Internal Audit Annual Report 2012-13

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Head of Internal Audit Services

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Why do we have an Annual Internal Audit Report?

The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice for Internal Audit in Local Government in the United Kingdom' (2006), and the Chartered Institute of Internal Auditors (CIIA) Internal Audit Standards both require the 'head of internal audit' to provide an annual report to the 'audit committee'.

The Internal Audit Annual Report:

- provides our opinion on the overall adequacy and effectiveness of the Council's internal control environment;

- discloses any qualifications to our opinion, together with the reasons for the qualification;

- presents a summary of the work that we have undertaken to formulate our opinion, including reliance placed on work by other assurance bodies; and

- draws attention to any issues that we deem particularly relevant to the preparation of the Annual Governance Statement.

What is the internal control environment?

The overall adequacy and effectiveness of the Council's 'internal control environment' means the policies, procedures and operations in place to:

- establish and monitor the achievement of the Council's priorities and objectives;

- identify, assess and manage the risks to achieving the Council's priorities and 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.

Compliance with internal audit professional standards

Throughout the year, Internal Audit has complied with the CIPFA Code and CIIA Standards in terms of:

- clearly setting out and agreeing its purpose, authority and responsibility;

- providing an independent and objective service;

- delivering its service with proficiency and due professional care;

- maintaining a robust quality assurance and improvement programme;

- having efficient management, ensuring that it provides added value to the Council;

- evaluating and contributing to the improvement of the Council's governance, risk management and control processes;

- planning its work effectively;

- performing audit projects effectively;

- communicating results of its work;

- following up the outcome of its work; and

- resolution of senior management's acceptance of risks.

Summary of Internal Audit's work during the year

We report our progress, performance and project reports to the Corporate Governance Committee regularly.

We achieved our 100% target for completion of 'Essential Assurance' from our Internal Audit Strategy and issued 33 final reports during 2012/13, with the following assurance ratings:

Green	High Assurance	11
Yellow	Medium Assurance	15
Amber	Low Assurance	6
Red	No Assurance	1

| Area of Work	Status of Project	Assurance Rating	Comments
Financial Assurance			
Financial Systems – Rhyl based	Complete	Green	
Financial Systems – Ruthin based	Draft report	Yellow	Discussing draft report and agreeing action plan
Financial Systems Assurance Testing (IDEA) 2011-12	Complete	Green	
Grants & Certification Assurance			
Sustainability/Climate Change	Complete	Yellow	
Breakfast initiative Grant	Complete	Green	
WG 6th Form Funding – Ysgol Dinas Bran, Llangollen	Complete	Green	
WG Student Finance Certification	Complete	Green	
WG Adult Education Certification	Complete	Green	
Corporate Governance Assurance			
Risk Management	Draft report	Yellow	Discussing draft report and agreeing action plan
Corporate Performance Management	Complete	Yellow	
Management of Corporate Risks Assurance			
The risk that we are unable to develop the staff and management capability to deliver the change agenda	Complete	Green	
The risk that the time and effort invested in collaboration is disproportionate to the benefits realised	Complete	Green	

Area of Work	Status of Project	Assurance Rating	Comments
The risk that the economic environment worsens beyond current expectations, leading to additional demand on services and reduced income	Complete	**Green**	
The risk that strategic ICT infrastructure does not enable improvement and support change	Complete	**Green**	
The risk that our asset portfolio becomes an unmanageable liability and an obstacle to strategic planning	Complete	**Green**	
Service Assurance			
Direct Care Costs & Placements	Complete	**Yellow**	
Ysgol Clawdd Offa, Prestatyn	Draft report	**Amber**	Discussing draft report and agreeing action plan
Rhyl High School	Complete	**Yellow**	
Trade Refuse	Complete	**Yellow**	
Public Realm	Complete	**Yellow**	
Corporate Health & Safety - Fire Risk Assessments	Complete	**Amber**	Follow up due in May 2013
Business Continuity Planning	Complete	**Amber**	Now reported as corporate project to CET
Winter Maintenance	Complete	**Yellow**	
Home to School Transport	Complete	**Yellow**	
Housing Maintenance	Complete	**Red**	Report formed part of wider improvement project in the service. Follow up due in June 2013
Translation Service	Complete	**Yellow**	
Community Buildings - Rhyl Town Hall	Complete	**Yellow**	
Pavilion Theatre, Rhyl	Complete	**Amber**	Follow up due April 2013
Integrated Children's Centres	Complete	**Yellow**	
Strategic Human Resources	Complete	**Amber**	Remains 'amber' after recent follow up review
IT Operations Management	Complete	**Yellow**	
IT Project Management	Complete	**Yellow**	
Data Protection & FOI	Complete	**Amber**	Follow up due April 2013

Internal Audit Opinion 2012-13

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.

There are no qualifications to this opinion.

In forming this opinion, the Head of Internal Audit has used the same assurance ratings that Internal Audit uses in its reports.

	High Assurance	Risks and controls well managed
►	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

The Head of Internal Audit has based his 2012-13 Opinion on:

■ the scope and outcome of Internal Audit's work during the year;

■ Internal Audit report opinions and assurance ratings;

■ the issues and risks that Internal Audit has raised during the year;

■ the effectiveness of management's response to the issues and risks that Internal Audit has raised; and

■ the outcome of the Council's review of its Corporate Governance Framework and Annual Governance Statement for 2012-13.

Issues relevant to the Annual Governance Statement

Although we issued one 'red' assurance rating and six 'amber' assurance ratings, most of the issues in those reports related to service performance rather than significant governance issues for the Council's Annual Governance Statement (AGS).

All of the main financial, governance and corporate risk areas received either 'green' or 'yellow' assurance. The main issues from our work that are relevant to the AGS relate to our reviews of Strategic Human Resources (HR) and Data Protection/FOI.

In our review of Strategic HR, we raised one major and ten moderate issues. Our follow up review showed that little progress had been made with the agreed action plan, which resulted in the service being invited to Corporate Governance Committee to explain the lack of progress. We are due to follow up the action plan again in July 2013, when the service will report back to the Corporate Governance Committee on progress.

Our review of Data Protection/FOI is part of the larger area of information governance, which is currently being restructured and reviewed. We raised four major and three moderate issues and are due to follow these up in April 2013. However, information governance has appeared previously in the AGS and remains a significant area for improvement.