



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

Corporate Governance Committee Update

March 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 February 2017 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

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

Definitions of Risks/Issues

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

Housing Rents – February 2017

High Assurance	
0	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

4. Since our previous review, Housing Rents has relocated its office base from Rhyl to Denbigh and, although this is a significant change for all the members of staff involved, the move has had no impact on their ability to maintain service standards.
 5. The implementation of the new 'OPEN Contractor' and migration from 'Capita Housing' to 'OPEN Housing' is due in June 2017, and it is expected that this will integrate with other Council functions in providing a better service for customers, e.g. improving access via the internet to rent account information, housing applications and repairs requests
 6. Our previous review highlighted a weakness in the reconciliation of the rental income. This has now been addressed with the introduction of a training schedule for relevant members of staff and contingency arrangements are now in place to cover leave or any sickness absences. The main housing rents system is reconciled annually and accounts monitored regularly throughout the year.
 7. Although the collection of income over the counter has reduced since the service relocated, controls are in place to ensure that any income is kept secure until banked.
 8. We have no concerns relating to the separation of duties that are required in the collection and allocation of income, and there are still robust access controls to IT systems, with passwords being changed regularly and members of staff being reminded to log out of systems when not in use.
 9. Overall, the management of arrears is good, with regular monitoring taking place. Arrears levels have reduced and the Council's performance is good when benchmarking with other local authorities and housing providers. Arrears written-off is approved in accordance with the Council's Financial Regulations.
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10. While the monitoring of credit balances on tenants' accounts is not considered to be a high priority for the service, we noted a refund that had been paid to a tenant twice in error and payments were being made to an account that had previously been written off, creating a credit balance. Although these errors were identified by the service, we advise that regular monitoring takes place to eliminate the risk of errors occurring. Additionally, former tenant accounts that have been previously written-off for non-payment are not being reinstated once the tenant restarts paying off the debt. This does not provide a true picture of the balance on the account and can also distort the total amount of arrears shown as outstanding; however, having identified this, the service is to ascertain the processes in place in other local authorities and housing providers at the next Former Tenant Forum hosted by Catrefi Conwy, in order to establish a more consistent approach across North Wales.

11. In terms of responding to new legislation, the Renting Home Wales Act 2016 will introduce changes in 2017 that are not expected to affect tenants and tenancy agreements until 2018. Housing officers are well aware of these changes in legislation and are awaiting guidance from the Welsh Government. The service has adopted the Welsh language standards in part, as new tenants are asked whether they have a preferred language and all answering of phones and e-mail 'out of office' messaging is bilingual. However, there is some room for improvement as not all forms of correspondence sent to tenants are bilingual.

12. We have not raised any issues that require any management attention and, although there are some areas that would benefit from some minor improvement, we are confident that the service is taking steps to address these. We are therefore able to provide a high assurance rating.

Welsh Government 6th form funding & PLASC (Pupil Level Annual School Census) Review – Denbigh High School – March 2017

13. The School has adequate controls in place to ensure that the PLASC return is completed accurately and within the prescribed timescales. Common Transfer Forms (CTFs) are

High Assurance	
0	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

in place and have been received for those pupils from another site who registered for subjects at the School.

14. During our review, we found that enrolment forms had not been completed for pupils covered by this PLASC return; however, there is evidence that this is now in place for the current school year.
15. While there is good monitoring of pupil attendance, there were inaccuracies with the pupil data held on SIMS. Pupils were registered as dual site users when they should be single site users and vice versa. We acknowledge that this could be a result of a change in subjects for the second year of post-16 education, as limitations with the system only allow for the status for the current school year to be seen. However, this was not true for all cases and, while it does not impact on the PLASC return, data held should be accurate.
16. During our review there was no evidence of the Head Teacher authorising the final PLASC return submitted to WG due to the original authorised submission having to be resubmitted at a later date. The technical issues that affected most schools in Wales did not affect the contents of the PLASC return but we would have expected to see a signed copy of the final PLASC return, which would confirm its accuracy.
17. As the above minor issues do not affect the PLASC return, based on the review carried out we are giving a 'high' assurance rating.

