

Internal Audit Service

Strategy 2012-13

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Background

Introduction to the Service

1. The Internal Audit Service is an internal team that advises and provides assurance to all levels of management and elected members on the quality of operations within the Council. We particularly focus on corporate governance, risk management, performance, efficiency and operational and financial control.
2. We also provide internal audit services to Countryside Council for Wales (CCW) and North Wales Police Authority (NWPA). This Strategy refers primarily to the service provided to Denbighshire County Council.

Key objectives of the Service

Provide independent assurance to management and elected members on risk management, governance and internal control

Contribute to the improvement of services, helping to deliver the organisation's corporate priorities and objectives

Approach

3. Our team is very proactive and innovative, constantly aiming to improve. We have used a systems thinking methodology to develop a customer-focused approach to audit planning and the delivery of our reviews, involving elected members, senior management and operational staff as much as possible. The IA team also attended a lean thinking workshop recently to reinforce our approach in line with Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance & Accountancy (CIPFA) developments.
4. Our Operational Audit Plan takes account of discussions with Heads of Service and Corporate Executive Team (CET). It provides a risk-based approach that allows the Head of Internal Audit to form and evidence his opinion on the control environment to support the Annual Governance Statement.
5. The Head of Internal Audit is currently developing an Integrated Assurance Model that will ensure that he takes account of all assurance received on Council services e.g. management reviews, external regulator reviews, self-assessments. This will inform the overall level of risk and consideration of internal audit requirements. This will also allow co-ordination of assurance work and avoid duplication that can result in 'over-inspection' of services.

Service Delivery

Strategic Approach

6. The following diagram provides an overview of how we plan to spend our time during 2012/13. It shows how we will use our time to gather the necessary evidence to form our overall audit opinion and provide the necessary levels of assurance for the Annual Governance Statement. The Internal Audit Operational Plan commencing on page 6 provides more detail.

Assurance Strategy 2012/13

Essential Assurance

S151 Assurance	130 days	6%	<ul style="list-style-type: none"> • Financial systems • 6th Form Funding • Carbon Reduction Commitment • WG Education grants • Risk management • Corporate Governance Framework • Management of high corporate risks
Grant & Other Certification Assurance	70 days	3%	
Corporate Governance Assurance	60 days	3%	
High Corporate Risk Assurance	45 days	2%	

Risk-based Assurance in Services

Service Operational Assurance	645 days	31%	<ul style="list-style-type: none"> • Service reviews agreed with Heads of Service
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External Contracts

External Contracts	365 days	17%	<ul style="list-style-type: none"> • CCW & NWPA contracts • School fund audits requested by schools
School Fund Audits	30 days	1%	

Contingencies

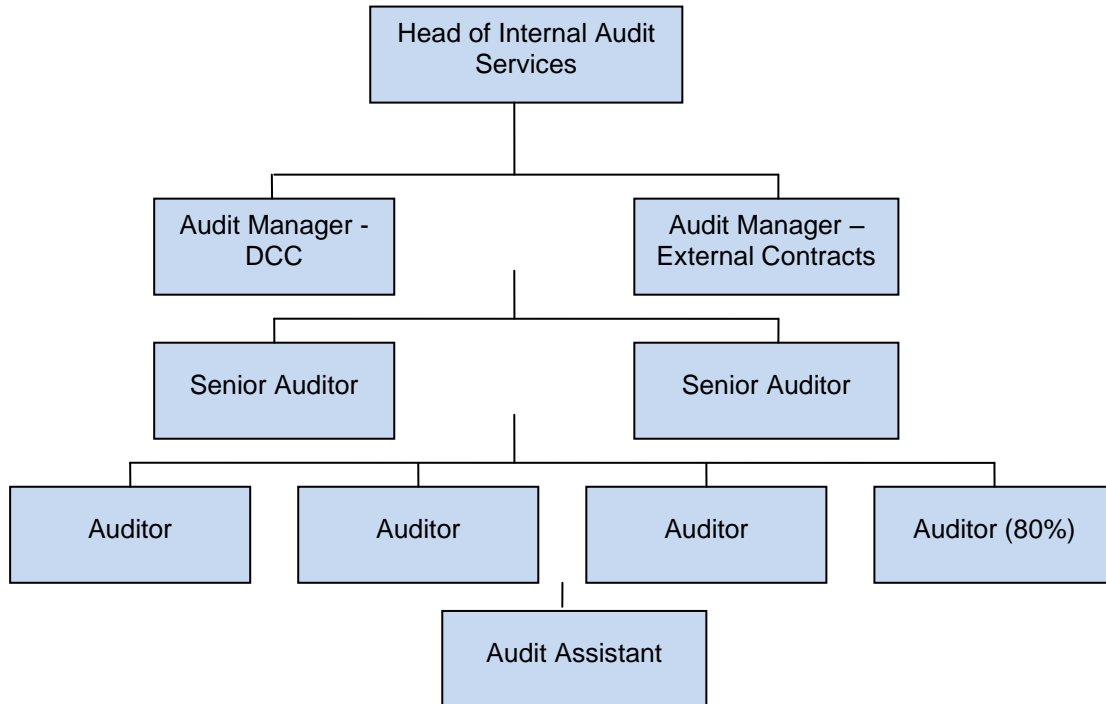
Consultancy & Corporate Work	185 days	9%	Includes: <ul style="list-style-type: none"> • Committee support • Committee reporting • Guidance & advice • Improvement action chasing • Proactive & reactive investigation work
Follow up of actions with management	40 days	2%	
IA collaboration projects	50 days	2%	
Fraud & Investigations	80 days	4%	

