

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

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# Corporate Governance Committee Update

November 2017





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## 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 November 2017 on:
  - Internal Audit reports recently issued
  - Follow up of previous Internal Audit reports
  - Progress on Internal audit work to date in 2017–18
  - A summary of upcoming Internal Audit projects
  - 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

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## Citizens Advice Denbighshire: Governance Arrangements – October 2017

- |   | High Assurance          |
|---|-------------------------|
| 4. From our review, we can conclude that the Alternative Service Providers (ASP) contract between the Council and Citizens Advice Denbighshire (CAD) is working effectively providing the citizens of Denbighshire with up to date advice and support. However, we have identified one issue around the provision of timely reporting to Corporate Governance Committee with financial and operational performance information to enable it to review the effectiveness of the contract.  | 1 Moderate Risks/Issues |
| 5. Overall we found that the CAD partnership has appropriate systems in place to ensure that information is shared between the partners through the Operational Board that meets on a monthly basis. The Board is made up of the Chief Executive Officer (CAD) and three Council Officers; although Members do not have direct representation on the CAD Board, a number of Members sit on committees and boards that work closely with CAD. This cross over means that some Members have an awareness of the CAD activities and service provided to the residents of Denbighshire. | 0 Major Risks/Issues    |
| 6. No reports have been presented to the Corporate Governance Committee to date despite the Council's ASP Framework requiring: <ul style="list-style-type: none"> <li>• half yearly update reports on financial and operational performance; and</li> <li>• an annual report on the CAD governance arrangements.</li> </ul>   | 0 Critical Risks/Issues |
| 7. Although contract monitoring at a service level is good, the Committee has a role to review such arrangements periodically to ensure that the Council takes appropriate action to address any issues identified. We note that the Wales Audit Office raised a similar concern in their Annual Improvement Report 2016–17 relating to another ASP arrangement.  |                         |
| 8. The Operational Board receive a monthly performance report and key performance indicators form a standing agenda item. Sample testing confirms   |                         |

that the performance information which is being reported is accurate and the Contract and Performance Manager agrees to perform spot-checks on the accuracy of such data in future. We confirmed that the CAD risk register is regularly reviewed and maintained up to date and the Council is presented with a set of audited accounts on an annual basis and no issues were highlighted.

9. Based on the scope of our review, governance, control and risk management arrangements are working well overall with improvement possible through timely reporting of performance and financial information to Committee for review.

## Petty Cash – November 2017

- |   |   | Medium Assurance      |
|---|---|-----------------------|
| 10. Our review found that some petty cash accounts are well administered and use good practice. However, we identified several weaknesses across all service areas surrounding petty cash processes which highlights a general lack of guidance, monitoring and maintenance of these accounts.  | 3 | Moderate Risks/Issues |
|   | 0 | Major Risks/Issues    |
|   | 0 | Critical Risks/Issues |
| 11. We have developed an action plan, in conjunction with the Finance section, to resolve these issues and therefore enable the Council to better manage the risks associated with petty cash accounts.   |   |                       |
| 12. From a previous internal audit review, we are aware that there are also a number of primary schools that operate petty cash accounts via their voluntary school fund accounts which are then reimbursed from their delegated budgets. We are seeking clarification from School Finance and Business Managers to ascertain which of the Accounts Payable accounts relate to petty cash and which relate to Voluntary School Funds. |   |                       |
| 13. We stress that management of petty cash is an issue that requires action from all services that use them to strengthen existing controls and minimise the potential for error and/or fraud. Owing to the relatively small financial values associated with petty cash accounts, the corporate significance is relatively low and therefore we are able to provide a medium assurance rating overall.                              |   |                       |

## Corporate Communications – November 2017

- |   | Medium Assurance        |
|---|-------------------------|
| 14. Overall, our review concludes that the Corporate Communications function is well managed and operating effectively. While we have identified a small number of issues which require management attention, this does not detract from the good service provided in this area.  | 3 Moderate Risks/Issues |
| 15. The Council has recently agreed a new Communications Strategy for its Corporate Plan which clearly demonstrates how the communication element can effectively assist the Council in delivering its key priorities. Further, the Lead Officer: Destination, Marketing & Communication will attend future programme board meetings for the new priorities which should ensure that communication in the context of the corporate priorities remains a priority and is embedded during project appraisal and monitoring. | 0 Major Risks/Issues    |
| 16. Our review found that there are few benchmarking opportunities within Wales for the Communications team to participate in; however, our comparisons with similar services in England indicate that the Council receives excellent value for money in this area, particularly in relation to service campaign activities.  | 0 Critical Risks/Issues |
| 17. The Council undergoes an annual external assessment of the quality of its website. While performing well in most areas and regularly passing the overall assessment, it has outlined a potential weakness in relation to the accessibility of the Council's website for people with disabilities.   |                         |
| 18. A particular strength of the Communications team is its recent work on campaign activities, evidenced in particular by the positive feedback received from several client services. As campaign management is a relatively new area of work for the team, there has been little opportunity as yet to revisit past campaigns in the wider context of the service or corporate objective to determine success and learn lessons holistically.  |                         |
| 19. Our review coincided with the launch of the Council's new intranet platform, Linc. The new system, hosted and administered by the web team, has significantly reduced the amount of information held on the intranet and removed duplicate documents. In light of these improvements, it is now important to ensure there is a clear protocol in place for updating and amending  |                         |

the intranet and external webpages, which outlines roles and responsibilities of services and enables the web team to co-ordinate this work.