Welsh Government 6th form funding & PLASC (Pupil Level Annual School Census) Review – St Brigids School – March 2017

	High Assurance
0	Moderate Risks/Issues
0	Major Risks/Issues
0	Critical Risks/Issues

18. Overall, there are effective controls in place to ensure that the PLASC return is completed accurately and submitted within the agreed timescales. Key people involved in the process are fully aware of their roles and responsibilities when completing the PLASC return.
 19. There are good controls in place to monitor pupils' attendance and the accuracy of the data retained on SIMS. The School has also introduced additional controls to monitor that the relevant Common Transfer Forms (CTF) have been received or sent to the appropriate school as part of the process. The School has also
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incorporated enrolment forms following our review carried out last year, which record the subjects that pupils have enrolled on for the school year.

- 20. However, during our review there was no evidence of the Head Teacher authorising the final PLASC return submitted to WG due to the original authorised return having to be resubmitted at a later date. The technical issues that affected most schools in Wales did not affect the contents of the PLASC return but we would have expected to see a signed copy of the final PLASC return, which would confirm its accuracy.
- 21. Given that the School has introduced additional controls to improve the accuracy of the data and we only identified one weakness in the process, we are able to provide a ‘high’ assurance.

Follow up of previous Internal Audit reports

- 22. 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.
- 23. 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 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		
Community Support Services					

Paris Financials	0	2	4	0	0	1	0	2	3	Jul 17	•2 follow ups carried out
Cefndy Healthcare	0	0	7	0	0	6	0	0	1	Jan 17	•2 nd follow up now due
Payments to External Providers	0	0	2	0	0	2	0	0	0	n/a	•Now complete
POVA	0	0	7	0	0	5	0	0	2	Mar 17	•2 nd follow up now due
Education & Children's Services											
Governance in Schools	0	0	19	0	0	12	0	0	7	Jan 17	•2 nd follow up in progress
Ysgol Mair RC	0	2	20	0	2	19	0	0	1	Jan 17	•3 rd follow up in progress
IT & IM Management in Schools	0	0	17							Feb 17	•1 st follow up in progress
Facilities, Assets & Housing											
Housing Rents	0	0	5	0	0	4	0	0	1	Jul 17	•1 follow up carried out
Housing Allocations & Voids	0	0	5							Jan 17	•1 st follow up now due
Industrial Estates	0	0	1							Jan 17	•1 st follow up in progress
Review of On-site Income & Security at Leisure Sites	0	0	9	0	0	9	0	0	0	n/a	•Now complete
Ruthin Craft Centre	0	0	4	0	0	2	0	0	2	Mar 17	•2 nd follow up now due
Rhyl Harbour – Review of Operational Management	0	0	4							Mar 17	•2 nd follow up now due
Finance											
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

Highways & Environmental Services											
Street Works	0	0	5	0	0	2	0	0	3	Apr 16	•2 follow ups carried out
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
Legal, HR & Democratic Services											
HR Management in Schools	0	1	5							Jan 17	•1 st 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
Planning & Public Protection											
Community Enforcement	0	0	9							Jan 17	•1 st follow up in progress
Housing Enforcement	0	0	2							Jan 17	•1 st follow up in progress
Parking Services	0	0	13	0	0	11	0	0	2	Apr 17	•1 follow up carried out
Corporate Reviews											
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	•1 st follow up now due
IT Access Management	0	2	9	0	1	0	0	1	9	Jan 17	•2 nd follow up in progress
Physical Security of information	0	3	3	0	1	2	0	2	1	Jan 17	•2 nd follow up in progress
Sickness Absence	0	0	9	0	0	5	0	0	4	Feb 17	•3 rd follow up now due
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