IA Management & Support

Management & Admin	350 days	17%	<ul style="list-style-type: none"> • IA overheads
Training & Development	70 days	3%	

Capacity & Audit Needs Assessment

7. We will have 2,120 days available in 2012/13, excluding leave and bank holidays. Our draft Audit Needs Assessment shows that we would need over 2,500 days to cover all the necessary areas (red and amber risks), leaving a needs gap of approximately 380 days. The Operational Audit Plan is risk-based, so includes those areas from the Audit Needs Assessment that have the highest audit risk score.
8. The service structure is shown below, with all posts currently filled.



Budget

9. Our budget is mainly employee based (90%), and is heavily reliant on income earned through our external contracts. However, the future of these contracts is in some doubt.
10. Our NWPA contract ends on 31 March 2014, having agreed a one-year extension to take us through the transition between the abolition of the Police Authority and the introduction of a directly elected Police & Crime Commissioner. The future internal audit requirements are unknown, but we will look to take advantage of any opportunity to retain or even expand our role.
11. Our CCW contract is at risk after 1 April 2013 as there is to be a merger between CCW, the Forestry Commission Wales and Environment Agency Wales. We are uncertain where the new organisation's services will be based and its internal audit requirements; however, it may provide us with the opportunity to continue our work in North Wales and possibly work in collaboration with other internal audit services for the new organisation as a whole.

Performance

12. To measure how well we deliver our customer-focused service, we use following performance measures:

Main Customer	Customer Requirement	Measurement Method
<ul style="list-style-type: none"> •S151 Officer •Corporate Governance Committee •CET •Leader 	An evidence-based annual assurance opinion for the Annual Governance Statement by the due date	<ul style="list-style-type: none"> •Review 100% of agreed S151 Assurance areas in Operational Audit Plan by 31 March 2013
		<ul style="list-style-type: none"> •Review 100% of agreed Corporate Governance Assurance areas in Operational Audit Plan by 31 March 2013
		<ul style="list-style-type: none"> •Review 100% of agreed High Corporate Risk Assurance areas in Operational Audit Plan by 31 March 2013
		<ul style="list-style-type: none"> •Head of Internal Audit to produce Annual Internal Audit Report by 31 May 2013
<ul style="list-style-type: none"> •Corporate Governance Committee •CET •SLT •Service managers, Head Teachers etc. 	Audit projects commenced, carried out and reported on promptly	<ul style="list-style-type: none"> •Use Systems Thinking capacity charts to monitor service performance over the financial year •Auditor performance monitored through supervision, one-to-one reviews feeding into appraisal process and competency framework •Feedback from post-project discussions with customers
<ul style="list-style-type: none"> •Corporate Governance Committee •CET •SLT 	Management actions agreed during our reviews implemented by the agreed date	<ul style="list-style-type: none"> •Monthly follow ups by Head of Internal Audit with Heads of Service •Non-compliance reports by Head of Internal Audit to Corporate Governance Committee
<ul style="list-style-type: none"> •SLT •Service managers, Head Teachers etc. 	Audit projects carried out professionally, adding value to services	<ul style="list-style-type: none"> •Feedback from post-project discussions with customers •Suggestions for improvements to Internal Audit service logged and discussed with team •Auditor performance monitored through supervision, one-to-one reviews feeding into appraisal process and competency framework

The Internal Audit Planning Process

13. We use a risk-based approach to our audit planning and project work, taking account of risks in the Corporate and Service risk registers. We focus our resources on providing assurance in the areas of highest risk, while ensuring that we complete the required levels of assurance work for the Council's S151 Officer, Corporate Governance Framework and annual certifications, e.g. Welsh Government education grants, Carbon Reduction Commitment. As our approach is risk-based, we revise our plan regularly, particularly after an update of the Corporate Risk Register.
14. The Head of Internal Audit produces an Annual Report to the Corporate Governance Committee that includes an opinion on the Council's corporate governance and risk management arrangements and highlights any key risk areas that require attention. Our risk-based approach and wide-ranging coverage allows us to make a significant contribution to the Council's Corporate Governance Framework and development of its Annual Governance Statement.
15. The following Operational Audit Plan 2012/13 results from an Audit Needs Assessment, adjusted to take account of the internal audit resources available during the year. The days shown against each review area are estimates at this stage and we will agree them when we discuss and finalise the scope of work with the relevant managers. In some instances, we will only be reviewing a specific risk rather than a whole service, which is why some areas of work only show minimal audit days.

Internal Audit Operational Plan 2012/13

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
S151 Assurance – 130 days (6%)			
Financial Systems – Rhyl based	60	<ul style="list-style-type: none"> •Debtors •Council Tax •Benefits •NDR 	<ul style="list-style-type: none"> •Required annual assurance for S151 Officer •High financial impact •High customer impact •Annual Governance Statement evidence of financial controls
Financial Systems – Ruthin based	40	<ul style="list-style-type: none"> •Payroll •Creditor payments •Purchasing cards •Treasury management •Bank reconciliation 	<ul style="list-style-type: none"> •Required annual assurance for S151 Officer •High financial impact •High customer impact •Annual Governance Statement evidence of financial controls
Project Management	15	<ul style="list-style-type: none"> •Review of a sample of high-risk projects •Ensure projects well-managed 	<ul style="list-style-type: none"> •Required annual assurance for S151 Officer •High financial impact •Annual Governance Statement evidence of financial controls
Procurement	15	<ul style="list-style-type: none"> •Review compliance with legislation, procurement strategy and Council procedures 	<ul style="list-style-type: none"> •Required annual assurance for S151 Officer •High financial impact •Annual Governance Statement evidence of financial controls
Grant & Other Certification Assurance – 70 days (3%)			
Sustainability/Climate Change	12	<ul style="list-style-type: none"> •Review of data quality and completeness 	<ul style="list-style-type: none"> •Annual audit required for Climate Change Commitment compliance
Welsh Government (WG) Education Grant Certification	25	<ul style="list-style-type: none"> •Various WG education grants as required 	<ul style="list-style-type: none"> •WG requirement for confirmation of grant condition compliance
WG 6 th Form Funding – Ysgol Dinas Bran, Llangollen	10	<ul style="list-style-type: none"> •Review of financial management 	<ul style="list-style-type: none"> •WG requirement for confirmation of funding condition compliance

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
WG Student Finance Certification	15	<ul style="list-style-type: none"> •Review of processes in accordance with recent WG guidance, particularly to prevent and detect fraud 	<ul style="list-style-type: none"> •WG requirement for confirmation of funding condition compliance
WG Adult Education Certification	8	<ul style="list-style-type: none"> •Review of WG grant use 	<ul style="list-style-type: none"> •WG requirement for confirmation of grant condition compliance
Corporate Governance Assurance – 60 days (3%)			
Risk Management	20	<ul style="list-style-type: none"> •Review key areas from ALARM benchmarking results •Assess against good practice guidance 	<ul style="list-style-type: none"> •Corporate governance assurance
Corporate Governance Framework	40	<ul style="list-style-type: none"> •Annual update and review of Corporate Governance Framework •Review effectiveness of key areas from Framework 	<ul style="list-style-type: none"> •Corporate governance assurance
High Corporate Risk Assurance – 50 days (2%)			
The risk of a serious safeguarding error where the Council has responsibility	10	<ul style="list-style-type: none"> •Review incorporated into ongoing work from 2011/12 	<ul style="list-style-type: none"> •High inherent risk in Corporate Risk Register
The risk that we are unable to develop the staff and management capability to deliver the change agenda	5	<ul style="list-style-type: none"> •Review management of risk e.g. training & development, capacity for change etc. 	<ul style="list-style-type: none"> •High inherent risk in Corporate Risk Register
The risk that the time and effort invested in collaboration is disproportionate to the benefits realised	15	<ul style="list-style-type: none"> •Review of management of risk •Review a sample of collaboration projects 	<ul style="list-style-type: none"> •High inherent risk in Corporate Risk Register

