



Flintshire County Council

Internal Audit Annual Report

Year ended 31 March 2016

Presented at the Audit Committee meeting of: 13th July 2016

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1 Introduction

1.1 The Definition and Role of Internal Audit

The definition of Internal Auditing in the Public Sector Internal Audit Standards (PSIAS) is as follows:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The role and responsibilities of the FCC Internal Audit department are outlined in the Internal Audit Charter, which has been approved by the Audit Committee and is part of the Constitution. It also specifies the department's independence, authority, scope of work and reporting arrangements. All audit work is carried out in accordance with the contents of the Charter.

The role of internal audit is to provide an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the framework of internal control, risk management and governance. Internal audit is therefore a key part of Flintshire County Council (FCC)'s assurance cycle and if used effectively can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Audit Committee, that assist the Council prepare the Annual Governance Statement.

1.2 Professional Standards

The professional responsibilities for internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. PSIAS is based on these Standards.

The Standards require the Audit manager to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of internal audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years.

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments

Ongoing monitoring of performance is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance reported to quarterly Audit Committee meetings.

A self-assessment against the Standards has been completed and the results reported to the Audit Committee in March 2016. The assessment included a review of the QAIP showing actions taken from the previous year and to maintain continuous improvement against the QAIP components.

The Internal Audit Department Generally Conforms to the Standards. That means that the relevant structures, policies and procedures of the department, as well as the processes by which they are applied, comply with the requirements of the standards and of the Code of

Ethics in all material respects. General Conformance does not require complete/perfect conformance, the ideal situation, etc.

It is planned for an external assessment to take place in 2016/17, using a peer review by another Local Authority in Wales.

2 Internal Audit Assurance for 2015/2016

2.1 Context

The internal audit service to FCC is required to provide the Council through the Audit Committee with an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In giving that opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 Resources

The department has been fully resourced throughout the year. The integrated audit software in use during the year has enabled the redeployment of the Audit Administration Assistant within the Authority.

2.3 Internal Audit Opinion

For the year ending 31 March 2016 based on the work we have undertaken my opinion is that FCC has an adequate and effective framework of governance, risk management and control.

Six audits were given a 'red' assurance level during the year (2014/15 four audits), where an urgent system revision was required. These audits were spread across a range of portfolios indicating that weaknesses are not concentrated in any one area. Whilst these audits indicated areas where controls needed to be improved, they are not significant in the context of the Authority's whole control environment.

2.4 Scope of the Internal Audit Opinion

In arriving at that opinion, I have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2016 (see Appendix A for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether recommendations have been accepted by management and, if not, the consequent risks;
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Council;

No limitations have been placed on the scope of internal audit;

No resource constraints have been imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and

Where weaknesses have been identified I am happy that action plans are in place to address those weaknesses.

2.5 The Basis of the Opinion

In reaching this opinion the following factors were taken into particular consideration:-

Governance

A Corporate Governance Working Group operated during the year, charged with co-ordinating the annual governance self assessment and preparation of the annual governance statement. The group was chaired by the Internal Audit Manager and members included the Policy Performance and Partnerships Manager, the Business Performance Officer, the Member Engagement Manager and a Principal Accountant. The group updated the Council's Code of Corporate Governance, then prepared and drafted the Annual Governance Statement. To do so the group issued corporate governance self-assessment assurance certificates to Chief Officers and Chairs of Overview and Scrutiny Committees, reviewed and challenged the responses and reported the results. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements. The group also considered the overall assurance framework. The Statement explains how Flintshire County Council complies with its own Code of Corporate Governance and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

During 2014/15 Wales Audit Office completed a Corporate Assessment of Flintshire as part of its four year cycle of corporate assessments of improvement authorities in Wales. The assessment covered the following

- Performance and Outcomes
- Vision and Strategic Direction
- Governance and Accountability
- Use of Resources
- Collaboration and Partnerships
- Managing Improvement

The Auditor General concluded that:

'The Council's track record suggests that it is likely to respond positively to the internal and external challenges it faces and make arrangements to secure continuous improvement for 2015-16.'

In their Annual Improvement Report 2015-16 Wales Audit office state that:

'The Council has made good progress in addressing the governance-related proposals for improvement arising from our 2015 corporate assessment report.'

Risk Management

A revised Risk Management Policy and Strategy were issued during the year, with an enhanced risk matrix and format of reporting. Quarterly progress reports against the Improvement Plan have been presented to Overview and Scrutiny Committees. Internal Audit reviewed risk management towards the end of the year, focusing on the progress in implementing the new corporate operating model and electronic performance management system, CAMMS. The report gave an amber/Green assurance level – key controls in place but some fine tuning required. All strategic risks have been input into CAMMS and it is anticipated that it will be used for operational and project risks. These are reported to Programme Boards. The WAO Annual Improvement Report stated that 'The Council has

strengthened its approach to risk management, to promote greater consistency, and has plans to introduce further improvements during 2016/17 and 2017/18.

The opinion is also informed by the total of risk based audit assignments completed during the year.

Internal Control

Audits were carried out in all areas of the Council during the year. The overall level of control found in audit assignments this year was good. 63% of audits resulted in a 'green' or 'amber +' assurance level. No area stood out as being worse than the others. In all cases the findings were reported to the Audit Committee. Recommendation implementation continued to show a high degree of compliance within the agreed timescale. Summary results are given in Appendix A, together with definitions of the assurance levels.