24. This year's plan has been amended during the year and reported to the Committee due to changes in capacity arising from maternity leave. The service currently has two Senior Auditors on maternity leave, although one Auditor is now 'acting up' in a Senior Auditor role until December 2017.
 25. Despite the capacity changes, the service will complete enough of the original audit plan to allow the Head of Internal Audit to provide an annual audit opinion at the end of the financial year.
 26. 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.
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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
Corporate Priorities Assurance									
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	9	9	Complete - Jan 17	N/A	N/A	N/A	N/A	No report necessary. Work will continue on corporate priorities.
Improving our roads	15	0	15	Prepared					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	Prepared					Due in quarter 4
Modernising the Council to deliver efficiencies and improve services for our customers	15	1	5	Prepared					Due in quarter 4 but likely to continue into 2017-18
Corporate Risks Assurance									
Corporate risk management assurance	9	3	9	In progress					Due in quarter 4
Corporate Programmes & Projects Assurance									

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
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 Emlyn	10	3	3	Complete					Projects will continue to be monitored during 2017-18
Ruthin Area Review – Ruthin Town School Modernisation	10	5	5	Complete					
Alternative Service Delivery Models Assurance									
Revenues Services	44	92	93	Draft report					Review taking longer than anticipated due to problems obtaining system reports
Citizens Advice Bureau	5	0	0	Not started					Project will be carried out in 2017/18
Financial Assurance									
Financial services assurance	70	67	70	In progress					Nearing completion
AONB Grant	2	2	2	Complete					Certification of grant – no report issued
Housing Rents	20	22	22	Complete – Feb 17	High	0	0	0	
Welsh Government Assurance									

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
WG education grant certification	9	4	4	Complete					Certification of grant - no report issued
WG 6th Form Funding/PLASC - Denbigh High School	30	4	4	Complete	High	0	0	0	Scope reduced to reduce plan days to account for maternity leave
WG 6th Form Funding/PLASC - Denbigh High School		6	6	Complete	High	0	0	0	
Other Annual Areas of Work									
IA report follow up work	75	93	100	In progress					
Corporate Anti-fraud & Corruption	79								
Managing the risk of fraud & corruption		1	10	In progress					
Catering Services - continued review of reconciliation process		7	7	Complete					Full service review to be carried out in 2017-18
National Fraud Initiative Work		30	32	In progress					
Review of housing tenancies		0	0	Not started					Will be carried out in 2017-18
General fraud enquiries		3	3	In progress					
Projects brought forward from 2015/16 to complete -	162								
- Financial assurance		15	15	Complete - Jul 16	Medium	0	2	8	

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
- 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
- Community enforcement		8	8	Complete - Jun 16	Medium	0	0	9	
- Housing enforcement		21	21	Complete - Jun 16	High	0	0	2	

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
- 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	9	Draft report					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	
2016/17 Corporate & Service Assurance									
Corporate petty cash accounts	0	2	5	In progress					
Cash receipting processes	60	67	67	Complete					Consultancy on project to modernise service
Voluntary School Fund management	5	7	8	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	

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
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	
Procurement	20	49	50	Draft report					
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 will be completed in 2017/18 after service relocates
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
Sub-totals	867	854	916						
Contracted Work									
North Wales Police	200	207	208	In progress					Final year of contract
School Funds	30	20	22	In progress					Fewer requests for school fund audits

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
Sub-totals	230	227	230						
Corporate Support									
Corporate Governance Framework	12	5	12						
Consultancy & corporate areas	41	53	55						
Sub-totals	53	58	67						
IA Support & Management									
Team Meetings / 1:1s	47	40	45						
Management	53	46	50						
Training & development	50	51	50						
Sub-totals	150	137	145						
Grand Totals	1300	1276	1358						

Internal Audit performance standards

27. 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.

28. 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% – 63% – revised target – 94%

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%