

# **Internal Audit Strategy 2023-24**

# Internal Audit Strategy 2023-24

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# Internal Audit Strategy 2023-24

## 1. Introduction

- 1.1 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 and control arrangements.
- 1.2 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.
- 1.3 The Internal Audit Strategy for 2023/24 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.
- 1.4 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.
- 1.5 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.
- 1.6 The Internal Audit structure comprises six full-time equivalent (FTE) members of staff, comprising the Chief Internal Auditor, 1 Career Pathway Principal Auditor, 3 Career Pathway Senior Auditors and 1 Auditors. This equates to 1,008 days available for productive assurance work. The number of productive days does

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not include “non-productive” days such as annual leave, training, illness, management (e.g. 121s) and team meetings.

## 2. High Level Audit Plan

2.1 The Audit Plan 2023/24 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 2022-23.

2.2 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.

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

## 3. Counter Fraud and Corruption Work including NFI

3.1 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.

3.2 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

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Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges and Direct Payments (Social Care).

- 3.3 Audit Wales facilitates a national data matching exercise (National Fraud Initiative – NFI) every two years. Work on the 2020/21 is complete and the 2022/23 exercise has recently 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.
- 3.4 Internal Audit captures details of referrals where there are allegations/suspensions 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 2022/23.

### **4. Partnership working with other auditors**

- 4.1 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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## 5. Proposed Audit Priorities for 2023-24

- 5.1 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. For 2023/24, key considerations for setting the plan include:
- Onboarding new staff who have not worked in Internal Audit before and assisting them with training and support;
  - 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.
- 5.2 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 around the new financial system currently due to go live on 1 April 2024. 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.
- 5.3 The following list shows the current priority projects for 2023-24 that has been agreed between the CIA and each service management team and directors. The Governance and 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.
- 5.4 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 the main accounting systems.  To review progress on the implementation of the new financial system.
Revenues & Benefits	To provide assurance around how Revs and Benefits service is operating now that it has come back in-house.
Liberty Protection Safeguards	Support/advise the Council on its response to new Liberty Protection Safeguards (DOLS/DIDS).
Mediquip	Review arrangements over Mediquip to include: <ul style="list-style-type: none"> <li>• Contractual agreements and authorisation</li> <li>• Risk management</li> <li>• Management and supervision</li> <li>• Performance management</li> <li>• Financial arrangements</li> </ul>
Court of Protection	Review to cover the following areas: <ul style="list-style-type: none"> <li>• Governance and procedures</li> <li>• Management of client finances including investments</li> </ul>

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	<ul style="list-style-type: none"> <li>• Fees</li> <li>• Access controls</li> <li>• Performance monitoring and reporting</li> </ul>
Community Equipment Service	<p>Review to cover:</p> <ul style="list-style-type: none"> <li>• Governance arrangements over partnership</li> <li>• Procurement – compliance with financial regulations and contract procedure rules,</li> <li>• Financial management and monitoring to include pooled budget,</li> <li>• Inventory, stock of equipment, and equipment servicing and</li> <li>• Compliance with GDPR.</li> </ul>
Denbighshire Leisure Limited (DLL)	Service Level Agreement to provide internal audit services.
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.
Procurement – pre-tender stage	<ul style="list-style-type: none"> <li>• Review compliance with legislation, financial regulations and contract procedure rules,</li> <li>• Project planning &amp; appraisal</li> <li>• Seeking quotations and invitations to tender</li> <li>• Effectiveness of community benefits hub</li> <li>• Environmental and carbon considerations</li> </ul>
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"> <li>• Governance arrangements</li> <li>• Achievement of expected outcomes</li> <li>• Data protection arrangements</li> <li>• Monitoring of financial management</li> <li>• Funding agreements and monitoring arrangements where grants involved.</li> </ul>
Cefndy Healthcare	<p>Service risk – review impact of Brexit and key risks. Scope to include:</p> <ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Key controls – financial, policy and procedures.</li> </ul>



