

Internal Audit Strategy

2022-23

Internal Audit Strategy 2022-23

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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 2022/23 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, 1 Principal Auditor, 2 Senior Auditors and 2 Auditors (1 Auditor is currently seconded to Senior Auditor until 31 October 2022). 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 2022/23 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 2021-22

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 2020/21 exercise is nearing completion; Internal Audit

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coordinates with relevant Council services to ensure system reports are extracted accurately and on time, 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 2021/22.

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 2022-23

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 Covid-19. For 2021/22, key considerations for setting the plan include:

- ongoing covid-19 response, including the requirements for 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 2022-23 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.
Fostering	Provide assurance over the controls in place to support the robust management of the fostering service including payments to foster carers and compliance with good practice and relevant legislation. Also review the embedding and benefits gained from being part of the Foster Wales national network.
Looked after children – Independent Reviewing Officers	Corporate risk – safeguarding. The role and responsibilities of the independent reviewing officers in caring for looked after children. Review the effectiveness of the IRO service with consideration to strategic and managerial oversight, performance monitoring and reporting.
Programme & Project Management	Corporate risk. Review of a sample of key council programmes or projects to give assurance over governance, risks management, and controls.
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. To provide assurance around how Revs and Benefits service is handed back from Civic to the Council.
Liberty Protection Safeguards	Support/advise the Council on its response to new Liberty Protection Safeguards (DOLS/DIDS).

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Audit Project	Audit Brief
Mediquip	Review arrangements over Mediquip to include: <ul style="list-style-type: none"> • contractual agreements and authorisation • risk management • management and supervision • performance management • financial arrangements
Court of Protection	Review to cover the following areas: <ul style="list-style-type: none"> • governance and procedures • management of client finances including investments • fees • access controls • performance monitoring and reporting
Community Equipment Service	Review to cover: <ul style="list-style-type: none"> • Governance arrangements over partnership • Procurement – compliance with financial regulations and contract procedure rules, • financial management and monitoring to include pooled budget, • inventory, stock of equipment, and equipment servicing and • compliance with GDPR.
Commercial Waste	Linked to corporate priority – Environment. Focused review of key processes including contract management and income collection.
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.

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Audit Project	Audit Brief
Highways Maintenance	Linked to corporate priority – connected communities. Review implementation of the Highways Code of Practice: "Well-Managed Highways Infrastructure".
Procurement – pre-tender stage	<ul style="list-style-type: none"> • Review compliance with legislation, financial regulations and contract procedure rules, • project planning & appraisal • seeking quotations and invitations to tender • Effectiveness of community benefits hub • Environmental and carbon considerations
Partnership Arrangements	<p>Review to inform the Annual Governance Statement to assess adequacy of corporate arrangements to manage key partnership risks and for a sample of individual partnership arrangements review:</p> <ul style="list-style-type: none"> • Governance arrangements • Achievement of expected outcomes • Data protection arrangements • Monitoring of financial management • Funding agreements and monitoring arrangements where grants involved.
Cefndy Healthcare	<p>Service risk – review impact of Brexit and key risks. Scope to include:</p> <ul style="list-style-type: none"> • Strategic planning • Key controls – financial, policy and procedures. • Procurement & contract management – compliance with Contract Procedure Rules and Financial Regulations. Consider ethical procurement and supply chain resilience. • Legal & regulatory compliance – also Brexit considerations • Customer service
Workforce Planning	Linked to corporate and service risk around capacity and resilience of key roles.

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Audit Project	Audit Brief
Tackling Poverty	New corporate priority relating to reducing deprivation. Review to cover governance arrangements including roles and responsibilities, strategies and plans.
School Audits	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Asset Management	Asset management over property including acquisition and disposal process and authorisations.
IT Asset Management	Evaluate controls in place over the Council's technology assets including, computers, mobile devices, corporate network and key business applications. Review to also consider how ICT maintains the ICT assets to support the council's operations.
Health and Wellbeing	Impact of Covid-19 on staff health and wellbeing and organisational response. To include a review of the Occupational Health service.
Flood Risk Strategy	<p>Review corporate arrangements to manage flood risk, scope to include:</p> <ul style="list-style-type: none"> - Flood risk management strategy and operational plans - Coordination between services and partners - Systems and processes for identifying potential flood risk areas
Insurance	<p>Evaluate controls to ensure the council has appropriate insurance in place to cover key risks associated with its activities and responsibilities.</p> <ul style="list-style-type: none"> - Insurance coverage - Insurance renewals - Claims handling - Assessment of contractor liability for claims where applicable - Service charge for insurance cover

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Audit Project	Audit Brief
Planning Applications	<p>Review effectiveness of key controls in place around the processing of planning applications to ensure that applications are assessed appropriately and objectively and decisions are made in line with delegated officer responsibilities.</p> <p>Proactive counter-fraud review of the controls in place to mitigate the risk of fraud or conflicts of interests impacting the planning application process.</p>
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.
Area of Outstanding Natural Beauty (AONB) Grant Certification	Annual grant certification work on behalf of the AONB.
Homelessness	Review the effective controls in place for assessing people declared homeless and placing them into accommodation.
Blue Badges	<p>This service has not been reviewed for several years and the service feel a review around the following areas would add benefit.</p> <ul style="list-style-type: none"> • Legislation and guidance • Controls and procedures in place for recording and processing claims
Library fees & charges	<p>Review to cover:</p> <ul style="list-style-type: none"> • Current fees and charges in operation within libraries • Proposed new charging policy
Cash Collection	Review corporate arrangements in place for cash collection and current banking arrangements
ALN	Following on from previous review, advisory/assurance work on implementation of the ALN, this year we will undertake sample test around the controls and processes.

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Internal Audit Performance Monitoring

Internal Audit will continue to use the following performance measures from 1 April 2022 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, July 2020 and June 2021. A further update will be included as part of the Annual Internal Audit Report in June 2022.

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 2022 as part of the Annual Internal Audit Report.