

ISLE OF ANGLESEY COUNTY COUNCIL		
<b>Report to:</b>	Governance and Audit Committee	
<b>Date:</b>	21 September 2021	
<b>Subject:</b>	Outstanding 'Issues/Risks'	
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<b>Nature and Reason for Reporting:</b> The Governance and Audit Committee's terms of reference provide a responsibility for it to monitor the implementation of agreed actions. This report provides an update on the status and detail of the outstanding risks that Internal Audit has raised.		

## 1. INTRODUCTION

- 1.1. In March 2020, the Council implemented a new and upgraded version of its action tracking system 4action. This has facilitated more effective monitoring and reporting on issues/risks identified during audit work.
- 1.2. We have developed a dashboard, which displays a real-time snapshot of current performance in addressing outstanding actions and facilitates effective tracking and reporting of this information. The Head of Audit and Risk regularly shares this dashboard with the Governance and Audit Committee as part of her internal audit update reports.
- 1.3. Prior to the upgrade of the 4action system, the Governance and Audit Committee received a report of all the outstanding 'Issues/Risks' twice a year. We presented the first detailed report to the Committee, outlining overall performance in addressing audit actions, since the implementation of the new 4action system on 20 April 2021. At this time, the Committee requested that a report of this nature be presented to them bi-annually. As such, this is the second, mid-year update report.

## 2. RECOMMENDATION

2.1. That the Governance and Audit Committee:

- notes the Council's progress in addressing the outstanding Internal Audit 'Issues/Risks'.
- determines whether the level of detail included in the report meets its assurance needs in this area.



# OUTSTANDING ISSUES / RISKS

SEPTEMBER 2021

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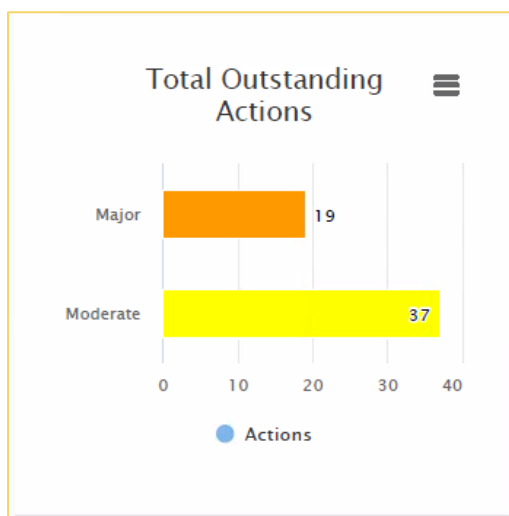
# INTRODUCTION

1. We are now into the second full year using the new and upgraded version of the Council's action tracking system 4action. We are pleased to report that the new system has proved very successful in improving our internal audit follow up and action tracking processes.
2. We have developed and refined our dashboard, which displays a real-time snapshot of current performance in addressing outstanding actions and facilitates effective tracking and reporting of this information. We continuously monitor 'overdue' actions and so are able to promptly obtain updates from management as to progress with addressing them.
3. We have also developed a bespoke service dashboard to assist Heads of Service and their management teams in monitoring and providing updates on their actions. We are currently piloting this with the Resources service and if successful will continue to roll out further across the Council during 2021-22. Unfortunately, the COVID-19 emergency has limited our ability to roll out the new 4action system to services and provide training etc. so that management are able to fully utilise its functionalities. As the pandemic subsides, we will resume this work.

## CURRENT PERFORMANCE

4. The following six graphs show the position of outstanding actions across the Council as at 31 August 2021. A detailed status update of all outstanding 'major' rated issues/risks is also shown at [Appendix 1](#). Inevitably, the impact of the COVID-19 emergency on some services has affected their ability to address their outstanding actions over the past year.
5. It should be noted that no 'Red' issues/risks were raised during the year and there are no Red 'issues/risks' currently outstanding.

1

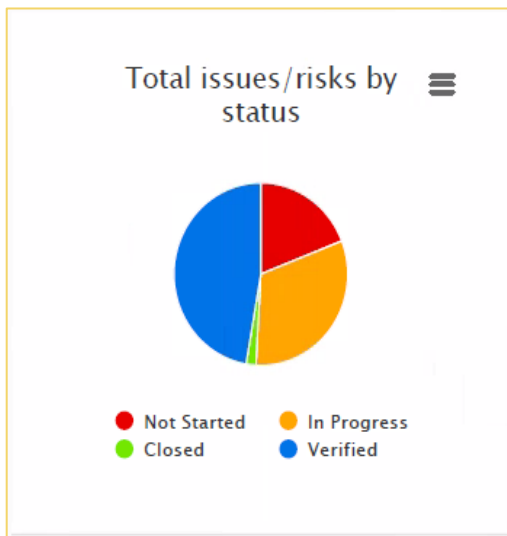


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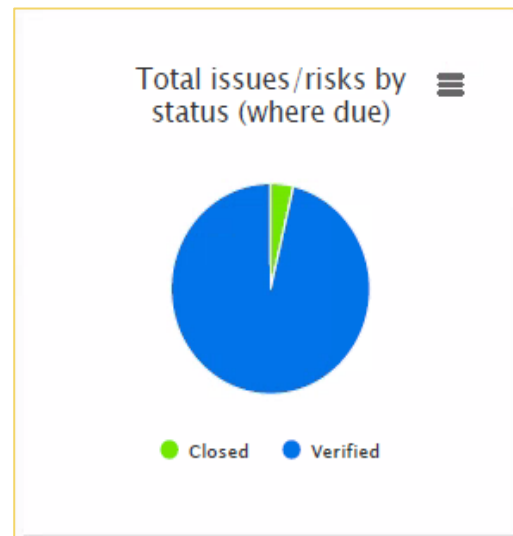


6. As at 31 August 2021, there are 56 outstanding actions being tracked in 4action. Of these 19 are rated 'major' (amber) and 37 'moderate' (yellow) in risk priority, as shown in graph 1.
7. We actively monitor all actions and pursue them with management when they become due to ensure they are addressed. At the time of writing, there are currently no actions that have reached their target date for completion and become 'overdue', as shown by the screenshot taken from the 4action dashboard, at figure 2.

3

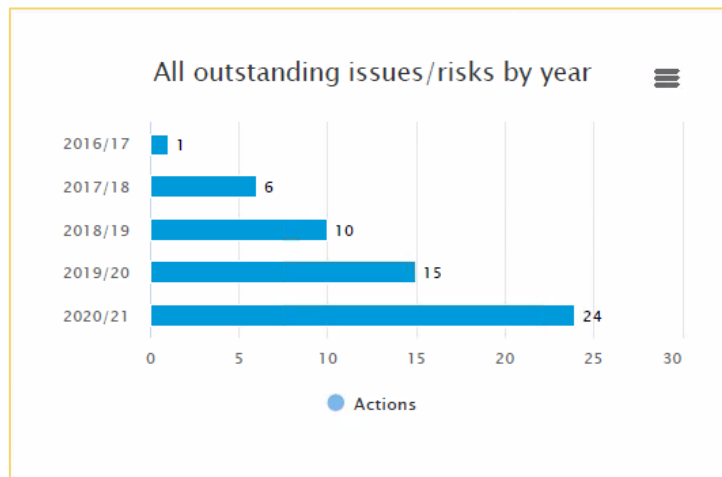


4



8. The graphs above show the current status of all actions i.e. whether they are 'in progress'; 'not started' or 'closed' if the action has been addressed. Internal audit verifies all 'closed' actions to ensure we are satisfied that the risk originally identified has been addressed by the action taken by management.
9. Graph 3 shows the status of all actions irrespective of the date management agreed to address them by. It shows that management have now addressed 49% of them. Internal audit have verified completion for 47% of these. The remaining 2% relate to actions from an audit of Payments Supplier Maintenance, which we will be following up formally in January 2022. We will verify completion of these actions during this piece of work.
10. Around 20% of the actions shown here as 'not started' on 4action, relate to two audits finalised towards the end of the 2020/21 financial year, namely, 'Payments - Supplier Maintenance' and 'Corporate Parenting Panel'. The issues/risks identified as a result of these audits have not yet reached the dates by which management agreed for their completion. When these dates approach, we will actively pursue updates from management to determine progress.
11. In contrast, Graph 4 shows the status of all actions that have reached their target date. It shows that where due, 100% have been addressed. Of these, Internal Audit have verified virtually all, however as detailed above, those that have yet to be verified relate to an audit of Payments Supplier Maintenance which will be followed up formally in the new year. We must note however, that we will on occasions extend target dates for some actions, but only if the service can demonstrate a legitimate reason for the extension e.g. it becomes clear that the original target date is unachievable, as significantly more work is needed to address the issue/risk. Due to the COVID-19 emergency, we have extended several target deadlines for services whose priority over the last 18 months has clearly been focussed on responding to the pandemic.

## 5



12. As detailed above, there are a total of 56 outstanding actions which have yet to be fully completed.
13. These are spread between 2016/17 and 2020/21. While the graph indicates the majority relate to the last two financial years, there is a single 'old' action, dating back to 2016/17 that has yet to be fully addressed by management. This relates to the requirement for services to provide assurance that their procurement activity is effective in the annual service challenge process. This is rated as 'moderate' or 'yellow' in risk priority, and work to address it is nearly complete with management assuring that it will be resolved in time for the next service challenge process in November 2021.
14. It should be noted that there are no 'major' or 'amber' rated issues/risks dating back further than 2019/20, as shown in graph 6 below. This demonstrates that management are prioritising addressing risks of higher risk priority.

