



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

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# Internal Audit Annual Report 2016-17

May 2017



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## Introduction and background

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1. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive', in the Council's case the Head of Internal Audit (HIA), 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 following:
  - The IA opinion
  - A summary of the work that supports the IA opinion
  - A statement on the IA service's conformance with the PSIAS
  - The results of the IA service's quality assurance and improvement programme

## Internal Audit opinion 2016-17

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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.

2. In forming this opinion, the HIA has used the same assurance ratings that IA uses in its reports.

### 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

3. The HIA has based his 2016-17 opinion on the following:
  - 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
  - Assurances received from external regulators and other sources
  - The outcome of the Council's review of its Corporate Governance Framework and governance arrangements 2016-17



## Summary of work to support the opinion

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

- 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
- IA service performance

5. IA issued 27 audit opinions during the year, categorised as follows:

Green	High Assurance	13
Yellow	Medium Assurance	13
Amber	Low Assurance	1
Red	No Assurance	0

6. The majority of opinions were either ‘high’ or ‘medium’ this year, which also saw a significant decrease in the number of ‘low’ assurance ratings from seven in 2015–16 to only one this year. In this case, the Corporate Governance Committee has received progress reports from the service, which has implemented the majority of the agreed improvements.

7. There were no IA reports with ‘No Assurance’ rating issued during the year.

8. IA reports usually include an action plan that raises risks/issues that highlight improvement areas. These risks/issues are defined in the following table. No ‘Critical’ risks/issues were raised during the year.

### 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

9. The following table provides an overview of IA reports issued during the year, including the overall Assurance Ratings and the number of risks/issues raised in the action plans.

Report Title	Status of Project	Assurance Rating	Risks/Issues Raised		
			Critical	Major	Moderate
Corporate Priority Assurance: Developing the Local Economy	Complete	Medium	0	1	2
Corporate Safeguarding Review	Complete	Medium	Continued review of previous IA report. Assurance Rating improved from 'Low' to 'Medium'		
Revenues & Benefits Partnership Arrangements	Complete	High	0	0	2
Benefits	Complete	High	0	0	1
Sundry Debtors	Complete	Medium	0	0	3
Council Tax & Business Rates	Complete	Medium	0	0	2
Financial assurance areas;		Medium	0	0	6
• Accounts Payable		Medium	0	0	5
• Payroll & Pensions		High	0	0	1
• Treasury Management		High	0	0	0
• VAT Returns		High	0	0	0
• Bank Reconciliation		High	0	0	0
• General Ledger/Collaborative Planning		High	0	0	0
Housing Rents	Complete	High	0	0	0
Welsh Government 6th form funding & PLASC (Pupil Level Annual School Census) Review - St Brigids School	Complete	High	0	0	0
Welsh Government 6th form funding & PLASC (Pupil Level Annual School Census) Review - Denbigh High School	Complete	High	0	0	0
Industrial Estates	Complete	High	0	0	1
Protection of Vulnerable Adults (POVA)	Complete	Medium	0	0	3
Community Enforcement	Complete	Medium	0	0	9

Report Title	Status of Project	Assurance Rating	Risks/Issues Raised		
			Critical	Major	Moderate
Housing Enforcement	Complete	High	0	0	2
Parking Services	Complete	Low	0	0	7
Wales Penalty Processing Partnership	Complete	High	0	0	1
Payments to External Providers – Community Support Services	Complete	Medium	0	0	2
Housing Allocations & Voids	Complete	Medium	0	0	5
Rhyl Harbour – Review of Operational Management	Complete	Medium	0	0	4
Corporate Procurement – Progress on implementation of new corporate procedures relating to tender evaluation, vetting and contract documentation	Complete	Medium	0	0	5
Public Transport	Complete	Medium	0	0	5

10. The HIA regularly reports to Corporate Governance Committee on progress with IA's follow reviews of action plans included in its reports. The following table shows the position at the end of 2016–17 for IA reviews where improvement actions are outstanding, all of which will continue to be followed up during 2017–18.

#### Summary of outstanding issues from IA reports at 31 March 2017

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	5	0	0	1	0	2	4	Jul 17	•3 follow ups carried out
POVA	0	0	7	0	0	5	0	0	2		•2 <sup>nd</sup> follow up in progress
<b>Education &amp; Children's Services</b>											
Governance in Schools	0	0	19	0	0	12	0	0	7		•2 <sup>nd</sup> follow up in progress
Ysgol Mair RC	0	2	20	0	2	19	0	0	1		•3 <sup>rd</sup> follow up in progress



IT & IM Management in Schools	0	0	17								•1 <sup>st</sup> follow up in progress
<b>Facilities, Assets &amp; Housing</b>											
Housing Rents	0	0	5	0	0	4	0	0	1	Jul 17	•3 follow ups carried out
Housing Allocations & Voids	0	0	5								•1 <sup>st</sup> follow up in progress
Industrial Estates	0	0	1								•2 <sup>nd</sup> follow up in progress
Rhyl Harbour – Review of Operational Management	0	0	4	0	0	0	0	0	4	Jun 17	•1 follow up carried out
<b>Finance</b>											
Revenues Services 2015–16	0	0	24	0	0	13	0	0	11	Jul 17	•1 follow up carried out
Revenues Services 2016–17	0	0	8							Jul 17	•1 <sup>st</sup> follow up not yet due
Financial services 2015–16	0	2	8								•1 <sup>st</sup> follow up in progress
<b>Highways &amp; Environmental Services</b>											
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	•1 <sup>st</sup> follow up not yet due
<b>Legal, HR &amp; Democratic Services</b>											
HR Management in Schools	0	1	5								•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								•1 <sup>st</sup> follow up in progress
Housing Enforcement	0	0	2								•1 <sup>st</sup> follow up in progress
Parking Services	0	0	13	0	0	11	0	0	2	Apr 17	•1 follow up carried out

Developing the Local Economy	0	1	2	0	0	2	0	1	0	Jan 18	•1 follow up carried out
<b>Corporate Reviews</b>											
Corporate Procurement	0	0	5							Sep 17	•1 <sup>st</sup> follow up not yet due
IT Access Management	0	2	8	0	1	2	0	1	6	Jun 17	•2 follow ups carried out
Physical Security of information	0	3	3	0	1	2	0	2	1		•2 <sup>nd</sup> follow up in progress
Sickness Absence	0	0	9	0	0	5	0	0	4		•3 <sup>rd</sup> follow up in progress
Corporate Safeguarding	0	0	19	0	0	14	0	0	5	Apr 17	•2 follow ups carried out

## **Conformance with Public Sector Internal Audit Standards**

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### **The objectives of the PSIAS**

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

Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

11. 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.

12. A further self-assessment will be carried out during 2017-18, followed by an independent external assessment before 31 March 2018. The results of both assessments will be reported to Corporate Governance Committee.

## Internal Audit performance

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13. IA measures its performance in two key areas:

- Provision of 'Statutory Assurance' – These projects ensure that the Council delivers its statutory obligations so that the HIA 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 IA delivers a good service to its customers.

14. The table below shows IA's performance to date for 2016/17.

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

**Target 100% Actual 81%**

Three projects not completed due to changing resources in the IA team during the year. These projects have been programmed for 2017-18

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

**Target 100% Actual 100%**

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

**Target 100% Actual 100%**

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

**Target 90% Actual 100%**

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

**Target 90% Actual 100%**