

Internal Audit Strategy 2020-21

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Introduction

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 and control arrangements.

Internal Audit will continue to deliver its services in accordance with the Public Sector Internal Audit Standards and the Internal Audit Charter which sets out its purpose, authority and principle responsibilities.

The Internal Audit Strategy for 2020/21 aims to support the council in making the best use of its resources and takes into account strategic risks and the corporate priorities. 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 achieve its objectives and be valued by stakeholders.

This Internal Audit Strategy contains the proposed internal audit activity for the year and gives an outline scope of coverage for each area of work. The plan must retain sufficient flexibility to allow us to react to changes in the risk environment. Any changes will be agreed with management and reported to the Corporate Governance & Audit Committee.

The plan of work provides the council with objective opinions on the effectiveness of the organisation's risk management, governance and control arrangements. These are key elements of the evidence which informs the:

- Internal Audit Annual Report; and
- Annual Governance Statement.

The service maintains a resource of six full-time equivalent (FTE) members of staff, comprising the Chief Internal Auditor, 3 Senior Auditors and 2 Auditors (the vacant Auditor post was filled in June 2019). The annual resource available for Internal Audit is therefore 907 days, which are the number of productive days available after allowing for "non-productive" days such as annual leave, training, illness, management and meetings.

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High Level Audit Plan

The Audit Strategy 2020/21 takes into account the:

- Council's corporate and service risk registers;
- corporate assurance requirements, including the Annual Governance Statement;
- the outcome of previous audits and those of other assurance providers,
- discussions with service management teams.

The plan remains flexible to ensure that it reflects any emerging or changes to risks and priorities of the Council. It will be regularly reviewed with services, and updated as necessary, to ensure it remains valid and appropriate so that internal audit resource is deployed effectively.

The table below shows a summary of planned audit coverage for the year.

| Core Areas for Internal Audit Review | Coverage (in days) |
|--|-------------------------------|
| Business Improvement & Modernisation | 40 |
| Community Support Services | 55 |
| Corporate areas and corporate risks | 115 |
| Communities & Customers | 35 |
| Education & Children's Services inc. Schools | 75 |
| Denbighshire Leisure | 60 |
| Finance & Property Services (inc. key financial systems) | 90 |
| Highways, Facilities & Environmental Services | 25 |
| Legal, HR & Democratic Services | 60 |
| Planning, Public Protection & Countryside Services | 55 |
| Anti-fraud and corruption work including National Fraud Initiative (NFI) – <i>see next section</i> | 70 |
| Grant certification work | 35 |
| Follow up work | 50 |

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|---|------------|
| Consultancy work, committee meetings, Corporate Governance Framework & Annual Governance Statement etc. | 142 |
| Total Internal Audit Plan | 907 |

Anti-Fraud and Corruption Work including NFI

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.

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).

The Wales Audit Office runs a national data matching exercise (National Fraud Initiative – NFI) every two years. Work on the 2018/19 exercise is nearing completion and a summary of the results to date was reported to the Corporate Governance & Audit Committee in January 2020. The 2020/21 exercise will commence later in the year and Internal Audit engages with relevant Council services to ensure system reports are extracted accurately and on time, and that data matches are reviewed and resulting action is taken as necessary. Progress will be reported to Corporate Governance & Audit Committee periodically as part of the Internal Audit Update report.

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 & Audit 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 2019/20.

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Proposed Audit Priorities for 2020-21

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 2020-21 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.

The following list shows the current priority projects for 2020-21 that has been agreed between the CIA and each service management team and directors. The Corporate Governance & Audit 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 Brief |
|--------------------------------|---|
| Risk Management | Review will focus on the corporate risks in the Corporate Risk Register that have not been covered elsewhere in the Audit Plan; with a specific review of the effectiveness of the mitigating controls and further actions specified against each risk. |
| Adoption Service | Review partnership arrangements for the Adoption Service to ensure the council is achieving value for money and assess the effectiveness of the council's processes. |
| Community Mental Health Team | Joint audit with Betsi Cadwaladr University Health Board's Internal Audit team. |
| Programme & Project Management | Review of a sample of key council programmes or projects to give assurance over governance, risks management, and controls. |
| Financial Systems | Annual assurance r for the S151 Officer. Include Capital Management and Budget Setting/Monitoring. |
| Revenues & Benefits | Annual Assurance for the S151 Officer. Focus on Universal Credit impact and the council's response. Also Council Tax Reduction Scheme. |

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| Audit Project | Audit Brief |
|------------------------------|--|
| Safeguarding | Implementation of the National Safeguarding Procedures. Also, Deprivation of Liberty Safeguards (DOLS) and Deprivation of Liberty in a Domestic Setting (DIDS). |
| Denbighshire Leisure Limited | Review of governance arrangement and management of key risks and controls following transition of services to the newly formed council owned company. |
| Procurement & Supply Chains | Council's arrangements to manage procurement and supply risks. |
| Youth Service | Review effectiveness of the council's arrangements and its response to the recent WG's Youth Work Strategy. |
| Highways Maintenance | Review implementation of the Highways Code of Practice: "Well-Managed Highways Infrastructure". |
| Works in Default | Request by senior management to review the process for works in default. |
| Access to Information | Review of council's arrangements for handling requests relating to Data Protection, Freedom of Information and Environmental Information Regulations. |
| Workforce Development | Review follows on from audit of recruitment and retention of staff with particular focus on social care workers. |
| Individual School Audits | Continuation of reviews of individual schools providing assurance over: governance, financial management, safeguarding and other key areas. |
| Community Safety | Review effectiveness of current arrangements including partnership and links with the Public Services Board. |
| ICT Capacity & Resources | Service risk register. Review looking at "How well is the existing ICT resource supporting service delivery?" |
| Heritage Services | Carried forward from 2019-20. Assurance that heritage assets owned by the council are protected and review effectiveness of current arrangements in line with corporate priorities and legislative requirements. |

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| Audit Project | Audit Brief |
|--|--|
| Blue Badges | Proactive counter fraud audit. Provide assurance that processes for awarding and monitoring use of blue badges are robust. |
| Additional Learning Needs Implementation | Following on from previous review, assurance that ALN requirements are being implemented. |
| Empty Homes | Review of effectiveness of the Housing into Homes loan scheme and the financial arrangements for allocation and recovery. |
| Housing Maintenance | Carried forward from 2019/20. Review implementation of new OPEN Housing system module. Also, review management of stores and effectiveness of current processes. |
| Exceptions and Exemptions from CPRs | Assurance that exceptions and exemptions are authorised and used appropriately in line with Contract Procedure Rules (CPRs). |
| Equalities/ Wellbeing Impact Assessments | Assurance that the council is meeting the requirements of the Public Sector Equalities Duty. |
| Pupil Development Grant | Annual grant certification work. |
| Post 16 Education Grant | Assurance over the grant claim preparation and authorisation process. |
| Housing Support Grant | Assurance on the preparation of the grant claim and authorisation process. |
| AONB Grant Certification | Annual grant certification work. |

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Internal Audit Performance Monitoring

Internal Audit will continue to use the following performance measures from 1 April 2020 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.

| Service Standards | 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) |
| 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% |

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Public Sector Internal Audit Standards (PSIAS)

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.”

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”.

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 & Audit Committee in November 2018 and an update was provided as part of the Annual Internal Audit Report in June 2019.

Since then, the Internal Audit Charter has been updated to capture the requirements highlighted in the report and a review of Ethics & Culture has recently been completed which means that all improvement actions arising from the external assessment have been completed. A further update will be provided to the Corporate Governance & Audit Committee in June 2020 as part of the Annual Internal Audit Report.