Internal Audit Annual Report 2015-16

Ivan Butler MBA, CMIIA
Head of Internal Audit Services

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Introduction and background

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

- the IA opinion;

- a summary of the work that supports the IA opinion;

- a statement on the IA service's conformance with the PSIAS; and

- the results of the IA service's quality assurance and improvement programme.

Internal Audit opinion 2015-16

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 (HIA) has used the same assurance ratings that IA 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 HIA has based his 2015-16 opinion on:

- the scope and outcome of IA's work during the year;
- IA report opinions and assurance ratings;
- the issues and risks that IA has raised during the year;
- the effectiveness of management's response to the issues and risks that IA has raised; and
- the outcome of the Council's review of its Corporate Governance Framework and governance arrangements 2015-16.

Summary of work to support the opinion

The HIA provides regular progress reports to the Corporate Governance Committee that include:

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

IA issued 29 audit opinions during the year, categorised as follow:

Green	High Assurance	8
Yellow	Medium Assurance	14
Amber	Low Assurance	7
Red	No Assurance	0

Although the majority of opinions were either 'high' or 'medium', this year saw a significant increase in 'low' assurance ratings from only one in 2014/15 to seven in 2015/16. At this stage it is too early to assess whether there is a trend emerging.

During the year, IA provided the following audit opinions:

Area of Work	Status of Project	Assurance Rating	Comments
Ruthin-based financial services – Activedata testing	Complete	**Medium**	Report included within main financial systems report 2014/15.
Ruthin-based financial services – annual assurance	Draft report	**Medium**	
Revenues services (Civica)	Complete	**Medium**	
Housing rents	Complete	**High**	
WG 6th Form Funding/PLASC - Ysgol Dinas Bran, Llangollen	Complete	**High**	
WG 6th Form Funding/PLASC - Ysgol Brynhyfryd, Ruthin	Complete	**High**	
WG 6th Form Funding/PLASC - Ysgol Glan Clwyd, St.Asaph	Complete	**High**	
WG 6th Form Funding/PLASC - Denbigh High School	Complete	**Medium**	
WG 6th Form Funding/PLASC - St. Brigid's School, Denbigh	Complete	**High**	
WG 6th Form Funding/PLASC - Prestatyn High School	Complete	**High**	

Area of Work	Status of Project	Assurance Rating	Comments
West Rhyl Coastal Defence Scheme	Complete	Low	
Governance assurance - Part 2 reports	Complete	Medium	
Cashiers / income / banking controls	Complete	Medium	Report issued relates to leisure services.
IT identity access management	Draft report	Medium	
Security of information	Complete	Low	Office walk-round. Reporting through Middle Managers
IT cost management	Complete	Medium	
School themed reviews – school funds	Draft report	Low	
Corporate safeguarding	Complete	Low	
Sickness absence	Complete	Medium	
Gas maintenance contracts	Complete	High	
Paris financials	Complete	Medium	
Street works	Complete	Medium	
Building cleaning	Complete	High	
Corporate fleet management	Complete	Low	
Development management	Complete	Medium	
Ysgol Mair, Rhyl	Complete	Low	
HR Management in schools	Complete	Medium	
School theme – IT & information management	Draft report	Low	
Rhyl One Stop Shop	Complete	Medium	

Conformance with Public Sector Internal Audit 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.

During 2014/15, the HIA carried out a self-assessment of the IA service against the PSIAS. Overall, the service fully complied with the majority of the Standards and elements of the Code of Ethics, and at least partially conformed to all others. The resulting action plan was fully implemented during 2015/16 to address areas of improvement identified during the self-assessment.

A full external assessment will be carried out of the IA service's compliance with PSIAS during 2016/17 and the results reported to Corporate Governance Committee.

Internal Audit performance

IA measures its performance in two key areas:

- Provision of 'Statutory 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 IA delivers a good service to its customers.

The results below show that, overall, the service delivered 94% of 'Statutory Assurance' projects during the year, with just one project, Risk Management, not completed to draft report stage. This project is in progress and will be completed early in 2016/17.

The service achieved 100% in all categories of its customer standards performance.

Statutory Assurance – target 100%
Review of agreed Statutory Assurance areas in IA Assurance Plan for the Annual IA Report
Actual performance 94%, with one project in progress but not completed to draft report in stage
Customer Standards – all targets 100% (but minimum performance tolerated 90%)
Contact customers at least 2 weeks in advance to arrange a suitable date for our visit
Actual performance for the year was 100%.
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 100%
Send the customer our final audit report within 5 working days of agreeing the draft
Actual performance for the year was 100%