

Internal Audit Strategy 2019 - 2022



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(1) Introduction and Mission Statement

Introduction

This document sets out our Internal Audit Strategy (IAS) for the next three years. The IAS sets out how the service will support and promote improvement and good governance, which is underpinned by the Internal Audit Charter (IAC) which describes the purpose, authority, responsibility and position of the Internal Audit (IA) Service within Gloucestershire County Council, Gloucester City Council, Stroud District Council and external clients, our Code of Ethics and our Quality Assurance and Improvement Programme (QAIP) which includes our key performance indicators to monitor performance and demonstrate success.

Our Mission Statement

IA has adopted the following Mission Statement:

A collaborative partnership delivering a modern, innovative, customer focused service aligned to business needs to enhance and protect organisational value by providing risk based, independent and objective assurance, consulting activity, advice and insight.

In delivering this Mission Statement IA will:

- Produce and deliver an Annual Risk Based Internal Audit Plan which complies with the Public Sector Internal Audit Standards (PSIAS);
- Provide the statutory Chief Internal Auditor's Annual Opinion on the organisation's internal control, risk management framework and corporate governance arrangements;
- Provide progress reports to the Audit Committees / Boards which highlight any significant risk and control deficiencies or potential areas for improvement in the organisation's governance, risk and control arrangements; and
- Support and suitably challenge key assumptions and judgments taken by management, through IA's assurance and advisory services, to ensure they are appropriate and in accordance with relevant legislation, policies and procedures, guidance and professional standards.

(2) Key components of the Internal Audit Strategy

Our core values which underpin the delivery of our mission

- Customer focus:** To remain aware of the needs and requirements of all of our stakeholders in providing the optimum customer experience, to inspire respect, confidence and trust and to treat colleagues and customers with **respect** and understanding.
- Quality:** Quality and **excellence** is at the heart of everything we do. Our measure of quality is customer satisfaction and our goal is to provide a service that meets or exceeds those expectations. Our aim is to provide a service that remains responsive to the needs of our customers and maintains consistently high standards. Staff are fully **empowered** to achieve the best possible outcomes and are **accountable** for their actions and take responsibility for their decisions.
- Experience:** All of our staff and commissioned consultants are professionally qualified, are fully conversant with relevant industry standards / practices and have significant knowledge, experience and understanding of the requirements of auditing in a public sector environment. This provides a unique insight into sector risks (existing and emerging), challenges, opportunities and good practice that informs our work. Continuing Professional Development is a fundamental part of our staff development strategy.
- Flexible:** We operate with a multidisciplinary team to provide a seamless and responsive service in meeting our partner and clients' needs.
- Resilient:** ARA provides resilience in both strength and depth. We continue to 'grow our own' by the ongoing implementation of our Trainee Auditor programme, to support succession planning.
- Agile working:** We work with our clients to build trust; develop common understanding and take collective action to improve organisational priorities and outcomes; and be a trusted advisor to strategic management and the Audit Committees / Boards.
- Growth:** We maximise income generation through the continuous exploration of opportunities.

Key components of the Internal Audit Strategy

Measurements of success

The PSIAS are clear that IA should be adding value to an organisation. This will be achieved primarily through the delivery of our QAIP, which includes staff, team and service Key Performance Indicators (KPIs). Value will also be added via the provision of consultancy services and risk and control advice.

Our key service KPIs

- 85% achievement of the Annual Internal Audit Plans for each partner and client.
- 100% PSIAS compliance achievement (assessed through internal annual review and External Quality Assessment every 5 years).
- 80% of client satisfaction surveys rated the service as good or better.
- 90% of all recommendations accepted and implemented.

Performance monitoring

- The Internal Audit Plan is agreed by the relevant Audit Committees / Board annually and ongoing delivery is monitored by them.
- Individual audit assignments will be recorded and monitored in detail within a Performance Management System and used for monitoring and reporting service performance.
- The in-house teams' individual performance will be regularly assessed, monitored and supported through personal development reviews, 121s and team meetings. In addition, auditors self evaluate their own performance at the end of each activity, implementing any lessons learnt identified.
- Our co-sourced providers' performance is monitored through contractual KPIs and contract management meetings.
- Client satisfaction survey responses reviewed and improvement actions implemented as necessary.