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
The risk that the economic environment worsens beyond current expectations, leading to additional demand on services and reduced income	5	<ul style="list-style-type: none"> •Review of management of risk •Review Medium Term Financial Plan 	•High inherent risk in Corporate Risk Register
The risk that strategic ICT infrastructure does not enable improvement and support change	10	<ul style="list-style-type: none"> •Review management of risk based on imminent WAO report on ICT •Review progress on ICT Strategy implementation 	•High inherent risk in Corporate Risk Register
The risk that our asset portfolio becomes an unmanageable liability and an obstacle to strategic planning	5	<ul style="list-style-type: none"> •Ongoing review of management of risk 	•High inherent risk in Corporate Risk Register
Risk-based Assurance in Services – 640 days (31%)			
Adult Services			
Intake & Reablement	10	<ul style="list-style-type: none"> •Review of new intake and assessment processes 	•Head of Service request for IA review
Learning Disabilities & POVA	15	<ul style="list-style-type: none"> •Operational review of POVA cases 	•No previous IA review
Direct Care Costs & Placements	15	<ul style="list-style-type: none"> •Review of Out of County Placements 	<ul style="list-style-type: none"> •High financial value •No previous IA review
Business Planning & Performance			
Equalities	15	<ul style="list-style-type: none"> •Strategic review to ensure compliance with legislation, awareness etc. 	<ul style="list-style-type: none"> •No recent IA review •Legislative non-compliance risk
Children's Services			
Children's Services general	35	<ul style="list-style-type: none"> •Review of information management between various systems and within various processes to ensure that decision-making is fully and accurately informed. 	•Head of Service request for IA review

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
Customer Services			
Information Governance	10	•Contingency for follow up work after WAO review	•High risk area previously
Cashiers Services	5	•Contingency for involvement in process review	•Head of Service request for potential IA consultation
IT Service Desk, Incident & Problem Management	20	•Efficiency of new arrangements since 'systems thinking' review	•Critical customer facing service •Service recently changed •No previous IA review
IT Service Continuity Management	2	•Review progress with business continuity arrangement in IT along with corporate arrangements	•Need to ensure progress with corporate Business Continuity Plan
IT Operations Management	20	•Operational Review	•No previous IA review
IT Configuration	15	•Operational Review	•No previous IA review
IT Project Management	15	•Operational Review	•No previous IA review
Education Services			
School Improvement	60	Contingency for: •Issues arising from Estyn report •Themed visits of higher risk areas •School balances review •School visits •Training business / finance managers	•Discussed with Head of Service •Agreed to await outcome of Estyn report before finalising scope of work •Performance Scrutiny requested review of school balances
Rhyl High School	15	•Financial management •Governance •Security •ICT •School Fund •Health & Safety •HR	•Previous IA review found significant weaknesses •This review to gain assurance of improvement in management of school

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
St.Brigids School	10	•Follow up of 2011/12 IA review	•2011/12 IA review found significant weaknesses
Modernising Education	10	•Support to schools e.g. finance, HR, ICT	•High risk in service risk register •No previous IA review
Environment			
Refuse Collection & Waste Disposal	25	•Review of domestic refuse collection, including complaints management	•Significant service area •No previous IA review
Sign Shop	20	•Operational review	•No recent IA review •Trading risk
Countryside Services	25	•Strategic and operational review of complete service	•High risk in service risk register •Some areas with no previous IA review •No recent IA review of Loggerheads
Public Realm	40	•Operational review of grounds, parks, street cleaning and coastal facilities management	•Significant service area •No previous IA review
Finance & Assets			
Travel & Subsistence	20	•Review of claims and Essential Users	•Recent policy changes •Need to ensure consistency and compliance
Property Management	20	•Review of approved list, tendering, work supervision etc.	•Weaknesses identified during recent IA review •Need to gain assurance of system improvement
Revenues Customer Service	10	•Systems Thinking review of telephone answering	•Issue highlighted in 2011/12 IA review
Highways & Infrastructure			
Passenger Transport	15	•Review of key risks & contracts •Full operational review of public and transport •Joint review with Conwy CBC, with DCC leading project	•High risk in service risk register •No recent IA review

