

# **Internal Audit Strategy 2021-22**

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# Internal Audit Strategy 2021-22

## 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 2021/22 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 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 Internal Audit structure comprises six full-time equivalent (FTE) members of staff, comprising the Chief Internal Auditor, 3 Senior Auditors and 2 Auditors (a Senior Auditor post is currently vacant). The equates to 781 days available for productive assurance work. The number of productive days does not include "non-productive" days such as annual leave, training, illness, management (e.g. 121s) and team meetings.

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## High Level Audit Plan

The Audit Plan 2021/22 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.
- Planned work deferred from 2020-21

The plan recognises the need for additional assurance that controls are effective following the Covid-19 emergency. 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. As a minimum, the plan will be reviewed after six months.

The table on page 7 lists the priority audit areas for the year.

## Counter 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 counter 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).

Audit Wales facilitates a national data matching exercise (National Fraud Initiative – NFI) every two years. Work on the 2018/19 is complete and the 2020/21 exercise has recently

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commenced. 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 Governance & Audit Committee periodically as part of the Internal Audit Update report.

Internal Audit captures details of referrals where there are allegations/suspicious of fraud or corruption taking place and this is reported to the Governance & Audit Committee as part of the Internal Audit Update Report. An Annual Fraud Report will be included as part of the Internal Audit Annual Report to summarise and reflect on the work that has taken place during 2020/21.

### **Partnership working with other auditors**

We continue to work to develop effective partnership working arrangements with other local authority audit services. We participate in audit networks, locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoiding instances of “re-inventing the wheel”, particularly in new areas of work which has been covered in other authorities. We continue to maintain an effective working relationship with the Council’s external auditors, Audit Wales, and meet regularly to exchange information and minimise potential duplication.

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## Proposed Audit Priorities for 2021-22

This year's audit plan has been developed through discussions with senior and middle management, and aligned with the corporate priorities and corporate and service risks registers and the council's risk appetite. It is also informed by previous audit results, horizon scanning and current themes such as Climate Change and post Covid-19 recovery. For 2021/22, key considerations for setting the plan include:

- ongoing covid-19 recovery and response, including the requirements of assurance over grants;
- financial challenges and related budget savings required to be delivered by the council;
- organisational changes including increased partnership working and major projects;
- organisational resilience and sustainability including workforce planning.

All audit areas identified as high priority within the plan will be undertaken together with annual audits of financial areas for the Section 151 Officer with particular focus on key changes and Covid-19 grants. 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 2021-22 that has been agreed between the CIA and each service management team and directors. The 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.

A summary brief for each audit area is listed in the table below, detailed scope of work will be developed and agreed with management prior to the start of each review. This is to ensure that key risks to the operation or function can be considered during the review.

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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. Carried forward from 2020/21
Childcare Settings	Service risk. Review of wrap around care linked to Schools/Council in terms of liabilities, risk management and financial processes.
Programme & Project Management	Corporate risk. Review of a sample of key council programmes or projects to give assurance over governance, risks management, and controls. Include Working Denbighshire project.
Financial Systems	Annual assurance for the S151 Officer. Focus on Covid-19 grants and impacts.
Revenues & Benefits	Annual Assurance for the S151 Officer. Focus on Universal Credit and Covid-19 impact and the council's response.
Safeguarding	Support/advise the Council on its response to new Liberty Protection Safeguards (DOLS/DIDS).
Commercial Waste	Linked to corporate priority – Environment. Focused review of key processes including contract management and income collection. Carry forward from 2020/21
Denbighshire Leisure Limited (DLL)	Service Level Agreement to provide internal audit service to DLL.
Youth Service	Linked to corporate priority – young people. Review effectiveness of the council's arrangements and its response to the recent WG's Youth Work Strategy. Carry forward from 2020/21
Highways Maintenance	Linked to corporate priority – connected communities. Review implementation of the Highways Code of Practice: "Well-Managed Highways Infrastructure". Carry forward from 2020/21

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Audit Project	Audit Brief
Housing Rent Arrears	Review the impact of Universal Credit and Covid-19.
Cefndy Healthcare	Service risk – review impact of Brexit and key risks.
Workforce Planning	Linked to corporate and service risk around capacity and resilience of key roles.
School Audits	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Community Safety Partnership	Review effectiveness of current arrangements including partnership and links with the Public Services Board. Include safeguarding considerations. Carried forward 2020/21
Property Management	Asset management including acquisition and disposal decisions.
Health & Wellbeing	Impact of Covid-19 on staff health & wellbeing and organisational response.
Additional Learning Needs Implementation (ALN)	Following on from previous review, advisory/assurance work on implementation of the ALN requirements. Carried forward from 2020/21
Wellbeing Impact Assessments	Review to ensure that decision making takes proper account of Wellbeing Impact Assessment. Also, inclusion of carbon reduction and socio-economic duty. Carry forward from 2020/21
Housing Maintenance	Review impact of Covid-19 and effectiveness & efficiency of current processes. Include review of new IT system implementation.
Procurement - Exceptions and Exemptions	Compliance audit - assurance that exceptions and exemptions are authorised and used appropriately in line with Contract Procedure Rules (CPRs).
Governance – Decision making	Corporate Governance review linked to Annual Governance Statement. Review of decision making structure, delegated decisions (lead member and officer level), arrangements for scrutiny of decisions and record keeping.



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<b>Audit Project</b>	<b>Audit Brief</b>
Equalities	Corporate risk – regulatory. Assurance that the council is meeting the requirements of the Public Sector Equalities Duty including the response to the new socio-economic duty and tackling poverty.
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 2021 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.

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 Governance & Audit Committee in November 2018 and an update was provided as part of the Annual Internal Audit Report in June 2019 and July 2020. A further update will be included as part of the Annual Internal Audit Report in June 2021.

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 addressed. A further update will be provided to the Governance & Audit Committee in June 2021 as part of the Annual Internal Audit Report.