Key supporting documents

Our key strategic documents for each partner and client include the:

- IAS (including our Mission Statement);
- Internal Audit Charter, QAIP and Code of Ethics;
- Corporate (Audit) Committee Terms of Reference;
- Corporate Risk Management Policy Statement and Strategy;
- Corporate Counter Fraud and Corruption and Anti Bribery Policy Statement and Strategy;
- Annual Risk Based Internal Audit Plan; and
- Internal Audit Manual (our operating procedures).

(3) Provision of the service

The IA Service has defined processes for the planning, delivery, monitoring and reporting of internal audit work. This includes quality assurance arrangements in place for the review and approval of reports before issue. The Chief Internal Auditor will provide an Annual Internal Audit Opinion to those charged with governance timed to support the Council’s Annual Governance Statements. The Annual Internal Audit Opinion includes the statutory opinion on the overall adequacy and effectiveness of the Council’s system of internal control, risk management framework and corporate governance arrangements.

The service structure provides client portfolio leads and a multidisciplinary team, which enables us to work collaboratively, focus on the areas that matter to our partners and clients, which supports continuous improvement.

IA Resources

Internal Resource (staff rotated / located across all partner and client sites)

Our current Internal Audit structure comprises of 19.01 FTE

- 0.8 FTE Head of Audit Risk Assurance (Chief Internal Auditor)
- 1 FTE Group Manager
- 3.86 FTE Principal Auditors
- 2.6 FTE Principal Auditors / Counter Fraud Specialists
- 4.15 FTE Senior Auditors
- 3 FTE Trainee Auditors
- 2.0 FTE Audit/Risk Technical Officers
- 0.7 FTE Senior Risk Advisor

External Resource

- 0.6 FTE ICT Audit
- 0.3 FTE Internal Audit Provider

Appendix 1: Key Principles

We will:

- Continue to promote the three lines of defence risk assurance model.
- Continue to focus our resources on risk.
- Support risk management and encourage risk appetites to be defined via our risk management service offer.
- Align our proposed recommendations to risk appetites.
- Apply a process for identifying “root causes” of problems or events and an approach for responding to them.
- Continue to develop and promote the requirements of the Counter-Fraud and Corruption Strategy.
- Undertake the investigation of any reported irregularity issues and identify actions to improve controls.
- Contribute to the development of an assurance framework and map to support the development of our Annual Internal Audit Plan.
- Ensure that audit recommendations proposed are proportional to the risk exposure.
- Follow up high priority recommendations made and undertake follow up reviews where a limited assurance opinion on the control environment is provided.
- Consider (where relevant and appropriate) incorporating data analytics into our Internal Audit reviews to provide further intelligence over entire populations.
- Continue to promote and embed collaborative working arrangements with management and external partners / regulators.
- Take time to reflect on our current overall structure, capacity, skills and expertise needed and service offer to ensure that we continue to be a trusted partner who provides a credible, resilient, sustainable, value added and flexible service.

Appendix 2: Compliance with regulation and professional standards

Accounts and Audit (England) Regulations 2015

We will oversee and/or discharge on behalf of the Council the requirements of the Accounts and Audit Regulations 2015, which require the Council to ‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

Public Sector Internal Audit Standards (PSIAS) 2017

We will ensure that our IA service adheres to the PSIAS and the Local Government Application Note for the UK PSIAS. Our last independent Review of Effectiveness (2015) confirmed that we did conform to the Standards (only minor observations were noted which have now been implemented). We perform annual assessments of adherence and report on this as part of our Annual Internal Audit Opinion.

International professional standards framework

Our IA service will operate in adherence to the International Standards for the Professional Practice of Internal Auditing.

Audit Committees / Boards

IA will support the Audit Committees and Boards as key stakeholders in accordance with their terms of reference which are in line with the requirements of the Accounts and Audit Regulations and the PSIAS.