
	General Counter Fraud Work, National Fraud Initiative (NFI)				30	3		

⁵ 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 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
	Management of School Unofficial Funds	Proactive Counter Fraud			25	4		
	Referrals				20	3.5		
	Closure of Previous Year's Work				13	13		
	Grant Certification:	Grant Requirement			20	20		
	Rent Smart Wales Grant						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 10/11/19	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				60	51.75		
	Audit & Governance Committee, including training for members and self-assessment				60	31.75		
	Management Review				40	20		
	Contingency				60	0		
	TOTAL NON-PROGRAMMED DAYS				388⁶	198.25		
NON CHARGEABLE DAYS (NON-PRODUCTIVE)								
	Risk & Insurance				24	20.5		
	General Administration				40	28.75		
	Personal Development & Review, 121 & Team Meetings				25	7		
	Management, including liaison with External Audit and audit plan preparation				48	24.25		

⁶ 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 10/11/19	Notes / Assurance Rating	Date of Reporting to Committee
	Leave, including annual, statutory, special and sick leave				517 ⁷	409.75		
	Training and Development for staff				125	77.5		
	TOTAL				779⁸	568		
	TOTAL RESOURCE REQUIREMENT				1420	823		
	RESOURCE AVAILABLE				1420⁹	823		
	RESOURCE SHORTFALL				0	0		
	PRODUCTIVITY				46%¹⁰	32%		

⁷ Previously 182 days

⁸ Previously 440 days

⁹ Previously 1,300 days

¹⁰ Previously 67%