

# **INTERNAL AUDIT STRATEGY**

MPN  
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The Public Sector Internal Auditing Standards requires the Head of Internal Audit to produce a high level audit strategy showing how the Internal Audit service will be delivered and developed.

The principal aims of this strategy are to communicate the contribution that Internal Audit makes to the Council including:

- Internal Audit objectives and outcomes
- How the Head of Internal Audit will form and evidence his/her opinion on the control environment.
- How Internal Audit's work will identify and address local and national issues of risk.
- How the service will be provided
- The resources and skills required to deliver the Internal Audit Service.

## **Internal Audit Objectives and Outcomes**

The purpose of Internal Audit is to provide the Council, through the Audit and Risk Management Committee, and the Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and informs the Annual Governance Statement.

Internal Audit, through a process of evaluation and testing is able to help ensure the proper, economic, efficient and effective use of resources.

Internal Audit acts as an independent consultancy which can help line managers improve risk management, governance and control within the areas they have responsibility for.

Internal Audit does not relieve management of their responsibility for establishing and maintaining adequate controls but assists in the effective discharge of this responsibility.

## **Head of Internal Audit Annual Opinion**

The Head of Internal Audit (Chief Internal Auditor) provides an annual written audit report to those responsible for corporate governance to support the Annual Governance Statement. This report is based on an assessment of the results of audit work undertaken throughout the year. Whilst providing this opinion of the control environment the Chief Internal Auditor will reflect on the variance between work undertaken and that planned, and will consider the performance of the Internal Audit Section against its indicators and targets and also the results of the annual quality assessment of the service.

## **Internal Audit Risk Identification**

An Audit Plan is produced each year before the start of the financial year, this is authorised by the Strategic Leadership Team, the Section 151 Officer and the Audit and Risk Management Committee. The Audit Plan identifies all of the key issues and risks known to the organisation at the time of writing and yet also has built in flexibility which allows Senior Management to direct Internal Audit resources to newly forming areas of local and national risk. Local and National areas of risk are identified throughout the financial year via Cabinet and Committee reports, discussions with the Chief Executive, Chief Officers, the Section 151 Officer and the External Auditors, at Area Forums, professional seminars and conferences and through reviewing relevant professional publications.

## **Internal Audit Service Provision**

Internal Audit operates in accordance with the Public Sector Internal Auditing Standards which define the way in which internal audit services should be delivered across the sector.

Internal Audit is able to provide its service due to its unique position within the Authority, which allows for comprehensive coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary in the course of their assurance and consultancy work, including unrestricted access to:-

- The Chief Executive
- Members
- Individual Chief Officers
- All authority employees

Internal Audit develops an Audit Plan which sets out the work that will be completed by the service; the plan is risk based and takes into account the following factors:

- Materiality, that is the level of significance attributed to the system including factors such as the number and value of transactions, the need to demonstrate high standards of probity and reputational risk;
- Business Risk, this is the impact on objectives the system has the potential to create;
- Audit Experience, this includes previous Internal Audit, External Audit and Inspection reports, and the date of the previous audit coverage;
- The potential for the system to be subject to fraud or corruption.

The plan is determined from the priorities identified by the risk assessment and the productive audit days available and aligns with all of the strategies, objectives and risks of the Council. It is designed in an insightful fashion so as to allow it to remain flexible and dynamic, accommodating work required to be undertaken on an ongoing proactive basis to address any developing or emerging risks as they materialise during the life cycle of the plan, and consequently ensuring that it always remains 'future focussed'.

By its very nature Internal Audit work completed will ensure that continuous ongoing improvements in risk management and the overall control and governance environment are undertaken by senior management across a wide range of systems and service delivery areas in operation within the Council.

The Chief Internal Auditor monitors the actual work against the plan on a monthly basis and takes appropriate action to address any issues arising, including informing Chief Officers and Members of any changes on a timely and regular basis. Consequently, the plan is designed to be very flexible and dynamic allowing it to continually adapt to any changing circumstances and priorities during the year.

All audit assignments will be the subject of formal reports. The reports will identify any risks associated with the internal control environment and recommend actions to address any weaknesses. Reports will contain recommendations that are considered to be high, medium or low priority for attention. Following a meeting to discuss the report and its recommendations an action plan will be prepared and included in the final report. This will be issued to the line manager and where necessary the senior management team member(s) responsible. Each audit assignment is subject to a quality check by a Programme Auditor/Audit Manager to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and

evidence recorded. In addition the Chief Internal Auditor undertakes further quality checks for a number of completed audits during the year.

The Chief Internal Auditor will submit regular reports to the Audit and Risk Management Committee identifying progress against the plan, any significant control issues found and the potential for improving the risk management and control processes and will also inform the committee of any changes made to the annual plan.

It is important that good working relationships are developed and maintained with those staff subject to audit, in order to help foster this type of relationship the audit report will acknowledge areas of good practice. The Team's commitment to the process of developing good working relationships is further demonstrated by its attempts to be constructive and helpful and to provide protection and security for the Authority and individual members of staff, particularly those who have financial responsibilities through the audit process. To aid the development of the service and to help make it more customer focused feedback questionnaires are distributed with each audit report asking managers to assess the overall usefulness of the audit, the auditor's conduct and the quality of the report.

Each audit assignment is subject to Post Audit Assessment/Review to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. The findings from these reviews are used to inform future audit assignments and individual Auditor Development Programmes.

## **Resources and Skills Required to Deliver the Service**

The main resource required to deliver the service is its staff, these are recruited based on the skills and experience needed to provide a high quality service.

All staff within the section are professionally qualified and provided with the opportunity for continuing professional development. Training needs of all staff are identified through the Post Audit Assessment Process and annual Performance Appraisal system which is linked to core competencies for internal audit professionals.

In this way, we ensure that staff members are suitably skilled to deliver the specialist services provided by Internal Audit.