

Internal Audit Strategy 2019-20

Lisa Lovegrove CMIIA, CISA
Chief Internal Auditor

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 service maintains a resource of six full-time equivalent (FTE) members of staff. During the year, one of the Auditor posts has been

deleted (vacant post from January 2019) and a new Senior Auditor post has been created. This vacant post is currently being advertised. A reduction in resource as well as the team's involvement in three investigations has impacted the completion of some priority projects. Once the Senior Auditor role is filled, the team will be in a stronger position to audit the complex areas which make up the audit plan. The annual resource available for Internal Audit will then be 928 days i.e. productive days after taking into account non-working days such as annual leave and training.

High Level Audit Plan

7. Given the limited resources, it is increasingly important that the Internal Audit Service is directing its resource to the right place. The table below shows a summary of planned audit coverage for the year. It should be borne in mind that the plan is flexible to ensure that it reflects any emerging or changes to risks and priorities of the Council. To this end, it will be regularly reviewed with services, and updated as necessary, to ensure it remains valid and appropriate to ensure that internal audit resource is deployed effectively. See also, Appendix 1 – Audit Needs Assessment.
8. 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	55
Community Support Services	95
Corporate areas and corporate risks	91
Customers, Communication & Marketing	15

Education & Children's Services	75
Facilities, Assets & Housing	80
Finance – key financial systems	105
Highways & Environment Services	55
Legal, HR & Democratic Services	49
Planning & Public Protection	30
Anti-fraud and corruption work including National Fraud Initiative (NFI) – <i>see next section</i>	90
Grant certification work	18
Follow up work	50
Consultancy work, committee meetings, Annual Governance Framework etc.	140
Total Internal Audit Plan	948

Anti-Fraud & Corruption Work including NFI

9. Counter fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. As per the Internal Audit Charter, Internal Audit is not responsible for managing the risk of fraud – this lies with the Council's senior management.
10. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by management, and will also carry out proactive 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).
11. The Wales Audit Office runs a national data matching exercise (National Fraud Initiative – NFI) every two years. Work on the 2016/17 exercise is complete and a summary of the results was reported to the Corporate

Governance Committee in November 2018. Work has now commenced on the 2018/19 exercise and we have engaged with relevant Council services to ensure data matches are reviewed and resulting action is taken as necessary. Progress will be reported to Corporate Governance as part of the Internal Audit Update report.

12. Internal Audit captures details of referrals where there are allegations/suspensions of fraud or corruption taking place and this is reported to the Corporate Governance Committee as part of the Internal Audit Update Report. An Annual Fraud Report will be produced shortly to summarise and reflect on the work that has taken place during 2018/19.

Proposed Audit priorities for 2019-20

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 2019–20 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 2019–20 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	Annual review to support the CIA’s annual report and for the Annual Governance Statement. Review will focus on the corporate risks in the Corporate Risk Register with a specific review of the controls specified against corporate risks.
Homelessness	Carried forward from 2018/19. Service is undergoing and internal review. Internal Audit review to be carried out in Q2/Q3.
Direct Payments (Children)	Risk of fraud and error. Area has not been reviewed for some time.
Schools	Audit of individual schools. Sample of four schools to be agreed.
Deprivation of Liberty Safeguard (DoLs)	High corporate and service risk. Process review and compliance with requirements of the Mental Capacity Act.
Continuing Healthcare	Funding arrangements between Betsi Cadwaladr Health Board and DCC.
PCI DSS Compliance	Review of compliance with the payment card industry standards around secure handling of payment details.
Performance management	Sample testing of performance information to verify integrity and accuracy of management information.

Audit Project	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review
Wellbeing Future Generations Act	Review focusing on a preventative work programme that feed into the corporate plan. Focus on the Carers Strategy (community resilience) and how the WFGA has been applied.
Programme and Project Management	Programmes/projects to be reviewed, this year focusing on programme and projects centred in Rhyl surrounding regeneration.
General Data Protection Regulations (GDPR) in Schools	Legislation came into force in May 2018. Review focusing on Schools' compliance.
Health & Safety Enforcement	Features on the service risk register and area has not been reviewed previously.
Revenues Services	Annual review to provide assurance for the S151 Officer. To cover Council Tax, Housing Benefits and NNDR and include a review of the Welfare Reform implications.
Financial Services	Annual review of payroll, accounts payable, treasury management etc. to provide S151 Officer assurance.
Design & Construction	Service has not been reviewed previously. Review of processes and involvement with 21 st Century Schools programme.
Recruitment & Retention	Proactive counter-fraud audit review.
Ethics & Culture	Requirement of Public Sector Internal Audit Standards
Housing Rents	Annual review with focus on welfare reform impact.
Office Management	Has not been reviewed for some time. Focus on the corporate priority for carbon reduction and use of corporate plan funding for related projects
Commercial Waste Service	Potential area for fraud and review to ascertain controls in place and whether the service is maximising income.
Housing Maintenance	Review the efficiency and effectiveness of the service in terms of modernisation and reducing costs.
Tourism Strategy	Review of its implementation.
Stores & Depots	Proactive counter-fraud audit.
Heritage Services	Area has not been reviewed previously. Is it maximising income?

Audit Project	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review
Settlement agreements	Annual review to ensure payments are authorised and valid.
15 Minute Care Calls	Request from the Service to review whether 15 minute calls are applied appropriately.
Scheme of Delegation and Delegated Decisions	Review the process for delegated decisions and sample check that it is being used appropriately. Include review of the Traffic Regulation Orders process.
Leisure	Review of proposed Alternative Delivery Model arrangement.
Pupil Deprivation Grant	Annual requirement for grant certification
Education Improvement Grant	Annual requirement for grant certification
AONB Grant Certification	Annual grant certification requirement.

Internal Audit performance monitoring

15. Internal Audit will continue to use the following performance measures from 1 April 2019 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 was completed in 2017–18 by the arrangement of the Welsh Chief Auditors Group through a peer review by a local authority Internal Audit Service. Denbighshire’s assessment was carried out by Gwynedd County Council’s Internal Audit Service and reported that Denbighshire Internal Audit Services:

“...generally conforms with the PSIAS. Some opportunities for further improvement have been identified ... but none of the items of partial or non-conformance are considered to be a significant failure to meet the Standards”.

18. The CIA has updated the self–assessment to capture the partial conformance items raised in the external assessment. The Quality Assurance Improvement Plan was reported to Corporate Governance Committee in November 2018 and an update will be provided as part of the Annual Internal Audit Report. The Internal Audit Charter has been updated to capture the requirements highlighted in the report and a review of Ethics & Culture is included in the audit plan of work for 2019–20 to fulfil the requirements of the PSIAS.

Appendix 1 – Audit Needs Assessment

19. 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