

Internal Audit Annual Report 2013-14

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The requirement for an annual internal audit report

The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to deliver an annual internal audit opinion and report that the organisation can use to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control and incorporate:

- the 'opinion';
- a summary of the work that supports the 'opinion';
- a statement on conformance with the PSIAS; and
- the results of the internal audit service's quality assurance and improvement programme.

Annual Internal Audit Opinion

In the Head of Internal Audit's opinion, Denbighshire County Council can have 'medium' assurance in the overall adequacy and effectiveness of its internal control environment, including its arrangements for governance and risk management.

There are no qualifications to this opinion.

In forming this opinion, the Head of Internal Audit has used the same assurance ratings that Internal Audit uses in its reports.

| | | |
|---------------|------------------|--|
| Green | High Assurance | Risks and controls well managed |
| Yellow | Medium Assurance | Risks identified but are containable at service level |
| Amber | Low Assurance | Risks identified that require meeting with Director/Lead Member |
| Red | No Assurance | Significant risks identified that require member / officer case conference |

The Head of Internal Audit has based his 2013–14 'Opinion' on:

- the scope and outcome of Internal Audit's work during the year;
- Internal Audit report opinions and assurance ratings;
- the issues and risks that Internal Audit has raised during the year;
- the effectiveness of management's response to the issues and risks that Internal Audit has raised; and
- the outcome of the Council's review of its Corporate Governance Framework and governance arrangements 2013–14.

Summary of work supporting the 'Opinion'

The Head of Internal Audit provides regular progress reports to the Corporate Governance Committee that includes:

- an update on progress with delivery of the annual audit assurance plan;
- details of audit reports issued;
- details of follow-up work carried out; and
- service performance.

Internal Audit issued 24 audit opinions during the year, categorised as follow:

| | | |
|---------------|------------------|----|
| Green | High Assurance | 4 |
| Yellow | Medium Assurance | 18 |
| Amber | Low Assurance | 2 |
| Red | No Assurance | 0 |

During the year, Internal Audit provided the following audit opinions:

| Area of Work | Status of Project | Assurance Rating | Comments |
|---|-------------------|------------------|--|
| Financial Assurance | | | |
| Financial systems (Ruthin) – Activedata testing 2012/13 | Complete | Medium | |
| Financial Assurance 2013/14 – Ruthin-based services | Draft report | Medium | Discussing draft report and agreeing action plan |
| Financial Assurance 2013/14 – Rhyl-based services | Complete | High | |
| Grants & Certification | | | |
| Breakfast Initiative Grant | Complete | High | |
| WG Student Finance certification | Complete | High | |
| Sustainability/Carbon Reduction | Complete | High | |
| WG 6th Form Funding – Ysgol Brynhyfryd | Complete | Medium | |
| WG 6th Form Funding – Denbigh High School | Draft report | Medium | Discussing draft report and agreeing action plan |
| Corporate Governance Assurance | | | |
| Procurement of Construction Services | Complete | Low | Recent follow up shows lack of progress with improvement actions |
| Customer Services – Complaints & Standards | Draft report | Medium | Discussing draft report and agreeing action plan |

| Area of Work | Status of Project | Assurance Rating | Comments |
|---|-------------------|------------------|--|
| Partnerships & Collaboration – New Works Connections | Complete | Medium | |
| Partnerships & Collaboration – North Wales Commissioning Hub | Complete | Medium | |
| Project Management – Rhyl Foryd Harbour Pedestrian & Cycle Bridge | Draft report | Low | Discussing draft report and agreeing action plan |
| Project Management – Ysgol Twm O'r Nant, Denbigh | Draft report | Medium | Discussing draft report and agreeing action plan |
| Project Management – West Rhyl Housing Improvement Programme | Complete | Medium | |
| Risk-based Projects Assurance | | | |
| Fostering Service | Complete | Medium | |
| Housing Services | Complete | Medium | |
| Countryside Operations | Complete | Medium | |
| Welfare Advice | Complete | Medium | |
| Blessed Edward Jones High School, Rhyl | Complete | Medium | |
| Corporate Health & Safety Management | Complete | Medium | |
| Residential Care Homes | Complete | Medium | |
| Deputy for Finance (Court of Protection) | Complete | Medium | |
| Public Conveniences | Complete | Medium | |

Internal Audit also reviewed all high inherent risks from the Corporate Risk Register during the year and provided positive feedback on the management of these risks.

Compliance with internal auditing standards

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Throughout the year, the Council's Internal Audit Service has complied with the PSIAS by:

- abiding by the PSIAS Code of Ethics, which provides guidance on integrity, objectivity, confidentiality and competency;
- clearly setting out and agreeing its purpose, authority and responsibility in its new Internal Audit Charter;
- providing an independent and objective service;
- delivering its service with proficiency and due professional care;
- maintaining a robust quality assurance and improvement programme;
- having effective management, ensuring that it provides added value to the Council;
- evaluating and contributing to the improvement of the Council's governance, risk management and control processes;
- planning its work effectively;
- performing audit projects effectively;
- communicating results of its work;
- following up the outcome of its work; and
- resolution of senior management's acceptance of risks.

Internal Audit's performance

Internal Audit measures its performance in two key areas:

- Provision of 'Essential Assurance' – These projects ensure that the Council delivers its S151 Officer obligations, is managing its main corporate risks and has robust arrangements in place for corporate governance and delivery of its corporate priorities.
- 'Customer Standards' – A range of indicators to ensure that Internal Audit delivers a good service to its customers.

The results below show that, overall, the service delivered 97% of 'Essential Assurance' projects during the year, with just one project not completed. This was a Strategic HR project that will be completed during April/May 2014 and is currently in progress. Not completing this project has not had a detrimental impact on the Head of Internal Audit's annual audit opinion.

The service delivered 100% performance on our 'Customer Standards' with two exceptions:

- For one project, the service gave 8 working days' notice of a project commencement rather than the required 10 days.
- For one project, due to work pressures, the service issued a draft report after 14 days rather than the agreed 10 days. The Head of Internal Audit approved this delay rather than compromise the quality of the draft report.

| Essential Assurance – all targets 100% |
|---|
| Review of agreed Financial Assurance areas in Assurance Plan by 31/03/14 |
| Completed 100% of the planned projects to at least draft report stage |
| Review of agreed Grants & Certification Assurance areas in Assurance Plan by 31/03/14 |
| Completed 100% of the planned projects to at least draft report stage |
| Review of agreed Corporate Governance Assurance areas in Assurance Plan by 31/03/14 |
| Completed 92% of the planned projects, with just one project not completed to draft report stage. |
| Review of agreed High Corporate Risk Assurance areas in Assurance Plan by 31/03/14 |
| Completed 100% of the planned projects. |

Customer Standards – all targets 100%

Contact customers at least 2 weeks in advance to arrange a suitable date for our visit

Actual performance for the year was 94%. Shorter notice given to customer in one case.

Send customers the agreed Project Scoping Document before we commence work

Actual performance for the year was 100%.

Send the customer a draft report within 10 working days of the closing meeting

Actual performance for the year was 94%. One draft report issued in 14 days due to pressure of work in the service.

Send the customer our final audit report within 5 working days of agreeing the draft

Actual performance for the year was 100%.