2.6 Level of audit coverage during the year

The number of audit days spent in each area compared to the original and revised plan is given in the table below

	Planned days	Actual days
Corporate	75	61
Community and Enterprise	75	83
Education and Youth	110	142
Governance	155	136
Organisational Change 1	45	26
Organisational Change 2	35	21
People and Resources	195	288
Planning and Environment	35	33
Social Services	65	86
Streetscene and Transportation	70	44
Investigations	200	242
Follow Ups	30	Note*
New Software	40	77
Consultancy	40	Note*
Provisions	80	Note*
Total	1250	1239

Note * Used within other totals

The plan is always flexible and subject to change during the year. The number of days planned for audits at the start of the year is reviewed when the audit is scoped in detail, and is also subject to change depending on the findings. The largest difference between the original planned days and the actual days used was in People and Resources. This related to audits around the implementation of single status, where a lot of time was spent ensuring the correctness of payments.

The original annual plan showed 47 audits to be completed in 1250 days. 4 audits were added to the plan during the year after management requests, with 7 audits deferred.

There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult. However, within 2015/16, 41 final reports were brought to the Audit Committee and at the time of this report a further 12 reports were awaiting presentation at the July committee meeting. Three major areas within the plan were completed without reports being produced, Corporate Governance as explained above, the North Wales Residual Waste Partnership and Alternative Delivery Models. In overall terms, this shows that the plan was substantially achieved.

All the deferred audits were considered during the planning meetings for the 2016/17 to 2018/19 audit strategic plan. As a result, two of them appear in the strategy.

2.7 Assurance Levels

The tables in Appendix A show the assurance levels and recommendations made in 2015/16. The definitions for the assurance levels are given in the last page of this report. The spread of opinions is similar to previous years.

2.8 Other Internal Audit Work

In addition to the reviews analysed in the Appendix, we have also carried out the following internal audit work during the year.

Area of review	Comments
Schools CRSA	Control and Risk Self Assessment carried out. Responses received from 64 Schools
Schools Audits	10 schools audits.
Investigations	See below
National Fraud Initiative	47 days on work relating to National Fraud Initiative
Advisory work	23 days on advisory work in the year.
Grant audits	14 days on audits of grants.

2.9 Investigations

At the start of the year there were six live investigations. During the year eight more were started and seven were completed, leaving seven ongoing investigations at the end of the year. There is no pattern to the subjects of the investigations. Two of the new investigations were as the result of whistleblowing.

2.10 Advisory work

This includes work that does not result in an audit report but adds value to the Authority by contributing to working groups or providing advice. Examples include advice on processes for consultants, CAMMS, the Data Protection Team and other working groups.

2.11 Fraud Awareness

During the year the department publicised an updated Anti-Fraud and Corruption Strategy and Fraud Response Plan on the Infonet.

2.12 Internal Audit Performance

The performance of the department against performance measures and targets is set out below.

Performance against target is reported to each quarterly Audit Committee, and is summarised in the table below. There was some disruption to departmental procedures during the year with the continuing rollout of new integrated audit software and the loss of the department administrator. With the exception of the time taken to issue reports, even where targets were missed performance was better than the latest Welsh average figures. Performance will be monitored closely during 2016/17.

Performance Measure	Q1	Q2	Q3	Q4	15/16	15/16 Target	Welsh Average 14/15
Audits completed within planned time	60%	71%	100%	78%	72%	80%	69%
Average number of days from end of fieldwork to debrief meeting	16.6	20.1	18.1	19.4	18.0	20	7.6
Average number of days from debrief meeting to the issue of draft report	1.9	4.1	8.8	3.3	4.0	2	
Days for departments to return draft reports	7.3	20.6	9.1	7.0	9.7	3	
Average number of days from response to issue of final report	0.9	1.9	4.1	0.9	1.8	2	1.8
Total days from end of fieldwork to issue of final report	26.7	46.7	40.1	30.1	33.5	27	
Client questionnaires responses as satisfied	100%	100%	100%	100%	100%	95%	98%
Productive audit days	80%	83%	83%	77%	81%	75%	65%
Other Targets							
Return of client satisfaction questionnaires	53.3%	50%	90%	67%	63%	70%	59%

Appendix A: Internal Audit Opinions and Recommendations 2015/16

Auditable Area	Audit Opinions					Number of Recommendations made				
	Red	Amber -	Amber +	Green	In Total	High	Medium	Low	In Total	Agreed
Corporate	1	0	2	0	3	1	12	5	18	18
Community & Enterprise	1	0	2	2	5	2	12	24	38	38
Education & Youth	1	0	3	0	4	1	17	18	36	36
Governance	0	2	1	3	6	1	11	8	20	20
Organisational Change 1	0	0	0	1	1	0	0	0	0	0
Organisational Change 2	0	0	1	0	1	0	2	2	4	4
People & Resources	2	4	3	3	12	9	32	24	65	65
Planning & Environment	0	1	0	0	1	0	3	1	4	4
Social Services	1	1	0	3	5	2	16	8	26	26
Streetscene & Transportation	0	1	0	0	1	0	7	6	13	13
External	0	0	0	2	2	0	1	4	5	5
Total	6	9	12	14	41	16	113	100	229	229