20. Over the last year, the Council has significantly increased its social media presence and good controls exist to ensure that the corporate use of such accounts presents a professional image of the Council with relevant, up to date information for our customers. While this is supported by a comprehensive social media policy, more work is required to raise staff awareness of the policy and specifically their own responsibilities in relation to personal use of social media.
21. Despite raising three moderate risk issues, the outcome of our review is positive and we consider that the overall service provided by the Communications team to be good, therefore we are able to provide a 'medium' assurance rating.

## Managing the Risk of Fraud & Corruption – November 2017

22. Public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations in order to support good governance and demonstrate effective financial stewardship and strong public financial management. The Centre for Counter Fraud Studies, Plymouth University, estimates that, in 2016, the amount of fraud losses in Local Government, (excluding Benefits) amounts to 7.3 billion.
- | Medium Assurance |                       |
|------------------|-----------------------|
| 2                | Moderate Risks/Issues |
| 0                | Major Risks/Issues    |
| 0                | Critical Risks/Issues |
23. Our high level review provides independent assurance that the Council's mechanisms for managing the risk of fraud and corruption are mainly effective, with policies and procedures in place for dealing with fraud and reducing the likelihood of fraud losses. The Council commits to a zero tolerance approach to fraud and corruption and will optimise the publicity associated with anti-fraud activity.
24. Although we found a few areas for improvement, these are easily overcome but, in the meantime, we have given medium assurance until these improvements are implemented.
25. The Council will be also able to clearly account for the effectiveness of its counter fraud arrangements to the public, partners and national stakeholders,
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which features as a core element in its Annual Governance Statement, which should include reference to the following statement:

Having considered all the principles, I am satisfied that, subject to the actions identified below, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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## 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	5	0	0	1	0	2	4	Jul 17	•3 <sup>rd</sup> follow up in progress
Cefndy Healthcare	0	0	7	0	0	7	0	0	0	n/a	•Now complete
Payments to External Providers	0	0	2	0	0	2	0	0	0	n/a	•Now complete
POVA	0	0	7	0	0	6	0	0	1	Aug 17	•2 follow ups carried out
Education & Children's Services											
Governance in Schools	0	0	19	0	0	15	0	0	4	Jan 18	•2 follow ups carried out
Ysgol Mair RC	0	2	20	0	2	20	0	0	0	n/a	•Now complete
IT & IM Management in Schools	0	0	17	0	0	8	0	0	9	Sep 17	•2 <sup>nd</sup> follow up in progress
Facilities, Assets & Housing											
Housing Rents	0	0	5	0	0	4	0	0	1	Jun 18	•4 follow ups carried out
Housing Allocations & Voids	0	0	5	0	0	4	0	0	1	Mar 17	•2 follow ups carried out
Industrial Estates	0	0	2	0	0	1	0	0	1	Oct 17	•3 <sup>rd</sup> 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	4	0	0	0	n/a	•Now complete
Rhyl Harbour – Review of Operational Management	0	0	4	0	0	4	0	0	0	Jun 17	•Now complete
Finance											
Revenues Services – in Partnership with Civica	0	0	16	0	0	12	0	0	4	n/a	•Follow up being reported as part of 2017/18 audit

Financial services	0	2	8	0	0	5	0	2	3	n/a	•Follow up being reported as part of 2017/18 audit
<b>Highways &amp; Environmental Services</b>											
Street Works	0	0	5	0	0	3	0	0	2	Oct 17	•4 <sup>th</sup> follow up in progress
Corporate Fleet Management	0	7	12	0	7	9	0	0	3	Jan 18	•3 follow ups carried out
Passenger Transport	0	0	5	0	0	2	0	0	3	Nov 17	•2 <sup>nd</sup> follow up in progress
<b>Legal, HR &amp; Democratic Services</b>											
HR Management in Schools	0	1	5	0	0	1	0	1	4	Sep 17	•2 <sup>nd</sup> follow up in progress
Management & Administration of Legal Services	0	5	7	0	5	7	0	0	0	n/a	•Now complete
<b>Planning &amp; Public Protection</b>											
Community Enforcement	0	0	9	0	0	9	0	0	0	Aug 17	•Now complete
Housing Enforcement	0	0	2	0	0	0	0	0	2	Apr 17	•2 <sup>nd</sup> follow up in progress
Parking Services	0	0	13	0	0	13	0	0	0	Aug 17	•Now complete
<b>Corporate Reviews</b>											
Corporate Procurement	0	0	5	0	0	0	0	0	5	Sep 17	•Follow up being reported as part of 2017/18 audit
Developing the Local Economy	0	1	2	0	0	2	0	1	0	Jan 18	•1 follow up carried out
IT Access Management	0	2	8	0	1	3	0	1	5	Jun 17	•4 <sup>th</sup> follow up in progress
Physical Security of information	0	3	3	0	1	2	0	2	1	Apr 17	•2 <sup>nd</sup> follow up in progress
Sickness Absence	0	0	9	0	0	7	0	0	2	Sep 17	•4 <sup>th</sup> follow up in progress
Corporate Safeguarding	0	0	19	0	0	18	0	0	1	Sept 17	•4 <sup>th</sup> follow up in progress