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
Business Continuity Planning	2	<ul style="list-style-type: none"> •Review progress with corporate business continuity arrangement 	<ul style="list-style-type: none"> •Need to ensure progress with corporate Business Continuity Plan
Traffic & Transportation	20	<ul style="list-style-type: none"> •Review of key risks •Full operational review 	<ul style="list-style-type: none"> •Risk in service risk register •No previous IA review
Street Lighting	15	<ul style="list-style-type: none"> •Operational review 	<ul style="list-style-type: none"> •Risk in service risk register •No previous IA review
Housing Services			
Housing Services	20	<ul style="list-style-type: none"> •Affordable Housing management •Housing rents 	<ul style="list-style-type: none"> •Affordable Housing risk in service risk register •No recent IA review of housing rents
Legal & Democratic Services			
Democratic Services	5	<ul style="list-style-type: none"> •Review preparation for new Wales Measure 	<ul style="list-style-type: none"> •New democratic requirements •Potential for new elected members after election
Leisure, Libraries & Community Development			
Data Protection & FOI	20	<ul style="list-style-type: none"> •Compliance with legislation •Training •Operational review 	<ul style="list-style-type: none"> •Risk of fines for non-compliance •No recent IA review of Data Protection •No IA review of FOI
Archives Service	20	<ul style="list-style-type: none"> •Operational review •Retention of documents 	<ul style="list-style-type: none"> •No previous IA review •Risks linked to Data Protection requirements
Leisure Services	1	<ul style="list-style-type: none"> •Review management of Corwen Pavilion Risk 	<ul style="list-style-type: none"> •Risk in service risk register
Regeneration, Planning & Public Protection			
Community Enforcement	30	<ul style="list-style-type: none"> •Operational review of enforcement & Community Safety Partnership •Joint review with Conwy CBC, with DCC leading project 	<ul style="list-style-type: none"> •Brought forward from 2011/12 Operational Audit Plan •Risk in service risk register

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
Food & Health & Safety Enforcement	10	<ul style="list-style-type: none"> Operational review Ensure e-coli risks managed corporately Joint review with Conwy CBC, with Conwy leading project 	<ul style="list-style-type: none"> E-coli risk Other risks in service risk register No previous IA review
Trading Standards	10	<ul style="list-style-type: none"> Operational review Joint review with Conwy CBC, with Conwy leading project 	<ul style="list-style-type: none"> No recent IA review Organisational changes within service
Strategic Regeneration	25	<ul style="list-style-type: none"> Review of Rhyl Regeneration Project 	<ul style="list-style-type: none"> Senior management request in 2011/12 postponed until 2012/13
Strategic Human Resources			
Corporate Health & Safety	15	<ul style="list-style-type: none"> Contingency days for review to be agreed with service manager 	<ul style="list-style-type: none"> Potential high risk areas may need IA review
External Work – 395 days (18%)			
Countryside Council for Wales	165	<ul style="list-style-type: none"> As per agreed schedule of work 	<ul style="list-style-type: none"> External contract
North Wales Police Authority	200	<ul style="list-style-type: none"> As per agreed schedule of work 	<ul style="list-style-type: none"> External contract
School Fund Audits	30	<ul style="list-style-type: none"> Sign off audit certificates as requested 	<ul style="list-style-type: none"> Service request from schools
Contingencies – 355 days (17%)			
Consultancy & Corporate Work	185	<ul style="list-style-type: none"> Reporting to committees, CET & SLT Project & working group membership Guidance & advice to services Research & horizon scanning 	
Follow up reviews	40	<ul style="list-style-type: none"> Follow up agreed actions from IA reviews 	<ul style="list-style-type: none"> Ensure improvements implemented as agreed
IA collaboration	50	<ul style="list-style-type: none"> North & Mid-Wales Audit Partnership Board & operational group meetings 	

Area of Review	Audit Days	Draft Scope of Work	Reason for Review
Frauds & Investigations	80	<ul style="list-style-type: none"> •Proactive & reactive fraud work 	<ul style="list-style-type: none"> •Prevent, detect and investigate potential frauds •Provide assurance that fraud risk is well managed
IA Management & Support – 420 days (20%)			
Management & Admin	350		
Training	70		
TOTAL DAYS	2120		