



Internal Audit Strategy 2018-19

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Introduction

1. The Internal Audit Service is an independent and objective internal team that provides assurance and advice to all levels of management and elected members on the quality of operations within the Council. We particularly focus on governance, risk management, performance, improvement, efficiency, and operational and financial control.
2. The Internal Audit Charter sets out the purpose, authority and principle responsibilities of the Internal Audit Service.
3. An important aspect of internal auditing is the extent to which it helps the organisation to achieve its objectives and improve. This means that the internal audit plan and the work of internal audit must focus on the things that matter to the organisation, and the opinions and improvement suggestions that internal audit provide must help the organisation and be valued by stakeholders.
4. This Internal Audit Strategy represents the proposed internal audit activity for the year and gives an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Head of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed with management and reported to the Corporate Governance Committee.
5. The service's objectives are therefore as follows:

Internal Audit's objectives

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

Develop and promote our role to make a significant contribution to the Council's aim to modernise and deliver efficiencies and improve services for our customers.

Add value in all areas of our work, providing excellent service to our customers.

6. The Internal Audit Service has undergone significant change in recent years. The Head of Internal Audit (HIA) retired at the end of May 2017 and the Chief Internal Auditor undertook the role in July 2017.
7. The service maintains a resource of six full-time equivalent (FTE) members of staff. During the year, one of the Senior Auditors has taken another role within the Council; the post has been filled with a suitably qualified and experienced Senior Auditor.
8. Given the limited resources, it is increasingly important that the Internal Audit Service is directing its resource to the right place.

High Level Audit Plan

9. The table below shows a summary of planned audit coverage for the year. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards (PSIAS), the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Council and, to this end, it will be regularly reviewed with services, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the Public Sector. See also, Appendix 1 – Audit Needs Assessment.
10. We have set out the plan based on the current organisational structure for the Council. Detailed scoping documents will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review. As a result, the indicative days allocated here for each audit is subject to change. The following pages give a brief overview of the focus of proposed audit coverage for the year.

Core Activity for Internal Audit Review	Coverage in Days
Business Improvement & Modernisation	35
Community Support Services	55

Corporate areas and corporate risks	120
Customers, Communication & Marketing	15
Education & Children's Services	82
Facilities, Assets & Housing	60
Finance – key financial systems	80
Highways & Environment Services	57
Legal, HR & Democratic Services	45
Planning & Public Protection	30
Anti-fraud and corruption work including National Fraud Initiative (NFI) – <i>see next section</i>	90
Grant certification work	24
Follow up work	50
Consultancy work, committee meetings etc.	170
Total Internal Audit Plan	913

Anti-Fraud & Corruption Work including NFI

11. Counter fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by management, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk of fraud. This is informed by CIPFA's 'Code of Practice on managing the risk of fraud and corruption'. Notable areas of fraud nationally include: Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges and Direct Payments (Social Care).
12. The Wales Audit Office runs a national data matching exercise (National Fraud Initiative – NFI) every two years. Work on the 2016/17 exercise is coming to an end. We have engaged with relevant Council services to ensure data matches are reviewed and resulting action taken as

necessary. A summary of the result of the recent exercise will be reported to the Corporate Governance Committee in the coming months.

Proposed Audit priorities for 2018-19

13. The audit plan has been developed to align with the corporate priorities and strategic risks. All audit areas identified as high priority within the plan will be undertaken within the financial year 2018–19 together with annual audits of financial areas for the Section 151 Officer. Audit areas rated as medium priority will be kept under review and any changes or emerging risks will be captured and the audit plan updated as necessary.
14. The following list shows the current priority projects for 2018–19 that has been agreed between the CIA and each service management team and directors. The Corporate Governance Committee will continue to receive a regular progress update on Internal Audit work actually undertaken, which will include a list of upcoming work from the project priority schedule.

Audit Project	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review
Risk Management	IA is required to report on how the Council manages its risks each year as part of the CIA’s annual report and for the Annual Governance Statement. Review will focus on the corporate risks in the Corporate Risk Register along with a review of risk management within Services using a self-assessment.
Homelessness	ANA – high, request from SMT.
Housing Tenancy Fraud	Specific fraud-related project to ensure that the Council has robust controls to avoid sub-letting of its properties and to detect whether this is happening.
SARTH (Single Access Route to Housing)	ANA – high, corporate objective “everyone is supported to live in homes that meet their needs” and high priority showing in audit needs analysis.
Additional Learning Needs and Inclusion, Recoupment and Out of County Placement	Complete IA review started in 2017–18. ANA – high
Effective Governance in Schools	Request by Head of Service to review process for managing investigations and complaints.
Catering Services	Request by senior management and focus on financial processes and reconciliations. Forms part of proactive counter-fraud work.