## Progress in delivering the Internal Audit Assurance 2017-18

26. The following table shows a summary of Internal Audit's work to date for this year. As the new Internal Audit Strategy has an 'organic' plan, this table will be added to during the year as more projects commence.
27. Where projects have been completed since 1 April 2017, the table provides assurance ratings and number of issues raised for the completed reviews.
28. The following projects have not yet commenced but are scheduled for the coming months:
- Public Conveniences
  - CCTV Partnership
  - Catering
  - Pooled Budgets
  - Court of Protection
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Internal Audit Assurance Plan Areas of Work	2017-18 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
2017-18 Projects								
Corporate document retention	32	32	Complete	Low	0	3	1	
Modernising the Council to deliver efficiencies and improve services for our customers	48	50	Complete	Medium	0	0	2	
Highways asset management – Improving our roads	13	14	Complete	Medium	0	0	2	
AONB Grant	2	2	Complete	n/a				Certification of grant – no report issued
Welsh Government Grants	12	13	Complete	n/a				Certification of grant – no report issued
ALN & Inclusion / Recoupment & Out of County Placement / Special Education	8	40	On hold until January 2018					Head of Service request to delay start review while the service is undergoing a restructure.
Citizens Advice Bureau – Governance Arrangements	16	16	Complete	High	0	0	1	
Corporate Communications	24	24	Complete	Medium	0	0	3	
Revenues Services	56	60	Closing meeting					
Settlement Agreements	18	20	Closing meeting					

Internal Audit Assurance Plan Areas of Work	2017-18 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	25	30	In progress					Joint audit with Flintshire County Council of the shared service
Travel and Subsistence	6	10	In progress					
Financial Services 2017/18	6	50	In progress					
Court of protection	3	15	Scoping					
CCTV Partnership	5	10	Scoping					
Public Conveniences	0	10	Scoping					
Catering	0	15	Scoping					
Projects Brought Forward from 2016-17								
Corporate risk management assurance	6	10	Complete	High	0	0	0	
Financial assurance 2016-17	33	33	Complete	Medium	0	0	5	
Petty cash review	27	30	Complete	Medium	0	0	3	
Fraud & Corruption Work								
National Fraud Initiative	32	40	In progress					
Managing the Risk of Fraud & Corruption Phase 1	11	11	Complete	Medium	0	0	2	

Internal Audit Assurance Plan Areas of Work	2017-18 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
Managing the Risk of Fraud & Corruption Phase 2	8	13	In progress					
Follow-up Reviews								
IA project follow-ups	77	100	In progress					
Management of follow-ups	4	8						
Other Areas of Work								
School Fund admin & audits	28	35	In progress					
Corporate Governance Framework 2017-18	1	10	Not started					
Corporate working groups	7	10	In progress					
Consultancy & corporate areas	23	40	In progress					
IA Support & Management								
Team Meetings / 1:1s	26	40						
Management	48	60						
Training & development	34	40						
<b>Total Days</b>	<b>639</b>	<b>859</b>						

## Internal Audit performance standards

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

- Follow-up audit work – Two measures to ensure that Internal Audit carries out its follow-up work promptly and that services implement agreed improvement actions.
- Customer Standards – A range of indicators to ensure that Internal Audit delivers a good service to its customers.

30. The table below shows Internal Audit's performance to date for 2017/18.

Internal Audit commences follow-up reviews in the planned month

Targets – Excellent 100% – Good 90% – Acceptable 80%

**Current performance 100%**

Services have implemented agreed improvement actions from Internal audit reviews

Targets – Excellent 75% – Good 70% – Acceptable 65%

**Current performance 66%** – Performance will be cumulative during the year and should improve as the year goes on.

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

Targets – Excellent 99% – Good 95% – Acceptable 90%

**Current performance 100 %**

Send customers the agreed Project Scoping Document before we commence work

Targets – Excellent 99% – Good 95% – Acceptable 90%

**Current performance 100 %**

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

Targets – Excellent 99% – Good 95% – Acceptable 90%

**Current performance 100%**

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

Targets – Excellent 99% – Good 95% – Acceptable 90%

**Current performance 100%**