## 6

Outstanding issues/risks rated as 'major' by year

Internal Audit Report	Count	
2019/20	7	
2020/21	12	

15. A detailed status update of all outstanding 'major' or 'amber' rated issues/risks currently being tracked in 4action is shown at [Appendix 1](#).
16. We will endeavour to pursue all outstanding actions to ensure completion.

## APPENDIX 1: OUTSTANDING 'MAJOR' RATED ISSUES/RISKS DETAILED STATUS

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Business Continuity	2019/20	January 2020	30/11/21	Reasonable	Our testing identified a lack of quality assurance activity over corporate and service business continuity plans and key documents.	Action 50% complete. Much of the work associated with addressing this issue/risk is dependent on the work outlined below regarding aligning service Business Continuity Plans with IT disaster recovery arrangements. Additional work by the regional emergency planning service to revise and standardise guidance and action cards is ongoing. However, this work has inevitably been impacted by the COVID 19 pandemic.
IT Resilience	2019/20	February 2020	30/09/21	Reasonable	There is a lack of continuity and co-ordination between the Council's corporate business continuity plans and the IT disaster recovery plan.	Action 80% complete. Work to align Corporate Business Continuity plans with IT Disaster Recovery plan is ongoing with services.
IT Resilience	2019/20	February 2020	30/09/21	Reasonable	The Council has included a list of 18 priority business applications and servers for recovery in the event of an IT related incident in its IT Disaster Recovery plan. However, the process for selecting these systems was done quickly in response to a recent IT incident, rather than formally in consultation with services.	Action 50% complete. Successful completion of this action is reliant on the work outlined above regarding aligning service Business Continuity Plans with IT disaster recovery arrangements to ensure mutual understanding of both recovery capabilities and criticality of systems.



Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
IT Resilience	2019/20	February 2020	30/09/21	Reasonable	There has not been any formal training for IT staff with regards their responsibilities in the event of an IT incident requiring invocation of the Disaster Recovery Plan.	<p>Action 75% complete. As part of a wider training change in IT and in response to the COVID 19 emergency, the IT Unit has subscribed to a technology e-learning platform, with the IT Management team assigned two courses for completion;</p> <ul style="list-style-type: none"> <li>Designing, Implementing and Maintaining a Disaster Recovery Plan</li> <li>Disaster Recovery Planning: Step by Step</li> </ul> <p>Progress in completing the training is underway, with relevant staff expecting to have completed both modules within the next 1-2 months.</p>
Financial Resilience	2019/20	April 2020	30/09/21	Reasonable	The Council's annual governance statement (AGS) includes an action plan to identify and address any weaknesses in the Council's governance arrangements. However, it does not clearly outline what the individual issues are, instead simply referencing broad governance areas. While it lists remedial actions, it is difficult to assess the effectiveness if the underlying problem is not clearly stated.	<p>Action 90% complete. The current AGS has been amended to reflect the current issues and will be submitted for final approval to the governance and audit committee in October 2021.</p>
Financial Resilience	2019/20	April 2020	31/12/21	Reasonable	Progress with undertaking an exercise to map sources of assurance to support the Council's governance framework and ensure it continues to receive adequate assurance provision across its services has been slow. This is particularly important in respect of services delivered via partnership, contract, and alternative service delivery models (ASDMs).	<p>Action 50% complete. A review of assurance mapping across the local government sector in Wales has been completed and in response to its findings, meetings of a group of Council wide officers to consider mapping assurances are currently being arranged.</p>

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Management of School Funds	2019/20	September 2020	30/09/21	Reasonable	The Learning Service does not obtain assurance that school funds are being independently audited. Our review identified that less than half of all schools have had their school funds independently audited on an annual basis.	<p>Action 87% complete. The Learning Service has now received audit certificates for all but one schools for the 2019/20 financial year, with the one outstanding currently in the process of being audited. They have also established arrangements and responsibility for ongoing monitoring of school fund audit certificates</p> <p>The internal audit service is currently undertaking a quality assurance exercise for all school fund audit certificates received to ensure they are of an appropriate standard.</p>
Payments - Supplier Maintenance	2020/21	January 2021	30/09/21	Limited	Procedure notes exist for the Payments Team - 'Guidance Notes for the Payments of Invoices (Creditors)'. However, they have not been updated for a number of years and do not include the process for checking and amending supplier bank details. The Finance Manager is currently in the process of updating them.	Formal follow up by Internal Audit scheduled for January 2022
Payments - Supplier Maintenance	2020/21	January 2021	30/09/21	Limited	There is no evidence that the Civica 'Alerter' report produced weekly, giving a list off all changes to supplier bank details is being checked back to the supporting documentation. Testing changes made to supplier accounts highlighted that there is a lack of documented records to confirm what changes were requested, by whom and if any checks were carried out to support the amendments.	Formal follow up by Internal Audit scheduled for January 2022

