ISLE OF ANGLESEY COUNTY COUNCIL	
Adroddiad i: **Report to:**	Governance and Audit Committee
Dyddiad: **Date:**	08 February 2022
Pwnc: **Subject:**	Internal Audit Update
Pennaeth Gwasanaeth: **Head of Service:**	Marc Jones Director of Function (Resources) and Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk
Awdur yr Adroddiad: **Report Author:**	Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk
Natur a Rheswm dros Adrodd / Nature and Reason for Reporting: In accordance with the Council's 'Strategy for Committee Meetings', this report meets the requirements of the Local Government (Wales) Measure 2011, which sets out the legislative duties to be performed by a council's audit committee, specifically, to oversee the authority's internal audit arrangements.	

1. INTRODUCTION

1.1 This report updates the Committee, as at 1 February 2022, on the audits completed since the last update as at 1 December 2021, the current workload of internal audit and our priorities for the short to medium term going forward.

2. RECOMMENDATION

2.1 That the Governance and Audit Committee notes Internal Audit's assurance provision and priorities going forward.

Information Governance
January 2022

Final Internal Audit Report
Marion Pryor BA MA CMIIA CPFA
Nanette Williams MSc CMIIA CIA

Software Licence Management
January 2022

Final Internal Audit Report
Marion Pryor BA MA CMIIA CPFA
Nanette Williams MSc CMIIA CIA
Bob Everick BA (Hons), Salford City Council

INTERNAL AUDIT UPDATE
FEBRUARY 2022

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

MarionPryor@YnysMon.gov.uk

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ASSURANCE WORK COMPLETED SINCE THE LAST UPDATE

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

Title	Strategic Risk Register Ref.	Date Final Report	Assurance Level	Critical	Major	Moderate	Total
Information Governance	YM3[1]	January 2022	Reasonable Assurance	0	2	5	7
Software Licence Management	YM38[2]	January 2022	Limited Assurance	0	1	9	10

Information Governance

Reasonable Assurance	Issues/Risks	
	0	Critical
	2	Major
	5	Moderate

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

   Does the Council have adequate arrangements in place to mitigate the risk of critical, confidential, or personal data being lost or wrongly disclosed, or being subject to other breaches of data protection legislation?

4. Overall, our review concluded that the Council has an effective framework of controls in place to mitigate the risk of critical, confidential, or personal data being lost or wrongly disclosed, or the Council being subject to other breaches of data protection legislation.

5. These include, but are not limited to, increased technical controls around email usage, encryption of Council issued IT equipment, an extensive framework of data protection and information governance related policies and guidance available to staff on its policy portal, with the Data Protection Policy being mandatory for all staff to review and accept. Mandatory training via its Learning Pool platform on the General Data Protection Regulations (GDPR) as well as face to face training sessions are also provided, where possible. Policy acceptance and training completion rates for relevant staff was generally good across the Council and the Council has a robust process for

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[1] Former corporate risk register reference
[2] Former corporate risk register reference

reporting potential data breaches to the Data Protection Officer, enabling swift investigation and if required reporting to the Information Commissioner's Office (ICO).

6. The Data Protection Officer also provides regular update reports to the Senior Information Risk Officer (SIRO) and the Senior Leadership Team, as well as annually to the Governance and Audit Committee on data protection matters.

7. We identified weaknesses within the framework and raised seven issues/risks that require management attention, two of which due to the potential impact of the risk in this area, we classed as 'major'. These include improving the security of unencrypted personal mobile devices to access information held on the Council's Microsoft Office 365 applications such as Teams and SharePoint and the Council's procurement guidance and supporting documentation needs to be expanded to include relevant information governance considerations.

8. Completion rates amongst elected members for the annual, mandatory e-learning Data Protection (GDPR) training was also low.

9. We also found some inconsistencies in service privacy notices displayed on both the Council's website, the 'My Account' app and some data collection forms used by the public, as well as the need for some general housekeeping in respect of several of the Council's supplementary data protection guidance documents. In addition, there is currently no mechanism to follow up the actions from a data incident investigation to ensure services have addressed any information governance weaknesses identified.

10. While the Data Protection Officer has undertaken significant compliance monitoring across the Council since the introduction of GDPR in 2018, and prioritised key areas of its data protection legislative obligations in this work, we consider the areas outlined above are symptomatic of the limited resources dedicated corporately for data protection and information governance compliance and quality assurance activities.

11. To conclude, despite the two major risks and the housekeeping issues identified, the outcome of our review is mainly positive and therefore, taking a balanced view of the risk exposure, we are able to provide **reasonable** assurance of the governance, risk management, and control of this area.

Software Licence Management

	Issues/Risks	
Limited Assurance	0	Critical
	1	Major
	9	Moderate

12. We commissioned this piece of work from Salford City Council's specialist IT Audit team, and is one of three pieces of work Salford is undertaking on our behalf.

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

Does the Council have adequate controls in place to minimise the risks associated with software licensing?

14. Overall, our review concluded that although the IT unit monitors the licence position for the Council's software in the main, there are insufficient processes in place to manage the risk that unlicensed or unauthorised software is in use. As a result, there is an increased risk that the Council may be subject to penalty payments levied by software suppliers. In addition, there are insufficient controls in place to reduce the risk of unnecessary software licences being held, potentially increasing the cost of operating the software, and improvements are required in most areas. We are therefore only able to provide a **limited** level of assurance of the governance, risk management, and control in this area.