Audit Project	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review
Housing Rents	Statutory assurance to include review of welfare reform impact and new OPEN Housing system.
Welsh Government Transport Grants	Service Management Team request for a review of the system for managing transport grants within Traffic & Parking Services. Request to defer to 2018–19 due to service changes.
Bridges and Structures	ANA – high.
Programme and Project Management	Programmes/projects to be reviewed will be decided later in the year. Focus on benefit realisation (this is a corporate risk and an annual governance statement are for improvement).
General Data Protection Regulations (GDPR)	New legislation in force May 2018. Agreed with Service Management Team.
Registrars	Service Management Team request for review of processes.
Business Continuity and Emergency Planning	Progress with new business continuity and emergency planning arrangements to ensure that critical services will continue to be delivered effectively in an emergency situation. Continued from 2017–18
Revenues Services	Annual review of council tax, NNDR, benefits, sundry debtors etc. within the terms of the Civica contract. Include review of the Welfare Reform implications.
Financial services assurance	Annual review of payroll, accounts payable, treasury management etc. to provide S151 Officer assurance. This year to include a review of money laundering and changes to the cash receipting system.
Support Services Contracts with Schools	Request by Senior Management Team to review Council's agreements with Schools for support services.
Legal Services – Prosecution Collaboration	Senior Management Team request to review collaborative arrangement with neighbouring Councils
Support Budgets (Direct Payments)	Part of counter–fraud work to review arrangements for “direct payments” to social care recipients.
Contract Management	Joint review with Flintshire County Council. Council is increasingly reliant on large, complex contracts to deliver its services.

Audit Project	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review
Pooled Budgets	Ongoing review in response to the Part 9 of the Social Services and Well-being Act.
Regional Growth Board	Review of governance arrangements.
School Transport	Complete review from 2017–18. Service Management Team agreed to a corporate review to include Education, Transport and Licensing.
Waste Services	ANA – high. High risk within Service Risk Register and area not reviewed for some time.
Commuted Sums / Section 106 Agreements	Request by Senior Management Team. Area not reviewed previously
Tourism Strategy	Request by SMT.
School Fund Certificates	Part of our proactive counter-fraud work. Review of schools with outstanding school fund certificates.
Cyber Security	Features on corporate risk register. High level review of arrangements in place.
Grant Management	Annual assurance over education grants. Also, review Council's arrangements to pay and receive grants.

Internal Audit performance monitoring

15. Internal Audit will use the following performance measures from 1 April 2018 to measure its customer service and its efficiency and effectiveness in following up action plans and ensuring that agreed improvement is delivered by services following an internal audit review. Some of the actions have been amended to enable comparison with Welsh Chief Auditor's Group benchmarking information.

Customer Service Standard	Target
Internal Audit will discuss, agree and send services the Internal Audit Project Scoping Document before it commences work.	100%
At the conclusion of its work, Internal Audit will hold a closing meeting with all relevant people to discuss the outcome of its work, and then send services a draft report as soon as possible after that meeting.	Avg. Days (less than 10)
Internal Audit will issue a final audit report as soon as possible after agreeing the report and its action plan with services.	Avg. Days (less than 5)

Follow Up Action Plans & Service Improvement	Target
Using performance management system (Verto), Internal Audit will monitor and report on the % of agreed improvement actions that have been implemented by services to show that Internal Audit's service is effective in helping to deliver improvement.	75%

External assessment of the Internal Audit Service

16. PSIAS 1312 states that “External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE [Chief Audit Executive, which is Denbighshire’s case is currently the CIA] must discuss with the board:
 - The form and frequency of external assessments.
 - The qualifications and independence of the assessor or assessment team, including any potential conflict of interest.”
17. This external assessment must be completed by 31 March 2018. The Welsh Chief Auditors Group has arranged for these assessments to be carried out through peer review by local authority Internal Audit Services. Denbighshire’s assessment will be carried out by Gwynedd County Council’s Internal Audit Service during 2017–18.
18. A self–assessment was carried out two years ago and any areas of partial conformance addressed. The CIA has updated the self–assessment and the result, along with the Quality Assurance Improvement Plan, was reported to Corporate Governance Committee in November 2017.
19. Gwynedd County Council’s Chief Audit Executive carried out the external assessment in March 2018 and the result, along with the improvement plan (if applicable), will be reported to the Corporate Governance Committee shortly.

Appendix 1 – Audit Needs Assessment

20. We use an assurance mapping tool to formulate the audit plan, which prioritises audits based on risk to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Council, known as the “Audit Universe” using a number of factors/criteria. The final score, together with priority ranking, determines an initial schedule of priorities for audit attention. The result is the Internal Audit Plan.

The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority’s strategic and operational risk registers

Review and update of the audit universe

Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors