



**Denbighshire Internal Audit Services**  
*Caledfryn, Smithfield Road, Denbigh LL16 3RJ*

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# Corporate Governance Committee Update

January 2017



## Introduction

1. This report provides an update on Internal Audit's latest progress in terms of its service delivery, assurance provision, reviews completed, performance and effectiveness in driving improvement.
2. The report provides an update as at the end of December 2016 on:
  - Internal Audit reports recently issued
  - Follow up of previous Internal Audit reports
  - Progress in delivering the Internal Audit Operational Plan 2016/17
  - Internal Audit performance standards.

## Internal Audit reports recently issued

3. The following section provides an overview of recent Internal Audit reports, including the overall **Assurance Rating** and the number of **Risks/Issues** raised in the report's action plan.

### Definitions of Assurance Rating

<b>Green</b>	High Assurance	Risks and controls well managed and objectives being achieved
<b>Yellow</b>	Medium Assurance	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives
<b>Amber</b>	Low Assurance	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk
<b>Red</b>	No Assurance	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives

### Definitions of Risks/Issues

<b>Green</b>	Low	Advisory issues discussed with managers during the audit and not included in audit reports and action plans
<b>Yellow</b>	Moderate	Operational issues that are containable at service level
<b>Amber</b>	Major	Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET
<b>Red</b>	Critical	Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee

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## Rhyl Harbour – Review of Operational Management – November 2016

### Medium Assurance

4	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

- Overall, our review found that there are effective processes and controls in place at Rhyl Harbour, which combined with the knowledge and experience within the team, contributes to the Harbour operating a good service.
- There are good succession planning arrangements in place but some elements of the income handling process tend to be the sole responsibility of the Deputy Harbour Master and alternative arrangements need to be put in place in case he is away from the office for any length of time.
- Financial management is good, with the service's budget and performance monitored very closely. It has made considerable progress in working towards a break-even budget, and income has increased each year since the Harbour opened. New ideas are being considered to potentially increase income further, also taking into account other improvements being made in Rhyl. The service has also worked with Countryside Services in attracting visitors to the Harbour. It is anticipated that planned improvements will see an increase in visitors to the area as well as an increase in the income received.
- There are good health and safety arrangements in place, as well as controls to ensure that Fleet Services regularly maintains the plant and machinery used at the Harbour.
- While on site, we observed the operation of the bridge, which is restricted to authorised officers, has clear written guidance, good health and safety arrangements, and is regularly tested and inspected, with monitoring records maintained.
- Although we identified four moderate issues, which are operational and easily managed by the service, the outcome of our review was largely positive, particularly as we have not reviewed this area before. The management team has also been very positive about the review and has already started to consider how it can address the issues that we have raised; therefore, we were able to provide a 'Medium' Assurance.

### Follow up of previous Internal Audit reports

- Most of our Internal Audit reports identify risks and control weaknesses, rated as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.
  - The Head of Internal Audit reports to Corporate Governance Committee on all instances where management fails to respond to the service's follow up work or where there are unacceptable delays in implementing improvements. The Committee decides whether it needs to take further action, e.g. by calling the
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relevant people to its next meeting or asking for a written report to explain lack of progress.

## Summary of outstanding issues from Internal Audit reports

Audit Report	No. of Actions in the Audit Action Plan									Next IA F/up	Comments
	Actions Due			Actions Complete			Actions Outstanding				
<b>Community Support Services</b>											
Paris Financials	0	2	4	0	0	1	0	2	3	Jan 17	•2 <sup>nd</sup> follow in progress
Cefndy Healthcare	0	0	7	0	0	6	0	0	1	Jan 17	•2 <sup>nd</sup> follow up now due
Payments to External Providers	0	0	2							Jan 17	•1 <sup>st</sup> follow up now due
POVA	0	0	7	0	0	5	0	0	2	Mar 17	•1 follow up carried out
<b>Education &amp; Children's Services</b>											
Governance in Schools	0	0	19	0	0	12	0	0	7	Jan 17	•2 <sup>nd</sup> follow up now due
Ysgol Mair RC	0	2	20	0	2	19	0	0	1	Jan 17	•3 <sup>rd</sup> follow up now due
IT & IM Management in Schools	0	0	17							Feb 17	•Head of service reporting to Committee in Jan 17
<b>Facilities, Assets &amp; Housing</b>											
Housing Rents	0	5	0							Jan 17	•Follow up being reported as part of 2016/17 audit
Housing Allocations & Voids	0	0	5							Jan 17	•1 <sup>st</sup> follow up now due
Industrial Estates	0	0	1							Jan 17	•1 <sup>st</sup> follow up in progress
Review of On-site Income & Security at Leisure Sites	0	0	9	0	0	7	0	0	2	Mar 17	•2 follow ups carried out
Rhyl Harbour – Review of Operational Management	0	0	4							Mar 17	•Not yet due
<b>Finance</b>											
Revenues Services – in Partnership with Civica	0	0	16							Jan 17	•Follow up being reported as part of 2016/17 audit
Financial services	0	2	8							Mar 17	•Follow up being reported as part of 2016/17 audit
<b>Highways &amp; Environmental Services</b>											
Street Works	0	0	5	0	0	2	0	0	3	Jan	•2 <sup>nd</sup> follow up in