15. The review identified 10 issues/risks that require management attention, one of which we classed as 'major'. We have agreed an action plan with management and note that the Council's current proposed migration to 'Cloud' based applications for some of its mission critical applications will mitigate some of the risks identified. This will also provide the opportunity to improve all current processes regarding software licence management as well as the associated controls.

16. In accordance with our protocol, we have issued members of the Committee and the Portfolio Holder with a copy of the final report and agreed action plan, and the IT Team Manager will be present in the meeting to answer questions.

WORK IN PROGRESS

17. The following audits are currently in progress:

Audit Area	Strategic Risk Register Ref	Service	Reason for Audit	Stage
Teachers' Pensions	n/a	Resources	Director of Function (Resources) / Section 151 Officer request	Fieldwork
Managing the risk of fraud and corruption in procurement	YM46[3]	Resources	Corporate Risk Register, Counter Fraud, bribery and Corruption Strategy 2021-24 and raised during investigation	Fieldwork (postponed while undertaking Teachers' Pensions audit)
Payments – Supplier Maintenance	n/a	Resources	Scheduled Follow Up	Fieldwork
Identification of duplicate invoices and recovery of duplicate payments	n/a	Resources	Scheduled Follow Up	Fieldwork
Recruitment and Retention	YM2	Corporate	Strategic Risk Register	Scoping
Climate Change and Sustainability	YM13	Corporate	Strategic Risk Register	Scoping

National Fraud Initiative

18. Work continues on investigating the first tranche of the NFI 2020/21 matches released in January 2021. Matches highlight potential fraud and error in the Council's systems. In order to protect the public purse against fraud and error, we are in the process of reviewing the matches to stop potential overpayments from increasing.

19. Recently, the Cabinet Office released the outcome of matching the recipients of Council Tax Single Person Discount against the Electoral Roll. We are working with colleagues in these departments to review the matches.

20. We will report the outcome of these investigations in our Annual Counter Fraud, Bribery and Corruption report.

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[3] Former corporate risk register reference

Management of School Unofficial Funds

21. A final report issued in September 2020 following an audit of the management of school unofficial funds concluded that although schools had some arrangements in place for the management of school unofficial funds, the Council needed to strengthen its arrangements to ensure that schools properly accounted for their unofficial fund income and expenditure.

22. We raised five Issues/Risks, which required management attention and the Learning Service to resolve, including one that we classed as 'Major' due to its potential impact on the Council. Due to the lack of oversight and process inconsistencies identified during our review, we were only able to provide a limited level of assurance at that time.

23. The Learning Service was committed to working with schools to support them in managing their school funds. Consequently, the Service devised a programme of work to address the issues identified by our review and asked us to assist with their implementation.

24. We have provided a refreshed guidance document, on-line training for head teachers and governors and conducted audits of school funds where the schools have been unable to retain an auditor locally. We have also undertaken quality assurance of the certificates submitted for 2019/20 to the Learning Service by schools. We are currently undertaking further quality assurance checks of the certificates submitted for 2020/21 and the audits of funds of three primary schools and will report the outcome of this work at the next Governance and Audit Committee meeting.

25. The Learning Service has addressed all the Issues/Risks raised during the audit in September 2020 and we were able to increase the assurance in this area to 'Reasonable' in July 2021.

OUTSTANDING ACTIONS

26. Work is progressing to support services with implementing all outstanding actions. The 4action dashboard at Appendix 1 provides an overview of the status of actions as at 1 February 2022.

27. There are currently 18 overdue actions (8 Major; 10 Moderate), which all fall within the Resources service. They are related to 'Issues/Risks' raised in four audits:

- Payments – Supplier Maintenance
- Identification of duplicate invoices and recovery of duplicate payments
- Sundry Debtors
- Leavers' Process

28. We are working with the service to provide support with implementing the actions.

PRIORITIES FOR 2021-22 AND BEYOND

Current Capacity

29. Our new Senior Auditor commenced in post on 13 December 2021 and has made an excellent start in the role. This means that the team is almost up to full strength, with only half a full time equivalent post remaining vacant, due to flexible working. However, one member of the team continues to be absent long-term.

Short/Medium Term Priorities

30. The SLT has significantly reviewed the now 'Strategic' Risk Register. Our immediate priority is to review the 'red' and 'amber' residual risks we have not yet reviewed, or not reviewed in the last two years, whilst remaining agile to respond to requests for assistance and assurance from services, and reacting to investigations.

31. The Head of Audit and Risk is currently developing the Annual Internal Audit Strategy for 2022-23 in conjunction with SLT and heads of services and will submit it to the Governance and Audit Committee at its meeting in May 2022 for consideration by the new committee.

32. We will continue to actively promote and monitor the addressing of outstanding internal audit issues/risks.

Longer Term Priorities

- The delivery of the Counter Fraud, Bribery and Corruption Strategy 2021-24, including continuing to address the Audit Wales recommendations included in its report 'Raising Our Game – Tackling Fraud in Wales'.

- Work with colleagues in the Performance Team to improve assurance mapping across the Council and contribute to the development of the Performance Review Group.

- Prepare for the External Quality Assessment (EQA) due in June 2022.

APPENDIX 1 – OUTSTANDING ACTIONS (4ACTION DASHBOARD) AS AT 1 FEBRUARY 2022