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Payments - Supplier Maintenance	2020/21	January 2021	31/12/21	Limited	Since the Council upgraded a server in September 2019, the payments system no longer accepts 'pdf' invoices directly and all must first be printed and then scanned, before uploading to the system. The issue of the scanners not being configured correctly following this upgrade has been raised with the IT department and remains unresolved. With the current Covid-19 pandemic uploading invoices is proving to be an issue as staff cannot do this remotely.	Formal follow up by Internal Audit scheduled for January 2022
Payments - Supplier Maintenance	2020/21	January 2021	31/12/21	Limited	The high volume of invoices raised without a supporting purchase order creates an unnecessary increase in the workload for the Payments team as well as being contrary to the Financial Procedure Rules, which requires a purchase order to be raised for all invoices other than recurring or utility invoices, before or at the time of ordering. Testing highlighted that a number of purchase orders were also raised retrospectively, i.e. after the invoice date.	Formal follow up by Internal Audit scheduled for January 2022
Payments - Supplier Maintenance	2020/21	January 2021	31/12/21	Limited	Staff in services are not raising purchase orders properly, i.e. inserting a separate line for each goods or services ordered which would enable each item to be marked as received individually. This would enable an invoice that arrives for only part of the order to be automatically matched and paid without the need for any intervention from the service or Payments team.	Formal follow up by Internal Audit scheduled for January 2022

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Corporate Parenting Panel	2020/21	January 2021	30/09/21	Reasonable	While the Chief Executive Officer chairs the Corporate Parenting Panel and the Director of Social Services co-ordinates and attends, there is not regular representation from senior leadership of other key services such as the Learning and Housing services. Nor does the panel currently have formal representation from the authority's looked after children.	Action 75% complete. The Learning and Housing service are now represented and fully embedded into the corporate parenting panel function. Work to ensure effective representation of the authority's looked after children is ongoing with partner organisation Voices from Care Cymru.
Corporate Parenting Panel	2020/21	January 2021	31/12/21	Reasonable	Despite being identified in 2017 as the necessary framework to enable and ensure the Council fulfils its corporate parenting responsibilities, the Council has not yet finalised and published its 'Looked After Children and Care Leavers Strategy'. Similarly, nor has the Council articulated its commitment or 'pledge' to its looked after children and young people, as also determined as a priority in 2017.	Action not yet due for completion.
ICT Service Continuity (Phishing)	2020/21	May 2021	30/04/22	Limited	Results of the recent phishing test commissioned by ICT showed that too many users would fall for a phishing email, despite having completed the cyber awareness training.	Formal follow up by Internal Audit scheduled for April 2022
ICT Service Continuity (Phishing)	2020/21	May 2021	30/04/22	Limited	There is no formal escalation process for users who continue not to comply with cyber secure practices, where it is clear cyber and information security training and awareness is not having an effect.	Formal follow up by Internal Audit scheduled for April 2022

Audit Title	Audit Year	Report Issue Date	Current Target Date	Assurance Rating*	Issue /Risk Summary	Current Status
Identification of Duplicate Invoices and Recovery of Duplicate Payments	2020/21	May 2021	30/09/21	Limited	The guidance document is an overview and does not refer to the need to identify duplicate invoices before, during or after scanning or duplicate invoices before or after making a payment. Detailed procedure/desk notes would provide beneficial support for new staff and useful reference for all the team ensuring a consistent process and application of controls.	Formal follow up by Internal Audit scheduled for September 2021
Identification of Duplicate Invoices and Recovery of Duplicate Payments	2020/21	May 2021	30/09/21	Limited	There is no agreed formal policy for the recovery of duplicate payments and consequently, the treatment of the recovery is not consistent. For example, credit notes or refunds. In addition, procedure notes for this issue are brief and vague.	Formal follow up by Internal Audit scheduled for September 2021
Identification of Duplicate Invoices and Recovery of Duplicate Payments	2020/21	May 2021	30/09/21	Limited	The in-built system control to identify duplicate invoices is ineffective. The system cannot identify duplicate invoices where there have been scanning or user input errors; for example, where either a duplicate supplier exists, the incorrect supplier has been selected or the system or user has incorrectly recorded the invoice number due to either character recognition issues such as not being able to differentiate between S/5; 8/B; 0/O; 1/I/I; or gaps where there should not be a gap; commas, and additional characters etc.	Formal follow up by Internal Audit scheduled for September 2021

\*Current assurance rating - either as at time of original audit or following follow up review.