

Report To: Corporate Governance Committee

Date of Meeting: 28 March 2012

Report Author: Head of internal Audit Services

Title: Draft Internal Audit Annual Report 2011/12

1. What is the report about?

- 1.1. This report presents the Head of Internal Audit's Annual Report for 2011/12 in draft format.
- 1.2. In accordance with The 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (2006), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), the annual report should:
 - provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
 - disclose any qualifications to that opinion, together with the reasons for the qualification;
 - present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
 - draw attention to any issues we judge particularly relevant to the preparation of the annual governance statement; and
 - comment on compliance with the standards contained in the Code of Practice and communicate the results of the internal audit quality assurance programme.

2. What is the reason for making this report?

- 2.1. The Code requires an annual report to the audit committee or its equivalent. The Corporate Governance Committee would normally receive this report in May or June 2012 but, as this is the last meeting of the current Corporate Governance Committee membership, I am presenting a draft report for approval before the end of the financial year. I will present a final version of the report to Corporate Governance Committee in June 2012.

3. What are the Recommendations?

- 3.1. The Corporate Governance Committee accepts the draft Internal Audit Annual Report 2011/12, including the overall Audit Opinion included within it.

4. Report details





Audit Opinion

4.1. The overall adequacy and effectiveness of the organisation's internal control environment is defined as the policies, procedures and operations in place to:

- establish and monitor the achievement of the organisation's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- facilitate policy and decision-making;
- ensure the economical, effective and efficient use of resources; and
- ensure compliance with established policies, procedures, laws and regulations.

4.2. Considering this definition, I have based my audit opinion on the Internal Audit work carried out during 2011/12, the opinions formed in each area of review and the issues raised during our work, as shown in Appendix 1.

4.3. Using the new assurance ratings from our Internal Audit Reports shown in the table below, in my 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.

	High Assurance
	Medium Assurance
	Low Assurance
	No Assurance

4.4. There are no qualifications to this opinion.

Issues Relevant to the Annual Governance Statement

4.5. There are no issues to report. Management has dealt with any high risk issues identified in our reports during the year.

Management's response to issues raised by Internal Audit

4.6. Most of our Internal Audit reports identify risks and control weaknesses. We rate these as critical, major or moderate risk. Management agrees actions to address the risks, including responsibilities and timescales.

- 4.7. We report all instances where management fails to respond to our follow up work or where, in our opinion, they are failing to address risks raised in our reports satisfactorily and promptly. We had to report two services to Corporate Governance Committee during the year for not responding to our follow up requests but these have been addressed and the two services now provide information within timescale.
- 4.8. During 2011/12, we issued an Internal Audit report on St. Brigid's School, Denbigh with an audit opinion rating of 1 (overall management is very poor, with significant improvements urgently needed). The report was discussed at a case conference on 4 October 2011 and an action plan agreed. Our follow up review is in progress and we will report this to the next Corporate Governance Committee.

Internal Audit Performance

Measure - We will review 100% of high-risk areas from the Corporate Risk Register in the financial year

- 4.9. Work is complete or in progress on all 16 high risks due for review.

Measure - We will review 100% of financial assurance areas in the financial year

- 4.10. Work is complete in all 5 areas due for review.

Measure - We will commence, carry out and report on audit projects promptly

- 4.11. We measure the time taken to complete audit projects from the start date agreed with the customer to when we issue the final report. Since introducing our new customer-focused approach in April 2011, the average time taken to complete a project has dropped from 165 days to 70 days, a 58% improvement.

Measure - We will follow up issues raised in our reports promptly to ensure that services implement improvements and address risks

- 4.12. We also measure the time taken by services to implement actions agreed in our reports. Since we commenced the new process in May 2011, the average time to deal with a follow up has dropped from 440 days (2010/11 performance) to 30 days, a 93% improvement.

- 4.13. In addition, we are spending 50% less time following up actions, which means we are achieving improved results with less input.

Measure - We aim to deliver customer satisfaction in terms of auditor performance, report accuracy, prompt reporting and usefulness of our reviews.

- 4.14. During the year we received feedback on 26 occasions, 24 (92%) of which expressed that they were either satisfied or very satisfied with

our service. We used any suggestions for improvement from these and the 2 dissatisfied customers to improve our service further.

Compliance with the Code of Practice Standards

- 4.15. The Wales Audit Office is about to review the Council's internal audit arrangements for 2011/12. The report will be submitted to the Corporate Governance Committee when it becomes available.

Delivery of the Internal Audit Strategy 2011/12

- 4.16. Appendix 1 provides a breakdown of our work during 2011/12, compared to the revised operational plan that this Committee agreed in November 2011. It includes assurance scores and number of issues raised for the completed reviews, definitions used to form our audit assurance and the ratings used to assess the risk-levels for issues raised.

