

Internal Audit Strategy 2015/16

**Arrangements for delivering an
effective internal audit service**

March 2015

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Background to the Service

The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, efficiency and operational and financial control. We also provide internal audit services to North Wales Police (NWP) but this Strategy refers primarily to the service provided to Denbighshire County Council.

The service works to the Public Sector Internal Audit Standards (PSIAS) that include a Code of Ethics that the team must abide by. The objectives of the PSIAS are to:

- define the nature of internal auditing with the UK public sector;
- set basic principles for carrying out internal auditing 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.

PSIAS definition of internal auditing...

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our main objectives are to...

...provide independent assurance and advice to management and elected members on risk management, governance and internal control;

...develop and promote our role to make a significant contribution to the Council's priority to modernise and deliver efficiencies and improve services for our customers; and

...add value in all areas of our work, providing excellent service to our customers.

Our team is very proactive and innovative, constantly aiming to improve and we have recently reorganised as part of the Council's efficiencies programme to focus our work more in key areas. Over recent years, we have developed a very successful customer-focused approach to audit planning, project scoping and service delivery, involving elected members, senior management

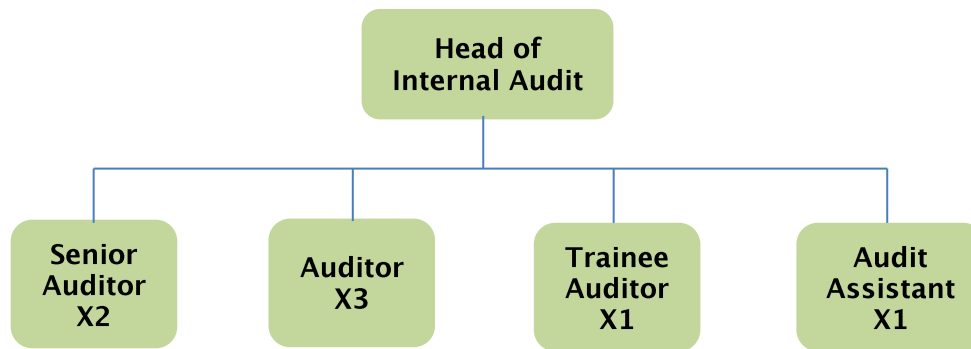
and operational staff that has made us a valued service within the Council, contributing to service improvement as well as providing assurance.

Our work provides a risk-based approach that allows the Head of Internal Audit (HIA) to form and evidence his opinion on the control environment to support the Council's annual review of its governance arrangements. Our Internal Audit Strategy therefore links closely to the Council's Governance Assurance Framework, taking account of other assurances that the Council may receive, internal or external, to prevent duplication and co-ordinate regulatory work. It also takes account of discussions with senior management to identify projects that will add value to them.

The HIA may also provide assurance to other organisations that work in partnership with DCC if the IA service has carried out work in that area of service, particularly if the other organisation is the lead partner.

Service Structure

The recent service restructure means that we have reduced the tiers within the service from five down to two, as it was considered top-heavy and hierarchical. The new structure will significantly reduce costs and improve efficiency and communication.



Internal Audit Annual Plan 2015/16

Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
DCC Corporate & Service Assurance						
Financial Systems	68	■	■	■	■	Annual review of accounts payable, payroll, treasury management, VAT, budgetary control etc.
Financial planning and performance	12	■	■	■	■	Review impact of efficiencies on performance
Revenues Services	35	■	■	■	■	Contingency for review of new arrangements (IA role to be agreed)
Housing Rents	20	■	■	■	■	Annual review of selection of areas within the service
WG 6th Form Funding/PLASC	30					Welsh Government requirement to ensure proper use of 6 th form funding
Council-Funded Service Providers / Partnership working	30		■	■	■	Framework for Council-funded service providers
Project Management	40	■	■	■	■	Review management of a sample of key projects
Procurement	40	■	■	■	■	Annual review. Scope to be agreed with new Head of Service
Corporate Governance - review of Constitution roles & responsibilities	15		■	■	■	Review progress with developing new Constitution & whether it meets requirements of governance framework
Corporate Governance - review of Part 2 Criteria	15		■	■	■	Review of criteria for Part 2 reports and the consistent implementation of the criteria.
High Corporate Risk Assurance	25	■	■	■	■	Management of the high inherent corporate risks from the Corporate Risk Register in place at the time of audit.
Corporate Safeguarding	10		■	■	■	Follow up of 2014/15 Internal Audit review

Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
Cashiers / Income / Banking Controls	20	■	■	■	■	Review internal controls in a sample of cash handling sites and reconciliation procedures in place corporately.
IT Assurance Work	60		■	■	■	Contingency for projects to be agreed with Business Transformation & ICT Manager.
Sickness Absence Management	30		■	■	■	Review the new arrangements put in place during 2014/15 to manage sickness absence.
Ruthin Craft Centre	15	■		■	■	Review of expenditure, exhibitions, lettings, income collection, management processes etc.
Industrial Estates	25	■		■	■	Review of expenditure, lettings, income collection, management processes etc.
Paris Financials	20	■		■	■	Operational review requested by Director of Social Services - scope to be discussed and agreed.
Protection of Vulnerable Adults	20		■	■	■	Review of arrangements and operations to ensure the protection of vulnerable adults.
Direct Payments / Independent Supported Living	20	■		■	■	Operational review to ensure direct payments effectively managed, not abused, well-promoted etc.
Community Living	20	■		■	■	Top-down review to ensure processes & procedures are efficient & effective in dealing with clients' monies.
Highways Asset Management	20			■	■	Operational review requested by Head of Service - scope to be discussed and agreed.
Public Transport	20	■		■	■	Operational review of procurement, contracting, monitoring arrangements, compliance with government grant conditions.
Building Cleaning	20	■		■	■	Service under review and new management. Review of expenditure, operational efficiency, income charging etc.
Fleet Management	25	■		■	■	Operational review requested by Head of Service - scope to be discussed and agreed.
Parking Services	25	■		■	■	Review of income collection procedures, enforcement, value for money of partnership arrangements for DCC.
Community Enforcement	20	■		■	■	Operational review of arrangements with external enforcement agency for Head of Service assurance.

Area of Work	Plan Days	Assurance				
		S151	AGS	IA Annual	CET/SLT	Comments
Housing Enforcement	20			■	■	Review of HMOs, including new DCC policy implementation.
IT Management in Schools	25			■	■	Contracts, procurement, security, environmental controls etc.
HR Management in Schools	25			■	■	Appointments, leavers, strategic arrangements etc.
Information Management in Schools	25		■	■	■	DPA, FOI, EIR, security etc.
Leadership in Schools	20			■	■	Joint project to look at head teachers' management role, training etc. to be agreed with Head of Service.
Internal Audit Project Follow Ups	80	■	■	■	■	Contingency for following up IA report action plans
Special Investigations & Fraud Prevention	60	■	■	■	■	Contingency for management of and joint working with Corporate Fraud Officer.
Brought forward projects	30	■	■	■	■	Contingency to complete outstanding projects from 2014/15
DCC Assurance Total	985					
Corporate Support work						
Corporate Governance Framework & Annual Governance Statement	15					
Consultancy & Corporate Areas	50					Contingency for committee meetings, working groups etc.
Corporate Support Total	65					

Area of Work	Plan Days	Assurance				Comments
		S151	AGS	IA Annual	CET/SLT	
External Services						
Natural Resources Wales	60					Contingency for final two financial service reviews to complete contract and possible IT audits.
North Wales Police	200					Year two of three-year contract.
School Funds	25					Contingency for requests to audit school funds for fee.
External Services Total	285					
Rechargeable Service Total	1335					
Overheads						
IA Team Meetings, 1:1s, Appraisals etc.	50					
IA Management	60					
IA Training & Development	80					
Overheads Total	190					

Service Standards

To measure how well we deliver our essential audit work and a customer-focused service, we use following performance measures:

Customer Service Standard	Target
We will contact you at least 2 weeks in advance to arrange a suitable date for our visit.	100%
We will discuss, agree & send you the Internal Audit Project Scoping Document before we commence work.	100%
At the conclusion of our work, we will hold a closing meeting with all relevant people to discuss the outcome of our work, and then send you a draft report within 10 working days of that meeting.	90%
Once we have agreed the draft report and any actions plan with you, we will send you the final audit report within 5 working days.	90%