									17	progress	
Corporate Fleet Management	0	7	12	0	6	7	0	1	5	Apr 17	•2 follow ups carried out
Passenger Transport	0	0	5							Apr 17	•Not yet due
West Rhyl Coastal Defence Scheme Ph3	0	2	8	0	1	5	0	1	3		•Reported at this Committee •Committee to decide next follow up date
<b>Legal, HR &amp; Democratic Services</b>											
HR Management in Schools	0	1	5							Jan 17	•1 <sup>st</sup> follow up in progress
Management & Administration of Legal Services	0	5	7	0	3	7	0	2	0	Apr 17	•2 follow ups carried out
<b>Planning &amp; Public Protection</b>											
Community Enforcement	0	0	9							Jan 17	•1 <sup>st</sup> follow up in progress
Housing Enforcement	0	0	2							Jan 17	•1 <sup>st</sup> follow up in progress
Parking Services	0	0	13	0	0	7	0	0	6		•Manager of service reporting to Committee in Jan 17
<b>Corporate Reviews</b>											
Corporate Procurement	0	0	4							Jan 17	•Follow up being reported as part of 2016/17 audit
Developing the Local Economy	0	1	2							Mar 17	•Not yet due
IT Access Management	0	2	9	0	1	0	0	1	9	Jan 17	•2 <sup>nd</sup> follow up now due
Physical Security of information	0	3	3	0	1	2	0	2	1	Jan 17	•2 <sup>nd</sup> follow up now due
Sickness Absence	0	0	9	0	0	5	0	0	4	Feb 17	•2 follow ups carried out
Corporate Safeguarding	0	0	19	0	0	14	0	0	5	Apr 17	•2 follow ups carried out

## Progress in delivering the Internal Audit Operational Plan 2016/17

12. This year's planning has been difficult due to changes in capacity arising from maternity leave. We are now on our third version of the Operational Plan, which is well under way and will be completed to allow the Head of Internal Audit to provide an annual audit opinion at the end of the financial year.

13. The service is currently operating with one of the three Senior Auditors on maternity leave for the rest of the financial year, and one other Senior Auditor will be on maternity leave from February 2017. One of the team's Auditors is now 'acting up' in a Senior Auditor role until the end of the financial year and we hope to recruit temporarily into that Auditor post.
14. The following table shows progress in completion of the latest Operational Plan, providing assurance ratings and number of issues raised for the completed reviews, and an indication of when the remaining projects are scheduled to commence.



Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Corporate Priorities Assurance</b>									
Developing the local economy	25	25	25	Complete - Sep 16	Medium	0	1	2	
Improving performance in education & the quality of our school buildings	20	8	20	In progress					
Improving our roads	15	0	15	Not started					Due in quarter 4
Vulnerable people are protected and are able to live as independently as possible	10	9	9	Complete - Sep 16	Medium				Days used for continued review of Corporate Safeguarding
Ensuring access to good quality housing	10	0	10	Not started					Due in quarter 4
Modernising the Council to deliver efficiencies and improve services for our customers	15	0	15	Not started					Due in quarter 4
<b>Corporate Risks Assurance</b>									
Corporate risk management assurance	9	0	9	Not started					Due in quarter 4
<b>Corporate Programmes &amp; Projects Assurance</b>									
Well-being of Future Generations Act Programme	5	5	5	Complete					Implementation of Internal Audit work stream to revise approach to projects
Ruthin Area Review - New Area School for Ysgol Carreg Emllyn	10	3	3	Complete					Projects will continue to be monitored during 2017-18
Ruthin Area Review - Ruthin Town School Modernisation	10	5	5	Complete					

Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>Alternative Service Delivery Models Assurance</b>									
Revenues Services	44	89	92	In progress					Review taking longer than anticipated due to problems obtaining system reports
Citizens Advice Bureau	5	0	0	Not started					Project likely to be carried out in 2017/18
<b>Financial Assurance</b>									
Financial services assurance	70	2	70	Prepared					Commencing Jan 17
AONB Grant	2	2	2	Complete					Certification of grant - no report issued
Housing Rents	20	20	22	In progress					Drafting report
<b>Welsh Government Assurance</b>									
WG education grant certification	9	4	4	Complete					Certification of grant - no report issued
WG 6th Form Funding/PLASC	30	1	10	Prepared					Commencing Jan 17. Scope reduced to reduce plan days to account for maternity leave
<b>Other Annual Areas of Work</b>									
IA report follow up work	75	81	100	In progress					
Corporate Anti-fraud & Corruption	79								
Managing the risk of fraud & corruption		1	10	In progress					



Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments	
Catering Services - continued review of reconciliation process		7	9	In progress						
National Fraud Initiative Work		24	30	In progress						
Review of housing tenancies		0	20	Not started					Due to commence in quarter 4	
General fraud enquiries		2	2	In progress						
Projects brought forward from 2015/16 to complete -	162									
- Financial assurance		15	15	Complete - Jul 16	Medium	0	2	8		
- Revenues services		7	7	Complete - Jun 16	Various	0	0	16	Separate audit opinions provided for different elements of the service	
- West Rhyl coastal defence scheme		8	8	Complete - Apr 16	Low	0	1	5		
- Risk management		11	11	Complete - Jun 16	n/a	n/a	n/a	n/a	Summary progress report - no formal audit opinion	
- IT access control management		1	1	Complete - Jun 16	Medium	0	1	6		
- Industrial estates		15	15	Complete - Jun 16	High	0	0	1		
- Protection of Vulnerable Adults (POVA)		12	12	Complete - Jun 16	Medium	0	0	3		
- Direct payments / supported budgets		1	1	Complete					Ongoing advice to Community Support Services	
- Community living schemes		22	22	Complete						
- Parking services		32	32	Complete - Aug 16	High Med	0	0	8	Separate assurance ratings for partnership and parking operations	

Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
- Community enforcement		8	8	Complete - Jun 16	Medium	0	0	9	
- Housing enforcement		21	21	Complete - Jun 16	High	0	0	2	
- Schools IT & information management		8	8	Complete - Sep 16	Low	0	0	6	
Rhyl Cash Office		1	1	Complete - Apr 16	Medium	0	0	4	
GwE		9	10	In progress					Delays in agreeing draft report - consultancy project
Ruthin Craft Centre		1	1	Complete - Apr 16	Medium	0	0	4	
Management of Voluntary School Funds		1	1	Complete - May 16	Low	0	0	8	
<b>2016/17 Corporate &amp; Service Assurance</b>									
Cash receipting processes	60	67	67	Complete					Consultancy on project to modernise service
Voluntary School Fund management	5	5	7	In progress					Development of guidance for schools
Recoupment, Out of County Placement & Additional Learning Needs	8	8	8	Postponed					Project postponed to reduce plan days to account for maternity leave
Payments to external providers - Community Support Services	20	21	21	Complete - Oct 16	Medium	0	0	2	
Housing allocations & voids	35	37	37	Complete - Nov 16	Medium	0	0	5	
Rhyl Harbour	25	28	28	Complete - Nov 16	Medium	0	0	4	

Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
Procurement	20	42	50	In progress					Scope of project extended to include joint work with Flintshire CC
Flood risk management	3	3	3	Complete					Review of risk only - no formal report
Public transport	30	38	38	Complete - Oct 16	Medium	0	0	5	
Registrars	15	0	0	Not started					Project likely to be completed in 2017/18
Early Departures	15	24	24	Complete					No report - feedback on improvement areas provided
Building control	6	6	6	Complete					Consultancy advice on proposals to review service
<b>Sub-totals</b>	<b>867</b>	<b>741</b>	<b>950</b>						
<b>Contracted Work</b>									
North Wales Police	200	164	200	In progress					Final year of contract
School Funds	30	16	20	In progress					Fewer requests for school fund audits
<b>Sub-totals</b>	<b>230</b>	<b>180</b>	<b>220</b>						
<b>Corporate Support</b>									
Corporate Governance Framework	12	4	12						
Consultancy & corporate areas	41	47	55						
<b>Sub-totals</b>	<b>53</b>	<b>51</b>	<b>67</b>						

Internal Audit Assurance Plan Areas of Work	Revised Plan Days	Days to Date	Likely Outturn Days	Current Status of Work	Audit Assurance	No. of Critical Issues	No. of Major Issues	No. of Moderate Issues	Comments
<b>IA Support &amp; Management</b>									
Team Meetings / 1:1s	47	36	47						
Management	53	36	50						
Training & development	50	48	50						
<b>Sub-totals</b>	<b>150</b>	<b>120</b>	<b>147</b>						
<b>Grand Totals</b>	<b>1300</b>	<b>1092</b>	<b>1384</b>						

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## Internal Audit performance standards

15. Internal Audit measures its performance in two key areas:

- Provision of 'Statutory Assurance' - These projects ensure that the Council delivers its statutory obligations so that the Head of Internal Audit can provide an opinion on governance, risk management and internal control in the Internal Audit Annual Report.
- 'Customer Standards' - A range of indicators to ensure that Internal Audit delivers a good service to its customers.

16. The table below shows Internal Audit's performance to date for 2016/17.

**Review of agreed Statutory Assurance areas in Assurance Plan by 31/03/17**

Target 100% - **50%**

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

Target 100% - Current performance **100%**

**Send customers the agreed Project Scoping Document before we commence work**

Target 100% - Current performance **100%**

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

Target 90% - Current performance **100%**

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

Target 90% - Current performance **100%**