Appendix 1

Internal Audit Work 2011/12 – progress as at 11 March 2012

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Financial Assurance								
Capital Planning & Strategic Procurement	50	50	48	Complete	4 3	0	5	Separate Audit Assurance provided for Capital Planning & Procurement
Income security reviews 2011/12	15	12	12	Complete				
Cashiers & Postal Operations	10	19	19	Complete	4	0	2	
IDEA Testing on Financial Systems	10	19	19	Complete	4	0	0	
Financial Systems – Rhyl based areas	35	45	45	Complete	4	0	6	
Financial Systems – Ruthin based areas	45	40	47	Draft report				
Sundry Debtors – additional work arising from Revenues review	0	0	16	In progress				• Review of low value invoicing and volumes of credit notes
Creditors – additional work arising from Finance review 2010/11	0	0	26	In progress				• Review of payments with no purchase order issued
Purchasing & Creditors	0	0	1	Complete	3	0	6	• B/fwd from 2010/11
Income security reviews 2010/11	0	0	4	Complete				• B/fwd from 2010/11
	165	185	237					
Corporate Assurance								
Highways & Infrastructure – Major Projects	35	35	30	Draft report				
Information Governance	20	20	16	Complete				• Business Transformation Project
Modernising Education	10	2	1	Complete				• Monitored through various Cabinet & committee reports
Performance Management	15	15	0	Preparation				• Programmed for March 2012
Themed School Visits	50	20	8	Cancelled				• Cancelled due to Estyn Inspection

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments
Housing Maintenance	25	25	1	Preparation				• Scope being agreed with Head of Service. Project to commence March 2012
Strategic Human Resources	20	20	27	In progress				• Review expanded and nearing completion
Sustainability & Climate Change – Ph 1	15	13	3	Complete	4	0	2	
Sustainability & Climate Change – Ph 2			10	Complete	3	0	2	
Housing Enforcement	10	10	10	Complete				• Informal review only. No audit opinion.
Refuse Collection & Waste Management	25	10	1	Preparation				• Reprogrammed for 2012/13
Community Enforcement	15	20	4	Preparation				• Reprogrammed for 2012/13
Adult Services – Commissioning Social Care	50	16	21	Complete	5	0	3	
Asset Management	3	2	2	Complete				
Corporate Health & Safety	10	10	3	In progress				
Partnerships - Corporate	45	45	43	Complete	2	0	8	
Partnerships – Wales Penalty Processing Partnership				Complete	4	0	1	
Children & Family – Service Location	50	33	17	Complete				• Review of logistics of service. No audit opinion.
Children & Family – Lone Working Practices			8	In progress				
Social Services – CIS Contingency Plans	0	4	5	Complete	3	0	4	
School Meals Service	1	1	1	Complete				
Royal International Pavilion	0	25	26	Complete	3	0	7	
Corporate Governance Framework	5	5	5	In progress				
Corporate Health & Safety – Asbestos Management	0	0	13	Complete	3	0	7	• B/fwd from 2010/11

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Arms Length Organisations	0	2	1	Complete				• Informal assurance through discussion
Leisure Centres	0	7	3	Complete				• Systems Thinking review of management system / sundry debtor invoicing
Community Building Management	0	10	10	In progress				
Pavilion Theatre, Rhyl	0	25	4	In progress				
School Transport	0	0	3	In progress				• Joint project requested with CCBC
	607	375	276					
Follow Up Assurance								
Follow up of previous IA reviews	100	70	43					
Special Projects, Investigations, Fraud & Corruption Assurance								
Planning Application complaint	100	100	4	Complete				• Review of complaint
Rhuddlan Nature Reserve complaint			9	Complete				• Review of complaint
National Fraud Initiative			10	In progress				• Facilitation role for national data-matching exercise
Housing Maintenance			11	Complete				• Passed to Strategic HR for investigation
Contractor investigation following alleged fraud in Conwy CBC			3	Complete				• No evidence of fraud in DCC
Rhyl Youth Action Group			7	Complete				• Investigation on behalf of Welsh Government
Trade Refuse Collection			1	Complete				• Review of complaint
Denbighshire Enterprise Agency			4	Complete				• Review of complaint
Contractor investigation following anonymous letter			2	Complete				• Discussed with police but not pursued
Licensing & Safeguarding			2	In progress				• Corporate Director requested for review of taxi licensing issues
Purchasing Cards			5	In progress				• Case passed to police
Proactive & Reactive work - general			3					

Internal Audit Operational Plan	Original Planned Days	Revised Planned Days	Actual Days	Current Status	Audit Assurance	No. of Issues High/Critical	No. of Issues Medium/Moderate	Comments	
	100	100	61						
Welsh Government Assurance									
St.Brigid's School, Denbigh	20	47	51	Complete	1	0	23		
Post 16 PLASC returns	10	15	20	In progress	4	0	0		
Prestatyn High School	15	18	19	Complete	4	0	3		
Ysgol Glan Clwyd, St.Asaph	15	18	18	Complete	3	1	5		
Grant Certification	35	35							
- Breakfast Initiative Grant			5	Complete					• Certification only – no report
- Community Focused Grant			5	Complete					• Certification only – no report
- Learning & Assessment Grant			9	Complete					• Informal report only
Education Grants Management			11	Complete			1	• Informal report only. No audit opinion	
Ysgol Brynhyfryd, Ruthin	0	0	3	Complete	4	0	3	• B/fwd from 2010/11	
	95	133	141						
Consultancy & Corporate Work									
Research & Horizon Scanning	250	185	32						
CET/SLT/Committees etc			47						
Project & Working Groups			26						
Guidance & Advice			39						
IA Collaboration Partnership	50	50	41						
	300	235	185						
External Contracts									
North Wales Police Authority	200	184	165					• Agreed by contract	
Countryside Council for Wales	165	180	181					• Agreed by contract	

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School Fund Audits	5	45	43					• Additional requests for audits from schools some presenting 2-3 years accounts for audit
	370	409	389					
Internal Audit Support Areas								
Management & Admin	300	350	335					
Training	50	90	114					• Increase due to staff turnover during year.
	350	440	449					
Total Days	2087	1947	1781					