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	<ul style="list-style-type: none"> <li>• Procurement &amp; contract management – compliance with Contract Procedure Rules and Financial Regulations. Consider ethical procurement and supply chain resilience.</li> <li>• Legal &amp; regulatory compliance – also Brexit considerations</li> <li>• Customer service</li> </ul>
Tackling Poverty	New corporate priority relating to reducing deprivation. Review to cover governance arrangements including roles and responsibilities, strategies and plans.
Denbigh High School	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Esgob Morgan	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Pentrecelyn	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Dinas Bran	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Bro Famau	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Emmanuel	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Henllan	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Bro Dyfrdwy	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Bodfari	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Trefnant/Llanbedr	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Plas Brondyfryn	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Bryn Collen	Reviews of schools providing assurance over: governance, financial management, safeguarding and other key areas.
Ysgol Gwenant	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.

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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	Review corporate arrangements to manage flood risk, scope to include: <ul style="list-style-type: none"> <li>- Flood risk management strategy and operational plans</li> <li>- Coordination between services and partners</li> <li>- Systems and processes for identifying potential flood risk areas</li> </ul>
Insurance	Evaluate controls to ensure the council has appropriate insurance in place to cover key risks associated with its activities and responsibilities. <ul style="list-style-type: none"> <li>• Insurance coverage</li> <li>• Insurance renewals</li> <li>• Claims handling</li> <li>• Assessment of contractor liability for claims where applicable</li> <li>• Service charge for insurance cover</li> </ul>
Planning Applications	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.  Proactive counter-fraud review of the controls in place to mitigate the risk of fraud or conflicts of interests impacting the planning application process.
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.
Council Run Care Home	To carry out a process review on the two council run care homes, with a view to undertaking a full audit in 2024/25 if required. .
Blue Badges	Following on from the process review completed in 2022/23, we will undertake an audit of the service concentrating on the issues raised in the process review.
Library fees & charges	Process review to be completed this year on the service, with a view to carrying out an audit in 2024/25 if required. <ul style="list-style-type: none"> <li>• Proposed new charging policy</li> </ul>
Cash Collection	Review corporate arrangements in place for cash collection and current banking arrangements

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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.
Rhuddlan Town Council 2022-2023	Annual Audit work on behalf of Rhuddlan Town Council
AONB Grant	Annual grant certification work on behalf of the AONB.
Wellbeing Impact Assessment	To provide assurance that the council is complying with the Wellbeing Impact Assessment and services are fully engaged.
National Fraud Initiative	To start on the matching process during this financial year
UK Resettlement Team	To review arrangements in place to support people being resettled within the UK and monies been spent comply with the terms and conditions of the grant.
Taxi Licensing	Carry out a full review of the taxi licensing process within Denbighshire. Look at complaints received in last couple years.
Staff PayScale review	To review the key piece of work being undertaken by HR around staff PayScale and remuneration.
Housing Contact Centre / Corporate Call centre	To provide assurance around the controls in place to support an efficient and effective call centre, with the scope looking at <ul style="list-style-type: none"> <li>- Both call centres comply with the councils policies and procedures</li> <li>- Enquires are dealt with in a timely manner</li> <li>- Monitoring of customer feedback.</li> </ul>
Liberty Gas	To review the arrangements in place between the council and the contractor to ensure compliance with the contract
Contract Management of ICT system	To look at the current Contract Management process in place for purchasing and renewing ICT system.
Climate Change & Ecological Change Programme	To provide assurance that the council is complying with the Climate & Ecological Change programme and services are fully engaged.
Whistleblowing Investigation	As required.

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Follow up audits	As required.
School Funds Audits	On request.

### 6. Internal Audit Performance

- 6.1 Internal Audit will continue to use the following performance measures from 1 April 2023 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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## 7.

### Public Sector Internal Audit Standards (PSIAS)

7.1 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.”

7.2 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”. Submitting the plan to the Corporate Governance & Audit Committee and Senior Leadership Team for review and agreement.

7.3 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, June 2021 and June 2022. A further update will be included as part of the Annual Internal Audit Report in June 2023.

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7.4 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 2023 as part of the Annual Internal Audit Report.